



2023 ESG REPORT



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From the CEO

Dear Stakeholders,

Thank you for your interest in Arkay's Environment, Social, and Governance (ESG) management. Since our founding in 1922, Arkay has continued to operate with quality, innovation, and exceptional service. We recognize the importance of sustainability, and as such are committed to continually improving our ESG program.

Our focus on ESG supports our philosophy of leading the industry with passion and integrity. We demonstrate our leadership through empowering our people to succeed and serving as the creative engine to meet our clients' needs. Empowerment of our people starts with ensuring health and safety standards and diversity and inclusion practices are upheld in our workforce. We therefore base our work environment on mutual respect and teamwork, and plan proactively for avoiding or minimizing potential safety risks.

We also value our partnerships and collaborations with external stakeholders throughout our value chain. Our exceptional customer service is rooted in a century of expertise in product design and merchandising solutions. In 2022, we were proud to be selected as one of eleven businesses out of 55,000 worldwide to be honored with P&G's Partner of the Year Award. This award exemplifies our dedication to customer satisfaction and being a supplier of choice for our clients.



From the CEO

To further demonstrate our high standards for safety, quality, and sustainability, we are proud to hold the BRCGS certification as well as Platinum Recognition from EcoVadis, a certification only one percent of companies worldwide achieve. In upholding our pledge for environmental stewardship, we are proud to be certified by the Forest Stewardship Council (FSC) and the Sustainable Forestry Initiative® (SFI®). We also achieved CarbonNeutral® status from offsetting our greenhouse gas (GHG) emissions and purchasing Renewable Energy Credits in accordance with The CarbonNeutral® Protocol, the global standard for carbon neutral certification.

In addition to our environmental impact, we are also focused on the impact we have on our community. Through charitable giving and volunteering, we donate to several organizations including the Taubman Museum, West Virginia Community College, the Alzheimer's Drug Discovery Foundation, Jefferson Center, and the YMCA of Virginia's Blue Ridge.

We are firm in our conviction to advance sustainability and innovation efforts within our company, communities, and value chain. We are proud to report our 2023 Communication on Progress for the UN Global Compact as a public report of our commitment to upholding the UN Global Compact's Ten Principles on human rights, labor, anti-corruption, and the environment.

The foundation of our company, set 101 years ago by my grandfather, remains steadfast in its core principles of quality, service, and respect. With our dedication to grow and evolve, we continue to seek improvement, sustainability, and resilience as we enter our second century in business.

Warm Regards,



Mitchell Kaneff
Chairman/CEO



2022 Recognition

Platinum EcoVadis



We are thrilled to announce that we were awarded Platinum Level Recognition in EcoVadis for our industry-leading sustainability performance across environment, labor and human rights, ethics, and sustainable procurement. Platinum EcoVadis medals are an accomplishment that only the top 1% of all companies submitting to EcoVadis achieve.

P&G External Partner Excellence Award

+

P&G Supplier Sustainability Award

Arkey was recognized as a P&G Partner of Year, an award only given to eleven business partners out of over 50,000 from P&G's network. Arkey was bestowed this award due to delivering sustained value to P&G's business.

Arkey is additionally proud to have received the 2022 P&G Supplier Sustainability Award. This award recognizes our continuous commitment to sustainable business practices.



Mission.

To be an indispensable graphic communications resource to our customers through:

Driving Innovation
Superior Quality
Exceptional Service

To lead our associates with passion, integrity, and a continuous commitment to profitability and a sustainable future.

Vision.

In addition to 10 decades of expertise in product design, improvement and responsiveness, our creative, innovative marketing and merchandising solutions begin with each employee through a culture of encouraging creative action, mutual respect, teamwork and professional development.

Values.

Building on our passion for innovation, we give each product a distinctive marketplace presence. Since 1922, we have designed and manufactured value-added, high performance outer packaging.

Arkay provides the creative engine to meet our customers' exacting needs. Our operations and customer service are built on trust and accountability.

We deliver:

What you expect
When you expect it
Every time



The Arkay Difference

At Arkay we lead our associates with passion, integrity, and a commitment to mutual profitability. Using the most advanced technologies and working with a palette of decorative special effects, Arkay meets any visual challenge.

EMBOSSING

The raising or lowering (Debossing) of the printed surface. Arkay has the capability of single-level or multi-level Embossing to add dimensionality to the package. Use along or with other finishing techniques, we create a unique package for your product – one that grabs the customer and draws their attention to your product.

TEXTURED FINISHES

Sometimes we want more than a specific look for your packaging – you also want a specific feel. At Arkay we accomplish this using a wide range of textured finishes. Just another way we strive to make your vision come to life.

STAMPING

Applying a high-quality (often metallic) finish to an area of a carton. Stamping has been a specialty of Arkay for over sixty years. We have the capability to stamp on top of many different coatings. Using our experience and expertise, we can create a wide variety of effects including holographic or richly pigmented effects.

PAINT ON PRESS®

Arkay's trademarked and registered technique reveals all the true graphic possibilities contained within our customers' artwork. Enhancing the artists' design concept, while working to develop the most cost-effective production methodology, Paint on Press® presents an invaluable and unique opportunity to benefit our customers.



Material Topics

To determine our material ESG topics, we collected input from our value chain and industry peers as well as our employees and senior leadership, on our actual and potential, negative and positive impacts on the economy, environment, and people. Through stakeholder engagement and industry research, we prioritized the following ESG topics as they were determined to be where Arkay has or can have the most significant impact, and therefore are the foundation of our sustainability strategy. Arkay's Sustainability Committee reviewed and approved the material topics.

Environment



Greenhouse Gas Emissions

How we measure and manage our emissions' contribution to climate change.

Waste Management

How we measure and manage our waste production and reduction.

Social



Employee Health and Safety

How we measure and manage our our employee health, safety, and wellness.

Diversity and Inclusion

Our commitment to improving our diversity and inclusion among employees.

Employee Retention

How we measure and manage retention of all our highly skilled, valued employees.

Governance



Ethics and Integrity

Our integration of integrity and business ethics into our everyday operations.

Customer Satisfaction

Our commitment to continual improvement of customer satisfaction.

Quality

Our commitment to producing high quality products.

Efficiency and Reliability

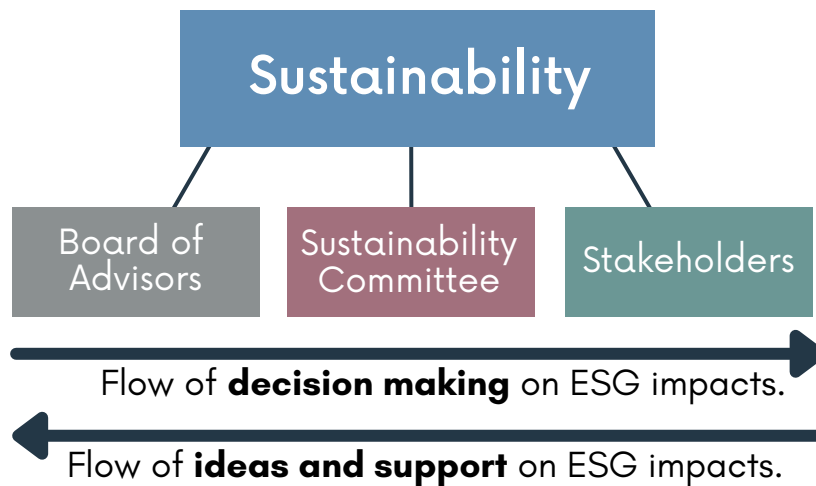
Our commitment to continual improvement of efficient, reliable business operations.



Sustainability

Sustainability Governance

Arkay's governance of sustainability initiatives is integrated into our daily business operations and shared among internal and external stakeholders. Various stakeholders in our operations and across our value chain, including our Board of Advisors, Executive Leadership Team, employees, customers, and suppliers each inform our sustainability strategy. Our Sustainability Committee, which includes members of executive leadership, manages our environmental, social, and governance (ESG) impacts and due diligence through ongoing tracking of Arkay's sustainability performance and quarterly management review meetings to assess and update Arkay's sustainability strategy. Day-to-day management of our ESG impacts is overseen by our Senior Sustainability Representative and delegated to other employees as needed.



