

2021

Sustainability Report



MEL
CARTONBOARD MAKERS

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IT
GREEN

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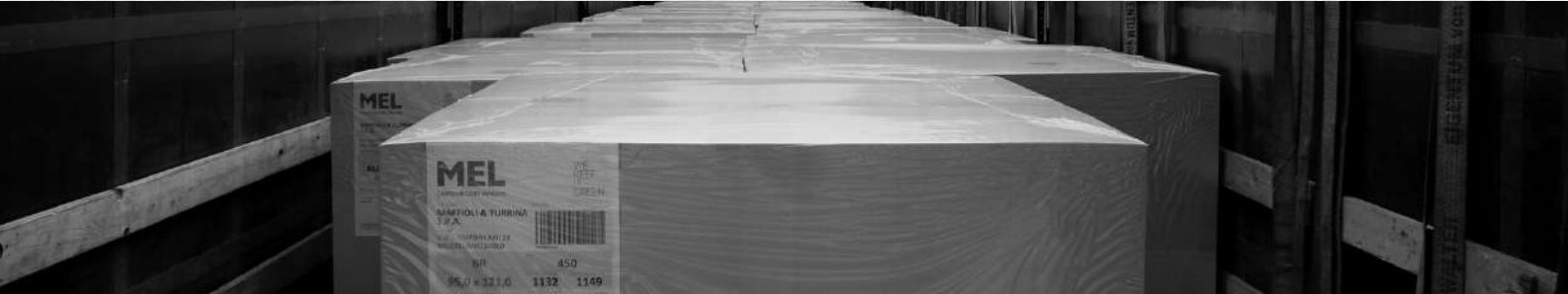
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Advised by
NET ZERO ANALYTICS

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Message from the Managing Director (GRI 102–14)



The issuance of the Sustainability Report for 2022 comes in a year full of achievements for the MACEDONIAN PAPER COMPANY - MEL, coinciding with the 10 year anniversary of our affiliation to the Pak Group. During these ten years, MEL has displayed continuous growth with significant improvement in all important financial indicators.

The extraordinary events of the past two years reveals contradictory feelings as we will mostly remember them because of the Covid-19 pandemic that caused an incalculable humanitarian disaster. And yet, even under these circumstances we can find elements that make us proud. Especially for us who work in the field of food packaging, the responsibility was of paramount importance. During lockdowns, MEL was included as an essential nutritional chain component, as cardboard was considered vital for the packaging of food and pharmaceutical products. Never before in the history of cardboard making has it been so crucial to meet the needs of our fellow human beings and ensure that the nutritional chain was running. We proved that we maintain the necessary components to protect our society and workers with goals and aspirations that ensure better living conditions. The efforts of all employees made it possible to protect the health of workers, while creating conditions for achieving significant economic results.

We proved that the main priority for us was the protection and safety of our employees and partners. For this reason, all the prescribed health safety protocols came into force from the first moment of the pandemic, in accordance with the guidelines of the competent national authorities. The response of our company to the emergencies of Covid-19 was our duty. In this context, MEL has consistently stood by society, supporting the public health system assisting with donations of sterilization units that supported intensive care units (ICU) as well as protective clothing of special uniforms which were distributed to hospital units in Thessaloniki and Northern Greece in general. All these efforts were made in order to support patients who were at risk.

However, above all, the importance of sustainable development in collectively addressing the challenges facing humanity today were highlighted. In this environment, we advanced and accelerated the implementation of our strategic plan for our energy and digital transformation. A plan in harmony with the developments, needs and trends in Greece and around the world. We executed investments in the use of biomass for the production of steam minimizing our environmental footprint and we laid the foundations for the creation of greener and more sustainable energy expenditure with the coverage of the DEPA natural gas network in the area of the plant. New industrial floors, installation of fire detection and fire safety systems, modernized de-inking sieves and the construction of leading biological treatment plants are just some of the actions playing a key role in tackling climate change, while at the same time constantly focusing on the needs of our customers, employees and society. 2022 continues to be a year of dynamic recovery and investments for MEL, achieving the highest levels in recent years, with the installation of vacuum pumps for even greater energy savings.



By recycling and reusing more than 120,000 tons of paper annually and strengthening the circular economy model, MEL unquestionably ensures environmental balance and sustainability. In this context, we continue to implement practices based on the principles of circular economy and reuse of natural resources, in order to continuously reduce the environmental burden, focusing on reducing the use of fossil fuels consumed in the production processes and emphasizing on the utilization of recyclable materials and the eco-design of our products.

This year, the difficulties are increasing with the appearance of the global energy crisis, which is developing to this day into one of the greatest energy challenges of modern civilization. For this reason, we planned and implemented immediately targeted investments to further reduce electricity consumption and improve our ecological footprint.

MEL is pleased to publish an ambitious sustainability plan for 2022-2023 and communicate our long-term sustainability goals described in this Report. The report presents the main points of the mission and objectives and sets out the priorities of our focus on measurable goals that will be key in future developments. The points mentioned are of great importance to our industry and society in general and we hope that they contribute to the legacy of ecological heritage.

The aim of this report is to capture the value that our group creates for our people, the market, the wider society and the natural environment. At the same time, we aim to construct a business model with socially and environmentally sustainable economic activities that will support sustainable development, highlighting the contribution of the industry to the wider society. The report presents the corporate responsibility principles applied by MEL, in detail with all the actions and goals set for the coming years. Undoubtedly, in an environment with new uncertainties arising due to geopolitical unrest, the high cost of fuel and the business challenges brought by the sharp increase in demand compared to the previous two years seem to significantly impact our operations. Our primary goal is to emphatically support the level of services we managed to offer during the pandemic and to strengthen the name of paper recycling in Greece. Similarly, we aim to overcome to the extent possible, the problems we see internationally, maintaining the level of service and experience we want our customers to gain, as they have been accustomed to all previous years. Finally, we will continue to be equally committed to our long-term plan and vision for the next era of MEL, which has already begun.

Thank you.

Dr. Dimitris Theocharis
CEO





Our Company

(GRI 102-1 GRI 102-2, GRI 102-3, GRI 102-4)



Macedonian Paper Mills (MEL) is the largest paper recycling and cardboard manufacturing company operating in Greece and one of the largest in the Southeastern European region. The purpose of the company is the general trading of cartonboard, and the collection, supply, trading, and processing of old or used papers and other related materials. Moreover, MEL designs, produces and markets recycled packaging paper, using primarily recyclable paper as raw material.

With continuous investments in the production facilities, MEL envisages in being a key player among the largest paper companies in Europe, and especially in the South Eastern region, producing around 120,000 tons of cardboard annually, much of which is exported to dozens of countries around the world. MEL has implemented a significant investment plan to increase the production capacity and reduce operating costs through the last years (2017-2021). It should be noted that the first phase of the plan has been successfully completed, and the second phase is underway and will be completed by 2023. With the new investments, MEL will be able to:

-  **increase the production capacity of its plant**
-  **reduce significantly the energy costs**
-  **improve the product quality and**
-  **enhance the degree of reliability of the operations of the mechanical equipment.**

MEL is also the largest depolluter in Greece as the company recycles around 50% of the paper collected nationwide. With an advanced and environmentally friendly production process, MEL envisages in having a 'green' ecological footprint that benefits both the environment and the society. With a specialized workforce of more than 210 employees, it is one of the most modern and dynamic Greek companies in the Central Macedonia region with a significant social and economic impact for the local communities.

MACEDONIAN PAPER MILLS S.A.
K. GEFIRA, 570 11 THESSALONIKI

The Plant

The company's headquarters are located in the Thessaloniki Industrial Park (VIPATHE), the first privately owned industrial park in Greece. MEL's offices and production facilities are located at the 22nd km of the Thessaloniki-Edessa National Road, and are easily accessible from all Thessaloniki's points of interests as well as from Macedonia International Airport.



The Company in numbers

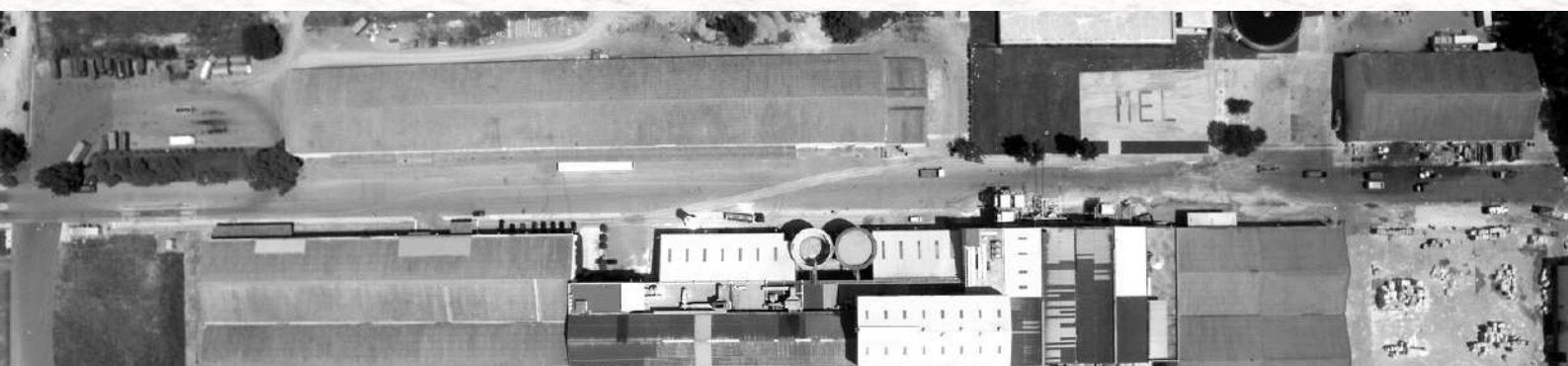
(GRI 102-6, GRI 102-7, GRI 201-1)

MEL facilities encompass 230,000 square meters of privately owned land, with a plant of 50,000 square meters of facility surface, and employs more than 210 specialized employees. The state-of-the-art plant produces around 120,000 tons of coated cartonboard annually, available in specific shapes and qualities. Products are shipped on pallets or in rolls intended for general packaging and food packaging. The majority of MEL production (56%) is exported to more than 30 countries, while the remaining 44% is distributed to companies operating in the Greek market. In 2020, annual production amounted to 63,100 tons of GT grade and 52,500 tons of GD grade, while in 2021 annual production was equivalent to 69,000 tons of GT grade and 46,500 of GD grade.

Exporting countries: Albania, Bosnia and Herzegovina, Austria, Bulgaria, Cyprus, Algeria, Egypt, Spain, France, Croatia, Hungary, Ireland, Israel, Morocco, Italy, North Macedonia, Poland, Portugal, Romania, Serbia, Sweden, Slovenia, Turkey, Palestine, United Kingdom, USA.

