

The background of the cover is a high-speed, close-up photograph of water splashing, creating intricate, translucent patterns of blue and white. The water appears to be moving from the bottom left towards the top right, with a large, rounded splash on the right side. The overall color palette is a range of blues, from light sky blue to deep, dark blue.

aran
G R O U P

ESG REPORT
2022-2023

THINK ARAN, ————
|
|——— THINK BAG IN BOX

A Message from our Chairman and CEO

We are proud to present the Aran Group ESG report for 2022 - 2023.

The world is facing many environmental and social challenges and this report reflects our deep commitment to take responsibility and promote sustainable growth.

Our products have been aligned with the principles of the circular economy since the company's establishment, even predating the widespread discourse on the subject. Our bags not only facilitate the reuse of rigid outer packaging but also possess the lowest environmental footprint compared to other packaging options available in the market for transporting liquid food. They are specifically designed to optimize the storage, transportation, and dispensing of liquids.

Our bags contribute to extending the shelf life of liquid products by ensuring complete sterility within the bag itself and utilizing aseptic technology for filling food products. This innovative approach preserves the freshness of the products for up to two years, all without the need for preservatives. As a result, Aran products make a significant contribution to addressing one of the major challenges of our time—food waste and disposal—while simultaneously ensuring a consistent supply of fresh and healthy food worldwide.

In recent years, numerous companies operating in the burgeoning climate tech industry have turned to us. We help them in developing tailor-made ecological storage and packaging solutions that cater to their specific needs.

At the same time, as a company that produces packaging, some of which are single-use, we are aware of the problem of accumulated waste and the need to provide a complete solution to the end of a product's life. In the last year, we have significantly reduced the amount of industrial waste and launched two pilots for quality recycling of packaging after use. Since its foundation, sustainability considerations, have guided

Aran's, are translated into all areas of activity and ambitious goals, such as zeroing greenhouse gas emissions by 2030 and reducing depreciation.

As a company engaged in packaging production, including single-use items, we recognize the issue of accumulated waste and the importance of offering a comprehensive solution for end-of-life waste management. Over the past year, we have made substantial progress in reducing our factories' industrial waste and have initiated two pilot programs for effectively recycling packaging after it has been used. Our commitment to sustainability, which has been a guiding principle since Aran's foundation, extends to all aspects of our operations. We have set ambitious goals, including achieving zero greenhouse gas emissions by 2030 and reducing post-industrial waste.

Our people are the source of Aran's strength, and together with them, we harness sustainability and innovation projects while fostering collaboration with our suppliers and customers.

We are committed to working towards a better future and hope that this current report will provide valuable and informative insights. We commit to providing regular and comprehensive updates on our progress in sustainability through an annual report and periodic updates.

Sincerely,

Sagi Cohen
Chairman of the Board

Lior Mor
CEO of Aran Group



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Preamble

Our inaugural Corporate Responsibility (ESG) report presents the main activities of the Aran Group, highlighting environmental, social, and economic aspects during the year 2022. Written following the GRI reporting standard, the report focuses on the essential issues of Aran's operations in aspects of environment, society, and governance. Identified by our management team, these aspects are marked as significant in influencing stakeholders both within and beyond the company.

We consider the report a primary tool for transparently and openly sharing information about our sustainability strategy. As a demonstration of our commitment to sustainable growth, promotion of ESG issues, and effective communication with stakeholders, we are committed to publishing an ESG report annually.

Who we are

The Aran Group is a private company owned by Kibbutz Nachshon, established in 1983. We specialize in the production of aseptic bags for packaging applications using the Bag-In-Box technology.

Our company's headquarters is located in Kibbutz Nachshon, Israel. We have three production plants located in Israel, Spain, and South Carolina, USA. Currently, we employ approximately 250 people across these plants:

- Aran Nachshon Israel: Our headquarters and main production plant in Israel, employing 110 people.
- Aran Europe: Located in Spain, established in 2010, employing 90 people.
- Aran USA: Located in South Carolina, established in 2016, employing 45 people.

Please note that "Aran Biotech," a subsidiary established in 2020 with nine employees, is not included in the current report.



