Sustainability Report 2024

Making progress, together

Kafrit Group

Working together
for the future of plastics.

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Sustainability Report 2024

Opening statements

- A letter from our Chairman of the Board
- A letter from our Chief Executive Officer
- Thoughts from Kafrit Group's Sustainability Leader

Leading the way to sustainability transparently

A letter from our Chairman of the Board

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

Today, it is my pleasure to welcome you to Kafrit Group's second sustainability report. After publishing the first group-wide report a year ago, we have decided to continue leading the way to sustainability transparently. This report will provide an honest overview of Kafrit Group's 2024 sustainability performance, as well as our ambitious plans for the future. We strongly believe it is the right move to share our experiences, achievements and challenges with our stakeholders. In addition, we actively seek to foster coalitions with our industry partners to enhance the sustainability agenda, since we consider this to be a joint task.

Again, this is a moment in which Kafrit Group has shown remarkable resilience after the October 7th, 2023 Hamas attack on our home, kibbutz Kfar-Aza.

In 2024, we saw two acquisitions of new companies in North America, ABSA RESINS CAN and BADGER COLOR USA, as well as the acquisition of 51% of Plastics-App, Israel. This grew the number of companies in Kafrit Group to nine, with a turnover of $365 million and about 820 employees.

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

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

It is my belief that being highly ranked in the sustainability arena will become a major business differentiator in our marketplace.

Dr Itzick Sharir
Chairman of the Board

Dr Itzick Sharir
Chairman of the Board

Daniel Singer
Chief Executive Officer
of Kafrit Group

Pushing to do better

A letter from our Chief Executive Officer

When we shared our first sustainability report last year, it felt like the start of something bigger than just reporting data. It was the beginning of a journey toward doing business in a way that truly reflects who we are and what we believe in.

Now, as we publish our 2024 sustainability report, I can confidently say we have come a long way. What once were plans and promises have become real actions and measurable progress. We have learned, adapted and grown – not just as a company, but as a community of people who care about the impact we have.

The tragic events of October 2023 are still fresh in our hearts. They remind us all of the importance of humanity, resilience and standing together. These values continue to guide everything we do, from how we care for our people to how we approach sustainability and innovation.

This report is not just about numbers or checkboxes. It is about the steps we have taken – big and small – to build a better, more responsible future. We have broadened our solutions to give our customers better, more sustainable options, strengthened our workplace, listened to our stakeholders, and kept pushing ourselves to do better.

But we know there is still much to do. The path toward a sustainable and ethical future is long and ever-changing. What matters is that we keep moving forward together, learning and improving along the way.

Thank you for being part of this journey with us. Your insights, questions and challenges help us grow. Let us continue to drive the future of plastics with purpose and responsibility, together.

Daniel Singer
Chief Executive Officer

Reaching for the next level

Thoughts from Kafrit Group's Sustainability Leader

In last year's sustainability report, I elaborated on Kafrit Group's ambitious commitment towards sustainability, signaling a robust approach to corporate responsibility and ethical practices across our businesses.

In a world of fast-changing political opinions and legislative efforts, it is not always easy to stay on top of things. While we were working on full ESRS implementation, the EU Commission published its Omnibus proposal in early 2025 – a proposal that will result in a significantly reduced number of companies that need to report on their sustainability efforts.

What does this mean to us?

The answer to this question did not take us long. We, as Kafrit Group, believe in our approach – a combination of reasonable reporting effort to create transparency for all stakeholders and real action and efficiency gains in our local production sites.

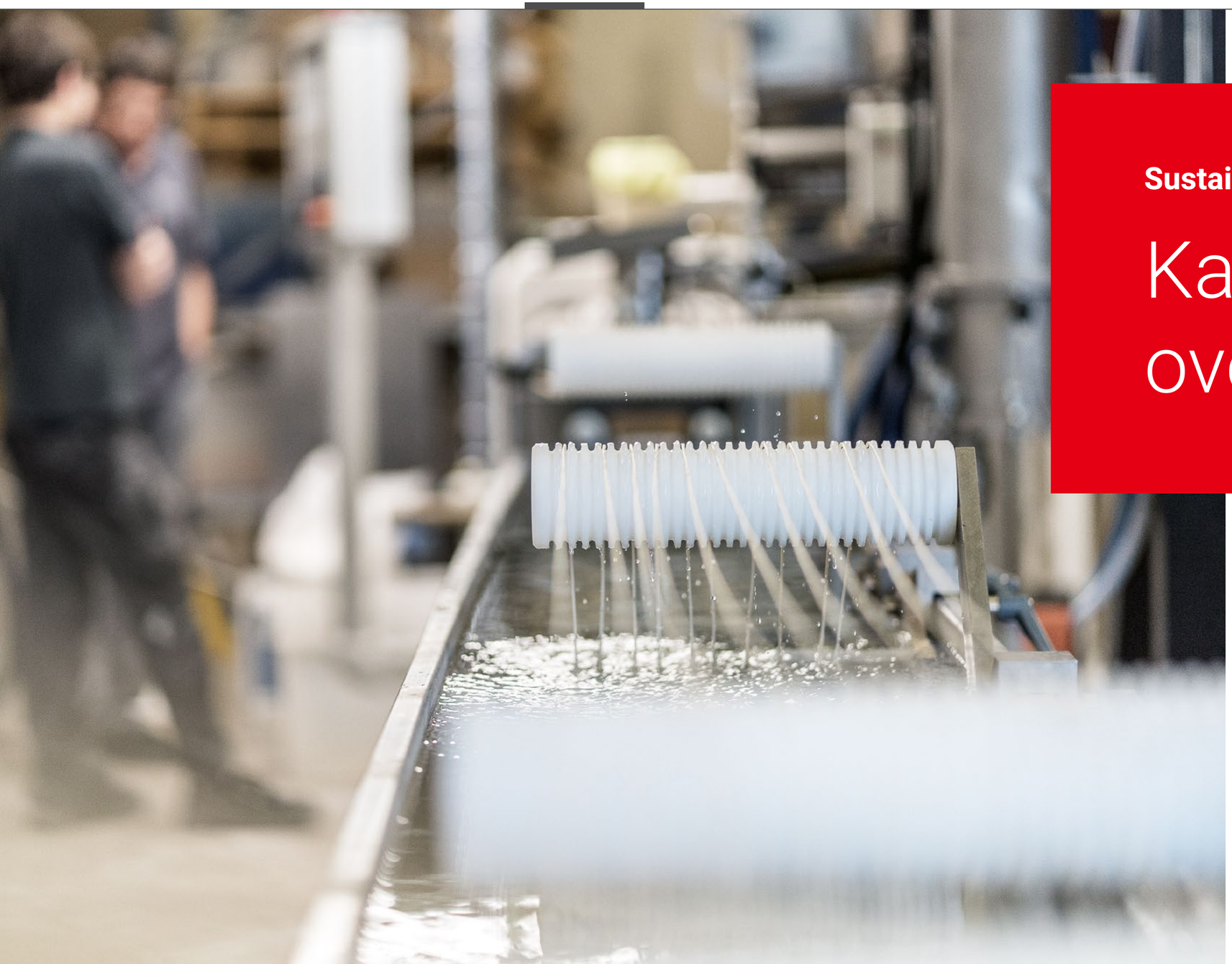
This is why our 2024 report is based on a full Double Materiality Assessment (DMA). It brings our ambitions to the next level by making sure we consider everything that matters, either in our own operations, or upstream and downstream.

With that said, stakeholder engagement remains the most crucial driver for our sustainability journey. Whether that is our employees creating improvement from within, our appreciated industry partners working with us to develop new, sustainable product solutions, or the communities we operate in wanting to understand what we do and how we do it.

Fabian Schulte

Fabian Schulte
Kafrit Group Sustainability Leader

Fabian Schulte
Kafrit Group Sustainability Leader



Sustainability Report 2024

Kafrit Group overview

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

Who we are

About Kafrit Group

We are a globally active, leading producer of masterbatches and compounds for the plastics processing industry, currently employing around 820 people. In 2024, we achieved $365 million turnover.

Today, a total production capacity of more than 167,000 mt and around 80 production lines reinforces our ambitions as a multinational player. Moreover, we consist of nine companies operating a total of ten production sites.

The latest arrivals to Kafrit Group, ABSA RESINS CAN and BADGER COLOR USA, who were both acquired in early 2024, are covered in this report.

From the kibbutz to the world

How it all started and global presence

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

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

KAFRIT IL 1

CONSTAB GER 2

CONSTAB CN 3

KAFRIT NA 4

POLYFIL USA 5

ADDVANZE SWE 6

DELTA KUNSTSTOFFE GER 7

ABSA RESINS CAN 8

BADGER COLOR USA 9

What we do

Our products and technologies

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

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

Colors

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

Agricultural film

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

Polyethylene and polypropylene film

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

BOPP/BOPE film

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

Polycarbonate

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

Conductive compounds

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

PEX

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

Flame retardants

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

Technical and custom-made compounds

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

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

Our purpose

It is the driving force of our organization.

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

Sustainability Report 2024

Kafrit Group's approach to sustainability

- Our strategy and pillars for a sustainable future
- Caring for the whole value chain
- Our Research and Development (R&D) capabilities
- Stakeholder engagement
- 2024 sustainability highlights and achievements
- Sustainability goals
- Materiality analysis
- Material ESRS topical standards

Sustainability is part of our identity

Our strategy and pillars for a sustainable future

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

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

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Operating sustainably

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

Living sustainably

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

Innovating sustainably

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

Developing our business sustainably

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

Reporting sustainably

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

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

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1 Operating sustainably

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

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

2 Living sustainably

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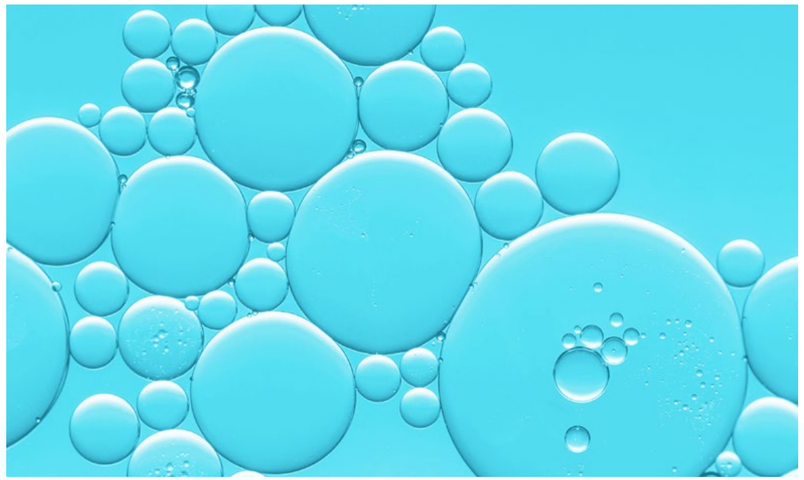

Innovation plays a key role in sustainability. We constantly invest in research and development to create innovative products, technologies and solutions that are environmentally friendly and socially responsible, helping our customers become more sustainable at their end.

3 Innovating sustainably

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

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4 Developing our business sustainably

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

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

5 Reporting sustainably

Our place in the value creation

Caring for the whole value chain

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

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

Long-term value

Caring for the whole value chain

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

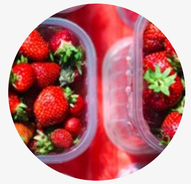
Suppliers

Producers of polymers and additives

Compounders

Solutions for plastic manufacturers

Plastic manufacturers



Final products

Consumers

Striving for the best solution

Our Research and Development (R&D) capabilities

With more than 50 years of experience in the production of masterbatches and compounds for the plastics processing industry, we know that research, development and innovation are cornerstones of our business activities. Every day, we aim to develop and produce solutions that enhance the manufacture of high-quality end-products in many different applications.

Our goal is to provide a product portfolio offering sustainable solutions at the forefront of innovation. Following our purpose – to unite talent and technology to drive the future of plastics, together – we employ R&D and lab teams consisting of more than 100 employees across the globe, most of them holding advanced science degrees. Our laboratories are located at our different sites in close connection to production and quality control facilities, and are furnished with sophisticated equipment.

In 2024, Kafrit Group bought 51% of the shares of Plastics-App, a pioneering compounding innovation lab and prototype scale manufacturer of designer-compounds and filaments for a diverse range of companies. This strategic partnership is an important addition to our R&D expertise.

Furthermore, cooperation with external research institutes continuously enriches our R&D processes. We also maintain strong connections with machine manufacturers and raw material suppliers around the world, as we strive to increase the benefits of the final products while optimizing the production process.

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

PLASTICS-APP
If you can imagine it, we can compound it.

N3Cure
CROSSLINKED SOLUTIONS

TERA NOVEL

NEMO
nanomaterials

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

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

We love to partner

Stakeholder engagement

Stakeholder engagement is crucial to our business and sustainability efforts. We strongly believe in the power arising from the exchange of ideas, views and concerns, especially when it comes to sustainability.

For this reason, Kafrit Group as a whole and our different companies on their respective local levels actively seek to engage with a variety of stakeholders. This engagement happens via multiple channels and touches upon various topics which, together with our key stakeholder groups, are summarized on the next page.

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

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We love to partner — stakeholder engagement

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

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

Employees

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

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

Future employees

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

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

Customers

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

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

Suppliers

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

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

Shareholders

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

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

Local communities

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

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

Authorities and other regulatory agencies

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

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

Research institutes

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

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

Industry associations

Channels of engagement: Collaborative initiatives, conferences, meetings.

Topics: Regulation, sustainability strategy, innovation.

Financial partners

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

Topics: Sustainability strategy, sustainability considerations.

Board of Directors

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

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

Working on progress, every single day

2024 sustainability highlights and achievements

Our GHG intensity [mt CO2e/ILS] decreased by 12.3% on a market-based level.

Our share of renewable energy consumption increased by 179.3%, now accounting for 47.5% of our overall energy consumption.

Full integration of both newly acquired companies into our group-wide reporting.*

We slightly increased the percentage of women in management positions to 30.4%. At the Board of Directors level, 22% of all members are women.

We saw a parental leave rate of 92.9%, underlining our support to combine work and family realities.

On average, each employee received 17.9 training hours.

0 confirmed incidents of corruption or legal cases were brought against Kafrit Group.

Kafrit Group introduced a *Supplier Code of Conduct* to foster sustainable procurement practices.

Although it does not fall under the ESRS, Kafrit Group chose to strive for a robust Double Materiality Assessment (DMA) process to form the backbone of this report.

*The full integration refers to the reporting period only.
For ABSA RESINS CAN and BADGER COLOR USA comparisons with previous years are mostly unavailable.