MEL contribution to the Economy

Key Performance Indicators	2020	2021	Difference
Total Turnover (€)	55,898,381	67,479,824	+20%
Cost of Goods Sold (€)	46,201,089	58,124,843	+25%
Gross profit (€)	9,697,293	9,354,981	-3%
EBITDA (€)	3,340,537	5,169,870	+54%
Total Assets (€)	106,124,877	120,780,967	+13%
Net Salable Production (t)	115,600	115,500	-0.01%
Total investments in CSR initiatives (€)	22,274.65	23,806.97	+6%



Euro	2020	2021
Total revenues	55,898,381	67,479,824
Direct Economic Value Distributed		
Operating costs	8,357,974	7,166,132
Employee wage and benefits	9,339,971	8,805,576
Financial expenses	2,547,808	2,229,371
Income Tax	- 62,767	1,053,517
Total investments in CSR initiatives	22,274.65	23,806.97
Total Direct Economic Value Distributed	20,205,260.65	19,278,402.97
Economic value retained	35,693,120.35	48,201,421.03

International Certifications

(GRI 102–11)

The company devotes special emphasis on ensuring that the quality of its products, as well as its internal processes, are based on the specifications of internationally recognized organizations. More specifically, the company has acquired the following Certifications:

- EN ISO 9001:2015 for the implementation of a Quality Management System for the Design, Production and Sales of Cardboard,
- EN ISO 14001:2015 for MEL's environmental management system,
- EN ISO 45001:2018 for MEL's occupational health and safety management system,
- EN ISO 50001:2018 for MEL's Energy Management System,
- EN FSC-STD-40-004 (Version 2.1) for Chain of Custody,
- EN FSC-STD-40-007 (Version 2.0) for Sourcing reclaimed material for use in FSC Product Groups or FSC Certified Projects,
- EN FSC-STD-50-001 (Version 1.2) for the Design, Production and Cardboard Trading.





Investment Programs

Throughout the years, MEL has implemented important investment programs to keep up with the demand of the market and the social and environmental expectations. A brief overview of the most important projects can be found below:



MEL has implemented an environmental investment plan since 2012 that amounted to 20,000,000 €.



MEL has invested in 2014, 2,000,000 € in biological cleaning processes and application of environmentally friendly paper production and processing systems.



MEL has optimized its water supply network to achieve an 11% reduction in water consumption.



MEL constructed a new biomass combustion plant in 2015 to reduce CO2 emissions by 68%.



MEL is using primarily recycled scrap paper as a raw material to save 30,500 tons of oil in its annual production.



MEL ensures that 95% of its thermal energy originates from renewable sources (biomass).



MEL has invested 5,000,000 € for the development of a natural gas power plant. Based on this new power generation unit, with a capacity of 8.8 MW, MEL had adjusted the production lines to make use of the released thermal loads. Additional benefits have arisen for the local community of Kato Gefyra, as residents have the option to use the natural gas network for their needs.



MEL has completed an 11,600,00 € investment program called "Rebuild" which will increase production by 20%



History

(GRI 102-5)

MEL was founded in Patras in 1964 by Georgios Ladopoulos. In 1967, the company moved its headquarters to Northern Greece, where it continued to grow. Its rapid expansion, thanks to investments in technology and know-how, made a significant contribution to the region's economy and MEL quickly became one of the few key paper producers in Greece. In 1984, MEL was nationalized under the Business Reconstruction Organization (OAE), while in 1998, following a public tender, the company was privatized again. Since March 2012, MEL is a member of the PAK Group B.V. which is the company's sole shareholder (100%). Today, MEL is a leader in the production of recycled cartonboard in Greece, Europe, the Balkans, and countries of North Africa and the Middle East, while it is also one of the few companies operating in Greece producing cartonboards from recycled material.

Philosophy

(GRI 102-16)

Quality and responsibility are apparent in every aspect of the company's operations and form the basis of MEL's philosophy. These values exist in MEL services, employee and partner relationships, and in corporate social responsibility initiatives. Genuine respect and reciprocity govern the company's employee relations.

MEL's vision is based on the principles of a circular economy, leveraging all the components of the supply chain to ensure sustainable development. Operating with social and environmental sensitivity, the company offers its products and services by applying best available practices and resource conservation principles, with an utmost concern for the protection of the environment, the living species and the wellbeing of society.

With an appreciation for the value of secondary raw materials and their full utilization, the company lessens its energy footprint by applying appropriate processes, while creating highly productive jobs and improving the living conditions of citizens in the region that MEL operates (Central Macedonia, Greece). To that end, we actively contribute to the education of the inhabitants about recycling and environmental issues, as part of our corporate social responsibility program.



Pak Group was founded in 1923 and comprises manufacturing companies in food, packaging, feed, and fertilizers as well as a real estate business. Pak Group's beginnings go back to the establishment of the Mustafa Nevzat Pharmaceutical Laboratory in 1923. In the 1950s, Pak Group founder, Dr. Engin Pak, led the transition from lab-scale operations to industrial manufacturing. During his long career, Dr. Pak established and grew several companies with operations worldwide. The high ethical and production standards, set by Dr. Pak, continue to guide the Group's companies today. For over half a century, the Group has been developing its businesses and exporting its brands to over 130 countries. Adding value to the local economies, where the companies of the group operate, Pak Group works for a better future with a focus on sustainable actions and high-quality production.

Pak Group has a diversified portfolio covering the packaging industry (Kartonsan, Intermat, Dönkasan, Selka, and MEL), the food industry (As Gıda, Pak Gıda, Pak İhracat, Rompak, Bellarise), the agricultural sector (Integro), the real estate industry (Ece Ticari Gayrimenkul) and holding companies (Pak Holdings A.S., Pinat Gıda Sanayi ve Ticaret A.S., Asil Holdings A.S.).

The total gross turnover for the Pak Group exceeds \$550 million, and employs about 2,050 people. Pak Group owns 75% of Kartonsan, the largest cartonboard producer in Turkey, 70% of Intermat, the leading manufacturer of flexible packaging in Europe, and 100% of MEL, one of the key companies in manufacturing recycled cartonboard in Greece. With the addition of Macedonian Paper Mills, the Pak Group has become the fourth-largest carton board manufacturer in Europe, with an annual production of about 360,000 tons.

By becoming part of the Pak Group family, MEL ensures high-quality working conditions for its employees, upgrades of its technical equipment and know-how, and shares a high sense of responsibility in environmental and social issues.





Participation in conferences and exhibitions

(GRI 102–13)

CEPI Cartonboard - 2019

MEL is an active member of European Association of Cartonboard Manufacturers and in 2019 had the honor to organize, welcome and host the annual conference in Thessaloniki, the largest in the industry.

With over 490 European companies being represented, this conference was the ideal opportunity to exchange creative ideas and present new technological applications that meet the challenges of the future for the paper industry.

Exhibition of the artist Manolis Charos “Cartonboard stories - Aesopian fables” - 2017

As part of the Macedonian Paper Mills ‘MELima mas’ CSR program, visual artist Manolis Charos held an exhibition titled ‘Stories from cartonboard - Aesop’s Fables’ at Casa Bianca - Thessaloniki Municipal Gallery, from 15 May to 15 July 2017, curated by art historians Giannis Bolis and Domna Gounari. Having researched and studied depictions of the fables in numerous illustrated manuscripts and publications, the artist presented two- and three-dimensional cartonboard compositions as part of a unified setting with animals as the main characters that acquire voices and human characteristics, thus charting a multi-dimensional inner world of emotions. More than 1,000 students took part in the educational activities staged around the exhibition, since the primary goal of the show was to inform the children and increase awareness of the importance of recycling, as well as to stimulate their imagination and creativity. In addition, the artist designed a large tracing on cartonboard especially for the presentation, so that the young visitors could help complete the artistic work and experience the joy of play and creative expression as they took part in an imaginative artistic ‘game’.

Products

(GRI 102–2)

MEL aims to deliver the best quality products that ensure longevity and durability. Additionally, the company continues to implement superior safety measures in its products, considering the safety of the customers.

The offered products serve different needs of the market and differ from each other while each one serves a different cause:



Duplex R - This cartonboard with the “R” quality designation has a white exterior face and a light gray interior. Resilient cartonboard is suitable for general packaging. Used for packing of a wide range of European products.

Triplex BR - Makes up 40% of cartonboard production. Both sides are white, and it bears the “BR” designation. The quality is suitable for food packaging. This product is mainly chosen as the cardboard for high-specification packaging used for cosmetics and pharmaceutical products due to its white surface.



Triplex R Kraft - The “R KRAFT” designation refers to the cartonboard grade with the brown reverse side. Thanks to its warm brown color, this product has become synonymous with food packing and is in high demand, particularly in western European markets.

Business Model

Sustainability Performance Targets

Sustainable business is a holistic approach to business practices that seeks to reduce risk and improve the financial performance while also being environmentally responsible. It is an approach that can be applied across all stages of the business lifecycle, from product development to operations and beyond. Sustainable business practices are typically implemented in three main areas: product stewardship (responsible use of materials), energy efficiency, and resource conservation.

Sustainable business practices can put an organization on a more sustainable track with regard to its financial health, impact on the environment, and reputation. The key is to implement sustainability goals across all business areas and increase awareness among all stakeholders.

For that reason, MEL has defined Sustainability Performance Targets (SPTs), creating new opportunities to enhance the ways that the company is operating. The targets are outlined below

- Average weight reduction of specific electricity consumption per metric ton of produced products by at least 5% from 1/1/2022 to 31/12/2023 compared to the corresponding average electricity consumption of the year 2020.
- Average weight reduction of specific electricity consumption per metric ton of produced products by at least 10% from 1/1/2024 to 31/12/2025 compared to the corresponding average electricity consumption of the year 2020.
- Average weight reduction of specific thermal energy consumption from fossil fuels in KWh per metric ton of produced products by at least 20% from 1/1/2022 to 31/12/2023 compared to the corresponding average thermal energy consumption from fossil fuels of the year 2020.
- Average weight reduction of specific thermal energy consumption from fossil fuels in KWh per metric ton of produced products by at least 25% from 1/1/2024 to 31/12/2025 compared to the corresponding average thermal energy consumption from fossil fuels of the year 2020.
- Reduction of the water consumed in the company's premises by 5% in m³ per metric ton of produced products by December 2023, compared to the consumption of the year 2020.
- Reduction of the water consumed in the company's premises by 10% in m³ per metric ton of produced products by December 2025, compared to the consumption of the year 2020.
- Increase the coverage of paper raw material needs from secondary sources and/or materials with FSC (Forest Stewardship Council) certification or other equivalent certification, at a rate of at least 96% on average for the period from 1/1/2022 to 31/12/2023.
- Increase the coverage of paper raw material needs from secondary sources and/or materials with FSC (Forest Stewardship Council) certification or other equivalent certification, at a rate of at least 97% on average for the period from 1/1/2024 to 31/12/2025.
- The implementation or participation in at least 2 events per year, in regards to sustainable development and the circular economy, from 1/1/2022 to 31/12/2025.