Aran Packaging, Israel

Our headquarters and main production plant in Israel, employing 110 people.



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Located in Spain, established in 2010, employing 90 people.



Aran USA

Located in South Carolina, established in 2016, employing 45 people.

Please note that "Aran Biotech," a subsidiary established in 2020 with nine employees, is not included in the current report.

Development of ESG Strategy at Aran Company

During 2022, Aran established a sustainability team to formulate and implement a sustainability strategy as part of the business strategy, to achieve sustainable growth.

The sustainability team consists of representatives from all divisions of the company, who, along with external consultants, are working to implement a multi-year ESG strategy within the current operations. The committee has developed an action plan that was submitted for approval to the company's board of directors. Additionally, we are actively working to define measurable goals and promote ESG initiatives across the value chain of Aran's products, among employees, and with all stakeholders.

THINK ARAN, 
THINK BAG IN BOX

Our Vision

At Aran, we collaborate with our partners, suppliers, and customers to enable households worldwide to enjoy natural and healthy products, primarily in the food and beverages industry. We strive to develop advanced packaging solutions utilizing aseptic technology and BIB (Bag-in-Box), aiming to transport food and beverage without the need for preservatives or refrigeration. Our commitment lies in adhering to sustainability principles and safeguarding the environment.

Our Values

- **Leadership:** We lead, take responsibility, and shape the future.
- **Flexibility:** We embrace change and adapt accordingly.
- **Commitment:** We are genuine partners dedicated to our customers' success.
- **Professionalism:** We consistently pursue excellence in all endeavors.
- **Creativity:** We dare to initiate and innovate.
- **Family:** We foster a nurturing environment where employees feel at home.
- **Sustainability:** We protecting the environment and supporting sustainability.

Our Commitment

To draft this report, Aran's sustainability team conducted a materiality analysis to identify the key issues to be included. These topics were selected based on their relevance to the sectors of environment, society, and governance, as well as their alignment with the United Nations' Sustainable Development Goals (SDGs). The selection process involved internal discussions with the organization's stakeholders.

SDGs Goals:

The United Nations introduced 17 Sustainable Development Goals (SDGs) in 2015. These goals serve as a global agenda for development in the areas of environment, society, and governance, with a focus on the year 2030. As part of our sustainability strategy, Aran actively supports all SDGs, aiming to contribute to global efforts in promoting them.



Environment:

Our flexible packaging is specifically designed to transport liquids and store them under optimal conditions. This includes food products, which help maintain their freshness for extended periods. By doing so, we contribute to enhancing the well-being and safety of people worldwide, while also reducing food waste. We remain committed to integrating our packaging solutions into the vision of a circular economy and strive to provide our customers with innovative solutions that preserve food and land resources, while also conserving raw materials, water, and energy. Our commitment is to continue maximizing our contributions toward reducing food waste and ensuring global food security.

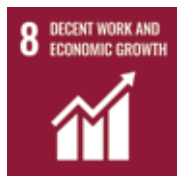
Key Issues: Minimizing the environmental footprint of products, promoting a circular economy, reducing food waste, adopting renewable energy sources, and reducing greenhouse gas emissions.



Society:

Aran's employees are the heart of our operations. We are dedicated to cultivating a fair, equal, and diverse work culture, prioritizing the personal growth of each team member, in line with Aran's core values. We consider ourselves an integral part of the community and actively strive to strengthen our relationship with the community at each of our activity sites. Aran is firmly committed to upholding human rights in all aspects, including fair and responsible supply chain management and distribution.

Key issues: employee training and development; diversity; occupational safety; community involvement



Governance:

We adhere to Aran's core values, which serve as our guiding principles in our daily operations. These values include business excellence, partnership, innovation, sustainability, and a strong commitment to ambitious climate policies and resource conservation. We are dedicated to collaborating with the entire packaging ecosystem to create a better world.

Key issues: Ethical business conduct, privacy protection, responsible supply chain management, and the climate crisis.



Environment





Environment

Aran specializes in manufacturing flexible packaging for liquids, ranging in volumes from one liter to 1500 liters. Our bags are widely used as inner packaging in BIB (Bag in Box) systems or as large flexible containers to meet various requirements.