Sustainability and Quality Assessments



Arkay continues to push the boundaries of sustainability and transparency within our supply chain through participating in EcoVadis, the world's most trusted provider of business CSR ratings. EcoVadis is a third-party organization that validates corporate adherence to 21 recognized ESG criteria across the topic areas of environment, labor and human rights, ethics, and sustainable procurement. The objective of the EcoVadis rating methodology is to measure the quality of a company's sustainability management system through its policies, actions and results.

In 2021, we achieved Gold Level Recognition, an attainment that only 5% of companies reach. This year, we are thrilled to announce that we were awarded Platinum Level Recognition in EcoVadis, an accomplishment that only 1% of all respondents achieved. This honor acknowledges Arkay's goal to instill sustainability, diversity, cutting edge technology, and altruism into every aspect of our business and culture. We will continue to improve and strive to further develop our impact in ESG.



CDP (formerly the Carbon Disclosure Project) is a global disclosure system for investors, companies, cities, states, and regions to measure and report their environmental impact. In 2022, for the first time, Arkay submitted Forests and Water Security CDP questionnaires to demonstrate our forest stewardship and resilience to water risk. In addition, Arkay completed our CDP Climate Change questionnaire. Arkay will continue to submit all three questionnaires each year to benchmark our progress and promote transparency towards building a climate safe, deforestation free, water secure future.



The BRCGS Packaging Materials Global Standard, a recognized global industry benchmark for packaging operations, demonstrates that products are quality assured, legally compliant, and authentic. We maintain excellence in our quality performance through robust hazard and risk controls to ensure all our products and processes are assessed for safety and compliance. Our BRC certification exemplifies that Arkay products are manufactured with industry-leading quality and safety management practices.

Commitments



The Forest Stewardship Council® (FSC®) is an international non-profit organization promoting responsible management of the world's forests by setting standards on forest products, along with certifying and labeling them as eco-friendly. Arkay is certified by FSC®.



The Sustainable Forestry Initiative® (SFI®) label signifies that wood and paper products are purchased from well-managed forests, backed by a rigorous, third-party certification audit. SFI Inc. improves sustainable forest management in North America and supports responsible procurement globally. Arkay is certified to the SFI® standards.



Arkay has been approved for the Programme for the Endorsement of Forest Certification (PEFC) standard., an international non-profit, non-governmental organization dedicated to promoting Sustainable Forest Management (SFM), through independently third-party certification.



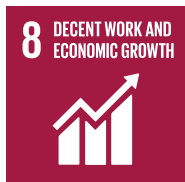
Agfa Graphics is committed to reducing the graphic communications industry in North America's environmental impact. Agfa's solutions are designed to maximize renewable resources, eliminate toxic chemicals, reduce waste, lower ink and water consumption, and save energy. Arkay has been an accredited member of AFGA's GreenWorks™ since 2009.



Arkay is proud to have achieved CarbonNeutral® status by working with Natural Capital Partners, a world-leading provider of carbon reduction solutions. Arkay offset our greenhouse gas (GHG) emissions using high quality market-based instruments, in accordance with The CarbonNeutral® Protocol.

United Nations Sustainable Development Goals

Arkay utilizes the United Nations Sustainable Development Goals (SDGs) to inform and prioritize potential actions related to our material ESG topics.



Arkay contributes to **SDG 8** through health and safety diligence in our operations, and ongoing employee training and engagement opportunities. For more information, please see the [Health and Safety](#) section of this report.



Arkay contributes to **SDG 10** through the implementation of diversity initiatives, practices, and policies. For more information, please see the [Diversity and Inclusion](#) section of this report.



Arkay contributes to **SDG 12** by offering opportunities for in-house recycling and exploring education and awareness options for end-consumer recycling. For more information, please see the [Waste Management](#) section of this report.



Arkay contributes to **SDG 13** by tracking our greenhouse gas emissions, submitting to CDP, and maintaining a carbon neutral status. For more information, please see the [Greenhouse Gas](#) section of this report.

United Nations Global Compact

WE SUPPORT



As a proud participant of the UN Global Compact since 2019, Arkay meets fundamental responsibilities in four areas: human rights, labor, environment and anti-corruption. Arkay abides by and upholds the Ten Principles of the UN Global Compact promoting responsible corporate operations.

For more information on Arkay's alignment to the Ten Principles of the UN Global Compact, both in our direct operations and in throughout our value chain, please see the following sections in this report:

- [Labor and Human Rights](#)
- [Health and Safety](#)
- [Ethics and Integrity](#)
- [Diversity and Inclusion](#)
- [Environment](#)
- [Supply Chain](#)

Sustainability Goals

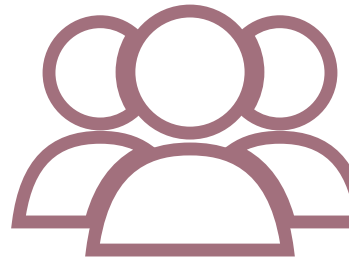
Setting goals and quantifiable targets is a key part of our management systems at Arkay. Consistent tracking of metrics and key performance indicators ensures that we incrementally progress toward our end goals, and if we are not on track to meet our targets, we identify opportunities for improvement and implement initiatives to help get us back on track. Our goals and targets are reviewed annually by our sustainability committee.



Provide sustainable products that minimize negative impacts on the environment



Ensure healthy and safe operations to improve employee retention and engagement



Provide reliable and innovative solutions to be effective partners for our customers





Environment

Arkay's Environmental Goal: Provide sustainable products that minimize negative impacts on the environment.

Near-term GHG Target: 50% absolute reduction of Scope 1 & 2 GHG emissions by 2030 from a 2018 baseline.

Long-term GHG Target: Net-zero greenhouse gas emissions by 2050.

Waste Target: By 2025, achieve 95% of waste diversion from landfill and reduce hazardous waste to less than 0.05% of our total waste.

Water Target: By 2025, reduce water withdrawal by 5% (from 2022 baseline).

Product End-of-Life Target: By 2025, provide product recyclability information to 50% of our key customers.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



13 CLIMATE ACTION



Greenhouse Gas Emissions

Tracking and minimizing our greenhouse gas (GHG) emissions is an essential part of our business model. As stated in our [Environmental Policy](#), we strive in our daily operations to minimize environmental impact, and this includes efforts to reduce greenhouse gas emissions and increase sustainable consumption patterns. Part of our commitment to the environment is to reduce our GHG emissions throughout our business operations and supply chain. Our sustainability committee is responsible for tracking, reporting, and managing our impacts related to our GHG emissions.

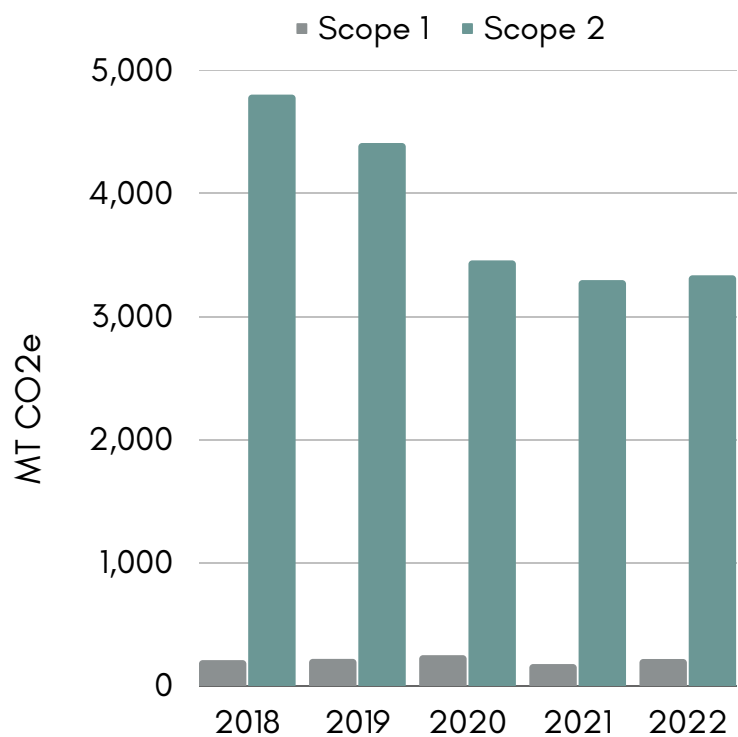


Target 13.2: Integrate climate change measures into policies, strategies, and planning

Since 2018, Arkay has annually calculated and reported our direct (Scope 1) and indirect (Scope 2) GHG emissions. In our 2020 ESG report, we set a target to reduce our GHG emissions by 5% compared to our 2018 baseline year by 2022. We are proud to announce that we have exceeded this target. In 2022, our absolute GHG emissions reduced by 29% for Scope 1 and Scope 2 compared to our 2018 baseline.