What we strive for

Sustainability goals	Our goal	Where we stand
Emission reduction	A 50% reduction in SCOPE 1 and SCOPE 2 market-based emissions by 2030 across all companies, compared to the base year 2022.	At a 16.4% reduction without acquisitions and at a 1.7% reduction including acquisitions.
Renewable energy	More than 50% of the energy consumed by all companies across our group will be renewable by 2030.	We reached a renewable energy portion of 47.5% in 2024 - we are on track.
Product Carbon Footprints (PCFs)	We will be able to provide PCF data for the whole product portfolio by 2027, showing that we acknowledge the importance of transparency in our value chain.	We made significant progress for our BOPP and PE products, broadened our data base and we have detailed plans to close the gap in the next years.
OH&S	Everyday safe: zero incidents, accidents or injuries.	We did not meet this goal in 2024, however we could decrease the OSHA rate compared to 2023 and 2022.
Performance reviews	Grow our talent in a transparent feedback culture, with an annual performance review for each employee by 2026.	We went backwards in 2024 with only 47.1% of our employees receiving an annual performance review.
Belonging	An average of 50% women employed in management positions across the group by 2030, building on our past gender equity achievements.	In 2024, 30.4% of all management positions across the group were filled by women.
Training hours	Increase individual employee training and education to 12 hours a year by the end of 2025, and then to 15 hours a year by the end of 2027.	On average, 2024 saw 17.9 training hours per employee and thereby already outperformed the 2027 group goal by 2.9 hours. However, we do not meet the goal in each company yet.
Corruption and discrimination	Zero tolerance — every year upright: zero cases of corruption or discrimination.	We did not experience any case of corruption or discrimination in 2024.

Defining what must matter most to us

Materiality analysis

Double materiality is a central concept in the EU Corporate Sustainability Reporting Directive (CSRD) and European Sustainability Reporting Standards (ESRS). It encompasses:

- Impact Materiality: How the company's operations impact the environment, people and society
- Financial Materiality: How sustainability issues affect the company's financial performance, either as a risk or an opportunity

A robust Double Materiality Assessment (DMA) is critical to the credibility, relevance and strategic value of any sustainability report and it ensures responsiveness to evolving stakeholder expectations by enhancing transparency and comparability across companies and sectors.

Compared to our previous DMA, we broadened our efforts and conducted a profound DMA process, including topical expertise from within Kafrit Group.

In early 2025, a group of nine experts from across Kafrit Group, together with the Kafrit Group Sustainability Leader, met for a two-day on-site workshop to discuss and complete a list of impacts, risks and opportunities (IROs). As the internal experts represented all the topical standards of the ESRS as well as external stakeholder groups' views and different geographical perspectives, we tried to capture Kafrit Group's business reality in as much depth as possible. This meant considering:

- Our various and globally dispersed production sites
- The complex and mainly (petro-)chemical upstream value chain
- The broad customer base in the plastics processing industry

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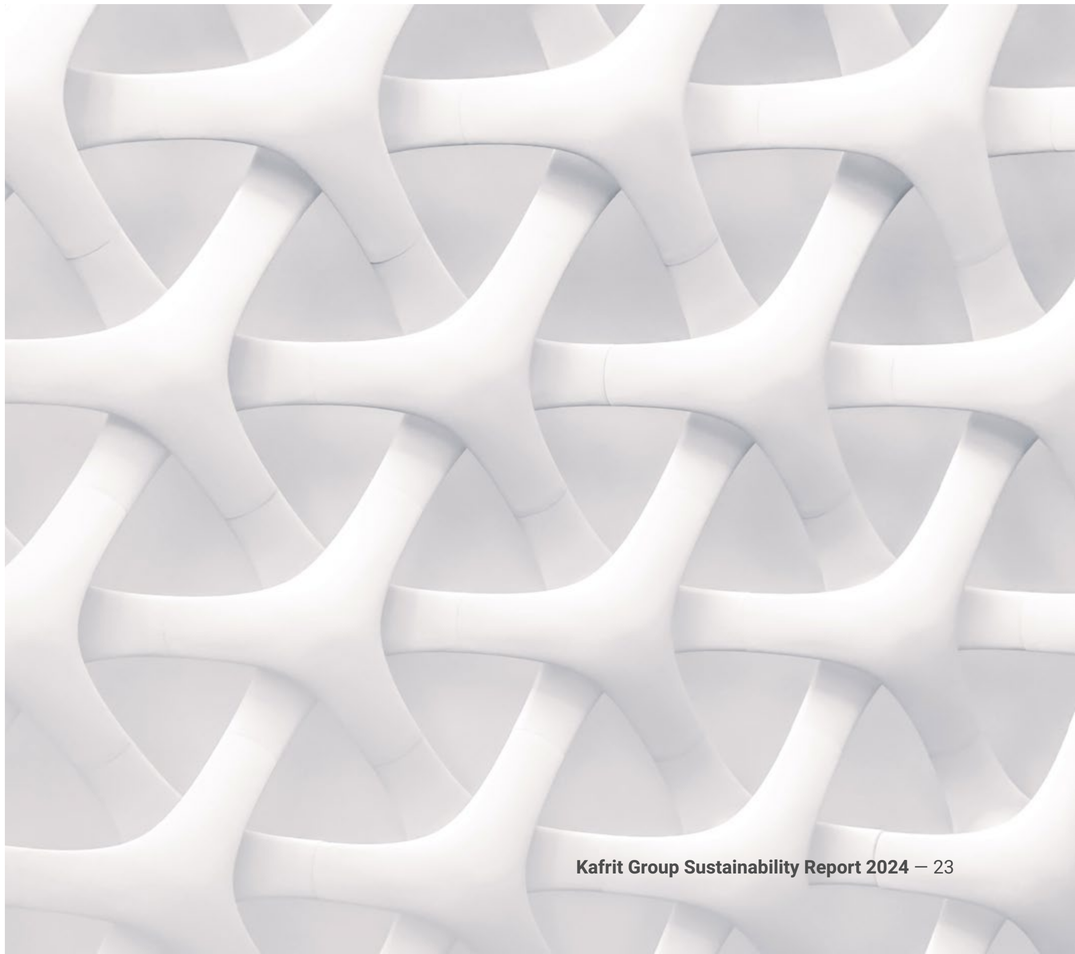

Defining what matters to us most — materiality analysis

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Altogether, 153 IROs were named and could be linked to either upstream, downstream or core value activities.

These IROs were subsequently evaluated in internal debates based on their respective nature (impact, risk or opportunity), by considering scale, scope, irremediability and likelihood for impact materiality, as well as severity and probability for financial materiality. We also paid attention to the applicable time horizon by differentiating between short-term (< 1 year), medium-term (< 5 years) and long-term (> 5 years) effects. Our evaluation was based on expertise, specific scientific releases and general news. The maximum score for impact materiality could be 15, the maximum score for financial materiality could be 5.

In the next step, we defined two threshold values, one for each type of materiality, over which scores and their respective IROs were considered material. These threshold values were 8.2 for impact materiality and 1.6 for financial materiality. Each threshold represented the midpoint within the specific evaluated range. As well as giving us an overview of all material IROs, it also gave us an overview of the material ESRS topical standards.

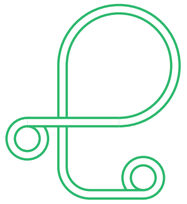
Eventually, 45 impacts, 7 risks and 6 opportunities were evaluated to be material. Except for ESRS G1 Business Conduct, all ESRS topical standards were represented by these material IROs. However, our DMA also showed that most material IROs were caused by upstream and downstream operations, less so by our core value activities. This is why we have been flexible in responding to some of the data points proposed by ESRS.

All material IROs regarding the ESRS topical standards E1-E5 will be shown at the beginning of the environment chapter of this report, whereas all material IROs concerning ESRS topical standards S1-S4 will be presented at the beginning of the social chapter. We have one company-specific IRO which will be handled together with some of the general disclosure requirements (ESRS 2) in this report's governance chapter.

We believe that both the formulation and evaluation of IROs, the threshold definitions and the final derivation of data points represents Kafrit Group's business activities adequately. However, we will discuss any potential shortcomings in our DMA process or data point choice with our valued stakeholders to improve upon in our next sustainability report.

The results of our Double Materiality Assessment

Material ESRS topical standards

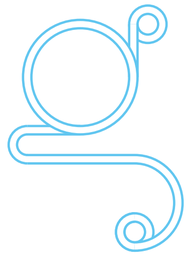


ESRS E - Environment

- E1 - Climate change
- E2 - Pollution
- E3 - Water and marine resources
- E4 - Biodiversity and ecosystems
- E5 - Resource use and circular economy

ESRS S - Social

- S1 - Own workforce
- S2 - Workers in the value chain
- S3 - Affected communities
- S4 - Consumers and end-users



ESRS G - Governance

- Company specific - Cyber security

Cross-cutting standards: ESRS 2 - General disclosures

Sustainability Report 2024

Advancing environmental performance

- IROs relevant to environment
- Getting clear about energy and water consumption
- Assessing GHG emissions
- Establishing waste, materials and pollution management
- Decreasing pollution
- Fostering biodiversity and ecosystems
- Biodiversity and water risk map

Key environmental issues

IROs relevant to environment

Policy statement

At Kafrit Group, we prioritize sustainable practices to minimize environmental impact. By reducing waste, conserving resources, preventing pollution, and focusing on energy efficiency, GHG management, water conservation and air pollution management, we uphold regulatory compliance and engage all stakeholders in our mission. Through innovation and accountability, we strive for continuous improvement, shaping a cleaner, more sustainable future.

ESRS E1 — Climate change

E1-2 Climate change mitigation

GHG emissions from upstream business operations contribute to climate change

Kafrit Group is supplied with polymers and additives, which are products of (petro-)chemical processes. Total GHG emissions caused by the (petro-)chemical industry account for significant volumes, e.g. 5% of total net GHG emissions in the EU in 2021. On a world-wide basis, the (petro-) chemical industry is associated with approximately 10% of global emissions. These emissions have an actual negative impact by contributing to global warming.

- ACTUAL NEGATIVE IMPACT
- SHORT TERM
- UPSTREAM ON THE VALUE CHAIN

Recovery measures to mitigate climate related damages (e.g. floods, droughts, heat stress, etc.)

Climate change and resulting extreme weather events are likely to increasingly impact on Kafrit Group's operations and may cause financial risks to the production sites and employees. Several extreme weather events in 2024 such as hurricane Helene which hit Tennessee-based Impact Plastics devastatingly underline the growing risk that companies face. Once such an extreme weather event has occurred, there may be substantial costs for recovery.

- RISK
- MEDIUM TERM
- CORE VALUE CHAIN

GHG emissions from downstream business operations contribute to climate change

Masterbatches and compounds are used downstream in applications such as plastic bags, rigid packaging and films. In the US, production of such plastic products accounts for 3% of total US energy consumption. Unfortunately, despite their high embodied energy use, many of these plastic materials still end up in landfills or in the environment (depending on geographies). Both energy usage and non-properly handled waste generates GHG emissions. These emissions have an actual negative impact by contributing to global warming.

- ACTUAL NEGATIVE IMPACT
- SHORT TERM
- DOWNSTREAM ON THE VALUE CHAIN

E1-3 Energy consumption and mix

High energy usage in the (petro-)chemical industry

The (petro-)chemical industry represents the largest contributor to industrial energy demand worldwide. It accounts for about 10% of global total final energy consumption.

- ACTUAL NEGATIVE IMPACT
- SHORT TERM
- UPSTREAM ON THE VALUE CHAIN

High energy usage in the plastics processing industry

The production of plastic products is energy-intensive but to a lower degree than (petro-)chemical activities.

- ACTUAL NEGATIVE IMPACT
- SHORT TERM
- DOWNSTREAM ON THE VALUE CHAIN

ESRS E2 — Pollution

E2-1 Pollution of air

Air pollution during (petro-)chemical manufacturing processes

In addition to greenhouse gases (GHGs), chemical manufacturing may produce air emissions including sulphur dioxides (SOx), nitrogen oxides (NOx) and Hazardous Air Pollutants (HAPs). As with GHGs, these emissions typically stem from fuel combustion and feedstock processing. Relative to other industries, the chemicals industry is a more significant source of some of these emissions. These air pollutions can cause environmental and health hazards.

Air pollution during plastics processing (B2B customers)

In addition to greenhouse gases (GHGs), chemical manufacturing may produce air emissions including sulphur dioxides (SOx), nitrogen oxides (NOx) and Hazardous Air Pollutants (HAPs). As with GHGs, these emissions typically stem from fuel combustion and feedstock processing. Relative to other industries, the chemicals industry is a more significant source of some of these emissions. These air pollutants can cause environmental and health hazards. In addition, pollution of air also needs to be taken into account at plastic products' end-of-life in case they are incinerated or landfilled.

E2-2 Pollution of water

Water pollution during (petro-)chemical manufacturing processes

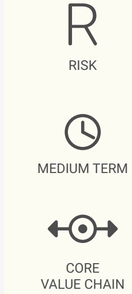
(Petro-)chemical manufacturing is connected to water pollution. Contaminants such as microplastics have been observed in industrial wastewater in the US coming from (petro-)chemical and plastics factories. At the same time, the EPA has recognized (petro-)chemical plants as potential sources of PFAS ("forever chemicals"). Uncontrolled wastewater pollution and a lack of sufficient state and federal enforcement pose real threats to downstream communities.

Water pollution during plastics processing

Plastics manufacturing is connected to water pollution. Contaminants, especially microplastics and used plastics products, have been observed in rivers and oceans around the globe.

Water pollution during plastics processing by PFAS -> potential PFAS ban

(petro-)chemical manufacturing is connected to water pollution. The EPA has recognized (petro-)chemical plants as potential sources of PFAS ("forever chemicals"). As PFAS is currently under discussion to be banned, there is still a business risk to some of Kafrit Group's products containing PFAS materials. Some of Kafrit Group companies, however, have already discontinued PFAS completely (DELTA KUNSTSTOFFE GER & BADGER COLOR USA).



E2-3 Pollution of soil

Pollution of soil during (petro-)chemical manufacturing processes

Via contamination of harmful chemical substances, arising from (petro-)chemical manufacturing processes, negative impacts on soil can be observed which endanger soil organisms, reduce biodiversity, and finally deteriorate soil quality.

Pollution of soil during plastics processing

Also plastics manufacturing and end-of-life considerations of plastic products are connected to pollution of soil. Contaminants, especially microplastics, powder and liquids, are to be handled with great care.

E2-4 Pollution of living organisms & food resources

Pollution of living organisms and food arising from (petro-)chemical activities

Research has monitored increased contamination of food and living organisms such as seafood by (petro-) chemical products such as additives, pesticides and microplastics.

ACTUAL NEGATIVE IMPACT
SHORT TERM
UPSTREAM ON THE VALUE CHAIN

Pollution of living organisms and food arising from plastics processing activities

Research has monitored increased contamination of food and living organisms such as seafood by (petro-) chemical products such as additives (migrating out of food packaging), pesticides and microplastics. Cases have been recorded in which additives migrated to the surface of food packaging and contaminated food afterwards.

ACTUAL NEGATIVE IMPACT
SHORT TERM
DOWNSTREAM ON THE VALUE CHAIN

E2-6 Substances of very high concern

Chemical industry produces SVHC

Some substances of the chemical industry are for example SVHC substances (substances of very high concern). These are substances that may have serious and often irreversible effects on human health and the environment. Although SVHC is a term initially connected to the EU REACH legislation, other countries apply similar schemes to assess substances as well (e.g. Toxic Substances Control Act in the US). The ECHA regularly updates the list of SVHCs.

ACTUAL NEGATIVE IMPACT
SHORT TERM
UPSTREAM ON THE VALUE CHAIN

Plastics processing industry processed SVHC

Some SVHCs are processed by plastics processing companies. REACH regulation requires corresponding documentation to monitor health and environmental risks.

ACTUAL NEGATIVE IMPACT
SHORT TERM
DOWNSTREAM ON THE VALUE CHAIN

E2-7 Microplastics

Microplastics pollution is caused by (petro-)chemical activities

As (petro-)chemical activities are the precursor of any plastics processing product, it is obvious that they, in general, facilitate the occurence of microplastics.