We have an annual production capacity of 75 million bags, mostly intended for food products such as tomato concentrate, fruit juices, milk, sauces, liquid eggs, and wine. Additionally, we provide packaging solutions for fragrances and ink. Furthermore, we excel in creating customized packaging solutions to meet the specific needs of our customers, particularly those operating in the growing ecological product market.

Aseptic packaging

Food products require absolute sterility during packaging production, filling process, and throughout the product's lifespan to maintain its quality. Approximately 80% of our products are aseptic packaging, which enables food and liquids to be preserved at room temperature without refrigeration or preservatives while maintaining their nutritional values, taste, smell, color, and texture over time.

Our packaging provides varying degrees of light and oxygen barrier to ensure product protection. After filling the food under sterile conditions, the bags undergo a specialized sterilization process. Aseptic bags facilitate the efficient transportation of large quantities of food over long distances and offer a fresh and extended shelf life of one to two years. This not only preserves the product but also reduces the use of materials and energy resources

Environmental Considerations - The Packaging System

Our bags are designed to offer optimal product protection while minimizing the use of materials and energy resources. We prioritize safety for both people and the environment, aiming for maximum circularity in material utilization. Our bags usually serve as minimal internal packaging within a reusable outer case. Consequently, we assess the environmental impact of Aran's bags based on three complementary components and actively work to reduce the environmental footprint in each of these areas.



1. **Environmental impact of the bag throughout its entire life cycle:** including the bag's production, use, and end-of-life stage.
2. **Circularity of raw materials:** determining the proportion of recycled or renewable materials used in the bag's composition and assessing their recyclability at the end of the bag's life.
3. **The overall environmental impact of the entire packaging, in conjunction with the packaged product:** evaluating the product's protection level over time and considering the combined environmental impact of the outer packaging (cardboard and barrel).

Component 1: Environmental Impact of Aran Packaging Throughout its Entire Life Cycle

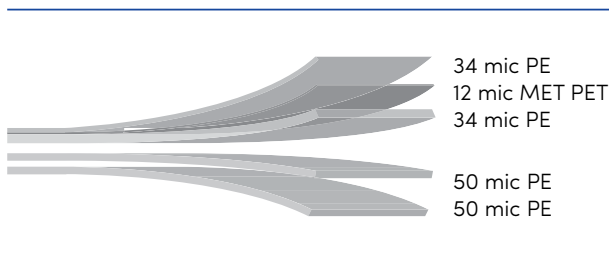
We are working to reduce our environmental footprint by evaluating key environmental indicators, setting reduction targets, and implementing continuous environmental policies.

Downgauging

Weight reduction of 9.4% in 55-gallon packages (approximately 200 liters) is expected in 2024 compared to the weight in 2020. The weight will decrease from 560 grams to 490 grams.

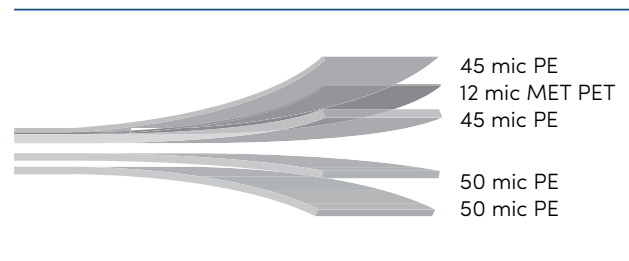
Optimized Design

Weight: 491 grams
Thickness: 80 mic



Standard Design

Weight: 560 grams
Thickness: 102 mic



*In 2023, Aran plans to launch a product catalog displaying all the environmental indicators of its products.

Aran Climate Policy

The carbon footprint of our packaging:

The average relative carbon footprint of Aran bags is 5.45 kg CO₂e per kg of bags. This data varies depending on the volume and weight of each bag.

Thanks to their lightweight design, Aran's bags have a minimal carbon footprint in relation to the carrying volume of the packaged liquids. This makes them a more eco-friendly option compared to all alternative packaging methods.