Apart from the aforementioned SPTs, MEL aims to minimize the environmental impact, conserve natural resources and promote social responsibility. For that reason, the following principles have been embedded in the Company's strategy:

- Better management of natural resources and continuous environmental control of MEL's activities.
- Protection of the environment and prevention of environmental accidents.
- Strengthening the company's position in the domestic and international market.
- Measuring and enhancing customer satisfaction.
- Ensuring the health of customers.
- Elimination of incidents of non-conformances with laws and regulations.
- Ensuring the use of environmentally friendly raw and auxiliary materials that meet the requirements of acquired certifications.
- Monitoring and measuring the quality of the produced products in each phase.
- Ensuring an appropriate working environment that will encourage initiatives, creativity, vigilance, and teamwork.
- Ensuring that an effectively trained and experienced staff is able to contribute to the continuous improvement of the organization.
- Measuring the effectiveness and evaluate the existing mechanical equipment.
- Gradual introduction of new technologies to the company operations in order to continuously improve the quality of the offered products and increase productivity levels.



Risk Management

The Company is exposed to various financial risks, such as market risk, credit risk and liquidity risk (changes in exchange rates, interest rates). The Company's overall risk management plan aims to minimize the negative impact that these risks may have on the Company's financial performance.

Risk management is monitored by the Financial Management Department, which provides advisory services, coordinates access to domestic and international financial markets and manages the financial risks to which the Company is exposed. The Financial Management Division does not execute speculative transactions or transactions that are not related to the Company's commercial investment or borrowing activities.



Green Financing

MEL has become one of the first Greek companies nationwide that has been financed with ESG criteria. Any disruptions in the supply chain or in MEL business model, which has been built on the notion of circular economy and sustainability, will have a negative impact on MEL financial resources. For this reason, the concept of sustainability should be apparent in every aspect of the company as it is directly related to the pre-agreed terms of financing.

Risks associated with green financing are linked with the ESG performance of the company. Therefore, MEL has adopted a very cautious approach on the performance of the company in environmental and social manners, making sure that the company maintains a viable credit rating and interest rate, without further burdening the cost of capital.

Materiality Analysis

(GRI 102–46)



For the development of the Sustainability Report, MEL has adopted and follows the guidelines of the Global Reporting Initiative (GRI). Parts of these guidelines correspond to the views and concerns of the stakeholders of MEL regarding the company's activities and actions. For that reason, MEL has conducted a Materiality Analysis exercise in order to acknowledge issues related to the development of the company throughout the years. The purpose of the Materiality Analysis is to link the topics that have been raised as important, both from the company and the stakeholders view, with the report content. These topics will help the company to readjust the existing Sustainable Plan and formulate Sustainability Performance Targets (SPTs).

Development of Materiality Analysis

The development of the materiality analysis comprises of three stages.

Stage 1

During the first stage, a materiality map was introduced based on information from credible and well-known institutions (e.g. S&P Global Ratings, MSCI, SASB standards, ATHEX ESG Guide, London Stock Exchange Guide) regarding material issues focusing on the three pillars of Environment, Social and Governance (ESG). Subsequently a list of 19 topic areas was created, which was used to produce the possible material topics of MEL. For every material topic, a brief description has been created to highlight the relevance of the topic from the company perspective and address the possible risks and opportunities that might be generated both for the company and the stakeholders.

Stage 2

In the second stage, MEL and its stakeholders evaluated the identified issues in the previous stage, taking into account the Principles of Materiality and Stakeholder participation as defined by the International GRI standards. An online questionnaire was developed and circulated to the relevant stakeholders to identify the importance of the individual topics from the stakeholders' perspective. The questionnaire was developed both in Greek and English to allow the respondents to answer the survey questions in their preferred language.

Stage 3

In the final stage of the analysis, MEL prioritized the results by acknowledging the views of the interested parties and the strategic planning of the company. This process took into account the Principle of Completeness and Participation of the interested parties as defined by the International GRI standards. Through this analysis, the most important material issues were identified and selected, and a materiality matrix was developed to depict the level of importance both for the management team and the stakeholders of MEL.

Stakeholders

(GRI 102–40, GRI 102–42)

The stakeholders listed below are chosen due to the fact that they affect and get affected by MEL’s activities and have an interest in the company. MEL stakeholders can be grouped in the following categories:

Employees

Suppliers and Partners

Shareholders

State and Regulatory Authorities

Investors

Unions and Associations

Customers

Banks

Stakeholders Engagement

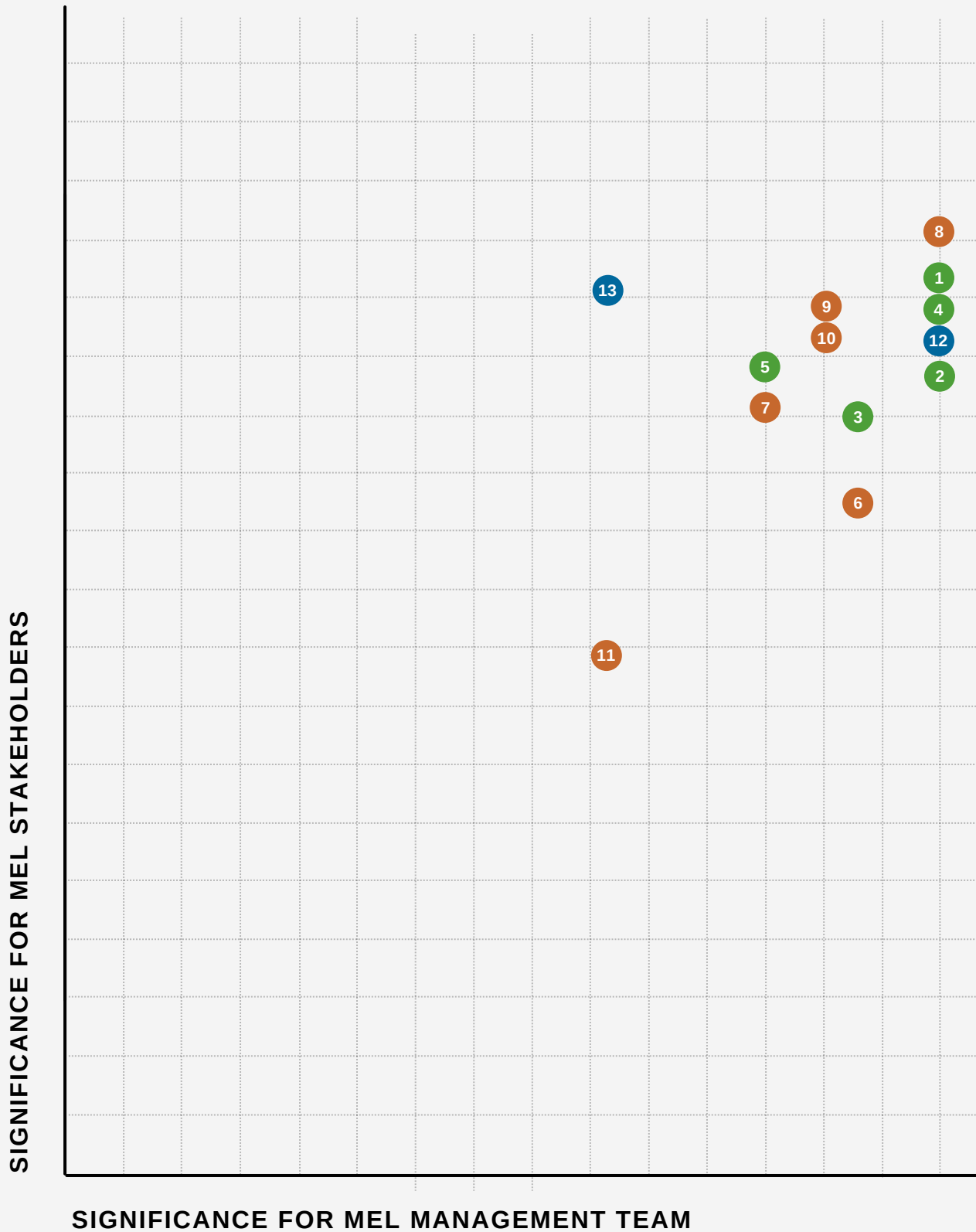
(GRI 102-43)

The stakeholders are informed about MEL activities in various ways. More specifically:

- Employees are informed through internal communication practices including employees, line managers and employees’ union. The company has also established performance evaluation reviews for all employees, training and development programs and grievance mechanisms. Other ways of improving employee engagement are through the Health and Safety Committee, where employee representatives can address their views regarding the company’s working conditions. Employees engage with the company on a daily basis.
- Shareholders are informed about MEL activities and performance through the company website, the financial statements, press releases, annual general meetings and with one-to-one telephone communication. Shareholders engage with the company on a weekly basis.
- Investors are informed about MEL performance through the announcements section in the company website, the financial statements, press releases, and with one-to-one telephone communication. Investors engage with the company on a weekly basis.
- Customers are informed through MEL website and social media platforms. MEL regularly performs satisfaction surveys to gauge the needs of its customers. Other ways of communicating with our customers is through newsletters or events organized by the company and with one-to-one telephone communication. Customers engage with the company on a daily basis.
- MEL collaborates closely with its suppliers and partners to maintain a high level of efficiency, safety and quality of the offered products. Suppliers can be informed about MEL activities through the company website, press releases and with one-to-one telephone communication. Suppliers and Partners engage with the company on a daily basis.
- State and Regulatory Authorities are informed about MEL activities through our company website, press releases and with one-to-one telephone communication. State and Regulatory Authorities engage with the company on a weekly basis.
- Unions and Associations are informed about MEL activities through the company’s website, social media, press releases and with one-to-one telephone communication. MEL has established a continuous communication channel with the local unions by responding to their needs. Unions and Associations engage with the company on a monthly basis.
- Banks are informed about MEL performance through the company website, the financial statements, press releases and with one-to-one telephone communication. Banks engage with the company on a weekly basis.

Materiality Matrix and Material Issues

(GRI 102-44, GRI 102-47)



Material Issues

(GRI 102-44)

The material issues that have been emerged from the implemented methodology can be found below:

Number	Material Issue
1	Proper use of raw materials
2	Waste management
3	Management of GHG emissions
4	Rational use of energy
5	Water Management
6	Employee Training
7	Employment practices
8	Health & Safety
9	Product Quality and Customer Satisfaction
10	Respect for Human Rights
11	Donations to local communities
12	Regulatory Compliance
13	Data Protection

About this Sustainability Report

(GRI 102–50)

This report is the company's first endeavour to capture its strategy and activities in Sustainable Development issues. The Report covers the period 01/01/2020 – 31/12/2021.