ACTUAL NEGATIVE IMPACT
SHORT TERM
UPSTREAM ON THE VALUE CHAIN

Microplastics as a product of masterbatch and compound production

As per EU regulations 2023/2055, each synthetic polymer microparticle with a size between 0,1 µm and 5 mm is to be considered as a microplastic and needs to be regulated accordingly. This means that Kafrit Group companies operating in Europe are producing microplastics, by this definition, as the masterbatches and compounds are normally not larger than 5mm. Each contamination, during production, transportation and usage therefore causes pollution with microplastics.

ACTUAL NEGATIVE IMPACT
SHORT TERM
CORE VALUE CHAIN

Microplastics contamination during plastics processing activities

While processing polymers, masterbatches and compounds, plastics processing companies need to be aware of the risk to cause pollution with microplastics, especially those based in Europe who need to comply with EU regulations for 2023/2025.

ACTUAL NEGATIVE IMPACT
SHORT TERM
DOWNSTREAM ON THE VALUE CHAIN

Microplastics contamination at plastics products' end-of-life (end-user perspective)

Plastics products that are not properly collected and utilized at the end of their life, often end up in the environment and slowly degrade into microplastic particles seen from a global perspective.

ACTUAL NEGATIVE IMPACT
SHORT TERM
DOWNSTREAM ON THE VALUE CHAIN

ESRS E3 — Water and marine resources

E3-1 Water consumption

Significance of water consumption in chemical manufacturing

Used primarily for cooling, steam generation and feedstock processing, water is a critical input in chemicals production. Generally, this negatively impacts on the availability of water as a natural resource. In Europe, the chemical and petroleum refining industries account for 11% of freshwater use.

Significance of water consumption in masterbatch manufacturing

Used primarily for cooling, steam generation and feedstock processing, water is a critical input in masterbatch and compound production. Water scarcity may result in a higher risk of operational disruption for entities with water-intensive operations, and can increase water procurement costs and capital expenditures. There is no production without water.

E3-3 Water discharges

Volume of water discharges in chemical manufacturing

As the chemical industry has a high water consumption, water discharge is also high. This impacts on wastewater volumes that need to be processed afterwards.

E3-4 Water discharges in the oceans

Wastewater discharges into oceans

Especially in the (petro-)chemical upstream value chain, we know that wastewater is sometimes discharged into oceans leading to a substantial negative impact.

E3-5 Extraction and use of marine resources

Potential for algae to be used as a basis for biopolymer production

R&D work is ongoing to finally transfrom algae into well-working polymers with carbon neutral (potentially even carbon negative) characteristics. This could be a promising new technology.

ESRS E4 — Biodiversity and ecosystems (direct impact drivers of biodiversity loss)

E4-1 Climate change

GHG emissions from upstream business operations contribute to climate change, and climate change contributes to biodiversity loss

Kafrit Group is supplied with polymers and additives, which are products of (petro-)chemical processes. Total GHG emissions caused by the (petro-)chemical industry account for significant volumes, e.g. 5% of total net GHG emissions in the EU in 2021. On a world-wide basis, the (petro-) chemical industry is associated with approximately 10% of global emissions. These emissions have an actual negative impact by contributing to global warming/climate change.

GHG emissions from downstream business operations contribute to climate change, and climate change contributes to biodiversity loss

Masterbatches and compounds are used downstream in applications such as plastic bags, rigid packaging, and films. In the US, production of such plastic products accounts for 3% of total energy consumption. Unfortunately, despite their high embodied energy use, many of these plastic materials still end up in landfills or in the environment (depending on geographies). Both energy usage and non-properly handled waste generates GHG emissions. These emissions have an actual negative impact by contributing to global warming/climate change.

E4-3 Direct exploitation

Direct exploitation of biodiversity to gain raw materials

As far as Kafrit Group is concerned, direct exploitation of biodiversity happens upstream for production/ mining of calcium carbonate ($CaCO_3$) and bromine.

E4-4 Invasive alien species

Chemicals and plastics as a primary vector for the spread of alien and invasive species

(Petro-)chemical manufacturing is connected to water pollution. Contaminants such as microplastics have been observed in industrial wastewater in the US coming from (petro-)chemical and plastics factories. Research found that plastics can act as a primary vector, carrying organisms to remote areas, but can also facilitate the secondary spread of alien species between points of invasion.

Plastics as a primary vector for the spread of alien and invasive species

Plastics manufacturing is connected to water pollution. Contaminants, especially microplastics and used plastics products, have been observed in rivers and oceans around the globe. Research found that plastics can act as a primary vector, carrying organisms to remote areas but can also facilitate the secondary spread of alien species between points of invasion.

E4-5 Pollution

Biodiversity losses due to chemical pollution

Chemical pollution involves pollution from direct sources such as industrial accidents or large-scale pollution from the widespread use of synthetic pesticides. Recent scientific findings provide evidence of chemical pollution as a driver of ecosystem losses, as much for terrestrial ecosystems as for aquatic ecosystems.

Biodiversity losses due to plastics pollution

Research states that pollution from synthetic chemicals leaches from consumer products such as flame retardants, plasticizers, water and grease repellents and pharmaceuticals.

E4-6 Others

Effects of production on biodiversity (noise, light, transport, etc.)

Noise, artificial light, and transportation do negatively impact on biodiversity and ecosystems.

ACTUAL NEGATIVE IMPACT

SHORT TERM

UPSTREAM AND DOWNSTREAM ON THE VALUE CHAIN

E4-7 Impacts on the state of species

Chemical and plastics industries' impact on a species population size

Research suggests it is likely that due to chemical and plastics pollution as well as ingestion of macro- and microplastics, species and their subpopulations are impacted negatively. Still, research on population-level impacts is in its infancy to link plastic pollution to wildlife and ecosystems conservation.

ACTUAL NEGATIVE IMPACT

MEDIUM TERM

UPSTREAM AND DOWNSTREAM ON THE VALUE CHAIN

Offering of new masterbatch technologies that help foster species population sizes

Kafrit Group has developed a new masterbatch technology which is "bee-friendly" and helps foster bee populations.

OPPORTUNITY

MEDIUM TERM

CORE VALUE CHAIN

E4-9 Land degradation

Microplastics contribute to land degradation

Especially microplastics, arising from both (petro-)chemical and plastics manufacturing processes, have negative impacts as they endanger soil organisms, reduce biodiversity and finally deteriorate soil quality.

ACTUAL NEGATIVE IMPACT

MEDIUM TERM

DOWNSTREAM ON THE VALUE CHAIN

E4-12 Impacts & dependencies on ecosystem services

Kafrit Group's operations depend to a medium degree on ecosystems services

Kafrit Group's operations depend to a medium degree on ecosystem services such as flood control, water supply, storm mitigation, rainfall pattern regulation and soil and sediment retention. A suffering ecosystem, and as a result diminished ecosystem services, pose a certain risk to business operations and their continuity.

RISK

MEDIUM TERM

CORE VALUE CHAIN

ESRS E5 — Resource use and circular economy

E5-1 Resource inflows, including resource use

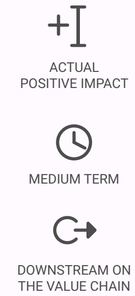
The potential for (petro-)chemical and plastics industries to usher in circular economy resource usage

Plastics manufacturers also have the potential to positively impact on circular economy resource inflows and resource usage. Some have started doing so already,e.g. some of DELTA KUNSTSTOFFE GER's, ABSA RESINS CAN's and BADGER COLOR USA's customers.

E5-2 Resource outflows related to products & services

The potential for (petro-)chemical and plastics industries to commercialize circular products

Plastics manufacturers also have the potential to positively impact on (mainly) circular resource outflows and do so already e.g. for PET bottles.



The potential for (petro-)chemical and plastics industries to commercialize circular products

Fully circular masterbatches and compounds are not yet available, however Kafrit Group already offers technologies promoting recyclability and thereby circular business activities (e.g. BOPE, Crossitol) and products partially being based on recyclates (BADGER COLOR USA). Currently, experiments are being conducted with different qualities of recycled polymers as well as with renewable feedstock raw materials (e.g. lignin-based). Also, Kafrit Group collaborates with industry partners to foster circular economy activities. All of this builds a potential business opportunity for circular masterbatches and compounds, as also revealed by Kafrit Group's 2024 customer survey on sustainability.

E5-3 Waste

Waste generation by (petro-)chemical and plastics processing activities

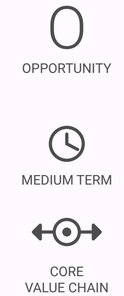
The generation of both hazardous and non-hazardous waste in the chemical industry increased by 21% between 2012 and 2018, with a drop between 2018 and 2020 most likely due to the COVID-19 pandemic. The amount of generated waste is marginally decoupling from the total gross value added by the chemical industry during this period, again most likely temporarily due to the COVID-19 pandemic.
The share of total generated waste categorised as hazardous remained stable at about 50% (5.8 million tonnes per year) between 2012 and 2020.

Waste generation by (petro-)chemical and plastics processing activities

The production of plastics products generates hazardous and non-hazardous waste. The waste caused by improper waste handling is not considered here but has already been considered in the pollution part of this report.

Cost savings through general waste reduction

By reducing waste volumes in general, Kafrit Group will be facing a financial opportunity as less money will need to be spent on waste disposal.



Valuing our resources

Getting clear about energy and water consumption

Energy and water consumption are critical parameters to understand an organization's commitment to sustainable and responsible resource use.

The immense significance of energy and water use lies not only in their direct impact on a business's operating costs, but also in the broader environmental implications. Being a group of manufacturing companies in the plastics processing industry, we rely on both resources for our production processes. Electricity makes our extrusion lines and mold machines run, while water plays an essential role in cooling, and for drinking and sanitary use at our factories and offices. Therefore, both energy and water have clearly proven to be material in this report's materiality analysis.

We know about our responsibility. For this reason, all group companies continuously screen their production processes and consumption patterns to identify potential improvements. Neither have a group-wide energy and water policy nor a specific water-related target in place for the time being.

However, ISO norms such as 14001 and 50001, which are already established in some companies and are planned to be established in all group companies over the next few years, help us understand and manage these valuable resources better.

Whereas in the past our underpinning conservation ethos has guided us to optimize water use and energy consumption pragmatically, our ambition is to develop quantifiable targets to formalize our efforts in the medium term.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Ensure sustainable consumption and production patterns

Valuing our resources — getting clear about energy and water consumption

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Total energy consumption saw a significant increase of 25% in 2024 compared to the previous reporting period. This was mainly caused by the acquisitions of ABSA RESINS CAN and BADGER COLOR USA as well as by additionally commissioned production lines in CONSTAB CN's new plant.

At a global level, energy intensity increased by 3.7%. But at the same time, Kafrit Group expanded its electricity consumption from renewable sources by almost 250%, resulting in a renewable energy consumption share of 47.5%.

Our goal

In all that we do, we always consider our size and the resources we have. Although both energy intensity and water intensity increased, this will force us to strengthen our efforts – and Kafrit Group has already made a remarkable step forward towards our renewable energy goal.

It is our goal that more than 50% of the energy consumed by all companies across the group will be renewable by 2030.

Energy consumption

Category	2022 in kWh	2023 in kWh	2024 in kWh	Change in %
Total energy consumption related to Kafrit Group operations	45,772,724	49,236,346	61,531,214	25.0%
Consumption of purchased or acquired electricity, heat, steam and cooling from renewable sources	8,298,575	8,375,682	29,233,540	249.0%
Percentage of renewable sources in total energy consumption	18.1%	17.0%	47.5%	179.3%
Energy consumption from fossil sources (natural gas, LPG, propane)	2,234,354	2,227,652	3,829,852	71.9%
Fuel consumption from crude oil and petroleum products (gasoline and diesel)	1,217,085	1,230,917	722,702	-41.3%
Consumption of purchased or acquired electricity, heat, steam, or cooling from fossil sources	34,022,711	37,402,095	27,745,120	-25.8%
Percentage of fossil sources in total energy consumption	81.9%	83.0%	52.5%	-36.8%

Category	2022	2023	2024	Change in %
Total energy consumption related to Kafrit Group operations [kWh]	45,772,724	49,236,346	61,531,214	25.0%
Net revenue in M-ILS	1,063.2	1,123.0	1,354.0	20.6%
Energy intensity kWh/ILS	0.043	0.044	0.045	3.7%

Change in % compares 2024 vs. 2023 results

Valuing our resources — getting clear about energy and water consumption

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This positive development was made possible by DELTA KUNSTSTOFFE GER, ADDVANZE SWE and KAFRIT IL who followed CONSTAB GER on this path.

Moreover, KAFRIT NA's electricity consumption is based on low-emission hydro energy from British Columbia.

Water withdrawal

Category	2022	2023	2024	Change in %
Total water withdrawal in m3	81,184	72,114	91,717	27.2%
Net revenue in M-ILS	1,063.2	1,123.0	1,354.0	20.6%
Water intensity l/ILS	0.076	0.064	0.068	5.5%

Change in % compares 2024 vs. 2023 results

Total water withdrawal increased by 27.2% compared to the previous reporting period. While we saw less water withdrawal in CONSTAB GER, DELTA KUNSTSTOFFE GER and, most significantly, CONSTAB CN due to higher efficencies, water withdrawal in both acquired companies exceeded any savings.

In addition, KAFRIT IL had to operate with smaller lot sizes and more cleaning cycles caused by the war situation in Israel and KAFRIT NA identified leakages ending up in increased water withdrawal.

All in all, the group's water intensity rose by 5.5%.