Carbon footprint per 1 liter of wine packaging:

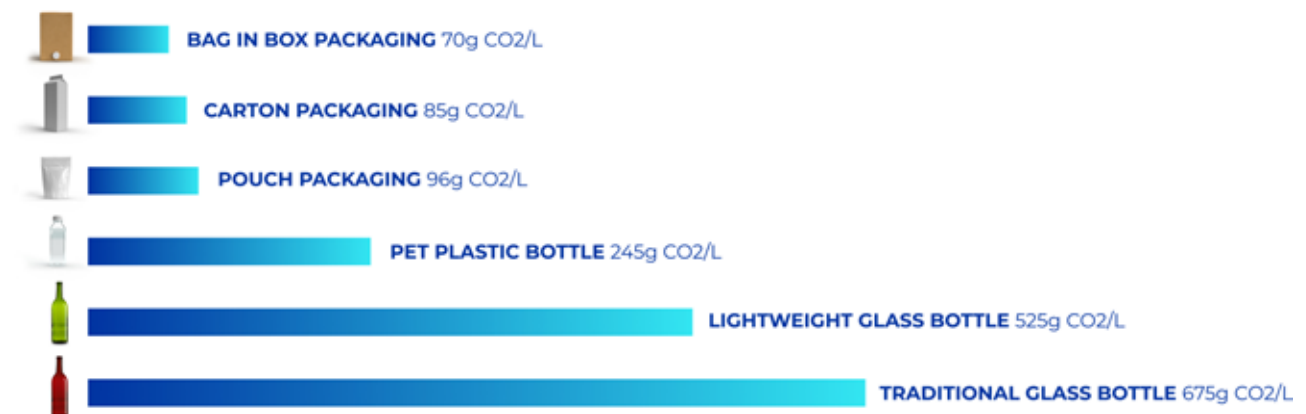


Table 1: The carbon footprint of Aran bags, and the carbon footprint for a liter of liquid

Contents of the bag (liter)	Weight of the bag kg	Kg *CO2e/ bag	Kg *CO2e/ liter of liquids
3	0.042	0.33	0.11
5	0.052	0.4	0.08
200	0.55	3	0.015
1000	2.2	9.5	0.0095

*The data is derived from the LCA (Life Cycle Assessment) model developed by Carnegie Mellon University.

Aran's Target: To calculate the carbon footprint for all Aran packaging by the year 2027.

Renewable Energy Initiatives at Aran

In 2022, solar panels were installed on the rooftop of Aran's factory in Israel, aiming to generate approximately 50% of its energy consumption. This move is expected to significantly reduce the company's carbon footprint. At the factory in Spain, the entire energy demand is currently met by renewable sources. This includes power generated by solar panels installed on the factory's roof and the purchase of green electricity from the national grid. This approach allows the factory to run on 100% renewable energy. In the USA, the factory is in the early stages of a feasibility study to transition to renewable energy sources. Plans are being explored to make the switch in the future.



Solar panels – Aran Israel



Solar panels – Aran Europe

Fuel and Transportation Practices

Aran owns a fleet of only 15 cars, all of which are based on hybrid technology. All of the company's forklifts operate on electric power, minimizing emissions and contributing to a cleaner environment. The company's distribution system is designed with responsible purchasing control, ensuring that suppliers adhere to sustainability standards. Additionally, product transportation is predominantly carried out using sea transport, a more eco-friendly option.

Preparing for the Climate Crisis at Aran

Aran recognizes the severity of the climate crisis as a significant global challenge. The company is fully dedicated to taking actions that will not only reduce greenhouse gas emissions but also prepare for the potential consequences of climate change, including physical risks and the challenges posed by the global transition to a low-carbon economy.

The primary source of greenhouse gas emissions at Aran is related to electricity consumption. Currently, the company operates its plant in Spain with 100% renewable energy and the plant in Israel with 50% renewable energy.

The ultimate goal of Aran is to use 100% renewable energy in all its operations and achieve zero net emissions in scope 1 (direct emissions) and scope 2 (indirect emissions) by the year 2030.