Communication regarding the Sustainability Report

(GRI 102–53)

The Sustainability Report will be available for everyone interested on MEL's official website: www.melpaper.com. For more information and clarifications regarding the content of the Report, please contact Mrs. Anastasia Dimitraki Quality Systems Executive via e-mail at adimitraki@melpaper.com or send a letter to our facilities in Kato Gefyra, 57011, Thessaloniki, Greece.

Implementation of the Global Reporting Initiative

(GRI 102–54)

The aim of the Sustainability Report is to fully and comprehensively inform MEL's stakeholders about the responsible operation practices the company applies. The Report was carried out in accordance with the International GRI Standards (2016).



United Nations Sustainable Development Goals (SDGs)

(GRI 102–12)

The SDGs seek to promote sustainable development by promoting social and economic justice, equality, and sustainability. They also aim to reduce inequality, combat climate change and promote the protection of ecosystems. MEL considers both the positive and negative impacts of its operations and evaluates each goal's significance across its value chain when determining the strategic relevance of every goal. The company evaluates whether these goals and sub-targets align with its business activities, identify areas to leverage skills and resources for change, and explore whether these issues are important to stakeholders. The twelve United Nations Goals outlined below have been considered as strategically relevant for MEL operations and activities.

3 GOOD HEALTH
AND WELL-BEING



Good Health and Well-being

- MEL ensures healthy life conditions and promotes the well-being for all people.
- MEL ensures the health and safety of its customers with its offered products, but also for its employees by making sure that all necessary procedures have been properly followed.
- MEL enhances its workplace conditions regarding Health and Safety both for its employees and for the people that visiting MEL facilities in order to minimize accidents.
- MEL strives to create a safe and healthy working environment, which will not have an adverse impact on the everyday life of its employees.

4 QUALITY
EDUCATION



Quality Education

- MEL ensures inclusive and equitable quality education and promotes lifelong learning opportunities for its employees and the local communities.
- MEL continually strengthens the knowledge of its employees on Health and Safety issues and work practices.

6 CLEAN WATER
AND SANITATION



Clean Water and Sanitation

- MEL acknowledges that its production consumes a high amount of water, and the extraction and use of that water at its mill and processing facilities applies pressure on water supply systems. For that reason, MEL uses water from proprietary wells and has established a wastewater biological system in our facilities.
- MEL controls its impact on freshwater, in order to meet the growing demand for environmentally friendly products and to maintain freshwater ecosystems at the landscape level.

7 AFFORDABLE AND
CLEAN ENERGY



Affordable and Clean Energy

- Profitability and energy security improve with higher energy independence. For that reason, MEL makes appropriate investments to increase energy efficiency as well as switch to renewable energy sources.

8 DECENT WORK AND ECONOMIC GROWTH



Decent Work and Economic Growth

- MEL promotes sustained, inclusive and decent working conditions for its employees.
- MEL enhances the knowledge of its employees on the production processes by being more efficient on their everyday duties.
- MEL trains its employees to follow best practices in the workplace that enhance productivity.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



Industry, Innovation and Infrastructure

- MEL builds resilient infrastructure, promoting inclusive and sustainable industrialization and fostering innovation.
- MEL invests in innovative practices in order to achieve superior product quality.
- Employees of MEL learn through recurring training sessions new ways of working and improved techniques of production.

10 REDUCED INEQUALITIES



Reduced Inequalities

- MEL aims to reduce inequality, by having zero tolerance to incidents of discrimination and violation of Human Rights. MEL has also implemented a whistleblowing system, making sure that all employees feel safe in their working environment.
- MEL supports people with disabilities by including disabled people into its workforce. MEL proves that all people are equal without exceptions of race, gender and disabilities.

11 SUSTAINABLE CITIES AND COMMUNITIES



Sustainable Cities and Communities

- MEL aims to make cities and human settlements inclusive, safe, resilient and sustainable.
- MEL embraces the concept of circular economy by reducing the waste production and by producing recyclable products, which minimizes the impact on the environment and the local communities.

12 RESPONSIBLE
CONSUMPTION
AND PRODUCTION



Responsible Consumption and Production

- MEL seeks to ensure sustainable consumption within its production patterns.
- MEL promotes recycling products that are safe for the environment and the customers.
- MEL cooperates with suppliers who share the same principles.

13 CLIMATE
ACTION



Climate Action

- MEL safeguards and boosts the adaptability of forests and freshwater ecosystems.
- MEL assists in the transition of the world to a low-carbon economy, through the company's established greenhouse gas reduction targets.

15 LIFE
ON LAND



Life on Land

- MEL takes the lead in creating and adopting best practices into its operations.
- MEL also manages protected areas and ecosystem services to preserve biodiversity, water, and other natural capital.

16 PEACE, JUSTICE
AND STRONG
INSTITUTIONS



Peace, Justice and Strong Institutions

- MEL is aligned with the promotion of peaceful and inclusive societies and builds effective, accountable and inclusive relationships with institutions at all levels. MEL shows zero tolerance to injustice, illegal acts and discrimination practices.
- MEL implements appropriate measures to maximize the security of data and publishes information about the processes of handing the personal data of its clients.

Environment

(GRI 307–1)



It is clear that the protection of our environment should be of utmost importance for everyone. The private sector is the main driver behind the growth of the global economy. In order to continue this growth, all companies, especially in the energy intensive sectors, need to find sustainable ways to reduce their reliance on fossil fuels and switch to renewable sources of energy. The cartonboard industry is an inherently energy intensive sector, where significant energy resources (both thermal and electrical) are needed for the production processes.

MEL is committed to reducing thermal energy, electricity, drinking water consumption and Green House Gas emissions. MEL approach is focused on the efficient use of natural resources, making sure that recycling or recycled material used as inputs in our production cycle, and the reduction of the greenhouse gas emissions by switching to renewable and alternative sources of energy. MEL is working closely with our partners across our value chain, aiming to save natural resources and reduce the percentage of virgin pulp, while at the same time focus on reducing the percentage of solid waste.

Environmental protection is an integral part of MEL's strategy and is expressed through its strategic and business decisions and actions. MEL acts with a definite purpose and undertakes measures to reduce adverse environmental impacts while ensuring business continuity and compliance with environmental guidance, rules and legislations.

MEL has set specific targets to reduce its environmental footprint. To achieve these important milestone targets, MEL has adopted certified management systems to monitor its performance and undertakes initiatives and programs with a specific focus on the protection of the environment and the sound use of natural resources. Meanwhile, MEL promotes superior sustainability practices within Central Macedonia, by carrying out educational programs and awareness campaigns for the environment and sustainable development. Additionally, the company has acquired the FSC standard (Forest Stewardship Council) that promotes responsible management of the world's forests.



MEL rises to the challenge of the environmental goals set by the E.U. and became one of the first companies nationwide that have been financed with ESG criteria – (Environmental, Social and Governance). Promoting the circular economy, MEL is committed to reducing thermal energy, electricity, drilling water consumption and special CO2 emissions by 2025. Regarding social responsibility, and recognizing that the most valuable resource is its people, MEL, from 2022 implements training programs on environmental awareness, proper equipment maintenance, energy management, as well as, health and security. At the same time, the company's goal is to participate in events focused on the sustainable development and circular economy.

Caring for the environment and the impact that MEL's activities have on it, the company:

- monitors liquid waste and implements measurements for output loads of pollutants (BOD, COD),
- audits the wasted gases,
- measures the emissions (pollutants) of the boiler room, and
- manages systematically and rationally the solid waste, thermal and electrical energy, as well as borehole water.



In 2020 and 2021 MEL had no incidents of non-compliance with the environmental laws and regulations, therefore there were no fines imposed on the company.

Proper Use of Raw Materials

(GRI 103-1, GRI 103-2, GRI 103-3, GRI 102-11, GRI 301–1)



The term circular economy has been part of our lives recently and tends to increase its presence and necessity more and more. The world is becoming increasingly aware of the environmental issues that we are facing. People are changing their lifestyles to make sure they are not contributing to the problem we are facing. MEL participates effectively in a Circular Economy System where fewer raw materials are used to protect the sustainability of the environment, the reduction of waste and the resilience of the ecosystem. The need for a circular economy arises from the continuing population growth, which implies an increase in the needs of people. The result is an increased demand for raw materials which are becoming scarce over time. In order to ensure the adequacy of natural resources, it is necessary to adopt and follow a new economic growth model that will reduce waste and lessen the need for new resources, through smart use of natural resources and continuous reuse of input materials.

MEL promotes the model of circular economy since 1964 by using primarily recyclable paper as a raw material to produce coated cardboard. MEL is the biggest recycler in Greece, using more than 120,000 tons/year of waste paper for its production needs. Thus, the production processes do not require significant amount of natural resources as input materials, but mainly recyclable ones. MEL aims to progressively achieve higher sustainability performance, and for that reason the company collaborates across the value chain enabling all stakeholders of the company to work together on a system that will allow them to create products in a circular manner. These actions have a huge impact on the environment as they reduce waste and pollution, while also making sure that everyone benefits from it. MEL has also established a waste water treatment plant, which contributes to internal recycling. The company applies practices of circular economy that reduce the use of raw materials, and thus protect the sustainability of the environment reducing the output waste.

Apart from social and environmental benefits, there are also financial incentives for the local community, as new jobs and more opportunities have been created for the development of a sustainable society.

Environmental Policy

(GRI 102-11)



Aiming to express its interests in the ever-increasing environmental demands of our times, MEL has developed an Environmental Management System in line with International Standard ISO 14001:2015 (the last update was on 06/02/2021). This system aims to improve MEL's overall environmental policy, highlight the importance of protecting the environment, implement practices for the fair use of the natural resources and monitor the environmental consequences of MEL activities. The company's environmental policy covers the entire range of its production processes and sets the foundation for reducing the environmental impact by promoting a global corporate environmental culture. MEL's management has adopted and applies this environmental policy as part of its continuous effort to improve its environmental footprint, through the Environmental Management System it has established, and applies it throughout the cartonboard production and sales activities. In planning the necessary actions, MEL ensures that:

- It provides the framework for setting, monitoring and reviewing its environmental objectives and targets.
- It protects the environment and prevents environmental accidents.
- It complies with applicable legislation and other requirements relating to the Environmental Management System.
- It continually improves its Environmental Management System that affects company's environmental performance.

By identifying risks and opportunities relating to environmental aspects, its compliance obligations and the needs and expectations of stakeholders, MEL ensures that the Environmental Management System continues to be in accordance with ISO 14001: 2015.