Valuing our resources — getting clear about energy and water consumption

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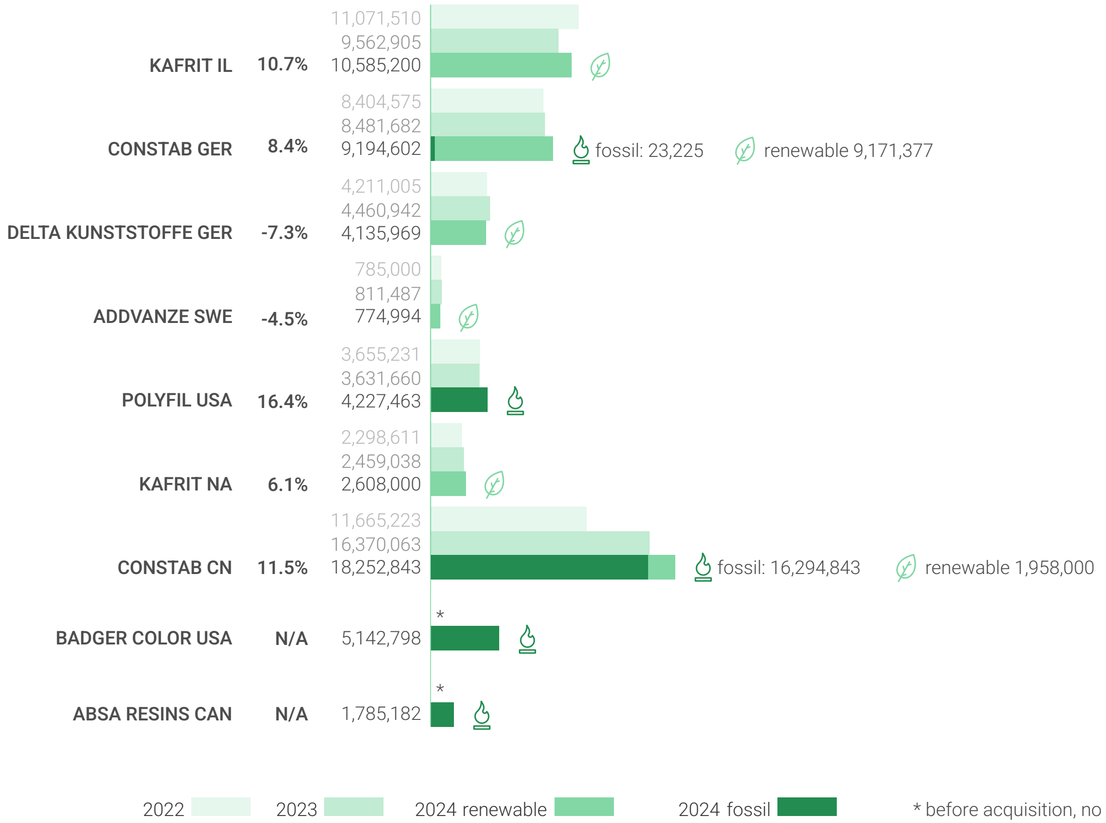
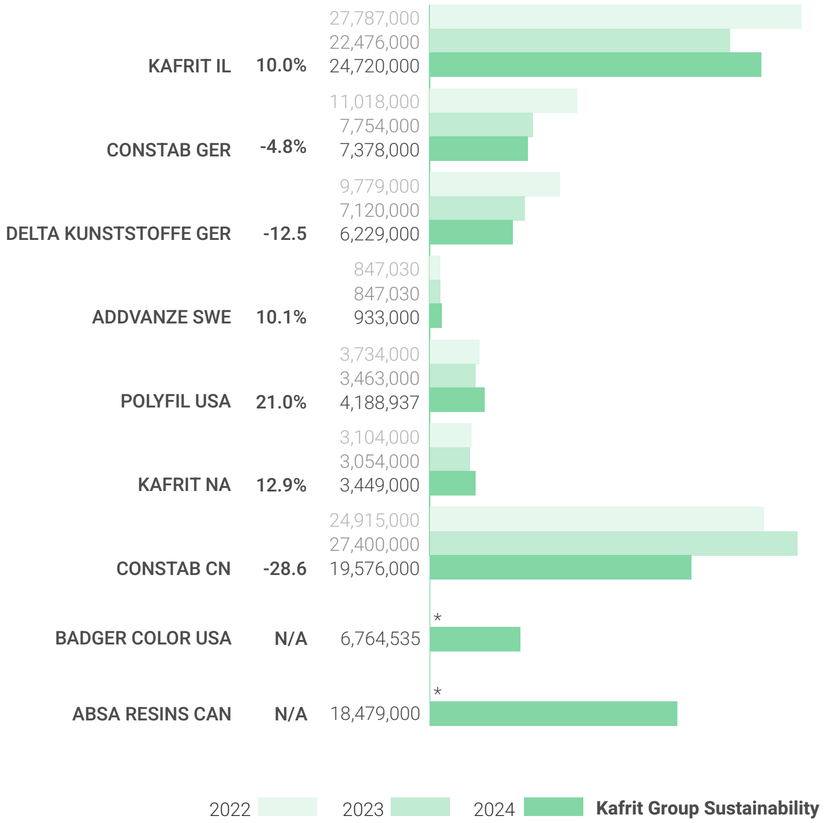
Reviewing electricity consumption and water withdrawal at a company level

Transparency matters to us. That is why we continue to publish company-specific electricity and water consumption data.

Electricity consumption in kWh



Water withdrawal in liters



Understanding our impact

Assessing GHG emissions

Acting as a custodian of Earth

As in our 2023 report, we place special emphasis on the critical issue of GHG emissions, undeniably a significant contributor to global climate change. The mitigation of these emissions is not just a responsibility, but a defining character of global corporations in the contemporary era, especially since the 2015 Paris Agreement and the introduction of the UN Sustainable Development Goals (UN-SDGs) – primarily SDG 13: Climate Action.

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

By prioritizing the reduction of GHG emissions, companies can contribute significantly towards slowing the rate of global warming, thereby playing an essential role in the preservation of our planet. It is a task not to be underestimated, encapsulating both the preservation of the global environment and the sustainable future of the company.

With that said, we understand that our emissions play a significant role in determining our sustainability performance. Inevitably, the energy-intensive nature of our operations embodies actual negative impacts on the environment. Responding to this, we are dedicated to enforcing a tailor-made roadmap for each of Kafrit Group's companies, to help us reduce emissions step-by-step. By recognizing the negative impacts of our operations, as well as of upstream and downstream activities along the value chain, we set the stage for transformation and have a platform to shape a sustainable and ethical future.

And, by assessing risks, we imbibe a culture of resilience that ensures the longevity of our company while reducing harm to our environment. Our double materiality process reinforced this importance.

It is our ambition to involve our stakeholders in this journey towards more sustainable operations. So we invite every reader of this report to reach out to us to discuss our findings and explore how we can improve together.

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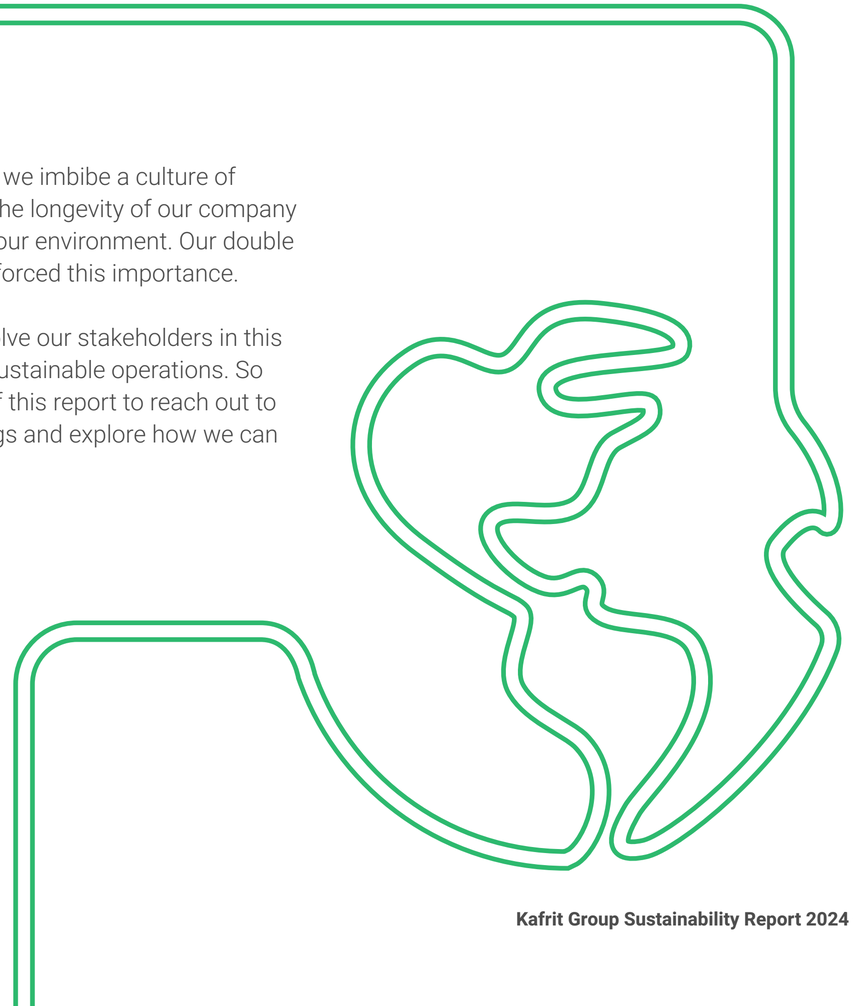

Understanding our impact — assessing GHG emissions

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Consolidating GHG emissions at a Kafrit Group level

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

As Kafrit Group, we executed the CCF calculation for a third time, considering 2022 as our GHG emission base year. While we used the services of a third-party sustainability consulting firm to calculate 2022 emissions, Kafrit Group started using external carbon accounting software solutions in 2023.

For this reporting period, we worked with Berlin-based company Cozero to calculate our carbon emissions adequately. With that said, certain differences in calculation results could be expected, nevertheless, after doing in-depth cross-checks, comparability between 2022, 2023 and 2024 CCF results is given.

For the first time in Kafrit Group's carbon accounting history, SCOPE 3 category 8 is included. SCOPE 3 categories 9-15 are partially irrelevant, but those being relevant may be added at a later date.

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*1 Not including raw materials bought

*2 Only including exchange logistics between production sites and external warehouses

Change in % compares 2024 vs. 2023 results

Consolidated Kafrit Group CCF

Category	2022 mt CO2e	2023 mt CO2e	2024 mt CO2e	Change in %
SCOPE 1	920	935	1,097	17.4%
SCOPE 2 (market-based)	13,334	15,240	12,911	-15.3%
SCOPE 2 (location-based)	20,292	23,359	24,000	2.7%
SCOPE 3	13,544	7,655	11,183	46.1%
Total emissions (market-based)	**27,798**	**23,830**	**25,191**	**5.7%**
Total emissions (location-based)	**34,756**	**31,949**	**36,280**	**13.6%**

SCOPE 3 emission breakdown

Category	2022 mt CO2e	2023 mt CO2e	2024 mt CO2e	Change in %
Category 1 - Purchased goods and services*1	183	110	680	520.8%
Category 2 - Capital goods	8,202	2,134	4,422	107.3%
Category 3 - Fuel and other energy related activities	3,172	3,524	3,533	0.3%
Category 4 - Upstream transportation*2	171	22	9	-59.1%
Category 5 - Waste in operations	1,040	983	775	-21.1%
Category 6 - Business travels (incl. hotel accommodation)	260	279	507	81.6%
Category 7 - Employee commuting (incl. remote work)	517	604	1,198	98.3%
Category 8 - Upstream leased assets	n/a	n/a	59	n/a
Total	**13,544**	**7,655**	**11,183**	**46.1%**

Understanding our impact — assessing GHG emissions

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The acquisitions of ABSA RESINS CAN and BADGER COLOR USA make it less meaningful to compare the 2024 results with the previous reporting period on a consolidated global level.

However, what can be said without any doubt is that Kafrit Group's commitment to fostering green energy does have a relevant impact on SCOPE 2 market-based emissions (-15.3%).

All in all, despite the increases in energy and water intensities, Kafrit Group was able to decrease the GHG intensity (both market- and location-based) over the past year. This development shows that our efforts in various fields of action pay off.

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GHG intensity

Category	2022	2023	2024	Change in %
Total emissions mt CO2e (market-based)	27,798	23,830	25,191	5.7%
Total emissions mt CO2e (location-based)	34,756	31,949	36,280	13.6%
Net revenue in M-ILS	1,063.2	1,123.0	1,354.0	20.6%
GHG intensity mt CO2e/ILS (market-based)	0.026	0.021	0.019	-12.3%
GHG intensity mt CO2e/ILS (location-based)	0.033	0.028	0.027	-5.8%

Change in % compares 2024 vs. 2023 results

Emission reduction goal*

2022 mt CO2e	2024 (all) mt CO2e	Change in %	2024 (without acquisitions) mt CO2e	Change in %
14,254	14,008	-1.7%	11,921	-16.4%

* The goal comprises SCOPE 1 and SCOPE 2 market-based emissions

Our goal

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

Understanding our impact — assessing GHG emissions

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Reviewing CCFs at a company level

Since we take transparency and accountability seriously, we also publish each assessed company's CCF individually. Without analyzing in detail, we can state that each company improved its individual market-based CCF compared to the previous reporting period except for CONSTAB CN.

This new factory came into full operations in 2024, resulting in significantly higher production volumes. In our energy-intensive industry, production volumes strongly interact with emissions as long as fossil-based energy is predominantly used. In DELTA KUNSTSTOFFE GER, ADDVANZE SWE and KAFRIT IL, significant SCOPE 2 emission savings were realized by changing to renewables.

As already outlined, the usage of the new external carbon accounting software Cozero, which uses partially different and more granular emission factors, may also have a certain impact on changing GHG emissions. It will be our task to further improve and verify the positive GHG emission developments, while targeting our 2030 emission reduction goal.

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13 CLIMATE ACTION

Take urgent action to combat climate change and its impacts

Understanding our impact — assessing GHG emissions

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Reviewing CCFs at a company level

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Change in % compares 2024 vs. 2023 results

KAFRIT HQ

Category	2022 mt CO2e	2023 mt CO2e	2024 mt CO2e	Change in %
SCOPE 1	n/a	5	5	0.8%
SCOPE 2 (market-based)	n/a	0	2	n/a
SCOPE 2 (location-based)	n/a	0	2	n/a
SCOPE 3	n/a	149	148	-0.9%
Total (market-based)	n/a	154	155	0.6%
Total (location-based)	n/a	154	155	0.6%

KAFRIT IL

Category	2022 mt CO2e	2023 mt CO2e	2024 mt CO2e	Change in %
SCOPE 1	239	211	112	-46.8%
SCOPE 2 (market-based)	3,798	3,280	7	-99.8%
SCOPE 2 (location-based)	5,205	4,496	4,635	3.1%
SCOPE 3	2,834	2,527	3,541	40.1%
Total (market-based)	6,870	6,018	3,659	-39.2%
Total (location-based)	8,278	7,234	8,288	14.6%

CONSTAB GER

Category	2022 mt CO2e	2023 mt CO2e	2024 mt CO2e	Change in %
SCOPE 1	298	273	279	2.1%
SCOPE 2 (market-based)	39	39	17	-56.9%
SCOPE 2 (location-based)	3,223	3,252	3,230	-0.7%
SCOPE 3	1,792	1,203	1,138	-5.4%
Total (market-based)	2,129	1,516	1,434	-5.4%
Total (location-based)	5,313	4,729	4,647	-1.7%

DELTA KUNSTSTOFFE GER

Category	2022 mt CO2e	2023 mt CO2e	2024 mt CO2e	Change in %
SCOPE 1	88	191	155	-18.6%
SCOPE 2 (market-based)	1,183	959	0	-100.0%
SCOPE 2 (location-based)	1,615	1,711	1,453	-15.0%
SCOPE 3	1,542	801	430	-46.4%
Total (market-based)	2,814	1,951	585	-70.0%
Total (location-based)	3,245	2,703	2,038	-24.6%

ADDVANZE SWE

Category	2022 mt CO2e	2023 mt CO2e	2024 mt CO2e	Change in %
SCOPE 1	11	22	5	-77.0%
SCOPE 2 (market-based)	79	90	9	-90.0%
SCOPE 2 (location-based)	25	22	19	-14.5%
SCOPE 3	432	117	98	-15.8%
Total (market-based)	522	229	112	-50.8%
Total (location-based)	468	161	122	-24.1%

Understanding our impact — assessing GHG emissions

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Reviewing CCFs at a company level

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Change in % compares 2024 vs. 2023 results

*BADGER COLOR USA's SCOPE 1 and SCOPE 2 emissions in 2022 and 2023 were calculated prior to being part of Kafrit Group. They are stated for the sake of completeness, but are not retrospectively included in Kafrit Group's CCFs for 2022 and 2023.