Our GHG reductions from our baseline are largely due to changes in our operations, including decommissioning machinery, that resulted in decreased electricity and natural gas consumption.

Arkay's Historic Scope 1 and 2 GHG Emissions

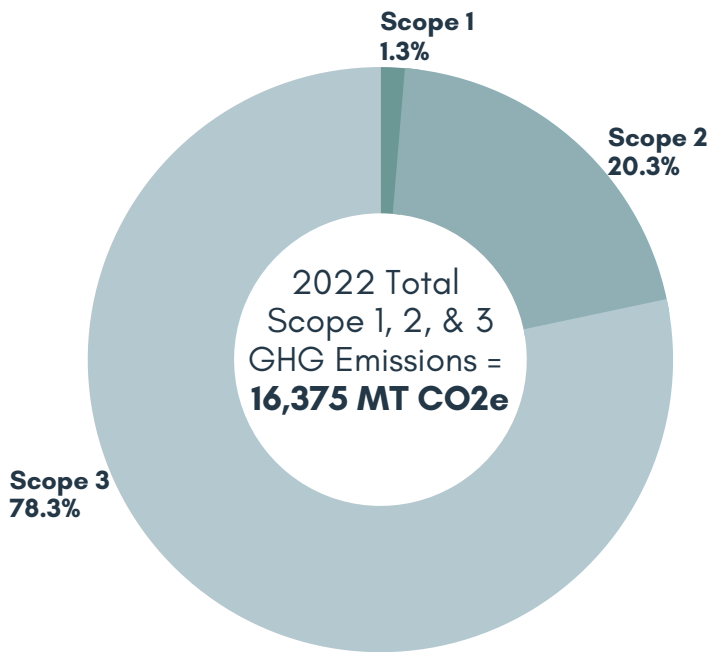


Greenhouse Gas Emissions

Overall, our Scope 1 emissions in 2022 were 219 MT CO₂e and our Scope 2 emissions were 3,331 MT CO₂e.¹ Our largest contributing factor for our Scope 1 and Scope 2 GHG emissions was purchased electricity which contributed approximately 94% of our overall GHG emissions. Our Scope 1 and 2 GHG emissions intensity in 2022 equaled .00005 MT CO₂e per annual revenue.

For the first time, Arkay conducted a Scope 3 GHG emissions inventory. These GHG emissions are accounting for our indirect GHG emissions associated with our value chain. Our total Scope 3 GHG emissions for 2022 were 12,825 MT CO₂e.

Arkay's 2022 Scope 1, 2, and 3 GHG Emissions



In addition to our GHG emission reductions, Arkay offsets any remaining GHG emissions through the purchase of Green-e[®] Energy certified renewable energy credits and carbon offsets.² All carbon offsets are purchased through Natural Capital Partners. The offsets fund the Seneca Meadows Landfill Project which captures and destroys methane from landfill gas (LFG) while also creating almost 420 acres of new wetlands and generating electricity from the LFG to power 18,000 homes. More information can be found [here](#).

1. Our Scope 1 and 2 GHG emissions inventory was completed using the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard and emissions factors provided by the U.S. Environmental Protection Agency (EPA). Arkay's Scope 2 emissions were calculated using a location-based methodology. Carbon dioxide, methane, and nitrous oxide were included in our calculations. Our GHG inventory reporting boundaries include our manufacturing site, our office space, and our warehouse location.

2. Green-e Energy verifies that renewable energy certificates are not sold more than once or claimed by more than one party.

Greenhouse Gas Emissions

Scope 3

Our total Scope 3 GHG emissions for 2022 were 12,825 MT CO₂e. Moving forward, 2022 will serve as our Scope 3 baseline year in future reporting.

Our top three categories for Scope 3 emissions in 2022 were purchased goods and services, end-of-life treatment of sold products, and downstream transportation. Upstream transportation was not included in this year's inventory due to a lack of available data. Upstream leased assets, processing of sold products, use of sold products, downstream leased assets, franchises, and investments were considered in the inventory, but were deemed not applicable to Arkay's business.

All GHG emission calculations except for downstream transportation and business travel were estimated using spend data and emission factors provided by the GHG Protocol's Scope 3 Evaluator tool. Downstream transportation was calculated using third-party transportation ton-mileage and U.S. EPA emissions factors. Business travel was calculated using data provided by Sabre, our third-party travel and transportation services provider.

Arkay's goal is to continue to improve our Scope 3-related data collection and availability. We strive to use less estimates in future years to ensure that we are accurately accounting for and reporting our entire impact regarding GHG emissions.

Arkay Scope 3 GHG Emissions by Relevant Categories

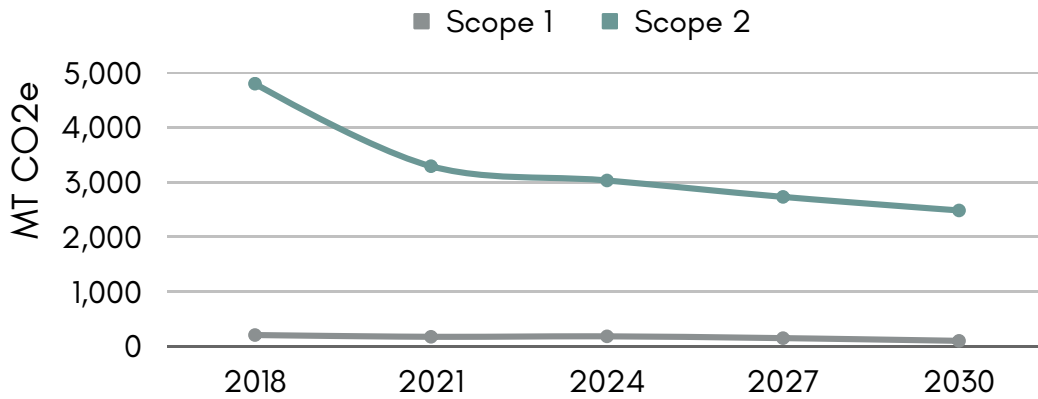


Greenhouse Gas Emissions

GHG Reduction Targets

Part of our sustainability committee's responsibility is to set GHG emission targets. Previously, our targets were set for the 2022 reporting year. Our committee updated our Scope 1 & 2 GHG reduction target to be aligned with Science Based Targets Initiative (SBTi), in line with limiting global temperature rise to 1.5 degree C above pre-industrial levels. Our intention is to commit to SBTi in future years.

Scope 1 & 2 Absolute Reduction Target
50% absolute reduction of Scope 1 and 2 GHG emissions by 2030 from our 2018 baseline.



Carbon Reduction Plan

Arkay created a carbon reduction plan to further reduce our GHG emissions and support the transition to a low-carbon economy. This plan spans a five-year period and includes several reduction initiatives and strategies. This plan also includes steps on how to improve data collection to better understand where our largest emissions activities are within our facilities, enabling us to create more detailed phase out plans for equipment.

To reduce our GHG emissions substantially over the next several years, our focus will be on reducing energy consumption, both in the form of electricity as well as fuels, and investigating the feasibility of renewables. However, we understand that our largest GHG impact comes from our supply chain. As a result, our carbon reduction plan also includes strategies on supplier engagement and collecting more accurate and primary data to quantify our Scope 3 emissions at a more precise and granular level. We are excited to further develop our operations around a meaningful carbon reduction roadmap and will work to meet and exceed the sustainable targets we set.

Climate Risk Analysis

Arkay understands and accepts the reality of the risk climate change brings, both in reshaping the environment, as well as the impacts it will have on market behavior, consumer and customer demand, and advancements in technology. We realize that climate change impacts everything and is not isolated to one region or industry.

To prepare for future risks, we partnered with a third-party sustainability consulting firm to conduct a climate scenario analysis to better understand not only the implications climate change has under different climate scenarios, but also how to integrate this analysis into our business strategy. The climate scenario analysis projected both physical and transition risks and opportunities under different Representative Concentration Pathways (RCPs) and Shared Socio-Economic Pathways (SSPs).

The climate analysis identified that overall, transition risks are expected to be medium-to-low impact and frequency under future climate scenarios. Acute physical risks, such as severe storms and tropical cyclones, are expected to increase in some of our operational locations, which will in turn impact chronic physical risks like increased precipitation and inland flooding. The analysis outlines how we can effectively identify and plan for these climate risks, as well as capitalize on potential opportunities around product innovation and meeting market shifts from changing consumer preferences and behavior.