To ensure effective climate risk management, Aran continually monitors relevant information pertaining to its activities, such as carbon taxation, transportation costs, and evolving climate regulations.

Circular economy at Aran sites:

Circular economy at Aran: 80 tons waste reduction targeted for 2023 Israel site

Aran is dedicated to minimizing waste and promoting economic and environmental end-of-life strategies for its products, both pre and post-use.

By the end of 2022, Aran initiated a groundbreaking project in collaboration with "Roded" located in Kibbutz Sufa, Israel, aimed at recycling 80 tons of aluminum scraps annually. Originally established to address agricultural plastic waste, the "Roded" plant now collects waste from the Aran factory and transforms it into pallets that are sold to various companies. The next phase of the project focuses on creating a recycling program for used packaging (Post Consumer) in partnership with Aran's customers. This crucial step will facilitate the removal and recycling of packaging materials even after their use, further helping to reduce waste.

Pallets made from Aran laminate PDR and PIR waste



Waste Management at the Aran Europe Plant in Spain

In Spain, there is a strong awareness of the importance of recycling plastic, making it the pioneering country in the European Union to levy a tax on packaging not containing recycled plastic. At our factory in Spain, we have implemented innovative local recycling methods. For instance, all plastic waste is repurposed to create plastic cases for offices. Additionally, we diligently collect all cardboard waste for recycling purposes, and starting in 2024, a portion of it will be reused in collaboration with suppliers in Portugal. Notably, all pallets are currently being sold for immediate reuse.

Environmental Footprint - Advancing Sustainability: Environmental Meters at Aran Sites

Aran operates three production sites, comprising two thermo-lamination machines, thirteen bag production machines, and six assembly machines for ancillary accessories such as taps. The production processes at Aran Nachshon are highly efficient, with minimal emission of pollutants, except for ozone emitted during the lamination process. Additionally, water usage is kept to a minimum and is solely utilized for quality control when filling liquids.

To solidify and further minimize environmental impacts at Aran's factories and in the production processes, the company has introduced "environmental supervisors" for each factory. Their job is to measure and monitor environmental aspects on the factory and production lines, to establish annual reduction targets, develop action plans and procedures to enhance each index, implement the defined procedures and plans, and achieve the environmental management objectives on the factory. Responsibilities encompass ensuring energy efficiency, monitoring and reducing water consumption and pollutant emissions, minimizing factory and production waste, and reducing the usage of disposable tools, accessories, paper, and ink.

Component 2: Embracing Circularity in Raw Materials - The Vision of Circular Economy

The world consumes more than 360 million tons of plastic raw materials every year, but unfortunately, only 10% of this massive amount is recycled. Operating with a strong commitment to the principles of the circular economy vision, Aran strives to tackle the global plastic waste problem by viewing waste as a valuable resource. Our primary objective is to reduce plastic waste on a global scale.

At Aran, we place significant emphasis on promoting the concept of the circular economy. In line with this goal, we actively participate as dedicated members of international organizations that advocate for the circular economy, including CEFLEX - A Circular Economy for Flexible Packaging.

product/ material	Raw materials replacement	Raw materials without color, adhesives and printing	Raw materials recycling	Feasibility for chemical recycling
PE Film		✓	✓	✓
Laminates	PA Free (Without Nylon)	✓	✓	✓
Fitments	PA Free (Without Nylon)	✓	✓	✓

Recyclable packaging

Our bags are manufactured without the use of adhesives, printing, and in most cases, color, as we strive to maintain uniformity in the composition of the raw materials. The majority of Aran's products are based on laminate films composed of polymers, with a foreign material content of less than 5%. To promote uniformity, we encourage the use of PE tap, which is the same material used in the film.

While there are chemical recycling solutions available for raw materials and Aran's bags before and after use, their environmental impact remains uncertain, and they are often prohibitively expensive. Therefore, in our pursuit of optimal packaging recycling solutions, Aran is continuously exploring technological advancements and innovative economic models for recycling. One noteworthy initiative is a groundbreaking pilot program in collaboration with "Roded" and Aran customers. This pilot aims to assess the feasibility of recycling Aran's packaging after its use.