POLYFIL USA

Category	2022 mt CO2e	2023 mt CO2e	2024 mt CO2e	Change in %
SCOPE 1	155	120	39	-67.2%
SCOPE 2 (market-based)	1,422	1,514	1,494	-1.3%
SCOPE 2 (location-based)	1,121	1,114	1,531	37.5%
SCOPE 3	690	610	704	15.5%
Total (market-based)	2,267	2,244	2,238	-0.3%
Total (location-based)	1,966	1,843	2,274	23.4%

KAFRIT NA

Category	2022 mt CO2e	2023 mt CO2e	2024 mt CO2e	Change in %
SCOPE 1	90	79	82	4.6%
SCOPE 2 (market-based)	28	27	26	-4.4%
SCOPE 2 (location-based)	32	34	301	774.1%
SCOPE 3	582	339	201	-40.6%
Total (market-based)	699	445	310	-30.4%
Total (location-based)	704	452	584	29.3%

CONSTAB CN

Category	2022 mt CO2e	2023 mt CO2e	2024 mt CO2e	Change in %
SCOPE 1	32	34	38	11.6%
SCOPE 2 (market-based)	6,778	9,331	9,650	3.4%
SCOPE 2 (location-based)	9,072	12,731	10,809	-15.1%
SCOPE 3	5,625	1,909	3,194	67.3%
Total (market-based)	12,434	11,274	12,881	14.3%
Total (location-based)	14,729	14,674	14,041	-4.3%

BADGER COLOR USA

Category	2022 mt CO2e*	2023 mt CO2e*	2024 mt CO2e	Change in %
SCOPE 1	450	343	317	-7.6%
SCOPE 2 (market-based)	n/a	n/a	1,652	n/a
SCOPE 2 (location-based)	2,111	2,193	1,814	-17.3%
SCOPE 3	n/a	n/a	1,607	n/a
Total (market-based)	n/a	n/a	3,577	n/a
Total (location-based)	2,561	2,536	3,738	n/a

ABSA RESINS CAN

Category	2022 mt CO2e	2023 mt CO2e	2024 mt CO2e	Change in %
SCOPE 1	n/a	n/a	64	na
SCOPE 2 (market-based)	n/a	n/a	54	n/a
SCOPE 2 (location-based)	n/a	n/a	206	n/a
SCOPE 3	n/a	n/a	122	n/a
Total (market-based)	n/a	n/a	240	n/a
Total (location-based)	n/a	n/a	392	n/a

Understanding our impact — assessing GHG emissions

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Reviewing CCFs at a regional level

Seen from a regional perspective, our European business benefits from green energy consumption. The increase in consumption of renewables in Northern America and Asia continues to be a key priority for the next years.

CCFs at a regional level

Category	Asia mt CO2e	Israel mt CO2e	Europe mt CO2e	North America mt CO2e
SCOPE 1	38	117	440	503
SCOPE 2 (market-based)	9,650	9	26	3,226
SCOPE 2 (location-based)	10,809	4,638	4,702	3,851
SCOPE 3	3,194	3,688	1,666	2,635
Total (market-based)	12,881	3,814	2,132	6,364
Total (location-based)	14,041	8,443	6,808	6,989

Embedding circular business practices

Establishing waste, materials and pollution management

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

Considering this overall development and to underline our corporate responsibility, Kafrit Group is actively looking for ways to cooperate across the value chain to enhance circular thinking. In addition, we continue making progress on waste data transparency. For waste accounting, Kafrit Group relies on local legislation and definitions, especially when it comes to hazardous waste.

For 2024, a total of 3,288 mt of waste was generated through our masterbatch and compound manufacturing operations. When talking about waste in our operations, we primarily mean lumps and raw material loss from our extrusion lines as well as raw material packaging, wooden pallets, paper, solid municipal waste and metal waste. The reparability of Kafrit Group's products does not apply as they are intermediate materials.

Total waste volumes increased even regardless of any acquisition due to higher production volumes and the war situation in Israel which forced KAFRIT IL to produce smaller lots with more cleaning cycles. A further major increase in waste volumes was caused by BADGER COLOR USA, whereas ABSA RESINS CAN only added minor amounts of waste to the group balance. In detail, we successfully diverted a significant volume of waste (1,721 mt) from disposal by employing closed- and open-loop recycling as well as some minor composting activities. The percentage of recycled waste increased from 42.7% in 2023 to 52% in the reporting period.

We acknowledge our journey has only just begun. Much work lies ahead in all of our regions to reduce the total amount of waste we produce and divert more waste from disposal –1,568 mt of waste was directed to disposal with 566 mt being incinerated and 1,002 mt being landfilled. For some applications, we can even consider waste as an immediate resource inflow material. In the US, Israel and Canada, and to a minor extent also in China, landfill is a key challenge we face as accessibility to alternative disposal methods is not so available here. No radioactive waste was reported for 2024.

In terms of hazardous waste, a total of 324 mt was generated, mainly driven by CONSTAB GER and CONSTAB CN and changing waste classification rules. Both companies serve the BOPP market with additive masterbatches containing ingredients that are considered hazardous waste when they do not end up in the final product. The full quantity of hazardous waste ended up being incinerated.

A total of 2,964 mt of non-hazardous waste breaks up into 1,721 mt of waste diverted from disposal and 1,244 mt of waste directed to disposal.

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

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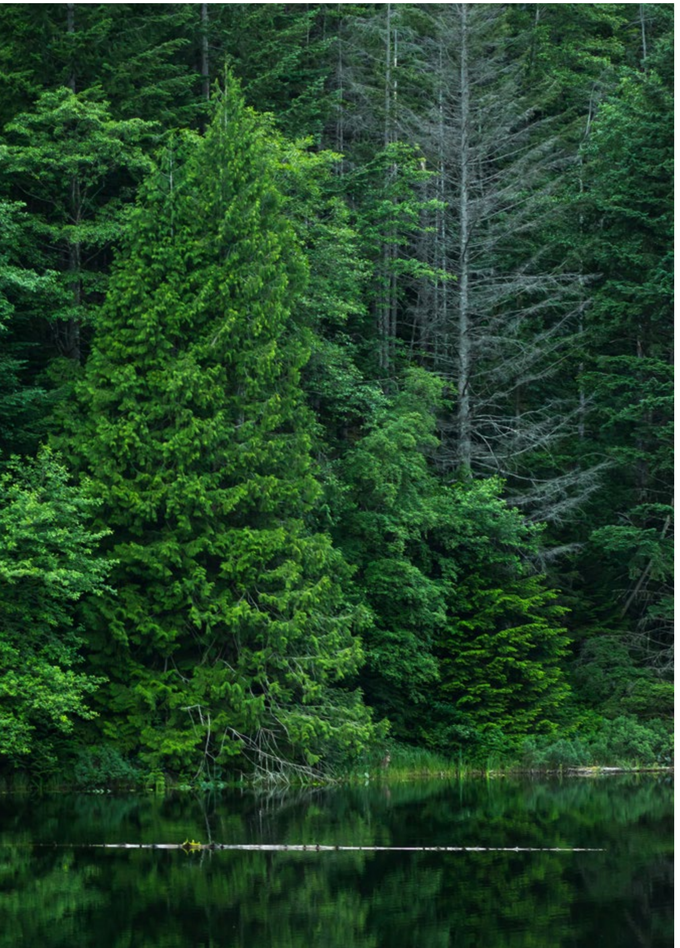
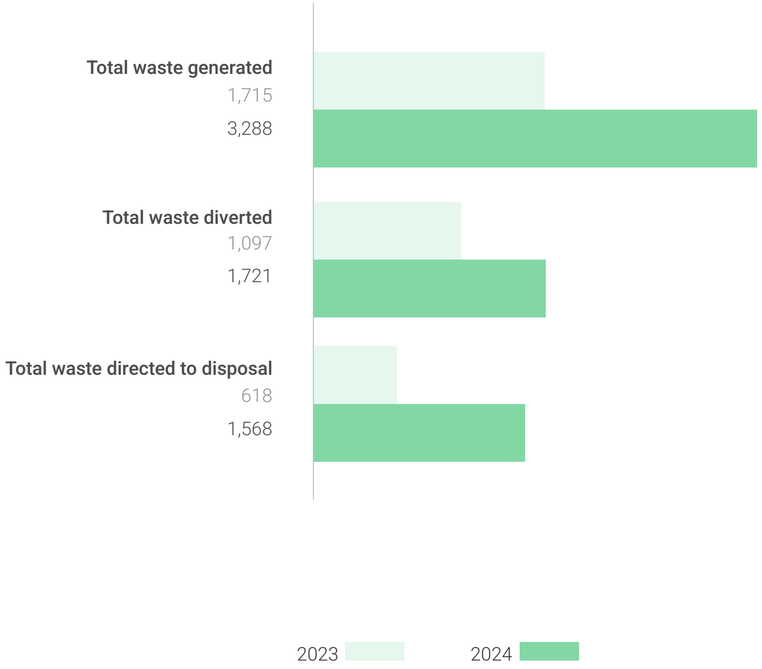
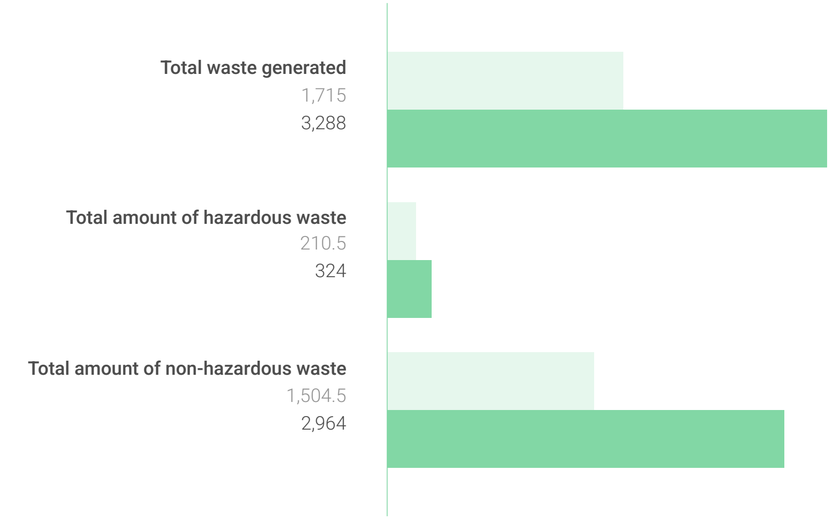


Waste generation in mt



Hazardous and non-hazardous waste in mt



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

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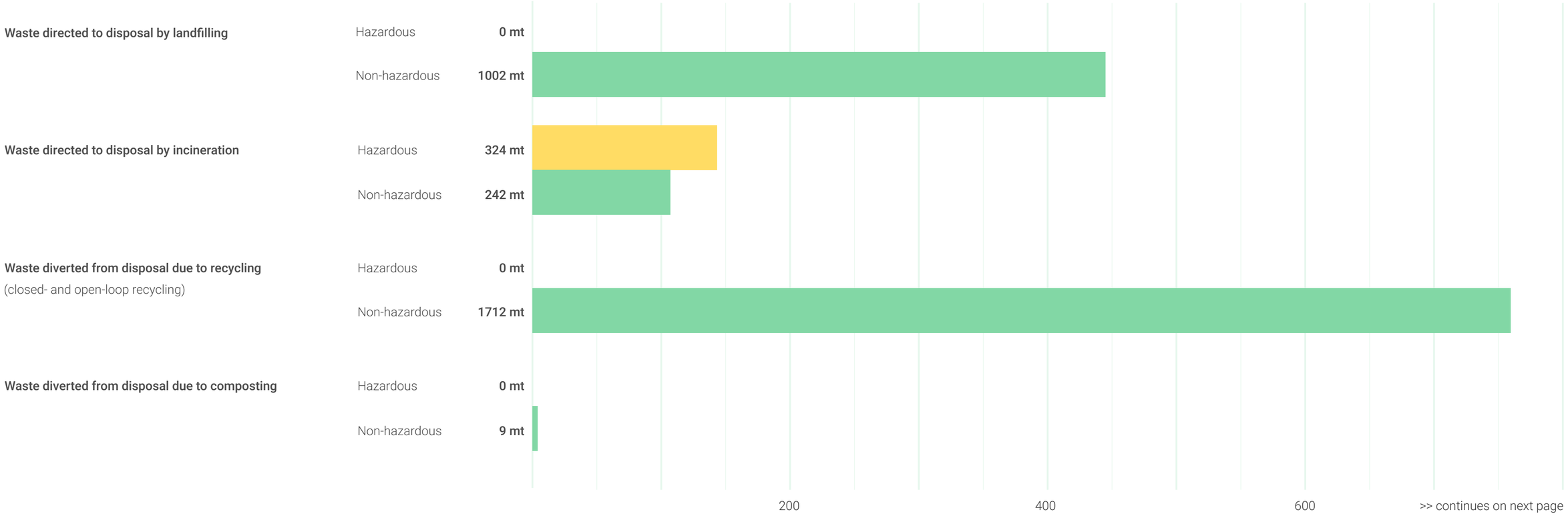
Detailed hazardous and non-hazardous waste overviews



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

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Reviewing waste at a company level

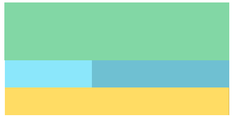
KAFRIT IL
Total: 593 mt
Diverted: 367 mt
Disposal: 226 mt
Non-hazardous: 593 mt
Hazardous: <0.1 mt

POLYFIL USA
Total: 214 mt
Diverted: 0 mt
Disposal: 214 mt
Non-hazardous: 214 mt
Hazardous: 0.0 mt

CONSTAB GER
Total: 351 mt
Diverted: 207 mt
Disposal: 144 mt
Non-hazardous: 223 mt
Hazardous: 127.3 mt

KAFRIT NA
Total: 85 mt
Diverted: 45 mt
Disposal: 39 mt
Non-hazardous: 84 mt
Hazardous: 0.4 mt

DELTA KUNSTSTOFFE GER
Total: 239 mt
Diverted: 93 mt
Disposal: 146 mt
Non-hazardous: 238 mt
Hazardous: 0.2 mt

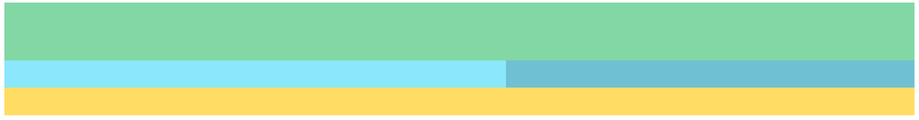


CONSTAB CN
Total: 661 mt
Diverted: 447 mt
Disposal: 214 mt
Non-hazardous: 465 mt
Hazardous: 195.6 mt

ADDVANZE SWE
Total: 109 mt
Diverted: 27 mt
Disposal: 82 mt
Non-hazardous: 109 mt
Hazardous: 0 mt

ABSA RESINS CAN
Total: 70 mt
Diverted: 2 mt
Disposal: 68 mt
Non-hazardous: 69 mt
Hazardous: 0.5 mt

BADGER COLOR USA
Total: 969 mt
Diverted: 534 mt
Disposal: 435 mt
Non-hazardous: 969 mt
Hazardous: 0 mt



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

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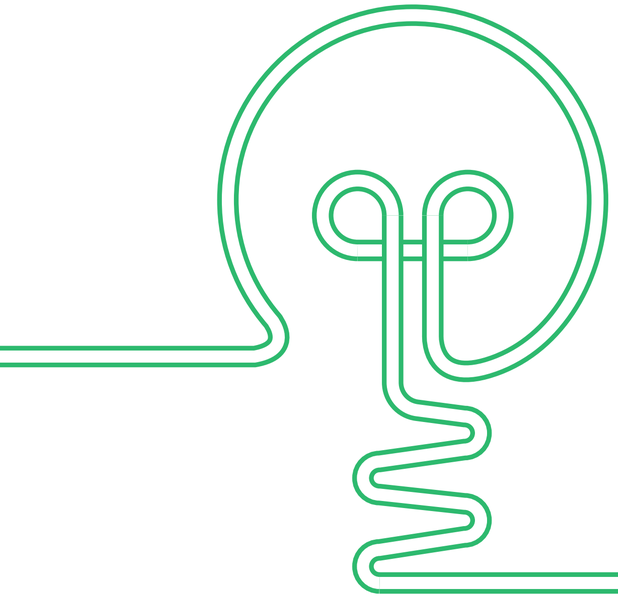

Resource use and circular materials

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

Working with start-ups, established value chain partners and research institutes drive our innovation efforts. One prominent project we engage in is the LOOPCYCLING consortium, led by the IKV at RWTH Aachen University, Germany, aiming at obtaining a new quality of mechanically recycled polymer.