Using this analysis, Arkay's Senior ESG Representative plans manage Arkay's adaptation and mitigation projects to increase our resilience against the impacts of climate change.



Target 13.3: Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning

1. A Representative Concentration Pathway (RCP) is a greenhouse gas concentration trajectory adopted by the Intergovernmental Panel on Climate Change (IPCC). Four pathways were used for climate modeling and research for the IPCC Fifth Assessment Report in 2014.
2. Shared Socio-economic Pathways (SSPs) are scenarios of projected socioeconomic global changes up to 2100. The SSPs were used in the IPCC Sixth Assessment Report on climate change, published in 2021.

Waste Management



Target 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

Waste management is an essential component of our sustainability program. We strive to reduce all waste within our operational control and within our value chain. Arkay plans to achieve 95% of waste diversion from landfill and reduce hazardous waste to less than 0.05% of our total waste by 2025.

Arkay understands that our environmental impact is not exclusively contained within our operational boundaries. In order to reduce these impacts in the value chain, Arkay has developed a Product End of Life Policy that outlines best practices for end consumers to dispose of our packaging after its use. This includes materials recycling instructions, using recyclable and biodegradable materials, and switching to a biodegradable option for shrink wrapping our products. Additional information is available to all stakeholders in the [sustainability section of our website](#). By 2025, we aim to provide product recyclability information to 50% of our key customers.

All waste, including hazardous waste, is tracked and centrally reported to our management team. On a bi-weekly basis, our manufacturing facility is inspected to ensure waste is being properly handled and separated for disposal.

The main waste stream categories for Arkay include:

- Municipal waste (solid waste)
- Liquid waste (hazardous and non-hazardous)
- Recycled materials

Municipal waste is handled by the county waste management company and is tracked by pickup frequency and container size.

Arkay's largest impact regarding waste management pertains to the handling and disposing of hazardous materials. Liquid waste is accounted for and categorized by hazardous and non-hazardous. The largest sources of non-hazardous liquid waste are fountain solution and waste UV coatings. Arkay's sources of liquid hazardous waste in 2022 include Waste UV coatings, waste aerosols, sodium metasilicate, broken fluorescent bulbs, and Dyne Test Markers. Data and information pertaining to all liquid waste is managed and communicated to our management team by third-party EHS consultants and third-party specialty waste management organizations.

Waste Management

Recycled materials at Arkay are primarily composed of paper and folding cartons, but also include metals and plastics. Arkay partners with a local recycling management company that specializes in the supporting the board converting industry to ensure that all recyclable materials are reintroduced into the economy. These processes and procedures are contained within our Recycling Management Program.

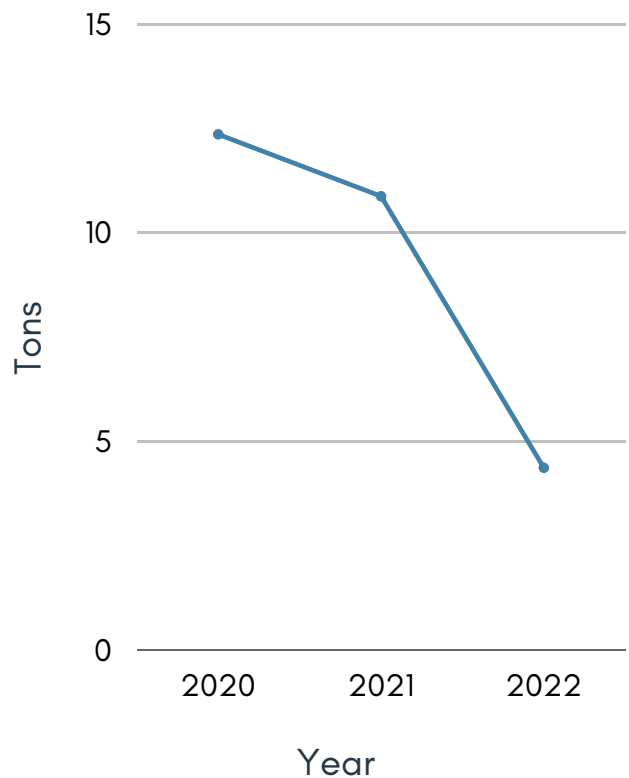
2022 - Waste Breakdown

	Hazardous Waste	Non-Hazardous Waste	Landfilled Waste	Waste Diverted From Landfill
Tons	4	5,241	416	4,829
Percent	.08%	99.9%	8%	92%

In 2022, we saw a reduction in our hazardous waste disposal due to a reclassification of a liquid waste stream. The liquid, Waste UV Coatings, was previously recorded as being hazardous, but now, after rounds of testing by our third-party consultants, has been determined to be non-hazardous. It is now handled as part of our non-hazardous liquid disposal. This reclassification resulted in the reduction of seven tons of hazardous waste. We expect further hazardous waste reductions in 2023.

Our non-hazardous waste increased in 2022 as a result of a periodic clean out of our storage spaces.

Annual Hazardous Waste (tons)





Social

Arkay's Social Goal: Ensure healthy and safe operations to improve employee retention and engagement.

Employee Retention Target: Reach 25% annual turnover rate.

Safety Target: Maintain Zero Lost Time Injury Rate (LTIR).

Working Conditions Target: By 2025, ensure a living wage analysis has been conducted for 100% of full-time employees.

Human Rights Target: By 2025, ensure 100% of procurement team is trained in preventing child labor, forced labor, and human trafficking.

Diversity, Equity, & Inclusion Target: By 2025, ensure 100% of HR staff are trained in diversity, equity, and inclusion.

Career Management & Training Target: By 2025, achieve an average of 5 hours of training (including job specific training and safety training) per year per employee.

8 DECENT WORK AND ECONOMIC GROWTH



10 REDUCED INEQUALITIES



Inclusion and Diversity

Arkay is committed to fostering, cultivating, and preserving a culture of diversity and inclusion. Our people are our most valuable asset. The collective sum of the individual differences, life experiences, knowledge, inventiveness, innovation, self-expression, unique capabilities, and talent that our employees invest in their work represents a significant part of not only our culture, but our reputation and company's achievement as well. We embrace our employees' differences and uphold:

- Respectful communication and cooperation between all employees.
- Teamwork and employee participation, permitting the representation of all groups and employee perspectives.
- Employer and employee contributions to the communities we serve to promote a greater understanding and respect for diversity.



Target 10.2: By 2030, empower and promote the social, economic, and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status

Employees of Arkay have a responsibility to treat others with dignity and respect. Employees are expected to exhibit conduct that reflects inclusion during work, at work functions on or off the work site, and at all other company-sponsored and participative events. Our commitment to Equal Employment Opportunity (EEO) is outlined in our EEO policy and complaint process. Any employee reporting a discrimination or harassment complaint in good faith is protected from retaliation. By 2025, we will ensure 100% of HR staff are trained in diversity, equity, and inclusion.

Gender Diversity

All Employees

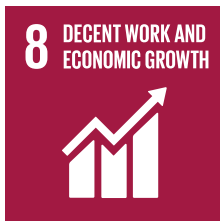


Senior Leadership



Health and Safety

Safety in the workplace is our number one priority. Arkay champions a safe and healthy workplace to ensure our employees are protected from potential risks while on the job. We continually uphold safety practices through mandatory safety training that covers our safety policies and procedures. We build safety awareness into our company culture so that employees come to work each day knowing they are safe and supported.



Target 8.8: Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment

As part of our BRCGS certification, we conduct internal audits and complete risk assessments to better understand potential safety hazards, identify the root cause of any potential hazard, and determine how to implement proactive solutions to address root causes before a hazard can occur or escalate. Our third-party EHS consultant also conducts bi-weekly site inspections.

In addition to workplace safety, we also prioritize employee wellness through our voluntary wellness program with opportunities to participate in various activities, including completing an annual physical, to earn an incentive. As part of the program, monthly newsletters are sent to employees with health and well-being tips and featured healthy recipes.

Year-over-year, we measure our health and safety performance through tracking lost time injury rates (LTIR) and analyzing trends in the data. In 2022, we are proud to report **0 days lost due to injuries.**

Year	Total Lost Time Injury (LTI) Events	Total Number of Lost Days Due to Injury	LTI Rate For Direct Workforce
2018	0	0	0
2020	0	0	0
2021	2	1	5.12
2022	0	0	0

Labor and Human Rights

Arkay supports and respects the protection of internationally proclaimed human rights.