The life cycle of cartonboard (GRI 102-11)

The process of producing cartonboard was organized with the aim of minimizing waste and energy consumption. Recycled paper is the key raw material used to manufacture a cartonboard. By making cartonboards out of almost 100% recycled paper along with the use of renewable energy sources, MEL has created a closed, sustainable life cycle for its products. MEL's chief responsibility in practice is respect for the environment. The procedure that MEL follows for the production of cartonboards is the following:

1. Paper for recycling is collected nationwide and transported by special lorries to MEL's warehouses.
2. Selection of suitable paper.
3. The paper is pulped by mixing it with water in special pulpers.
4. The paper is then passed through centrifugal filters and pressure sleeves to remove any foreign material (plastic, glass, metal objects, etc.).
5. The clean paper is de-inked, whereby any ink is removed.
6. The clean paper pulp is then dehydrated, and the fibers of cellulose are converting into a thin layer that is recognized as paper.
7. The paper is dried, coated and rolled up into large rolls.
8. The recycled cartonboard is ready to formulate a new, useful form.

It should also be mentioned that recycled paper has seven lives! The same paper can be recycled up to seven times without the fibers losing their properties.

Energy Management

MEL recognizes its obligation for responsible energy management and fair use of energy sources, not only because it is important for the efficiency of operations but also for the protection of our environment and the improvement of living conditions of societies. For this reason, clear targets have been set for the reduction of energy consumption, energy footprint, and the company's Greenhouse Gas emissions. These initiatives enable MEL to reduce operational costs, ensure that all processes comply with the certifications of the company and operate in a way that creates value for all stakeholders.

In an effort of enhancing the energy management system the company has:



Installed a new pump system in the liquid phase of production



Implemented a paperboard coating drying system

Energy Policy

Recognizing that the proper use of energy resources is a prerequisite for both its smooth short term productive activity and its long-term sustainability, MEL has developed an Energy Management System in line with the international standard ISO 50001:2018 (updated on 23/11/2021).

In developing the system, the Energy Management System of MEL intends:

- To continually strive to improve energy efficiency by providing the necessary information, and ensuring the availability of the necessary resources to achieve the quantitative and qualitative goals and objectives the company has set in the context of the system.
- To comply with the applicable laws and regulations or other requirements governing energy management.
- To use, where technically and financially feasible, renewable and alternative energy sources.
- To encourage the supply of materials and services with a low energy footprint.

The Energy Policy is communicated to all parties involved both within and outside the organization, in order to achieve the goals and objectives set in the energy management system through the prudent management and use of energy in all forms. MEL has chosen to apply the policy to its production activity within the boundaries of the facilities in the Thessaloniki Industrial Park in Kato Gefyra, Thessaloniki as the first area of application of the Energy Management System.

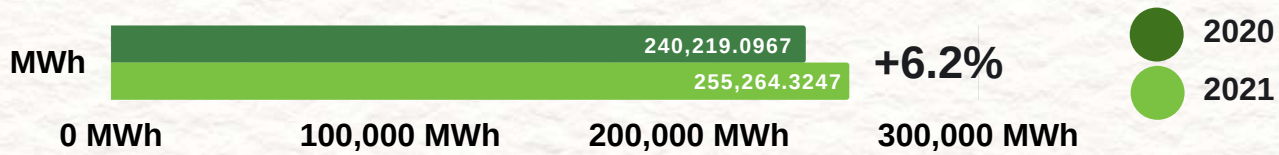
Rational Use of Energy

(GRI 103-1, GRI 103-2, GRI 103-3, GRI 302-1, GRI 302-3)

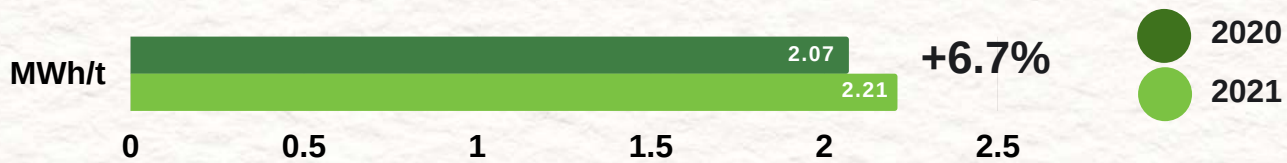


During 2021, the company showed a small increase in energy consumption (about 6%), due to increase in the production of the TRIPLEX BR product.

Total energy consumption:

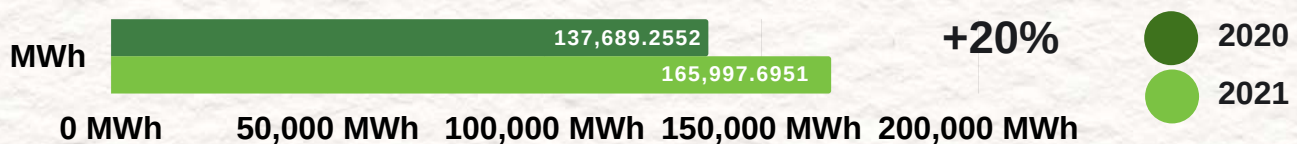


Specific energy consumption ¹



Energy Consumption from Renewable Energy Sources

The company showed a significant increase of 20% in energy consumption from Renewable Energy Sources (RES) from 2020 to 2021. It is also worth mentioning that Biomass accounts for 95% of the produced thermal energy. The ever-increasing use of Biomass to cover the thermal needs of production, contributes significantly to the drastic reduction of production costs and harmful gas emissions. The capacity of MEL Biomass plant is 20 MW.



¹ Specific energy consumption was calculated with the net saleable production (MWh/t)



Energy Production

(GRI 102-10)

In 2020, MEL entered a new era by implementing an innovative program to produce energy with the use of natural gas. A long-awaited ambition became true with MEL signing a contract with EDA-THES (Natural Gas Distribution Network Operator in the geographical area of the Regional Unit of Thessaloniki), according to which the natural gas pipelines would reach the factory premises in 2021, with a construction cost that was valued at 2,000,000 €. MEL's primary intention was to build an electricity generation unit using natural gas. This investment amounted to 5,000,000 €, which were covered with the company's own funds.

This new power plant with a capacity of 8.8 MW, allows MEL to use the released thermal loads in its production process. As a result, MEL is able to increase profits by at least 2,000,000 € per year. Thus, this investment strengthens MEL's financial position significantly and also benefits the entire local region as thousands of residents in the wider area are able to make use of the gas network that has been constructed. The power plant will be operational in the near future.

Electricity Consumption

The company showed a small increase in the electricity consumption, about 2% from 2020 to 2021. The reason behind this movement is the increased production of the TRIPLEX BR product, which is more thermally and electrically energy intensive.

2020	2021	Difference
64,117.288 MWh	65,499.7861 MWh	+2.1%

Our fuel mix (in MWh)

Fuel	2020	Percentage	2021	Percentage	Difference
Biomass (Pellet)	137,689.255	77%	165,997.695	87%	+20%
Fuel Oil (Mazut)	24,302.845	14%	7,220.634	4%	-70%
Liquefied Petroleum Gas (LPG)	15,466.539	9%	16,546.210	9%	+6%
Total	177,458.639	100%	189,764.539	100%	+6%



Management of GHG Emissions



(GRI 103-1, GRI 103-2, GRI 103-3, GRI 305-1, GRI 305-2, GRI 305-4, GRI 305-5)

The world is in a climate crisis. The earth has warmed by 1 degree Celsius and the warming trend is accelerating. The current trajectory of warming is estimated to increase by 3-degrees Celsius by 2100, with devastating consequences for people and the environment.

The Paris Agreement set an ambitious target to limit global temperature rise to 2 degrees Celsius, and yet it still seems very challenging in meeting this goal. Scientists have warned that much more needs to be done in order to avoid the worst impacts of climate change, including reducing emissions by 2030 (by at least 40% from 2010 levels), and reaching net zero emissions by 2050 (EU Green Deal).

MEL contributes significantly to the prevention of carbon dioxide emissions into the atmosphere by producing energy from alternative sources. For this reason, MEL has installed 3 biomass boilers for steam production and adapted its internal processes, by applying appropriate technology, in the cartonboard coating drying and the vacuum pump systems in the liquid phase of production. Moreover, MEL has been continually investing to improve the energy efficiency of its production plant by primarily using biomass to cover a high proportion of MEL energy needs. Biomass can play a pivotal role in achieving MEL's GHG target emission goal, as it produces significantly less emissions to the environment compared to conventional energy sources. It should also be noted that in 2021 MEL has significantly reduced (about 70%) the use of fuel oil (Mazut) in its production activities compared to the previous year.

Greenhouse gas emissions

Scope	2020	2021	Difference
Scope 1 (tCO ₂ eq)	10,361	5,869	-43%
Scope 2 (tCO ₂ eq)	35,201	35,960	+2%
Total Greenhouse Gas Emissions	45,562	41,829	-8%

Specific Greenhouse Gas Emissions²

2020	2021	Difference
0.39 tCO ₂ eq	0.36 tCO ₂ eq	-7%

² Total Greenhouse Gas Emissions include Scope 1 and Scope 2 (market-based). Specific emissions are calculated per ton of net salable production.

Recycling

Our planet is showing obvious signs of damage and major industries have a great responsibility in this manner. MEL assumes its share and invests in actions that raise awareness for the proper management of the planet's resources.

Education and raising young people's awareness on these issues are significantly important. For this reason, the company contracts young people and encourages primary and secondary schools to visit the company facilities. MEL is also open to suggestions for joint actions to raise environmental awareness, while it actively takes part in Environment Days sponsored by the municipalities for local schools in the region.



By joining the large Pak Group family, MEL has expanded its potential for greater production, and corporate responsibility with an environmental orientation. Fully aware of the important role in the global market, MEL is committed to provide excellent products, corporate dependability, respect for our customers and the best possible working conditions for our employees.



100% of the company's produced products can be recycled or reused by our customers

Water Management

(GRI 103-1, GRI 103-2, GRI 103-3, GRI 303-3)

MEL uses water for internal production processes almost completely through private drills without burdening the local water distribution network. For the selected years, MEL showed a slight increase in its water withdrawals (about 2.6%). MEL has also created a waste water treatment plant within its facilities for biological cleaning, which serves the needs of a much larger production line than the existing one (the capacity of the unit is 17,000 m³ reaching approximately 2,000,000 €). As a result, MEL recycles the water utilized for the production processes for reuse and withdraws less amount of fresh water. This project also promotes the notion of circular economy. The plant was established in 2004 and further expanded in 2014. The water withdrawals can be found in the table below.