Our R&D teams around the globe also actively explore suitable raw material sources and discuss potential applications with our customers – because we strongly believe that the incorporation of circular business practices is a joint task for our stakeholders and us. Pricing, quality and availability of recycled, reclaimed and renewable input materials are integral success factors, and these parameters cannot be neglected while building up more circular flows of material.

When considering circular materials, it is primarily DELTA KUNSTSTOFFE GER that processes recyclates. While in 2023 978 mt of recycled input materials were used there, the number decreased to 894 mt in 2024. Besides, BADGER COLOR USA used 180 mt of secondary materials in the manufacture of its color masterbatches, primarily consisting of post-consumer recycled (PCR) resins. Minor volumes of recycled materials were also processed in ADDVANZE SWE (26 mt) and POLYFIL USA (21 mt).

For other group companies such as KAFRIT NA, the use of circular materials is not yet possible as the products are intended for drinking water contact-safe applications. Typically, none of the products in our finished products catalog are expected to be reclaimed. In a few cases, often in close collaboration with our customers, the packaging of our products is partially reclaimed and reused, either between our companies and our customers, or between our customers and other users (companies or individuals) who can reuse the packaging. We always try to enhance the recycled material portion in our packaging – and 46.2 mt of recycled material was used in product packaging for KAFRIT IL products in the reporting period.

In addition, Kafrit Group is exploring and investing in renewable feedstock options in experimental stages, i.e. without commercial quantities being sold at this stage.

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

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9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

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

Tackling what needs to be tackled

Decreasing pollution

When looking at our value chain, we need to take the findings of our DMA process seriously, clearly highlighting the actual negative impacts pollution has across multiple dimensions – whether that is the pollution of air, water, soil, living organisms and food resources, or substances of very deep concern including the increasing problem of microplastics. All of these types of pollution are present in our value chain, primarily in the upstream and downstream operations where we have identified significant negative impacts on a global scale, often with very limited, if any, options for remedies.

PFAS, microplastics or air emissions such as sulfur dioxides (SOx), nitrogen oxides (NOx) and hazardous air pollutants (HAPs) are just some of the most prevailing pollutants, in addition to greenhouse gases (GHGs) emitted by the global (petro-)chemical industry. In our core value operations, we consider pollution of water and microplastics as material issues alongside our own carbon emissions.

Our measurable commitment to continuous environmental improvement is clear. Five out of nine group companies are already ISO 14001 certified, which means they achieve cleaner production in terms of less waste, less water withdrawal, less emissions and fewer pollutants. We have also started zero pellet loss initiatives in several group companies, although we do not have a formalized global policy at this time.

Tackling what needs to be tackled — decreasing pollution

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Although, as per EU definition, our operations handle almost nothing but microplastics (up to 5mm), we see that our ongoing efforts to minimize spillages contribute positively to overall microplastic pollution. Actions taken such as proper storage and handling of raw materials, additional training, regular site visits and inspections pave the way, and we hope to join official programs like Operation Clean Sweep (OCS) in the coming years.

New regulations in Europe (Commission Regulation (EU) 2023/2055 – Restriction of microplastics intentionally added to products) mean new requirements for our industry. In general, we do not have any significant source of soil contamination at our facilities, and all waste is carefully handled and disposed of in compliance with specific local environmental regulations. In the rare event of any incidental spills, immediate response procedures are in place to contain and clean up the affected areas, preventing soil contamination.

Concerning water pollution, all our production sites need to comply with local regulations and thresholds. Wastewater is usually routed to publicly owned treatment works (POTWs), and there are no direct discharges to surface or groundwater. The wastewater mainly consists of processed and sanitary water, which is appropriately managed to ensure compliance with municipal treatment standards. To sum up, our companies act with a high degree of responsibility to mitigate and avoid negative pollution impacts.

Realizing essentials

Fostering biodiversity and ecosystems

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

We, as a globally operating group of companies, want to prioritize these issues and have started working on improving our understanding and management of impacts, risks and opportunities related to biodiversity and ecosystems. Although we do not have a dedicated overall policy, we know that the reduction of GHG emissions to help mitigate climate change is the strongest answer we could potentially give in our value chain position and, as outlined in this report, we have a steadfast commitment to achieving this.

Like the pollution challenges, our DMA process identified actual negative impacts on biodiversity in (petro-)chemical upstream and plastics processing downstream operations in the following dimensions:

Biodiversity loss caused by climate change, by direct exploitation, by invasive alien species, by pollution, by production operations and their emissions (light, noise, transportation, etc.), by species population sizes and by land degradation.

For Kafrit Group, we did not identify material actual or potential negative impacts. However we see a critical, but low probability risk concerning our operations' dependence on functioning ecosystem services such as flood control, water supply, storm mitigation, rainfall pattern regulation and soil and sediment retention. **Seen from an opportunity perspective, products like our "bee-friendly" masterbatches may even help foster certain species.**

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Realizing essentials — fostering biodiversity and ecosystems

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

For us, it is evident that we need to align prosperous business activities with measures to foster biodiversity and ecosystems, since only these measures will make it possible to maintain our operations, keep and attract talent and provide decent living and working conditions. Nevertheless, we know that our impact on the value chain to strengthen biodiversity and ecosystems is limited.

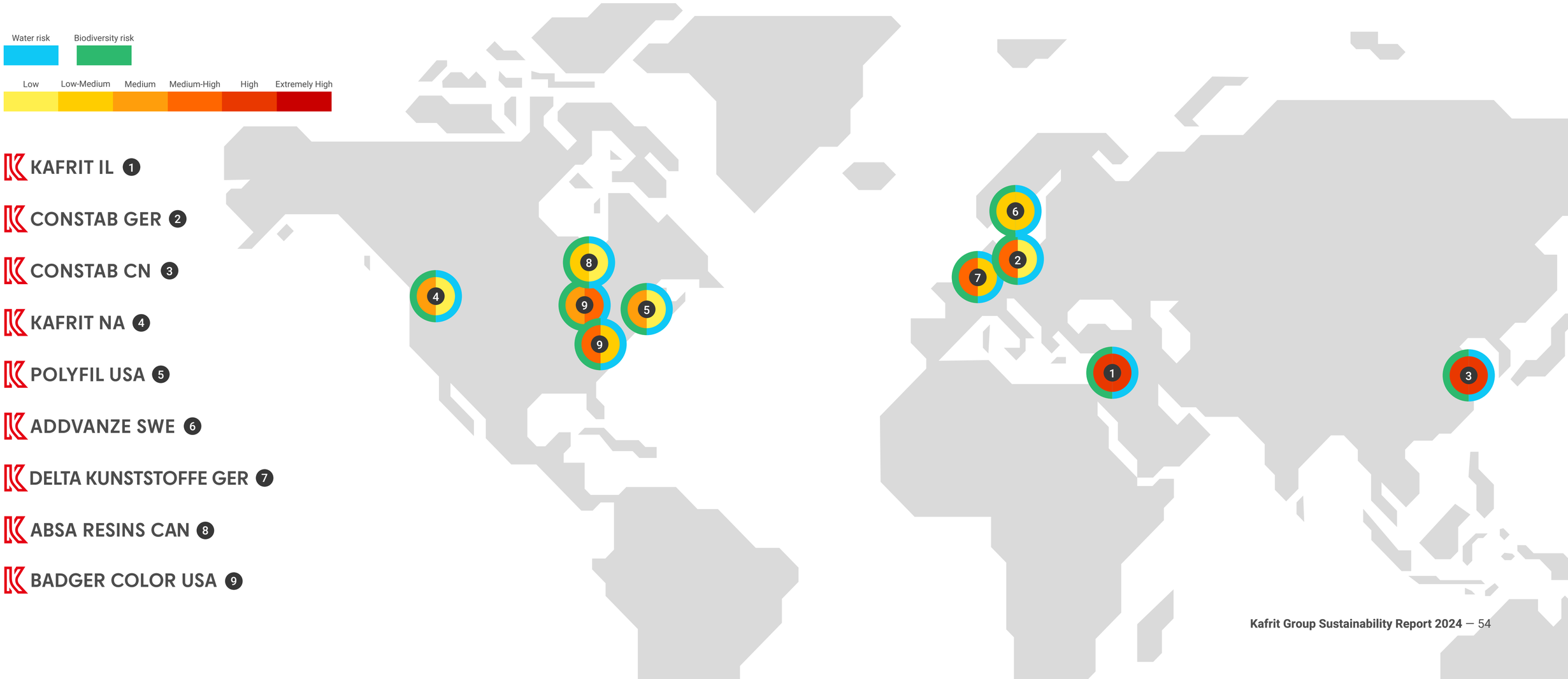
We appreciate transparency, especially when it comes to the negative impacts our products and the raw materials we use may have on biodiversity and ecosystems. For this reason, we are undertaking a group-wide effort to collect Product Carbon Footprint (PCF) data from our suppliers, enabling us to provide PCF data for all our products to our customers. We want to give them honest guidance regarding our products' environmental performance and where we need to improve. Be it in our own operations or upstream in the value chain.

Our goal

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

Biodiversity and water risk map

Water risk data source: Aqueduct™ 4.0 water risk framework © 2025 World Resources Institute
Biodiversity risk source: WWF Biodiversity Risk Filter (2024) © 2024 WWF Germany



Sustainability Report 2024

Creating valuable social impacts

- IROs relevant to social impacts
- Enhancing belonging
- Securing occupational health and safety (OH&S)
- Standing up for employment rights
- Facilitating training and education
- Living community engagement
- Assuring end-user health and safety

Key social issues

IROs relevant to social impacts

Policy statement

At Kafrit Group, we are dedicated to foster a socially responsible business environment by championing fair labor practices, OH&S, belonging and community involvement. We uphold human rights and underline our commitment to create sustainable value for our employees, the communities we serve and all our stakeholders.

ESRS S1 — Own workforce

S1-2 Working time

Operations in shift systems and at weekends

Kafrit Group is committed to local employment and working time laws. Nevertheless, as operations are running 24/7, partially also on the weekends, employees' working time is challenging (especially for blue-collar employees). Shift systems in Europe and Israel are rotating, while first, second and third shifts are fixed in North America. Studies show that shift work influences several health indicators.

ACTUAL NEGATIVE IMPACT
SHORT TERM
CORE VALUE CHAIN

Operations in shift systems and at weekends

Research shows that the risk of health issues, accidents/injuries at work and lower performance are increased by rotational shift work. All these risks can cause production losses and other financial consequences.

RISK
SHORT TERM
CORE VALUE CHAIN

S1-3 Adequate wages

Battle for talent in manufacturing industries

Kafrit Group is committed to paying adequate wages in all locations. However, the plastics processing industry has to compete with other industries paying higher wages in several of the group's locations (e.g. CONSTAB GER, DELTA, BADGER COLOR USA). There is a financial risk of production losses due to employees being poached and in recruitment and training costs for new employees.

RISK
SHORT TERM
CORE VALUE CHAIN

S1-7 Work-life balance

Improved working conditions thanks to work-life balance initiatives

Research shows that work-life balance measures such as parental leave help companies attract and retain talent, increase productivity and improve loyalty.

OPPORTUNITY
MEDIUM TERM
CORE VALUE CHAIN

S1-8 Health and safety

OH&S as a key priority

Despite all efforts, Kafrit Group has seen several OH&S incidents in the past year and not reached an OSHA rate of 0. Therefore, as of today, the group's operations have an actual negative impact on OH&S.

ACTUAL NEGATIVE IMPACT
SHORT TERM
CORE VALUE CHAIN

S1-9 Gender equality & equal pay for work of equal value

Promoting gender equality

Kafrit Group promotes gender equality and equal pay for work of equal value. For example, the group published a diversity goal for women employed in management positions in the 2023 ESG report.

ACTUAL NEGATIVE IMPACT
SHORT TERM
CORE VALUE CHAIN

S1-10 Training and skills development

Promoting training and development

Kafrit Group promotes training and skills development at all occupational levels. This is why the group published a group target on training hours per employee in the 2023 ESG report.

ACTUAL NEGATIVE IMPACT
SHORT TERM
CORE VALUE CHAIN

ESRS S2 — Workers in the value chain

S2-8 Health and safety

Prioritizing OH&S

OH&S is the key priority for all employees in Kafrit Group. This is also valid for workers in the value chain. The newly introduced *Supplier Code of Conduct* strengthens this message to any supplier.

ACTUAL NEGATIVE IMPACT
SHORT TERM
DOWNSTREAM ON THE VALUE CHAIN

ESRS S3 — Affected communities

S3-3 Water and sanitation

The (petro-)chemical industry's impact on affected communities' water and sanitation

OH&S is the key priority for all employees in Kafrit Group. This is also valid for workers in the value chain. The newly introduced *Supplier Code of Conduct* strengthens this message to any supplier.

ACTUAL NEGATIVE IMPACT
SHORT TERM
UPSTREAM ON THE VALUE CHAIN

ESRS S4 — Consumers and end-users

S4-4 Health and safety

Health hazards of chemicals in plastic products

Research shows that certain chemicals such as specific additives can cause health hazards to consumers when used in plastic products. Also, data availability to researchers concerning both the use and toxicity of numerous substances is not necessarily given. At the same time, agencies such as the ECHA (European Chemicals Agency) regularly check chemicals and decide whether to discontinue specific hazardous substances.

POTENTIAL NEGATIVE IMPACT
MEDIUM TERM
DOWNSTREAM ON THE VALUE CHAIN

Alternatives to hazardous chemicals in cooperation with B2B customers

Kafrit Group can generate additional business by being fast on finding replacements to exisiting solutions being based on hazardous chemicals. E.g. PFAS-free masterbatches as discussed above.

OPPORTUNITY
MEDIUM TERM
CORE VALUE CHAIN

S4-6 Protection of children

Health hazards of chemicals in plastic products for children

Today's children are surrounded by more plastics than ever before. Despite this, knowledge of the lifelong and intergenerational effects of exposure to this chemical cocktail remains limited. Plastic pollution in places where children live, learn and play, along with the presence of toxic chemicals in plastic products they use, highlight only part of this growing crisis. The invisible aspect of the crisis is the lasting health effects that will shape children's well-being from early development through to adulthood. Compared to adults, children absorb more pollutants relative to their size and are less able to eliminate them from their bodies, while their rapidly developing organs are more vulnerable to hazardous substances that can potentially lead to lifelong health consequences and permanent damage. Children also have more years of life ahead of them during which disease and disability may develop.