Arkay understands and takes seriously our role in upholding human and labor rights in our operations and across our value chain. To ensure a clear and shared understanding of our requirements, in 2022, we updated our employee handbook to include our policy for Human and Labor Rights. Specifically, we added to our handbook that as a participant of the UN Global Compact:

- Arkay will not tolerate any form of modern slavery, human trafficking, forced labor, or child labor
- In our workplace and our supply chain, it is prohibited to use, be complicit in, or benefit from, human rights abuses
- Arkay adheres to the International Labor Organization (ILO) Declaration on Fundamental Principles and Rights at Work, which includes respecting the right of all workers to form and join a trade union of their choice and the right of collective bargaining without fear of intimidation or reprisal

Embedding respect and support for human and labor rights is foundational to our business and necessary for us to fulfill our commitment to lead with integrity. By 2025, we will ensure 100% of procurement team is trained in preventing child labor, forced labor, and human trafficking.



Employee Retention

At Arkay, we consider our employees to be our most valuable resources. We offer competitive wages and benefits, as well as career development opportunities to continue to be a dynamic and rewarding workplace. Our benefits include, but are not limited to:

- Paid time off for holidays, vacation days, and sick/personal days
- Medical and dental insurance coverage
- Group life and accidental death and dismemberment insurance
- Workers' compensation
- Unemployment insurance
- 401(k) retirement plan
- Social security benefits
- Health savings account contributions
- Employee Assistance Program (EAP)
- Employee Wellness Program

We celebrate our employees, recognizing their dedication to Arkay with annual holiday luncheons and gifts from our CEO given to employees who have worked a specific number of years with the company. We want our employees to develop their careers at Arkay, so we provide training opportunities for upgrading skills and ensuring workplace safety. In 2022, our company collectively participated in 412 hours of training. Some of the training included new hires' mandatory safety training, as well as orientation sessions covering Employee Handbook topics related to Arkay's policies, practices, and regulations. By 2025, we aim to achieve an average of 5 hours of training (including job specific training and safety training) per year per employee.



Since 2018, we have tracked our turnover rate, with a target to reduce turnover by 5% from our 2018 baseline. Unfortunately, in 2022, our turnover rate was 58%, a 38.2% increase from our 2018 baseline. The increase in turnover was in large part due to a substantial increase in hiring in 2022 and our introduction of an additional work shift. We are actively working to promote employee retention and reduce our turnover rate moving forward by enhancing our pre-screening process as well as adjusting our entry level salaries. In addition, we will ensure a living wage analysis has been conducted for 100% of full-time employees by 2025.



Governance

Arkay's Governance Goal: Provide reliable and innovative solutions to be effective partners for our customers.

Sustainable Procurement Target: By 2025, 100% of contracted suppliers acknowledge Supplier Code of Conduct & 50% of targeted suppliers complete our Quality and ESG Supplier Questionnaire.

Anti-Corruption Target: By 2025, ensure 100% of full-time, salaried employees undertake annual anti-corruption training.

Information Security Target: By 2025, ensure 100% of full-time, salaried employees undertake annual information security training.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



Ethics and Integrity

At Arkay, we ensure that conflicts of interest are prevented and mitigated throughout all levels of our organization.

Our Employee Handbook, which is signed by all employees, includes our Conflict of Interest and Sensitive Transactions Policy. Our Policy requires the following:

- Employees must avoid any relationship or activity that might impair, or even appear to impair, their ability to make objective and fair decisions when performing their jobs.
- All transactions must have a justified business purpose, preserve impartiality, and be made with integrity.
- Company property, information, or business opportunities may not be used for personal gain.

By 2025, we will ensure 100% of full-time, salaried employees undertake annual anti-corruption training.

Critical concerns are communicated through our Whistleblower Procedure.

Any employee with concerns about Arkay's potential or actual negative impacts on stakeholders are encouraged to promptly report the matter to their supervisor, department or plant manager, Human Resources, or the CEO's executive assistant. In accordance with our Whistleblower Procedure, we ensure that for any complaint reported:

- Arkay will investigate the complaint in a prompt, thorough, and impartial manner.
- The identity of the person who submits the complaint, any witness, the target of the complaint, and/or any information obtained will be kept confidential to the extent possible consistent with the need for Arkay to conduct a thorough and impartial investigation.
- Arkay will not take or permit any adverse action (i.e., retaliation) against any person because that person reports a complaint, requests or uses a reasonable accommodation, or provides information during an investigation.

2022 - Number of Critical Concerns Communicated

Harassment Incidents Reported	Discrimination Incidents Reported	Ethics-Related Incidents Reported or Legal Actions	External Human Rights Issues Reported
0	0	0	0

Supply chain

Arkay continues to advance our sustainable practices, which apply not only internally, but to our suppliers as well. In 2022, Arkay conducted a supplier risk assessment to identify potential ESG risks in our supply chain based on the industry and location of each of our raw materials suppliers. The ESG risks were categorized into four topics: fair business practices, human rights and ethics, labor rights, and environmental impact.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



Target 12.7: Promote procurement practices that are sustainable, in accordance with national policies and priorities

Using the preliminary results of our supplier risk assessment, Arkay determined our potential high ESG risk suppliers. To assess potential supplier ESG risks more accurately, Arkay updated our annual supplier quality and ESG questionnaire and distributed it to our tier one suppliers. The results of the questionnaire provided our procurement team with greater insight into individual supplier sustainability performance, commitments, and targets. Using the results of the 2022 supplier risk assessment as well as the questionnaire responses, Arkay's procurement team is able to focus on implementing risk reduction strategies, ensuring that we and our suppliers are both committed to continual improvement of our ethical and environmental impacts.

Looking ahead, to ensure that we can continually improve our supplier ESG risk assessment process, we plan on expanding the pool of suppliers we send our quality and ESG questionnaire. Using the results of the questionnaire, we will work with our suppliers to identify improvement opportunities and support them in de-risking their operations. We will also use the questionnaire as an additional opportunity for sharing our Supplier Code of Conduct with our suppliers to work towards our goal of 100% of contracted suppliers acknowledging Supplier Code of Conduct.



Supply Chain

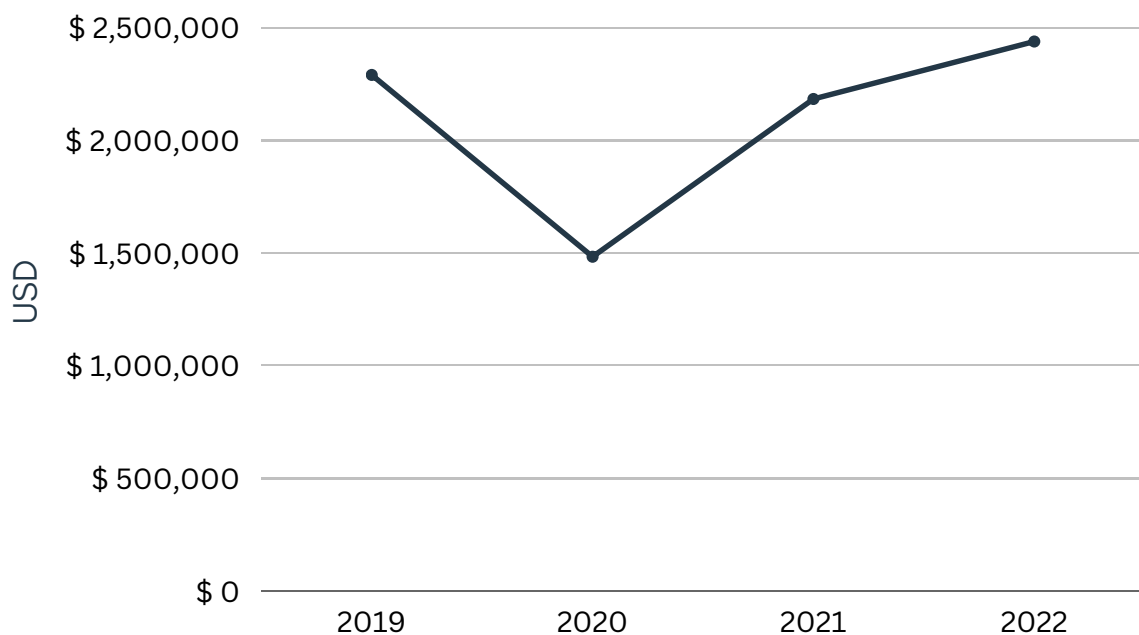
Diversity Spend

Arkay believes in increasing our spend among diverse suppliers to encourage the growth of underrepresented businesses and promote an intentionally inclusive supply chain. We recognize that our investment in diverse suppliers benefits our company through providing multiple channels for procurement and promoting innovation of new products, services, and solutions. We also know that supporting underrepresented businesses can uplift the communities where those businesses are located through job creation, increased wages, and tax revenue. In 2022, diverse suppliers accounted for 7% of Arkay's total procurement spend. We define diverse suppliers as minority-owned businesses based on pre-defined criteria, including the Historically Underutilized Business (HUB) Certification. Our Purchasing/Maintenance Expediter prioritizes HUB certified businesses first when seeking quotes. Our commitment to intentional diverse procurement spend is defined in our Sustainable Procurement Policy.