2020	2021	Difference
1,320,833 m ³	1,355,883 m ³	+2.6%

Waste Management

(GRI 103-1, GRI 103-2, GRI 103-3, GRI 306-3, GRI 306-4)

Waste production showed a small increase, about 13% in hazardous waste, and 0.5% in non-hazardous waste. Hazardous waste refers mainly to Waste Lubricating Oils (WOL), which are recycled through an alternative management system, while Non-Hazardous waste are transposed to raw materials for the production of alternative fuels (RDF).

Waste	2020	2021	Difference
Hazardous (tons)	6.395	7.258	+13%
Non-Hazardous (tons)	4,358.280	4,380.091	+0.5%
Total (tons)	4,364.675	4,387.349	+0.5%

With the establishment of the waste water treatment plant, the installation of the 3 biomass boilers in the production and the adaptation of the internal processes in the production line, MEL has managed to reduce its environmental footprint by at least 10%.

Social

(GRI 403-1, GRI 406-1)



The theory of social responsibility is built on a system of ethics, in which decisions and actions must be ethically validated before proceeding. Based on this theory, MEL strives to adopt the best possible working environment in terms of safety and work procedures. The significance of the individuals and communities that are impacted by its operations is immeasurable.

In order to support a safe and peaceful working environment, MEL has implemented systems and strategies that prevent the violation of human rights and unfairness around the workplace, creating strong relationships between the management team and the employees. MEL shows zero tolerance for discrimination and similar issues. All of the above indicate that the company respects and defends human rights of all of its workers as well as those who visit MEL's facilities.

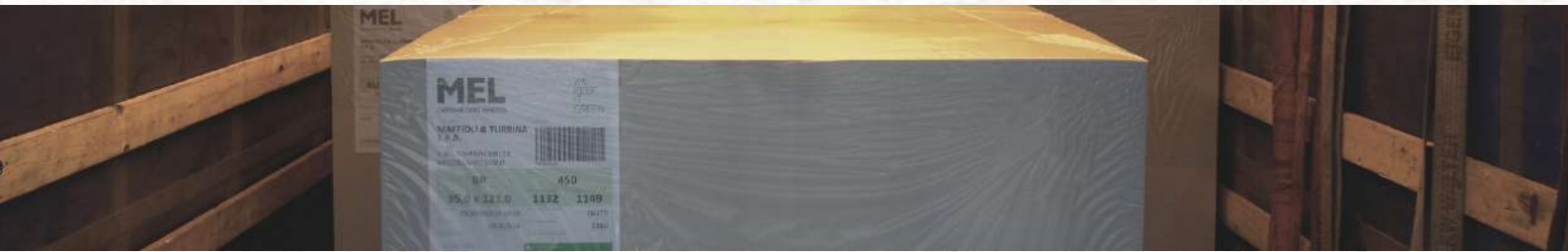
Besides Health and Safety issues, MEL is constantly trying to improve and strengthen the knowledge of its employees by implementing various training sessions regarding safety issues in the workplace and improvements in work processes. These sessions enhance the individual development of employees in an attempt to maximize the working performance and operations efficiency.

It should be mentioned that MEL has put in place policies and procedures for assessing and addressing threats to the upholding of human and labor rights both within the company and for its suppliers.

Product Quality and Customer Satisfaction

(GRI 103-1, GRI 103-2, GRI 103-3)

MEL's product quality and safety are essential for the continuity of the company's operations. The product's durability and safety towards its customers are the main reasons that the company strives to improve, by identifying better and new ways of processing and auditing the products specifications of the suppliers. MEL's utmost desire is to provide the best possible quality products without risking the health of its customers.



Quality Policy

MEL has implemented a policy to design, produce and sell paper products that are fully in line with:

- ✓ customers' requirements, as arise over time
- ✓ the quality standards of the company itself, as expressed through its measurable targets and
- ✓ the European and national legal and regulatory requirements governing these products.

Through this policy, MEL's Management team undertakes initiatives to identify and address threats and opportunities that may affect the compliance of its products with adopted certifications. Moreover, MEL's Quality Management System, based on the principles of International Standard ISO 9001 (last update was in 20/04/2021), ensures that customers satisfaction remain on the highest possible levels.

To ensure the safety and hygiene of its products, MEL applies the principles of the HACCP system and adheres to Good Industrial & Health Practice Rules. The Management team, with the active involvement of all employees, undertakes initiatives to drive, control, evaluate and improve the company's performance at all operational levels. MEL has adopted all necessary measures to encourage its employees and external partners, as well as its suppliers, to achieve continuous improvement on the offered quality.

Customer Satisfaction

MEL considers feedback from its customers critical to the operation and continuity of the business. Information about customer satisfaction, including surveys and ratings, can help a company decide how to improve or adapt its products and services. For this issue, the company has implemented surveys where customers can freely express their point of view and rate the offered products and services.



The results of the most recent survey carried out in 2021 can be found below:



76% of respondents' needs were satisfied in terms of consumer satisfaction.



100% satisfaction for product quality.



95% satisfaction for product stability.



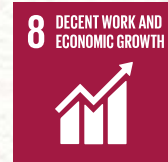
100% satisfaction for packing.



89% satisfaction for customer service.

Supply Chain

(GRI 102–9)



MEL suppliers play a crucial role in the operation, the quality and the safety of the offered products. Responsible supply chain management gradually creates better risk management, ensures business continuity, helps to exploit business opportunities, creates net value, and builds a competitive business model. By implementing continuous checks and upgrades, the company can establish solid working relationships with its suppliers, focusing on long-term collaborations and improve both the suppliers' credibility and the quality level of the offered products. To ensure that all the aforementioned principles are met, MEL has created a Responsible Purchase Policy.

MEL is cooperating with responsible suppliers and is continuously seeking long-term partnerships with companies sharing similar objectives, in order to provide to its customers products that meet the established quality standards. Being compliant with the regulations of the FSC system, MEL implements quality control checks to its raw materials making sure that they are in line with an environmentally friendly framework. The company chooses suppliers who don't employ child labor or any other type of harshness in their business practices.

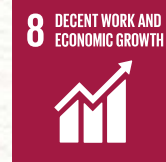
Overall, MEL has around 6000 suppliers (both 2020 and 2021) who provided the company with:

- waste paper
- water, steam, air and oil network components
- electrical and mechanical equipment
- fuels
- health and safety equipment
- finished product packaging materials
- chemicals
- instrument calibrations



Labor Management Employment practices

(GRI 103-1, GRI 103-2, GRI 103-3, GRI 102-8,
GRI 102-41, GRI 401-1)



A diversity and inclusion strategy help employers hire more diverse employees, support diverse teams, and foster an inclusive workplace. It can also improve the company's culture, attract top talent, and build a loyal customer base. When creating a diversity and inclusion strategy, it is important to start by understanding the current conditions at a company. Which groups are underrepresented? What needs to change? What skills are needed? This could include new initiatives, policies, or programs designed to promote diversity and inclusion in the workplace.

One of the most important aspects of a diversity and inclusion strategy is creating an inclusive environment for all employees. By taking steps like removing implicit bias from hiring processes or hosting events that bring together people from different backgrounds, MEL creates a more welcoming working environment for everyone.

The prevention of any form of discrimination in the workplace is one of the company's guiding values, and it strives to set an example by having two people with disabilities in its workforce in both 2020 and 2021.

MEL also implements performance evaluation towards its employees in an attempt to improve the efficiency and productivity levels of the company. For the year 2020, MEL has evaluated only fixed-term employees of which 100% were full-time, while for 2021 MEL has appraised all of its employees of which 100% were full-time and covered by collective labor agreements. MEL fully respects and supports employees' rights for freedom to participate in associations and labor unions.



As for the benefits, the company provides to its employees the following:

- Civil liability for executives.
- Loans (8 people in 2020 and 11 people in 2021).
- Health insurance (190 people in 2020 and 189 people in 2021).
- Pension schemes (4th semester 192 people in 2020 same as 2021).

The company's workforce consists of:

Employees	2020	2021
Female employees	18	20
People in Managerial Positions	49	49
Females in Managerial Positions	7	7
Total employees	215	215

The company's hirings and layoffs based on the age of the employees for the year 2020:

Ages	2020		2021	
	Hirings	Layoffs	Hirings	Layoffs
20-30	5	1	8	1
30-40	9	1	3	5
40-50	5	6	3	2
50-60	0	4	1	2
60-70	0	7	0	0
70-80	0	1	0	0
Total	19 (men)	21 (17 men, 4 women)	15 (12 men, 3 women)	10 (men)

Employee Training

(GRI 103-1, GRI 103-2, GRI 103-3, GRI 404-2, GRI 419-1)



MEL aims to constantly improve its employees' knowledge regarding working procedures and health and safety concerns. To achieve this, the company implements educational programs that are designed to increase employees' understanding regarding technical and safety issues.

Enhancing employee skills and implementing personal development activities lead to the establishment of a strong, motivated culture that can embrace MEL future plans and foster success in the long term. With the implementation of training sessions, MEL seeks to improve each employee's knowledge for the cartonboard industry and create a collaborative working environment, where employees can cooperate and strive to meet company's goals and expectations. Additionally, MEL has implemented an individual development plan for each of its employees, helping them to advance in the corporate ladder.

Training expenses accounted for 9,698 € in 2021, compared to 2,620 € in the previous year. The number of training hours in 2021 was 1,464, while in 2020 accounted for only 365. The average training hours per employee for 2020 was 3.17, while in 2021 the number increased to 11.80. The reason for this significant increase is due to the effects of the Covid-19 pandemic, which negatively affected training in 2020. In 2021, staff began to return to their offices after consecutive lockdowns, decreasing remote work and making it easier and more efficient to implement training programs for the employees.

Referring to Health & Safety training programs, the implemented training hours were 196 in 2021 versus 160 in 2020.

The total number of employees who received training in 2021 was 124 (of which 118 are for Health & Safety issues), while in 2020 the number of employees decreased to 115 (of which 106 are for Health & Safety issues).

	2020	2021	Difference
Training expenses	2,620 €	9,698 €	+270.2%
Training hours	365	1,464	+301.1%
Training hours on H&S	160	196	+22.5%
Employees Received Training	115	124	+7.8%
Employees Received Training (on H&S)	106	118	+11.3%

The main themes of the training programs that have implemented the previous two years were the following:

- Updated on Covid-19 vaccination.
- ISO 9001:2015.
- Induction in security and fire safety.
- ISO 45001:2018.
- Scientific Security Director.
- First Aid.
- Fire safety.
- Lean manufacturing.
- Steam networks.
- International Accounting Standards.
- Windows Server Security.
- Revit.
- Labor and Insurance issues.



In 2020 and 2021 MEL had 0 incidents of labor law violations or any reports of that kind.