POTENTIAL NEGATIVE IMPACT
LONG TERM
DOWNSTREAM ON THE VALUE CHAIN

Our foundation for strength

Enhancing belonging

We believe that belonging is a vital consideration for our sustainability ambitions, not only for ethical reasons but also for strategic business advantages. A diverse, globally dispersed workforce that gathers under a common understanding of corporate belonging unifies a variety of perspectives, experiences and backgrounds. This dynamic encourages broad thinking, fosters innovation and enriches problem-solving approaches by leveraging the varied knowledge and abilities of our team members.

The importance of belonging extends beyond corporate walls, influencing stakeholders' perceptions and molding relationships with clients, partners and the broader community. Therefore, enhancing belonging with strength and intent is not just a moral imperative but a strategic business choice that impacts on our organization's overall performance. In other words, when we state that our purpose is to unite talent and technology to drive the future of plastics, together, we want to ensure that each employee feels like an important part of Kafrit Group.

Within this context, we openly discuss our involvement with actual negative impacts and rank our own workforce's working conditions and equal treatment high in the group's materiality assessment. By paying attention to the complexities of our operations, we ascertain that tangible actions are taken, thereby aligning with our core objectives of fostering belonging as an integral part of sustainability.

At the end of 2024, the total number of employees reached 821 by head count. This considerable increase of 52.6% compared to the previous reporting period stems from the acquisitions of ABSA RESINS CAN and BADGER COLOR USA carried out in early 2024. Facing this significant growth in employees, the question of belonging was a major concern and challenge for us during the reporting period.

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Our foundation for strength — enhancing belonging

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Valuing female representation

Our business operates in an industrial environment that primarily attracts men as workers. However, we recorded a rise in female representation in several group companies, resulting in a share of 25.3% (up from 22.9% in 2023). BADGER COLOR USA, KAFRIT IL as well as CONSTAB GER lead the way in terms of female workforce.

In our management teams across the globe, we continue to see higher female representation than among the total workforce. While we had female representation in executive and non-executive management positions of 29% in 2023, this number slightly increased to 30.4% in 2024. This percentage is expected to continue growing until 2030 as we strongly believe in the benefits of gender-balanced management teams. We can also confirm that no significant pay differences were reported between women and men in similar or parallel positions for any company in 2023.

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Achieve gender equality and empower all women and girls

Our goal

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

Employees by gender

Company	Number of employees	Male	Female	Female representation per company
KAFRIT HQ	5	5	0	0.0%
KAFRIT IL	160	112	48	30.0%
CONSTAB GER	125	89	36	28.8%
CONSTAB CN	108	85	23	21.3%
ADDVANZE SWE	25	22	3	12.0%
DELTA GER	81	69	12	14.8%
POLYFIL USA	37	32	5	13.5%
KAFRIT NA	26	22	4	15.4%
BADGER COLOR USA	222	149	73	32.9%
ABSA RESIN CAN	32	28	4	12.5%
Total	**821**	**613**	**208**	**25.3%**

Our foundation for strength — enhancing belonging

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Benefiting from different age groups and job profiles

A workforce comprising different age groups is increasingly recognized as a major asset in modern organizations. This age diversity contributes to productivity, innovation and sustainability across multiple dimensions. That is why we are pleased to employ a significant number of young professionals, as well as experienced colleagues, alongside around half of our employees who are aged between 30 and 50. Compared to 2023, the portion of under 30-year-olds even increased slightly. This is a valuable reminder about the success of our recruitment efforts for young talent – people who will shape the future of Kafrit Group.

At a job profile level, even after acquiring BADGER COLOR USA and ABSA RESINS CAN, Kafrit Group upholds a manager-to-employee ratio of 14%, which is still exactly in line with Harvard Business Review's optimal suggestion (1:7). While 17.2% of employees handle administrative functions, 68.8% of our workforce takes care of the production and shipping of our high-quality masterbatch and compound products.

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Employees by age

Age groups	2023	Representation in %	2024	Representation in %
Under 30	75	13.9%	140	17.1%
30-50	291	54.1%	418	50.9%
50 and above	172	32.0%	263	32.0%
Total	**538**		**821**	

Employees by job profile

Job profile	2024	Representation in %
Management (all levels)	115	14.0%
Service and sales workers	141	17.2%
Operatives	565	68.8%
Total	**821**	

What makes us strong — enhancing belonging

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Parental leave

We identified our employees' work-life balance as a material opportunity to retain and attract talent, increase productivity and improve loyalty. An important instrument to establish this understanding in our daily business activities is the option to take parental leave, which we encourage our employees to utilize where possible.

As a result, in 2024, 26 employees took parental leave, out of 28 employees who were entitled to it. More precisely, **seven out of seven women and nineteen out of twenty-one men**.

With a parental leave rate of 92.9%, Kafrit Group continues to operate on the same high level as in the previous reporting period (93.1%). We are proud to support our employees by fostering their work-life balance and acknowledging the multifaceted dynamics of parenthood.

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What makes us strong — enhancing belonging

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Employee turnover

The importance of employee turnover in the context of our sustainability strategy is significant and often underestimated. Holistic sustainability implementation goes beyond environmental concerns to encompass social and economic dimensions – including workforce stability, a sense of belonging and long-term human capital development.

Especially for plastics processing companies, high employee turnover results in increased operational costs (hiring and training), reduced productivity, quality control issues and a general loss of institutional knowledge, which often serves as an invisible glue between a company's different departments. It is also clear that the challenging shift systems and hard physical work in our industry make it increasingly difficult to find an adequate workforce.

After facing a moderate turnover rate of 15.8% in 2023, 2024 was not successful in this regard. 235 employees (28.6%) left Kafrit Group, with the highest turnover rates in BADGER COLOR USA, DELTA KUNSTSTOFFE GER and ABSA RESINS CAN. The main reasons for the high employee turnover were increased hiring activities, attendance issues, family reasons, and acceptance of other employments with higher pay or on a different shift.

Our everyday commitment

Securing occupational health and safety (OH&S)

Our commitment to OH&S remains unchanged from last year's report. It is the number one topic for our group's global leadership team, as well as the local management teams. Knowing our place in the value chain, the materials we use and the processes we apply, we cannot neglect the fact that our operations have an actual negative impact on OH&S. That said, dedicated and regular OH&S training, as well as personal protective equipment (PPE), is provided in all locations. It is our top priority to ensure that each employee returns home safely every day.

Although we did not manage to be accident-free in the reporting period, we did at least decrease the OSHA rate significantly compared to previous years.

In total, we recorded seven work-related accidents in the reporting year that could have been prevented. Nevertheless, we are firmly committed to achieving zero recordable accidents and our goal remains to create a culture of safety that is ingrained in everything we do. For this reason, we deeply analyze each accident and share the lessons learned across the group to prevent similar incidents from happening in other places. Additionally, we actively encourage each employee to speak up if they see or experience something that is unsafe or could be improved. Kafrit Group always listens and responds to such appreciated feedback.

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

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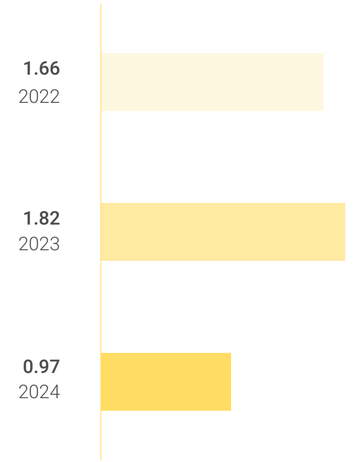
OSHA recordable incident rate*



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

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

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Reviewing OH&S at a company level

All companies in Kafrit Group have dedicated health and safety management systems in place that are informed by risk management guidelines and comply with national legal requirements. Moreover, joint management-worker health and safety committees are also active in most of our companies. In these committees, management and worker representatives meet regularly to discuss past OH&S incidents, potential risks and improvements in OH&S management.

We are especially proud that the ISO 45001 certification is on the rise in Kafrit Group. KAFRIT IL, KAFRIT NA and CONSTAB CN have already established it, and ADDVANZE SWE and CONSTAB GER are currently preparing for the ISO 45001 process.

We recognize that as a group of companies, we still have room for improvement. Our OH&S ambition is to strive for perfection and everyday safe: zero incidents, accidents or injuries.

Ensure healthy lives and promote well-being for all at all ages

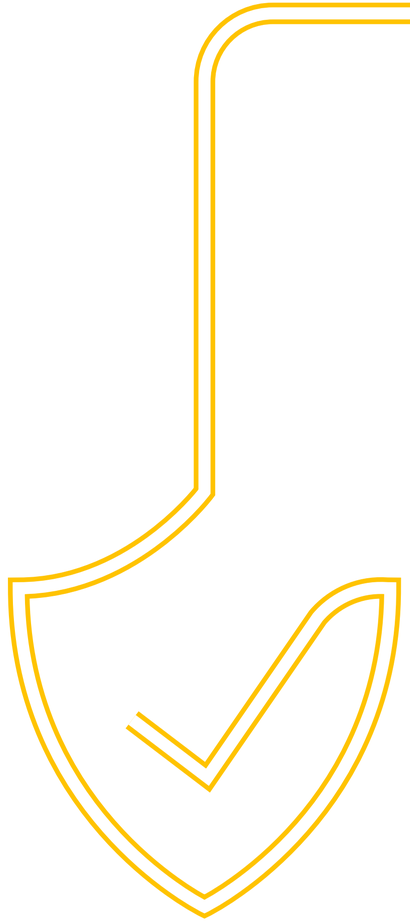
Reviewing OH&S for workers in the value chain

In our DMA, we not only highlighted the importance of OH&S for our own workforce, but also the importance of good working conditions throughout the value chain.

By far too many incidents and accidents still occur, especially in (petro-)chemical operations, which is why Kafrit Group's newly introduced *Supplier Code of Conduct* prioritizes OH&S in upstream activities. We are aware of our group size. Therefore we recognize that we cannot influence the entire value chain. Nonetheless, we require our suppliers to do everything possible to protect their workers' health and safety.

Our goal

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



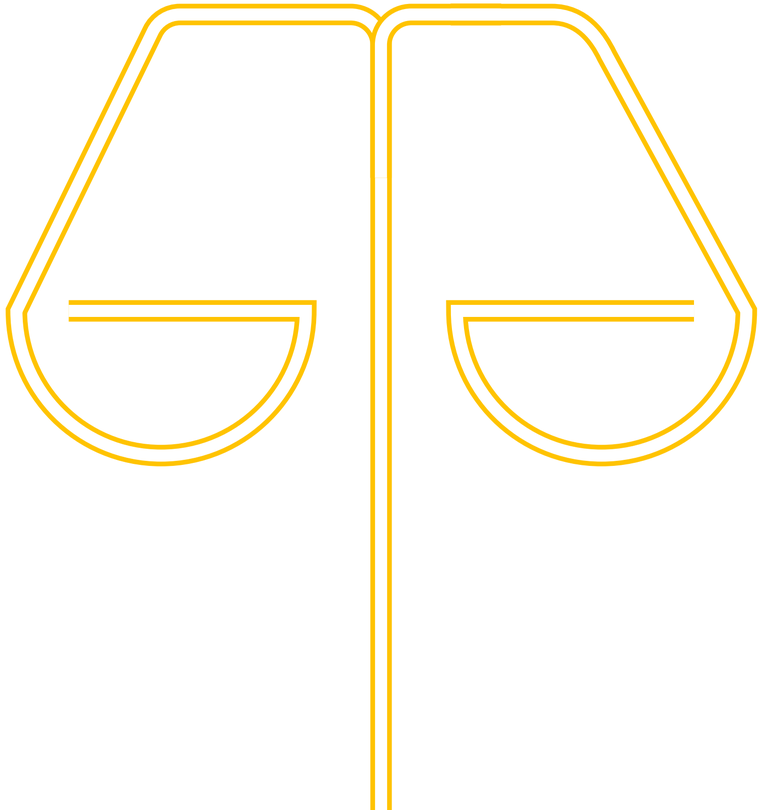
OSHA rate by company

Company	OSHA rate*	Recordable accidents
KAFRIT HQ	0.00	0
KAFRIT IL	1.35	2
CONSTAB GER	1.76	2
CONSTAB CN	0.00	0
ADDVANZE SWE	0.00	0
DELTA KUNSTSTOFFE GER	1.21	1
POLYFIL USA	2.65	1
KAFRIT NA	0.00	0
BADGER COLOR USA	0.67	1
ABSA RESINS CAN	0.00	0

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

The foundation of fair work

Standing up for employment rights



Our employees are our most important stakeholder group. They are the ones driving the operations and business activities forward and all of them are part of Kafrit Group's sustainability efforts. Therefore, it is a key priority of the group and the local management teams to ensure that employment rights are respected and fostered everywhere.

As the group's operations are based in several countries, the local employment and social protection rights always form the basis. For all production sites, we can confirm that social protection against loss of income due to sickness and employment injury or acquired disability is established. Also, in our European production sites as well as in KAFRIT IL and CONSTAB CN, there is social protection against loss of income due to unemployment, parental leave and retirement. In POLYFIL USA, our workforce is protected from loss of income due to parental leave and our employees in KAFRIT NA are protected from loss of income due to unemployment. Additionally, each company applies its own rules and agreements to shape and secure the employee's status.

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

Finally, in the reporting year, no severe human rights impacts were reported that could affect our workforce. Therefore, neither Kafrit Group nor the individual companies had to pay a fine. The same is true for incidents of discrimination.

Empowering our workforce

Facilitating training and education

Our purpose – to unite talent and technology to drive the future of plastics, together – is our guiding principle across Kafrit Group. We know that it is our employees who fill our companies with life, expertise and commitment. This is why investing in training and education is not a cost to us – it is a strategic asset. Organizations that prioritize continuous learning not only future-proof their workforce but also strengthen their competitive edge in an evolving business landscape.

It is our task to embed this aspiration in several opportunities for personal and career growth, including a robust onboarding process for new employees, as well as internal and external training, regular on-the-job coaching and performance reviews delivered by managers for the whole workforce.

Performance reviews

Regarding performance reviews, we report a significant decrease, falling from 95.2% in 2023 to only 47.1% in 2024. Especially KAFRIT NA, CONSTAB GER, DELTA KUNSTSTOFFE GER and ABSA RESINS CAN fell short in the reporting period and need to strengthen the implementation of regular performance reviews in 2025. Kafrit Group's goal for 2026 remains untouched, however it is obvious that more effort is required to realize it.