Target 12.7: Promote procurement practices that are sustainable, in accordance with national policies and priorities

Arkay's Annual Supplier Diversity Spend



Information Security

We are committed to ensuring that Arkay is safe and secure from cyber-related attacks. This year, we partnered with KnowBe4 to enroll our employees in a comprehensive security awareness training program. KnowBe4 is the world's leading security awareness training organization with a state-of-the-art platform. By the end of 2022, 51% of our employees completed our Security Awareness Proficiency Assessment (SAPA) through KnowBe4. Our SAPA results informed our development of more effective and targeted campaigns to strengthen our collective knowledge on information security. In addition, KnowBe4 conducted simulated phishing attacks to help create a human firewall by training our employees to spot and report malicious emails.

In addition to the KnowBe4 training, we contracted an information security consulting firm to complete an external and internal Controlled Security Vulnerability Assessment. This assessment identified potential vulnerabilities in our current security system. Using the assessment results, we proactively managed potential information security threats and updated our employee training to ensure our employees know the best practices and proper procedures to keep data and information safe.

Arkay's IT Department will continue to safeguard all data managed by our company by furthering our employee education and precautions, as well as continuing to strengthen our information security system to protect against any possible future cybersecurity attacks. By 2025, we will ensure 100% of full-time, salaried employees undertake annual information security training.





Appendix

GRI and TCFD Reporting

Global Reporting Initiative (GRI) Content Index

Statement of Use

Statement of use	Arkay has reported in accordance with the GRI Standards for the reporting period January 1, 2022 to December 31, 2022.
GRI 1 used	GRI 1 : Foundation 2021
Applicable GRI Sector Standard(s)	N/A- No applicable GRI sector standards used.

General Disclosures

GRI DISCLOSURE	PAGE/ RESPONSE
2-1 Organizational Details	Legal Name: Arkay Packaging Corporation Nature of Ownership: Privately Held Company Location of Headquarters: Hauppauge, New York Countries of Operation: United States
2-2 Entities included in the organization's sustainability reporting	Entities included in sustainability reporting: Arkay Packaging Corporation
2-3 Reporting period, frequency, and contact point	Reporting period: Calendar Year 2022 Reporting Frequency: Annual Report Publication Date: April 2023 Point of Contact for Questions: rhonda.justice@arkay.com
2-4 Restatements of Information	Arkay's GHG reporting boundaries were adjusted in 2022 to encompass our warehouse and office space. Our 2018 baseline has been adjusted to include our warehouse and office as well. Due to improved data tracking, Arkay's waste data reporting was updated in 2022 to include additional waste streams.
2-5 External Assurance	This report is not externally assured.

GRI DISCLOSURE	PAGE/ RESPONSE
2-6 Activities, Value Chain, other Business Relationships	Active Sectors: Health, Beauty, and Pharmaceutical Value Chain: In 2022, Arkay had over 200 tier 1 suppliers for raw materials, equipment, and other production-related supplies, as well as suppliers for non-production supplies and services including consulting services and office supplies. Arkay's suppliers are mostly located in the United States. Arkay's customers are largely in the health, beauty, and pharmaceutical industries and are located throughout the United States, Europe, and Asia.
2-7 Employees	Total Number of Employees: 248 Gender Breakdown: Women: 97 ; Men: 151 Regional Breakdown: 100% of employees located in the U.S. Methodology: Employee count is an average number from across the reporting period.
2-8 Workers who are not Employees	At this time, Arkay does not disclose information about workers who are not employees.
2-9 Governance Structure and Composition	Highest governance body: Executive Leadership Team Gender Breakdown: Women: 2; Men: 7 Minority Groups in Top Executive Positions: 0 Competencies: Operations, Communications, Software Development, General Management, Procurement, and Planning and Production
2-10 Nomination and Selection	N/A- Our Executive Leadership Team is not nominated.
2-11 Chair of the Highest Governance Body	Chairman and CEO- Mitchell Kaneff See Page 28, Ethics and Integrity, for information on prevention and mitigation of conflicts of interest.
2-12 Role of Highest Governance Body in Overseeing the Management of Impacts	See Sustainability Governance section of this report.

GRI DISCLOSURE	PAGE/ RESPONSE
2-13 Delegation of Responsibility for Managing Impacts	See Sustainability Governance section of this report.
2-14 Role of Highest Governance Body in Sustainability Reporting	See Material Topics section of this report.
2-15 Conflicts of Interest	See Ethics and Integrity section of this report.
2-16 Communication of Critical Concerns	0 Critical Concerns communicated in 2022. For more information, see Ethics and Integrity section of this report.
2-17 Collective Knowledge of the Highest Governance Body	To advance the collective knowledge, skills, and experience of Arkay's highest governance body on sustainable development, Arkay has quarterly Sustainability Committee meetings, and as needed, additional meetings and internal communication on sustainability.
2-18 Evaluation of the Performance of the Highest Governance Body	At this time, the highest governance body is not evaluated on its management of Arkay's sustainability impacts.
2-19 Remuneration Policies	For reasons of confidentiality, Arkay does not publicly disclose our remuneration policies.
2-20 Process to Determine Remuneration	For reasons of confidentiality, Arkay does not publicly disclose our remuneration policies.
2-21 Annual Compensation Ratio	For reasons of confidentiality, Arkay does not publicly disclose our annual total compensation ratio.
2-22 Statement on Sustainable Development Strategy	See Letter from the CEO section of this report.

GRI DISCLOSURE	PAGE/ RESPONSE
2-23 Policy Commitments	<p>Arkay is committed to the Ten Principles of the UN Global Compact which include respecting human rights and applying a precautionary approach to environmental challenges. For more information on our commitment to respect human rights, see Labor and Human Rights section of this report.</p> <p>Arkay's participation in the UN Global Compact can be viewed here: Arkay Packaging UN Global Compact</p> <p>Arkay's policy commitments are approved by the most senior level within the organization and apply fully to Arkay's business activities and relationships.</p> <p>Arkay's policy commitments are communicated to workers through our Employee Handbook and to business partners and other relevant parties through our annual ESG Report.</p> <p>Arkay tracks the effectiveness of remediation processes through our whistleblower policy and through feedback from the ESG report (see GRI disclosure 2-3 for providing ESG report feedback).</p>
2-24 Embedding Policy Commitments	<p>Our policy commitments are embedded internally in our Employee Handbook and shared externally through our Supplier Code of Conduct.</p>
2-25 Processes to Remediate Negative Impacts	<p>We actively monitor our performance across our ESG impacts through tracking our progress towards meeting our targets, and where applicable, against our baseline performance. In the event we identify negative impacts through our data tracking, we remediate the impacts through internal corrective action processes.</p>
2-26 Mechanisms for Seeking Advice and Raising Concerns	<p>See Ethics and Integrity section of this report.</p>
2-27 Compliance with Laws and Regulations	<p>Arkay had 0 significant instances of non-compliance with laws and regulations during 2022.</p>
2-28 Membership Associations	<p>The Graphic Source LLC, Printing and Graphics Assoc. Mid Atlantic, Young Presidents Organization, Cosmetics Industries Buyers and Suppliers, Cosmetic Executive Women, Buyer, Importers, Manufacturers, and Salesmen to the Cosmetics Industry, UN Global Compact, AFGA Greenworks</p>

2-29 Stakeholder Engagement	See Sustainability Governance section of this report.
2-30 Collective Bargaining Agreements	Arkey currently has no employees covered by collective bargaining agreements. Arkey respects the right of all workers to form and join a trade union of their choice and the right of collective bargaining without fear of intimidation or reprisal, in accordance with national law.