Employee Evaluation

(GRI 404-3)

For the first time the company implemented an evaluation process for all employees in 2021 using a standardized form (form code 181E8 A for employees, form code 181E8 B for executives). Until that point, only fixed-term employees were considered eligible for performance evaluation. The process of employee performance evaluation has as follows:

- 1. The supervisor sets annual performance goals for the position.**
- 2. The employee must evaluate his/her performance in relation to the expected results set for his/her position.**
- 3. The employee must record his/her professional aspirations.**
- 4. The supervisor evaluates the employee's performance in relation to the goals that have been set for the employee and the duties of his/her position.**
- 5. The supervisor proceeds by evaluating the employee's overall performance.**

Following that the supervisor and the employee attend a meeting at a predetermined time. The evaluation must take the form of a productive conversation between the manager and the employee and should be focused on concrete outcomes and examples.

The supervisor then fills the employee's Individual Development Plan and determines which areas should be prioritized and the actions that should be taken to meet the specified goals. The commonly agreed-upon information and actions are reflected in the Individual Development Plan, to which both the manager and the employee commit. Individual Development Plans are held on an annual basis.

The employee and the manager discuss employee professional goals and the steps that need to be done to achieve them. Based on the employee's current performance, demonstrated experience, and continuous development, the supervisor provides all the information he/she needs regarding the position or positions he/she is interested in, as well as suggestions that could be helpful for further development. As a final step, the assessment needs to be approved by the next hierarchical level before it is communicated directly to the employee from the supervisor.

Employees' Wellbeing

(GRI 403-6)



Employees' wellbeing is considered one of the most important features in the workplace and every aspect that refers to the safety, health and wellbeing of the employees is core to the company philosophy. MEL is committed to providing an inspiring, inclusive, diverse and safe working environment for its people. Additionally, MEL believes that it is also important to take care of employees needs beyond its facilities. For that reason, MEL has granted 67 and 79 days of parental leave for its employees, in 2020 and 2021 respectively.

The organization provides benefits to foster trust and inspire workers to be more productive at work by strengthening their sense of self-assurance in their specific area of responsibility. For that reason, MEL has contracted specific medical centers for preventive checks of its employees' health condition and provides through group pharmacist free checkups, after the Occupational Physician recommendation, as a measure of preventive medicine.

The working environment in MEL fosters and respects diversity with zero tolerance for discrimination or violation of Human and Labor Rights. It is clear to everyone that all employees are treated equally regardless of their position in the company.

Health & Safety

(GRI 103-1, GRI 103-2, GRI 103-3, GRI 403-1, GRI 403-2, GRI 403-3, GRI 403-9)

Occupational Health and Safety has always been a primary issue for the company's working process. MEL implements training sessions about H&S in the workplace making sure that all employees are informed about emergency situations. To ensure the Health and Safety of the employees and customers, the company employs an Occupational Physician and a Safety Technician in MEL facilities.

Additionally, following the practices of the Occupational Health & Safety Policy, MEL follows best practices against Covid-19 in order to prevent the spread of the virus, which had a significant impact in the way work and safety measures were applied at that time.

Employees: The company recorded 7 accidents in 2020, while in 2021 the number reduced to 6. The accident frequency rate for the employees was 3.39 for 2020 and 2.83 for 2021. Additionally, the severity rate was 168.27 in 2020 and 442.7 in 2021. The total hours lost due to the accidents was 3,152 for 2020, while in 2021 the number significantly decreased to 360.



Collaborators: There were no recorded accidents from collaborators on the company’s facilities. Therefore, the accident frequency rate and the severity rate were 0.

In the case that an accident happens inside MEL facilities, the line manager inspects the conditions and parameters that lead to the accident and informs the Human Resources department. At the same time, the Occupational Physician checks the health condition of the employee (or the collaborator) and makes sure that the wounded employee receives the necessary treatment. In the cases of serious accidents, the Human Resources department secures a safe method for the transportation to the nearest hospital or health center and informs the Labor Inspectorate. In addition, the Safety Technician makes all the necessary amendments to make sure that this accident will not happen again and fills relevant documentation for the company archives. After the recording of the incident, the Occupational Health and Safety Team decides on taking corrective actions, while there may be a need for additional internal inspections or revision of the Occupational Risk Assessment Study. Any medical opinions or opinions of the Labor Inspectorate are taken into account in the team's decisions.

Data relevant to the employees’ health conditions of MEL are kept secure and the only person who has access to them is the Occupational Physician. MEL has direct communication with the Occupational Physician regarding the health conditions of its employees and in the case that there is a need to ensure the health of the employee, appropriate measures are taken (e.g. change of position).

	2020	2021	Difference
Accidents (MEL employees)	7	6	-14.3%
Total hours lost	3152	360	-88,5%
Accident Frequency Rate (MEL employees)	3.39	2.83	-16.5%
Accident Severity Rate (MEL employees)	168.27	442.7	+163.1%



Both in 2020 and 2021 the company had 0 fatal accidents.

Health & Safety Policy

MEL has implemented an Occupational Health & Safety Policy acknowledging that its people are the most important asset. The Management team of MEL constantly strives to ensure proper occupational health and safety conditions by fostering a working environment that helps its workforce be more efficient. With this policy, MEL commits to taking appropriate actions to prevent occupational injuries and diseases, while its ultimate goal is to create a safe working environment that will ensure that its people feel comfortable. The company takes all necessary measures to ensure the safety not only of its employees, but also for those who visit the company's facilities or perform subcontracted work within company premises. The company's immediate priority is to focus on eliminating occupational hazards identified in the workplace by replacing the technical equipment (wherever possible), perform the necessary technical checks, identify the hazards, and provide the necessary personal protection equipment to those exposed to any risk.

MEL complies with all applicable national and European rules and regulations regarding occupational Health and Safety. Adopting the principles of international standards OHSAS 18001:2007 and ISO 45001:2018, on which the Occupational Health and Safety Management System was based, MEL's management team commits to use both quantitative and qualitative goals to proactively improve system's performance. MEL also encourages all staff members to make proposals to the Occupational Health and Safety Committee through their representatives in this direction.

Health & Safety Committee

The committee consists of three representatives of the employees and three members of the company (HR, Occupational Physician and Safety Technician). A recurrent session takes place every three months, where all relevant issues regarding the safety and health of employees are discussed. The committee records the requests of the employee representatives and informs the management team about the proposed solutions. For that reason, a registry account has been created regarding the actions that have been applied to the company and the future planning moves. Minutes are kept in every session and a summary is distributed both to the Management team and the interested parties involved covering information regarding the future plans and actions.



Emergency

Regarding Health and Safety issues, emergency planning is one of the most important acts in order to maintain a safe working environment. For this reason, plans that specify procedures for handling sudden or unexpected situations have been implemented.

An emergency plan is in place, to prevent danger from fires, earthquakes, floods, gas and chemical leaks, with the safety engineer being in charge. The company has also implemented relevant policies to counteract the effects of Covid-19 pandemic. The competent authority for the implementation of these policies is the Human Resources department and the Occupational Health Physician.

More specifically, MEL has issued a Personal Protective Equipment (P.P.E.) policy, which refers to protective clothing, safety helmets or hats, safety glasses, safety shoes or other work clothing or equipment designed to protect the employees from injury, contamination or other health and safety danger. To ensure the safety of its employees, MEL implemented the following measures across the company facilities:

- Changes in the safety footwear based on job position.
- Training on fire safety and established general safety rules.
- Training on first aid procedures.
- Rest areas inside MEL's facilities.
- A first aid station (renewal of defibrillators, purchase of additional means of care).
- Reinforcement of guarding for daily audits and compliance with the measures to deal with Covid-19.
- Handling snake issues with repellent applications.
- Proper use of computer and protection instructions in office positions.
- Training of vehicle operators.
- Vaccinations (against typhoid, tetanus, hepatitis A).
- Periodic annual medical checks.
- Bait station.
- Sprays.
- UV lamps devices.
- Cardiac screening for employees over 40 years old.
- X-rays for shift workers.
- Checkups for all employees.
- Informing the employees about Covid-19.
- Temperature measurements.
- Supply of masks.
- Antiseptics.
- Telecommuting.



Response to Covid-19

During the Covid-19 pandemic, the company took precautionary actions to help everyone get through that difficult time, while on the other hand, making sure that the company production and goals are not significantly disrupted.

For this issue MEL:

- Carried out in-class and e-learning training, referring to information and awareness regarding the Covid-19 vaccination and first aid.
- Provided all means of protection against Covid-19 (masks, antiseptics, and instructions in all areas).
- Placed disinfectants in all areas and continuous retreading by an employee of the company.
- Carried out checks during periods of the outbreak of the virus and implemented strict use of masks in the facilities of the company.
- Keeping up to date the Health and Safety Committee and the employee union.
- Circulated information about the pandemic to all staff by the Occupational Physician and the Human Resources department.
- Arranged weekly disinfections in all areas of the company (contract with an external workshop).
- Provided disposable disinfectant cloths for cleaning workplaces (clerks, machines, etc.).
- Established a pandemic management committee.
- Tracked incidents and took the necessary actions.
- Implemented remote working.
- Removed the vulnerable groups of workers from the workplace (who then came back on doctor's orders, without any reduction on their pay - benefits).
- Implemented special leaves to working parents.
- Increased the cleaning staff.
- Monitored the performance of implemented tests from the employees.
- Forged partnerships with clinics to administer free screenings to staff members and their families as needed.
- Increased security personnel to carry out checks and temperature measurements at the entrance of the company's facilities.
- Limited face to face meetings and utilized electronic forms of communication.
- Established a factory entry policy by prohibiting the entry to those who don't have a work in MEL facilities.
- Compliance with the control form for suppliers and workshops.
- Disposed the mail in the entrance of the company's facilities.

Remote working in MEL concerned only a certain number of employees due to the fact that the nature of the work requires the majority of employees to be present in the plant. Nevertheless, even to the extent that remote working was implemented in the company, from May 2021 onwards it has decreased significantly.

Respect for Human Rights

(GRI 103-1, GRI 103-2, GRI 103-3, GRI 406-1)



The company is fully complying with Human Rights, recognizing the importance of a healthy working environment without feeling any sense of discrimination where each employee feels safe and free to be himself/herself. In achieving a free workplace environment, MEL has implemented a whistleblowing system, where employees can report incidents of discrimination or violation.

MEL has shown zero tolerance for the violation of Human Rights. It is clear to every interested party that the company should operate based on the values of mutual respect and equality. Adopting and applying human rights principles in the workplace, the company recorded 0 incidents of violation of human rights and discrimination in the workplace both in 2020 and 2021.