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Our goal

We want to continue growing our talent in a transparent feedback culture, with **an annual performance review for each employee by 2026.**

Performance reviews by company

Company	No. of employees	Employees who received a formalized review	%
KAFRIT HQ	5	5	100.0%
KAFRIT IL	160	157	98.1%
CONSTAB GER	125	22	17.6%
CONSTAB CN	108	108	100.0%
ADDVANZE SWE	25	25	100.0%
DELTA GER	81	33	40.7%
POLYFIL USA	37	37	100.0%
KAFRIT NA	26	0	0.0%
BADGER COLOR USA	222	178	80.2%
ABSA RESINS CAN	32	18	56.3%
Total	**821**	**387**	**47.1%**

Empowering our workforce — facilitating training and education

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Overall training hours

Concerning overall training hours, 2024 already outperformed the 2027 group goal by 2.9 hours per employee, resulting in 17.9 training hours per capita. For the time being, however, we stick to the initial goal as we would like to see an equal prioritization of training among all companies before raising the bar further. With that said, we see differences at a company level resulting from varying training schedules, non-harmonized procedures and potential gaps in training data gathering. **We will continue to invest our efforts to realize our full potential.**

Our goal

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

Training hours by company

Company	Total training hours	No. of employees	Hours/employee
KAFRIT HQ	7	5	1.40
KAFRIT IL	1,955.5	160	12.22
CONSTAB GER	327	125	2.62
CONSTAB CN	2,631	108	24.36
ADDVANZE SWE	50	25	2.00
DELTA GER	924	81	11.41
POLYFIL USA	781	37	21.11
KAFRIT NA	164.2	26	6.32
BADGER USA	7,439	222	33.51
ABSA RESIN CAN	416	32	13.00
Total	**14,694.7**	**821**	**17.90**

In close dialogue with our neighbors

Living community engagement

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

On the other hand, seen from a global value chain perspective, we are aware of communities that are located near plastic production facilities – often low-income, marginalized or indigenous. These communities are likely to face disproportionate exposure to harmful pollutants. (Petro-)chemical plants, which convert fossil fuels into plastic, sometimes emit a mixture of carcinogens and toxic substances that contaminate the air, water and soil, resulting in elevated cancer rates, respiratory diseases and developmental issues. For this reason, our DMA found that there is a relevant actual negative impact on the water and sanitation of affected communities, caused by upstream value chain activities.

Although we do not see this actual negative impact in our own operations, we are aware that we process raw materials that may originate from such upstream value chain activities. The most prominent example is PFAS materials which are currently facing major criticism in Europe and North America.

As a group of masterbatch and compound manufacturers, we have very limited reach when it comes to implementing changes into the operations of the global value chain. And we do not have a policy in place to manage the impacts, risks and opportunities related to affected communities, either.

However, this does not stop us from doing what we can. Our efforts to decrease GHG emissions, air, soil and water pollution, as well as waste generation, have a positive impact on our communities. Research into PFAS-free materials, recyclability and renewable feedstock is a driver for innovation which will indirectly impact on our communities in a positive way.

In addition, we invite our local communities to participate and have a say, whether through discussion panels in schools or open-day events. The local management teams also maintain close contact with local water and environmental authorities, and regularly deal with local regulators. There is no group-wide process to engage with affected communities as we believe our General Managers, assisted by their on-site management teams, know best how to deal with the needs of each community.

Make cities and human settlements inclusive, safe, resilient and sustainable

Thinking all the way down

Assuring end-user health and safety

This report highlighted the importance of OH&S in our core operations as well as in upstream value chain activities. Additionally, as a masterbatch and compound producer for the plastics processing industry, our role in safeguarding the personal safety of end-users consuming plastic products is equally essential.

Although our business activities are usually several steps removed from consumer-facing products, our materials are eventually incorporated into the final goods – from toys and food packaging to medical devices, school supplies and water pipes, to name a few. This indirect but undeniable link to the end-user places an implicit duty of care on our operations, especially when serving vulnerable populations such as children.

Children's exposure to harmful substances can have lifelong consequences due to their developing immune and neurological systems. Products such as colored toys, baby bottles and packaging may contain colorants, stabilizers, flame retardants and other additives derived from masterbatches.

Kafrit Group's formulations and material choices, therefore, contribute to or mitigate potential safety issues such as the migration of hazardous substances.

We employ several product safety specialists in Kafrit Group who are experts in raw materials and legislation. They make sure that the raw materials we purchase and the products we produce meet scientific and legal requirements to protect the health and safety of end-users, although even our customers are still relatively far removed from the end-user.

Agencies such as the European Chemicals Agency (ECHA) or the US Food and Drug Administration (FDA) set the rules, as they act in the best interest of end-users' health and safety. As legislation changes and develops, **our product safety experts regularly attend workshops and seminars to stay informed about recent changes** in the evaluation of specific raw materials, which may have consequences for our final materials as well.

Sustainability Report 2024

Embedding governance

- IROs relevant to governance
- Integrating board governance
- Upholding ethics and integrity
- Driving human rights and sustainable procurement practices
- Emphasizing cyber security

Key governance issues

IROs relevant to governance

ESRS — Company-specific

Company-specific Cyber security

Cyber security

There is a financial risk that cyber attacks may endanger the entire operations within Kafrit Group.

RISK

SHORT TERM

CORE
VALUE CHAIN

Policy statement

At Kafrit Group, our governance is founded on the principles of ethics, integrity and respect for human rights in all aspects of our operations. We are committed to conducting business responsibly, fostering transparency and holding ourselves and our partners to the highest ethical standards. As part of our ongoing efforts, we are increasingly integrating sustainable procurement practices to ensure a positive impact on people and the planet.

Acting as a role model

Integrating board governance

Board composition

Kafrit Group's Board of Directors is the highest governance body, and it consists of nine board members. All board members are non-executive members, amplifying diverse perspectives and fostering dynamic decision-making. Not having executive members on the board helps us maintain impartiality and balance. Also, a glimpse at our board's composition in 2024 reveals a noteworthy consideration for gender diversity. Predominantly, our nine-member board comprises seven esteemed male directors (77.8%). Nonetheless, the presence of two accomplished female board members (22.2%) enhances our resolve toward promoting gender equity. Considering age groups, our board is homogenous, with all members over the age of 50.

In accordance with the applicable law in Israel, there is no need for representation of employees or other workers and no need for representation from under-represented social groups in the Board of Directors. The kibbutz Kfar-Aza, holding about 58% of the shares, appointed six board members who are dependent, whereas two independent board members were appointed by the minority in the General Assembly. The ninth board member was appointed by the Board of Directors.

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

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Acting as a role model — integrating board governance

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Board expertise

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

The board members' collective experience significantly influences our efficient decision-making processes and underlines the strength of our organization's performance. Such diverse and extensive experiences enhance stakeholder engagement and instill confidence in our company's commitment to environmentally sustainable, socially responsible and ethically sound business practices.

Modus operandi

The Board of Directors receives a monthly report sent by the Kafrit Group CEO which includes potential critical concerns. On top of that, at every Board of Directors' meeting, Kafrit Group's CEO and CFO review the main topics of the business, including general risk management. Also, the Kafrit Group Sustainability Leader presents progress on the group's sustainability agenda to the board at least once a year. In March 2025, the Board of Directors approved the DMA results which form the backbone of this sustainability report. This is how Kafrit Group makes sure that impacts, risks and opportunities relating to sustainability are regularly addressed and discussed in the group's highest governance body.

Remuneration policy

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

Always upright

Upholding ethics and integrity

Code of Ethics and Conduct

Transparent governance and ethical business practices remain integral to Kafrit Group. The group and all companies uphold their commitment to high standards of ethics as a crucial part of their corporate culture by enforcing the *Kafrit Group Code of Ethics and Conduct*.

Ethical decision-making is prioritized at all levels of the organization, ensuring long-term value creation for all stakeholders involved.

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

Anti-corruption and anti-bribery

In 2024, we effectively fortified our stance against corruption, standing firm on our commitment to uphold integrity and transparency throughout our operations. This effort is reflected in no confirmed incidents of corruption or bribery, as well as no convictions for violation of such laws, accompanied by no instances of employees being dismissed or disciplined for corrupt practices during the year.

This positive result extends to our business partnerships because no contracts required termination due to unethical behavior. Even more notable was the total avoidance of financial penalties resulting from corrupt conduct; thus the monetary value of fines associated with corruption incidents was zero. We recognize that no action was necessary due to the absence of any known corruption cases. This accomplishment aligns with our broader sustainability mission and efforts toward ethical business conduct.

Our goal

It is evident that we want to continue showing zero tolerance and meet our commitments – every year upright: **zero cases of corruption or discrimination.**

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Always upright — upholding ethics and integrity

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Raising concerns

We want to showcase a commendable commitment to high ethical standards. In this regard, the adoption of a whistleblower protection policy is a testament to this. Our whistleblower protection policy, as well as the grievance mechanism, are included in the *Kafrit Group Code of Ethics and Conduct*.

This encourages all our employees to report any violation and non-compliance with the *Code of Ethics and Conduct* or other company protocols or work instructions to the relevant supervisor or a member of the senior management of each company. Also, each company is required to establish a place that is accessible to all its employees at any time allowing for anonymous reporting of violations and non-compliance with the group's *Code of Ethics and Conduct*. Should a violation be reported, Kafrit Group will investigate the case diligently and in a timely manner.

Political contributions and lobbying activities

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

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

Widening our angle

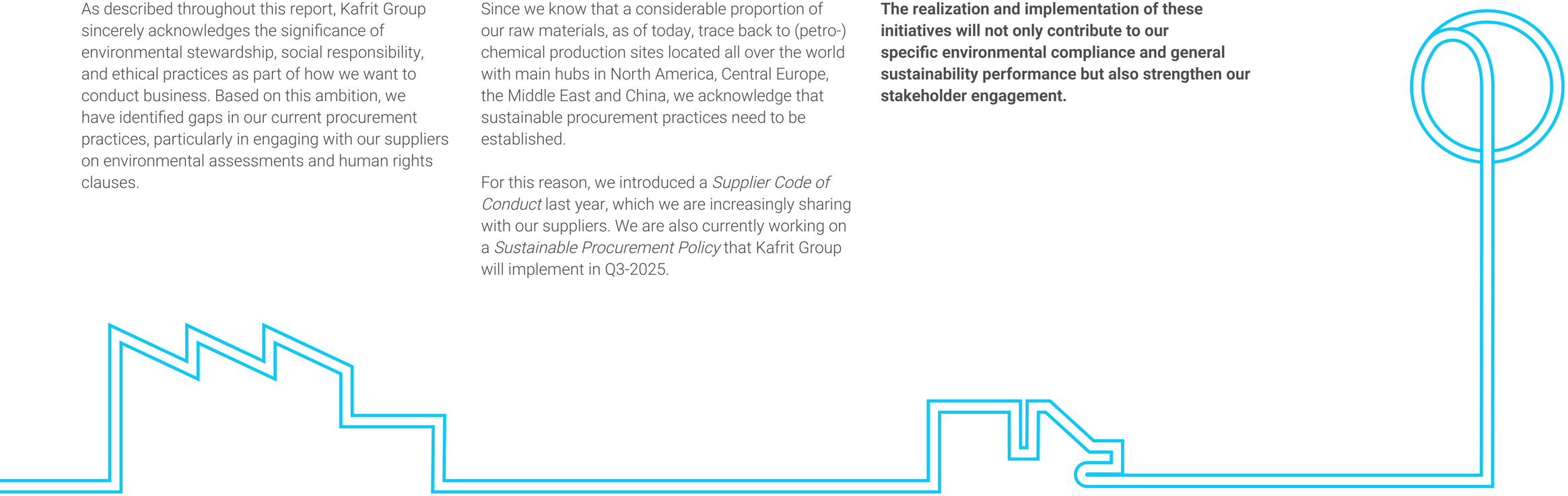
Driving human rights and sustainable procurement practices

As described throughout this report, Kafrit Group sincerely acknowledges the significance of environmental stewardship, social responsibility, and ethical practices as part of how we want to conduct business. Based on this ambition, we have identified gaps in our current procurement practices, particularly in engaging with our suppliers on environmental assessments and human rights clauses.

Since we know that a considerable proportion of our raw materials, as of today, trace back to (petro-) chemical production sites located all over the world with main hubs in North America, Central Europe, the Middle East and China, we acknowledge that sustainable procurement practices need to be established.

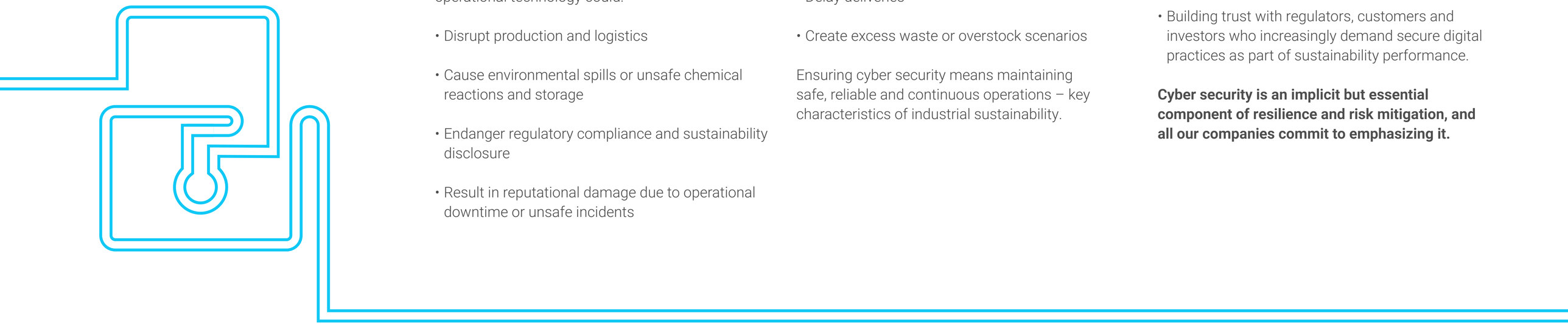
For this reason, we introduced a *Supplier Code of Conduct* last year, which we are increasingly sharing with our suppliers. We are also currently working on a *Sustainable Procurement Policy* that Kafrit Group will implement in Q3-2025.

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



Protecting our operations and people

Emphasizing cyber security



Our DMA process revealed the importance of cyber security as a material company-specific risk as we operate in the plastics processing industry which relies on automated systems, proprietary processes, and precise formulations.

Cyber attacks on industrial control systems or operational technology could:

- Disrupt production and logistics
- Cause environmental spills or unsafe chemical reactions and storage
- Endanger regulatory compliance and sustainability disclosure
- Result in reputational damage due to operational downtime or unsafe incidents

At the same time, bearing in mind our global presence and vast network of suppliers and logistics partners, cyber attacks targeting the value chain could:

- Interrupt material flows
- Delay deliveries
- Create excess waste or overstock scenarios

Ensuring cyber security means maintaining safe, reliable and continuous operations – key characteristics of industrial sustainability.

We also need to take care of protecting people and communities. This is why cyber security is crucial for:

- Safeguarding employee and customer data
- Preventing intellectual property theft
- Building trust with regulators, customers and investors who increasingly demand secure digital practices as part of sustainability performance.

Cyber security is an implicit but essential component of resilience and risk mitigation, and all our companies commit to emphasizing it.

Sustainability Report 2024

Disclosures

Publishing details

Legal disclosure

www.kafritgroup.com

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Disclaimer

Kafrit Industries (1993) Ltd. believes all information provided in this report is accurate and externally comprehensible. The report is based on sustainability metrics from 2024 and previous years, and, where real data is not available, data provided by reliable third-party agents is used. All forward-looking statements in this report are made based on the company's current expectations, evaluations and forecasts, and actual results may differ materially from those anticipated, in whole or in part, as a result of different factors including, but not limited to, changes in market conditions and in the competitive and business environment, regulatory changes, currency fluctuations or the occurrence of one or more of the company's risk factors. In addition, forward-looking statements are based on information in the company's possession while preparing the presentation.

The company does not undertake any obligation to update forward-looking statements made herein to reflect events and/or circumstances that may occur after this report was published.

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Kafrit Group

Sustainability Report 2024

Making progress, together