Material Topic Disclosures

GRI DISCLOSURE	PAGE/ RESPONSE
3-1 Process to Determine Material Topics	See Material Topics section of this report.
3-2 List of Material Topics	See Material Topics section of this report. There are no changes in Material Topics from previous reporting period.
3-3 Management of Material Topics	See pages 13-30 for material topic management.

Emissions Disclosures

GRI DISCLOSURE	PAGE/ RESPONSE
305-1 Direct (Scope 1) GHG Emissions	<p>Scope 1 Emissions: 219 Metric Tons CO₂e Gases included: CO₂, CH₄, N₂O Base Year: 2018 Base Year Scope 1 Emissions: 210 Metric Tons CO₂e Global Warming Potential and Emission Factor Sources: U.S. EPA GHG Emissions Factor Hub Consolidation Approach: Operational Control Methodology: GHG Protocol Corporate Standard</p>
305-2 Energy Indirect (Scope 2) GHG Emissions	<p>Scope 2 Location-Based Emissions: 3,331 Metric Tons CO₂e Gases Included: CO₂, CH₄, N₂O Base Year: 2018 Base Year Scope 2 Emissions: 4,798 Metric Tons CO₂e Global Warming Potential and Emission Factor Sources: eGRID 2021 Summary Table Consolidation Approach: Operational Control Methodology: GHG Protocol Corporate Standard</p>

GRI DISCLOSURE	PAGE/ RESPONSE
305-3 Other Indirect (Scope 3) GHG Emissions	Scope 3 GHG Emissions: 12,825 MT CO ₂ e For more information, see Greenhouse Gas Emissions - Scope 3 section of this report.
305-4 GHG Emissions Intensity	Our Scope 1 and 2 GHG Emissions intensity in 2022 equaled .00005 MT CO ₂ e/ Annual Revenue.
305-5 Reduction of GHG Emissions	Arkay's Scope 1 and 2 emissions have decreased by 1,442 Metric Tons of CO ₂ e as of 2022 from our 2018 baseline. Gases Included: CO ₂ , CH ₄ , N ₂ O Methodology: GHG Protocol Corporate Standard
305-6 Emissions of Ozone-Depleting Substances (ODS)	N/A - Arkay does not produce, import, or export ODS.
305-7 Nitrogen Oxides (NO _x), Sulfur Oxides (SO _x), and Other Significant Air Emissions	Significant Air Emissions: 13.01 Tons of Volatile Organic Compounds (VOCs) emitted in 2022. This is below Arkay's annual permitted emission limit.

Waste Disclosures

GRI DISCLOSURE	PAGE/ RESPONSE
306-1 Waste Generation and Significant Waste-Related Impacts	See Waste Management section of this report.
306-2 Management of Significant Waste-Related Impacts	See Waste Management section of this report.
306-3 Waste Generated	5,245 Tons. For more information, see Waste Management section of this report.

GRI DISCLOSURE	PAGE/ RESPONSE
306-4 Waste Diverted from Disposal	4,829 Tons (92% of total waste). For more information, see Waste Management section of this report.
306-5 Waste Directed to Disposal	416 Tons (8% of total waste). For more information, see Waste Management section of this report.

Employment Disclosures

GRI DISCLOSURE	PAGE/ RESPONSE
401-1 New Employee Hires and Employee Turnover	<p>Total Number of 2022 New Employee New Hires: 157 Gender Breakdown: Women: 77 ; Men: 80 Regional Breakdown: 100% of employees located in the U.S. Methodology: Employee New Hires taken as a total number of new hires during calendar year 2022 as of December 31, 2022.</p> <p>Employee Turnover: 58%. Methodology: Turnover is based on employee count taken as an average number from across the reporting period.</p> <p>For more information, see Employee Retention section of this report.</p>
401-2 Benefits Provided to Full-Time Employees that are not Provided to Temporary or Part-Time Employees	See Employee Retention section of this report.
401-3 Parental Leave	At this time, Arkay does not disclose information about parental leave as this information is unavailable.

Health and Safety Disclosures

GRI DISCLOSURE	PAGE/ RESPONSE
<p>403-1 Occupational Health and Safety Management System</p>	<p>It is the responsibility of each employee to conduct all tasks in a safe and efficient manner complying with all local, state and federal safety and health regulations and program standards.</p> <p>For more information, see Health and Safety section of this report.</p>
<p>403-2 Hazard Identification, Risk Assessment, and Incident Investigation</p>	<p>Although most safety rules are consistent throughout each department and program, each employee has the responsibility to identify and familiarize her/himself with the emergency plan for his/her working area. Each facility has a posted emergency plan detailing procedures in handling emergencies such as fire, weather-related events and medical crises.</p> <p>For more information, see Health and Safety section of this report.</p>
<p>403-3 Occupational Health Services</p>	<p>See Health and Safety section of this report.</p>
<p>403-4 Worker Participation, Consultation, and Communication on Occupational Health and Safety</p>	<p>Workers are instructed to immediately report any work-related injury or illness (however minor) and all unsafe practices or conditions to their Supervisor, the Safety Manager, and/or the Human Resources Department. Workers have the right to review our OSHA Fact Sheet, Arkay's Employee Hazard Communication Program,, OSHA "Occupational Noise Exposure" Standard, and Arkay's Lock-Out/ Tag-Out Program.</p> <p>For more information, see Health and Safety section of this report.</p>
<p>403-5 Worker Training on Occupational Health and Safety</p>	<p>All new employees complete a thorough safety orientation on their very first day of employment. No employee, old or new, is permitted to work with any hazardous material, operate any equipment or machinery or perform any task in which they have not received the required training.</p> <p>For more information, see Health and Safety section of this report.</p>

GRI DISCLOSURE	PAGE/ RESPONSE
403-6 Promotion of Worker Health	<p>All employees will receive the Arkay Safety Program during the Safety Orientation held on the first day of employment.</p> <p>For more information, see Health and Safety section of this report.</p>
403-7 Prevention and Mitigation of Occupational Health and Safety	<p>As a company we strive to be injury free. Education and awareness are the cornerstone to safety. Management requires that every person in the organization assume the responsibility of individual and organizational safety. Failure to follow company safety and health guidelines or engaging in conduct that places the employee, client or company property at risk can lead to employee disciplinary action and/or termination. The EHS Manager has the responsibility to develop and the authority to implement the safety and health program in the interest of a safer work environment.</p> <p>For more information, see Health and Safety section of this report.</p>
403-8 Workers Covered by an Occupational Health and Safety Management System	<p>All new employees complete a thorough safety orientation on their very first day of employment. No employee, old or new, is permitted to work with any hazardous material, operate any equipment or machinery or perform any task in which they have not received the required training. All employees have an individual responsibility to protect themselves and their co-workers from injury and should inform their supervisor of lack of training or confidence to complete an assigned task.</p> <p>For more information, see Health and Safety section of this report.</p>
403-9 Work-Related Injuries	<p>Number and rate of work-related injuries: 0 Number and rate of high-consequence work-related injuries: 0 Number and rate of recordable work-related injuries: 0 Total hours worked: 453,789 Number and rate of fatalities as a result of work-related injury: 0</p>
403-10 Work-Related Ill Health	<p>Number of work-related ill health: 0 Number of cases of recordable work-related ill health: 0 Number of fatalities as a result of work-related ill health: 0</p>

Diversity and Equal Opportunity Disclosures

GRI DISCLOSURE	PAGE/ RESPONSE
<p>405-1 Diversity of Governance Bodies and Employees</p>	<p>Highest governance body: Executive Leadership Team Gender Breakdown: Women: 2; Men: 7 Number of Minority Groups in Top Executive Positions: 0</p> <p>Employees: Total Number of Employees: 248 Gender Breakdown: Women: 97 ; Men: 151 Number of Workers from Minority Groups Employed: 160</p>
<p>405-2 Ratio of Basic Salary and Remuneration of Women to Men</p>	<p>For reasons of confidentiality, Arkay does not publicly disclose our basic salary and remuneration of women to men.</p>

Child Labor Disclosures

GRI DISCLOSURE	PAGE/ RESPONSE
<p>408-1 Operations and Suppliers at Significant Risk for Incidents of Child Labor</p>	<p>0 operations and suppliers at significant risk for incidents of child labor.</p>

Forced or Compulsory Labor Disclosures

GRI DISCLOSURE	PAGE/ RESPONSE
<p>409-1 Operations and Suppliers at Significant Risk for Incidents of Forced or Compulsory Labor</p>	<p>0 operations and suppliers at significant risk for incidents of forced and compulsory labor.</p>

Task Force on Climate-Related Financial Disclosures (TCFD) Report

Governance

Disclose the organization's governance around climate-related risks and opportunities.

a. Describe the board's oversight of climate-related risks and opportunities.