Social Responsibility



The Association of Voluntary Blood Donors of MEL employees was founded in 2017 by the Human Resources department, the Occupational Physician, and members of the previous H&S Committee. Twice a year, the HR department arranges a voluntary blood donation in MEL facilities in coordination with the AHEPA Hospital. Additionally, the HR department also notifies the H&S committee regarding the actions' progress and also informs the entire staff on relevant issues. It is worth noting that a blood bank is created to serve the needs of both employees and their relatives.

Similar to this initiative the company has implemented an information day on Monday 19th of April 2021 to increase the awareness of its employees about blood donation. MEL employees volunteered for blood donation supporting the National Blood Donation Center to help other humans that were suffering or were in need of blood.

The last years were demanding, especially in Health and Safety matters due to the spread of Covid-19, which affected the working practices, the economy of every country, and the life of every human. The government had implemented continuous lockdowns which directly affected the way companies operated and affected dramatically the productivity. MEL supported the work of the local health services and responded immediately to their request, by providing necessary equipment to the Polykastro Health Center, which at the time was selected as a starting examination point for COVID patients.

Donations to Local Communities

(GRI 103-1, GRI 103-2, GRI 103-3)

Businesses support societies as part of their social responsibility programs, especially during times of crisis. Consequently, MEL acknowledges that success originates from collaboration and teamwork.



The total amount of donations that the company made during the last two years, as part of MEL CSR program, are the following:

2020	2021	Difference
22,274.65 (€)	23,806.97 (€)	+6%

These donations are made mainly on a local and national level. More specifically, in 2020 MEL CSR Program activities were assigned largely to projects related to public health institutions to enhance the fight against COVID-19 (donations to the University General Hospital of Thessaloniki “AHEPA”) and cultural institutions to promote artistic and educational activities (donations to Thessaloniki Concert Hall). During the last two years, MEL has supported many professional bodies, local community groups (such as local teams, local municipalities) and childcare services organizations (Greek SOS Children’s Villages, Greek Children’s Village in Fyliro, municipal nursery school of Thessaloniki Agios Stylianos).

Governance

(GRI 102–18)



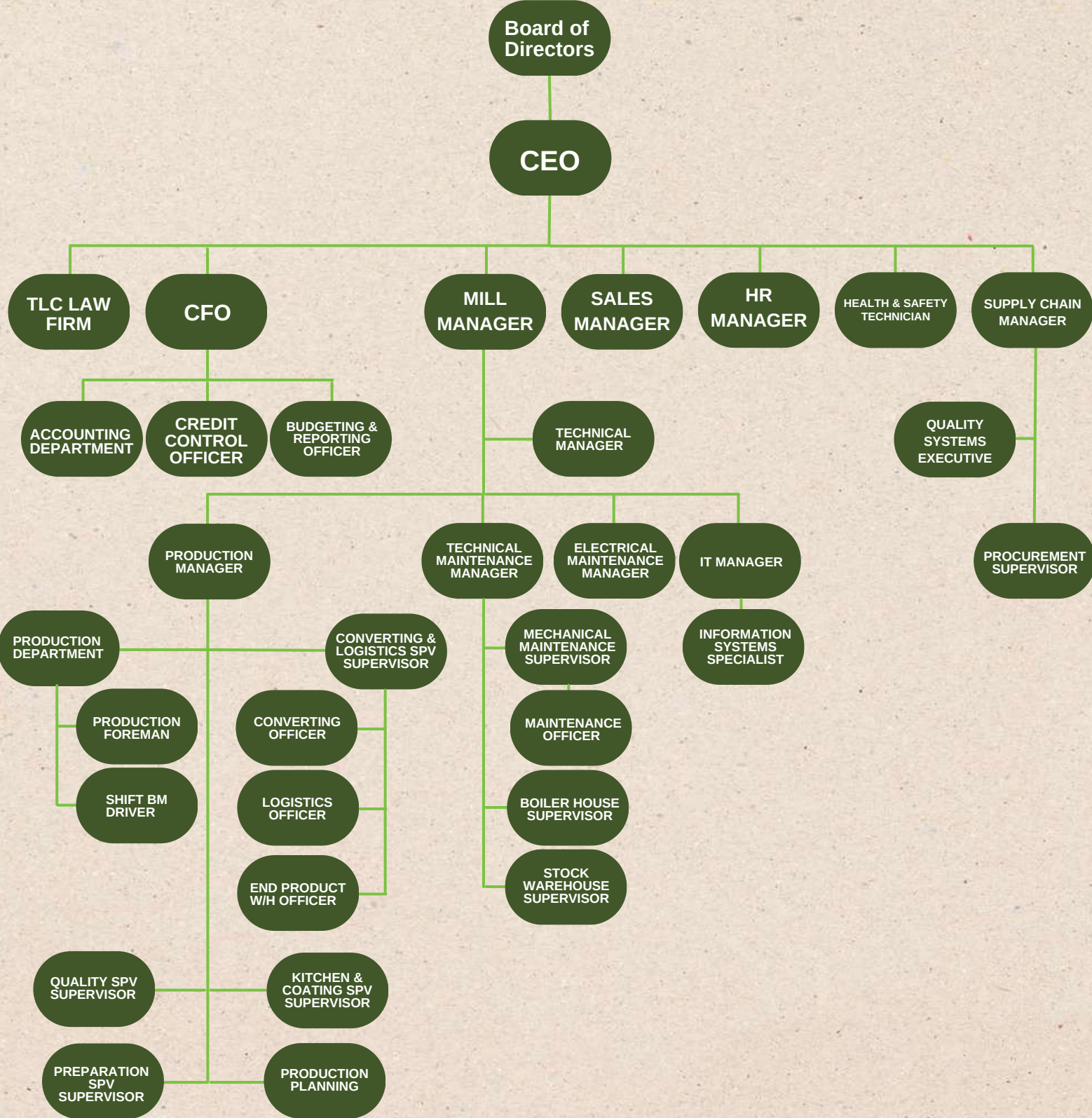
Corporate governance is a set of principles and policies that guide the day-to-day operations of an organization. It involves a number of different elements, including board structure, management structure, and accountability. Corporate governance is important for ensuring the safety and soundness of the organization. In addition to protecting investors and maintaining public trust, proper corporate governance can also help improve company performance. By providing clear guidelines and oversight, companies are more likely to operate with integrity and adhere to best business practices. This can help them achieve their goals more effectively and efficiently.

In MEL, transparency towards its stakeholders, credibility, quality, responsibility, and accountability are the principles that help the company operate at its best. Being productive and meanwhile ensuring a safe workplace with zero tolerance for discrimination incidents, misconduct or unethical business practices, and violation of human rights, are the main liabilities of the company.

Organizational Structure

Organizational structure sets the foundation for all operating procedures and workflows at any company. More specifically, a clear structure defines the roles and duties of every employee making sure that everyone behaves based on specific standards and practices set by the company: MEL has established an efficient and flexible structure, focused primarily on company's main objective to achieve a sustainable competitive advantage.

ORGANIZATIONAL CHART



The Board of Directors

(GRI 102–22, GRI 102–23)

The company's Board of Directors (BoD) consists of 8 members of whom 2 are women, 3 are family members, 6 are executive directors, and 2 non-executive directors. As can be seen women participation in the Board of Directors is 25%.

There was no external auditor for the Board of Directors, and the company has not assigned ESG duties to any member of the Board.

MEL Board of Directors members are the following:


Chairman:

 Mr. Suleyman Kaya

Managing Director:


 Mr. Dimitrios Theocharis


Members

 Mr. Mehmet Imregun

 Mrs. Hatice Canan Pak Imregun

 Mrs. Funda Duran

 Mr. Unal Bozkurt

 Mr. Muzaffer Incekara

 Mr. Georgios Georgiadis



Board of Directors Nomination process

Potential members of MEL BoD must submit their CVs to the company as part of an internal process for screening applicants for Board positions. Following that the application is considered by members of the Board, and a pertinent report is presented to the shareholders' General Meeting, which is the responsible body that makes the decision on whether the member should be elected or not. It should be noted that the Board of Directors conducts a collective evaluation of the current members at the conclusion of each management term, and that report, along with the overall management report (required by the national Law 4548/2018's Article 108), is submitted to the shareholders. The members of the Board of Directors have also the option to propose candidates in case of replacements or additions of new directors, always in compliance with what is defined by the Company's statutes.

Whistle Blowing System

(GRI 102-17)

The company has established a whistleblowing system and the competent authority is the Human Resource department. In the cases that issues of malfunction or inappropriate behavior arise within the company, the supervisor files a written report regarding the incident and submits it to the Human Resources department. The department informs the Management team and delivers the document to the employee who was involved in the incident. The employee has the option to respond in written within 3 days. Depending on the answer that will be provided and the assessment of the facts, the supervisor decides on the penalty and sends it back to the HR department. The HR department is responsible for informing the Management team and the employee and issues the penalty. The whole process is recorded in the company's system and the forms are archived.

Regulatory Compliance

(GRI 103-1, GRI 103-2, GRI 103-3, GRI 205-3)

Regulatory compliance can be accomplished in many ways, from complying with applicable law to adhering to accepted industry practices. MEL operates with a high sense of transparency and integrity making sure that all company activities are in line with our company values, principles and norms of behavior. It should be noted that there were no reported incidents of corruption or bribery linked to MEL employees during the last 2 years.

Board Remuneration

During the financial year that expired on 31st of December 2021, the members of the Board of Directors were paid the gross earnings plus employer contributions a total of 303.135,04 € for services provided and as a result of the salaried employment relationship, while the total number for 2020 was 461.969,60 €. In addition, fees were paid for participation to 3 members of the Board of Directors accounted to a total of 100.978,88 €, while in 2020 the total amounted to 115.713,06 €.

Data Protection

(GRI 103-1, GRI 103-2, GRI 103-3, GRI 418-1)

MEL takes a responsible stance towards the protection of personal data and privacy and believes that it is an issue of supreme importance. Therefore, the company published a notice in accordance with Article 13 of the General Data Protection Regulation (GDPR) to inform the public of how personal data is used. This document lays out the processing undertaken by the Data Controller, as named below, through the Company's website.



During 2020 and 2021 the Company had no incidents or complaints of data breaches or personal data losses. Therefore, there were no fines on that matter.

Any questions regarding this notice and the manner in which we process your personal data may be directed to the:

Data Protection Officer - DPO
MEL Macedonian Paper Mills S.S.A.
Kato Gefyra, 57011
E-mail: dpo@melpaper.com
Contact telephone: +30 2310728139

Collection and processing of personal data

The purpose of data processing is to manage communication with the Company and/or the Group and optimize the website use. The personal data that the company collects are:

- Personal information
- Contact information
- CVs
- information in sundry requests

The process of personal information is based on a legal basis for processing and requires consent from the issuer. The data used is only for purposes related to the legitimate interests of the Company and/or Group.

GRI STANDARDS Content Index

(GRI 102-55)

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