Arkay's Executive Team provides oversight on guiding business strategies and managing risks across the organization. Climate-related risks and opportunities are considerations throughout our operations and impact the objectives that are set and the management for achieving these objectives.

The Executive Team updates and reviews climate-related risks and opportunities on an as needed basis and is communicated through the Chairman and CEO. The day-to-day impacts of climate change are managed by our Sustainability Committee.

b. Describe management's role in assessing and managing climate-related risks and opportunities.

Arkay's Sustainability Committee includes our Senior Sustainability Representative, General Manager, Human Resources Manager, Corporate Vice President of Operations, Chief Communication Officer, and the Corporate Director of Procurement and Estimating.

The Sustainability Committee is responsible for setting goals and tracking metrics on climate-related issues including energy use, greenhouse gas emissions, water use, and waste produced. Our targets and objectives are reviewed for effectiveness and relevance on an annual basis.

The Committee meets quarterly where progress is reviewed, and future planning is discussed. If any climate-related issues are identified outside of the membership of the Committee, they are reported through our Arkay Management System.

For more information, please see the [Sustainability Governance](#) section of this report.

Task Force on Climate-Related Financial Disclosures (TCFD) Report

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning where such information is material.

a. Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term.

Short-Term (0-5 Years)

Physical

The effects of climate change increase the likelihood of extreme natural events, the most likely and impactful of these in the areas where Arkay is located being droughts, floods, severe storms, tropical cyclones, and winter storms. These events could impact the supply and transport of board and paper raw materials, mainly timber. A decrease in the supply of timber products would increase production costs for the procurement of timber-based products. Additionally, increased difficulty in transporting timber products could result in higher transportation costs associated with those materials.

Transition

Already Arkay is seeing customers set targets for having higher percentages of recyclable packaging. Additionally, consumers and stakeholders are pushing for more accurate and transparent ESG reporting. Potential loss of customers and/or reputational risks are possible if Arkay fails address the sustainability expectations of consumers and stakeholders.

Medium-Term (0-5 Years)

Physical

Climate-related risks and events continue to increase in both frequency and severity, including the potential emergence of more permanent chronic physical risks such as increasing average temperatures, precipitation, water stress, and sea level rise.

Task Force on Climate-Related Financial Disclosures (TCFD) Report

Strategy

a. Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term.

Medium-Term (5-20 Years)

Transition

End consumers and customers are likely to shift their preferences toward more sustainable products and packaging, and a circular economy. Arkay has a new potential demand and market to fill when it comes to designing not only fully recyclable packaging, but reusable packaging to help drive the circular economy. While initially this could be more expensive, the ability to reuse packaging could allow Arkay to lower costs by reducing the need for purchasing virgin raw materials.

Long-Term (20+ Years)

Physical

Droughts, floods, severe storms, tropical cyclones, winter storms, wildfires, heatwaves, intense water stress, and sea level rise will likely have increased in severity and frequency because of climate change, much of which will directly impact Arkay's facility locations and our paper supply. The long-term climate-related impacts of global warming negatively affect the total supply of raw materials for paper products.

Transition

The expected increase in cost and decreased feasibility of offsets and renewable energy credits will likely result in Arkay favoring directly lowering our greenhouse gas footprint instead. This may require full renovations of our facilities, equipment, and where we source our energy, all of which can have high financial impacts. External pushes for more sustainable shifts will likely be at their most severe, and failing to keep up with the expectations of customers, suppliers, and consumers could result in losing sales and the reliable reputation we have built with those we have worked with and for.

Task Force on Climate-Related Financial Disclosures (TCFD) Report

Strategy

b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.

As climate-related risks continue to increase, consumers and customers are shifting their preferences towards more sustainable products and packaging, and a circular economy. Arkay has a new potential demand to fill when it comes to designing and producing recyclable and reusable packaging to help drive the circular economy. At the same time, if Arkay does not innovate to meet market sustainability demands, Arkay could be at risk of becoming less competitive and losing business.

c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Arkay plans to develop a transition plan within the next two years.

Arkay has not had the business need or resources to allocate toward developing a transition plan to date. As consumer preferences continue to shift and additional risks become apparent, we realize the impact climate change could have on Arkay's business. Due to this, Arkay is exploring developing a transition plan within the next two years. Currently, Arkay is developing a supply chain program to increase engagement with suppliers regarding sustainability topics. This initiative will support Arkay's future transition plan.

Task Force on Climate-Related Financial Disclosures (TCFD) Report

Risk Management

Disclose how the organization identifies, assesses and manages climate-related risks.

a. Describe the organization's processes for identifying and assessing climate-related risks.

In 2023, Arkay conducted a climate scenario risk analysis to gain a better understanding of the potential short-, medium-, and long-term climate-related risks and opportunities that could impact our organization. In this analysis, we considered both transitional risks and physical risks. To identify our transition risks, we conducted industry research and an internal self-assessment. To identify physical risks, we used a publicly available dataset provided by National Oceanic and Atmospheric Administration (NOAA) for identifying acute risks and many different data sources published by reputable sources including the Intergovernmental Panel on Climate Change (IPCC) for identifying chronic risks. For the acute risks, we used available data from the past 42 years that documented different acute risks per state. We determined the different mean annual temperatures over the same 42-year period to determine how many acute weather events occur annually. Arkay used the IPCC's different Representative Concentration Pathway (RCPs) scenarios to determine the probability of each acute physical risk event. The magnitude of impact from acute physical risks was determined using the financial impacts from the acute events identified. Like determining the probability of the event, an average was calculated to determine the cost per individual acute event and then applied across the different RCPs. While this is not a direct reflection of the cost for Arkay, it is likely that as the cost of damage per acute event increases, it will also increase the impact borne by our organization. To prioritize the identified risks, we used the Shared Socio-economic Pathway (SSPs) scenarios to map the different transition risks against the probability of the event and the magnitude of impact.

Task Force on Climate-Related Financial Disclosures (TCFD) Report

Risk Management

b. Describe the organization's processes for managing climate-related risks.

Quarterly, our sustainability committee reviews our GHG emissions compared to our defined targets. Also, the sustainability committee is responsible for identifying opportunities and initiatives resulting in absolute GHG emissions reductions. These reductions minimize our overall risk related to climate change and the transition to a low carbon economy. Lastly, all GHG emissions produced within our Scope 1 and Scope 2 inventory are offset through carbon offsets.

c. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organization's overall risk management.

At this time, Arkay's climate related risks are identified and managed separately from other business-related risks.

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process

We disclose a number of climate-related metrics in line with standards such as GRI, CDP, and TCFD. These metrics include annual reporting on Scope 1 and 2 GHG emissions, energy use consumption, water use, and waste produced.

Task Force on Climate-Related Financial Disclosures (TCFD) Report

Metrics and Targets

b. Disclose scope 1, 2, and if appropriate, scope 3 GHG emissions, and the related risks

2022 Scope 1 Emissions: 219 Metric Tons CO₂e

Gases included: CO₂, CH₄, N₂O

Base Year: 2018

Base Year Scope 1 Emissions: 210.00 Metric Tons CO₂e

Global Warming Potential and Emission Factor Sources: U.S. EPA GHG Emissions Factor Hub

Consolidation Approach: Operational Control

Methodology: GHG Protocol Corporate Standard

2022 Scope 2 Location-Based Emissions: 3,331 Metric Tons CO₂e

Gases Included: CO₂, CH₄, N₂O

Base Year: 2018

Base Year Scope 2 Emissions: 4,798.27 Metric Tons CO₂e

Global Warming Potential and Emission Factor Sources: eGRID 2021 Summary Table

Consolidation Approach: Operational Control

Methodology: GHG Protocol Corporate Standard

c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

Near-term target: 50% absolute reduction of Scope 1 & 2 GHG emissions by 2030 from a 2018 baseline.

Long-term target: Net-zero greenhouse gas emissions by 2050.

For more information, please see the [Greenhouse Gas Emissions](#) section of this report.