Starting in 2024, Aran will publish updated recommendations of environmentally friendly end-of-life management for each packaging family across various geographies. These recommendations will be regularly updated on Aran's website.

Our ultimate goal is to establish an infrastructure for recycling packaging at the customer's home by 2030.

Incorporating Biodegradable Material into Aran Packaging

It has been observed that biodegradable plastic packaging, when improperly disposed of in the regular recycling stream rather than a composting facility, can have harmful effects. Due to this concern, Aran has made a conscious decision to avoid incorporating biodegradable plastic into its products. However, in a step towards environmental responsibility, the company initiated an innovative pilot in 2022 to introduce a "bio" additive in its packaging. The purpose of this additive is to expedite the composting process of the packaging in landfills. The pilot results are anticipated to be received by the year 2024.

Incorporating Recycled Material into Aran Packaging

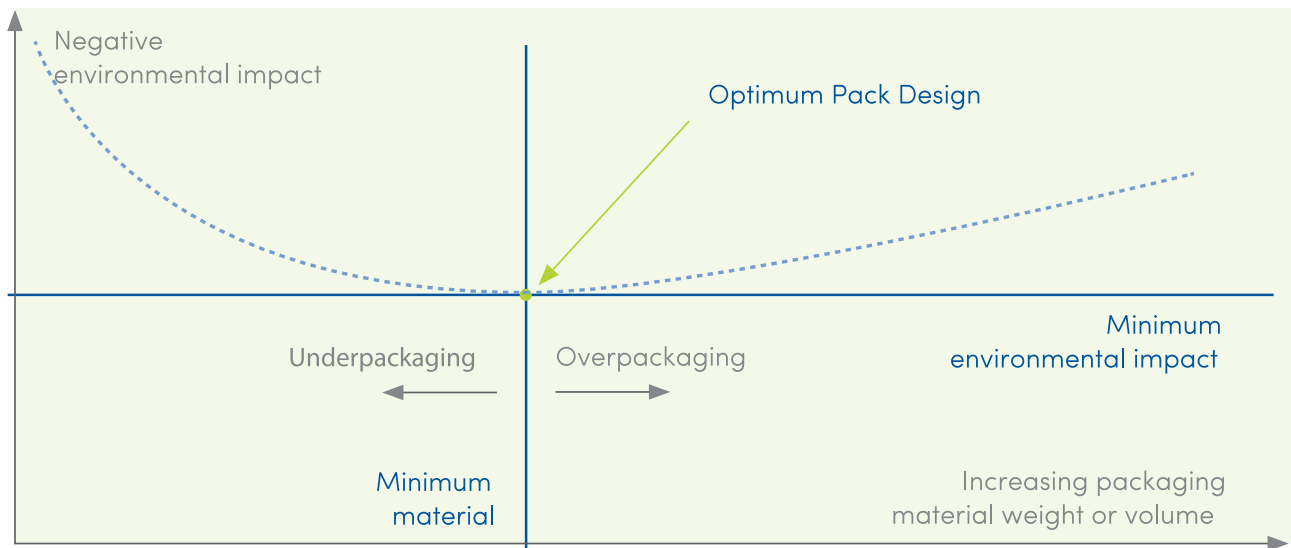
Integrating recycled material into food packaging has posed challenges due to stringent regulations regarding food contact with recycled plastic, leading to the continued use of virgin plastic. However, in 2022, England and Spain took a significant step towards addressing this issue by implementing a mandatory tax based on the weight of non-recycled material in packaging. This tax is expected to be extended to other European countries in the future.

Considering the current scenario and the lack of economically viable alternatives for recycled material approved for food packaging, Aran packaging has emerged as a favorable option. The bags' flexibility and thinness, which allow them to contain a reduced amount of plastic and be lightweight, make them an attractive choice for food manufacturers. Not only does this help reduce the environmental footprint, but it also enables potential cost savings on taxes related to packaging solutions compared to other alternatives.

Component 3: The environmental impact of the overall packaging system and the combined packaged product -Aran's BIB solutions

The level of protection for the packaged products and their long-term quality is a top priority for Aran. We are committed to minimizing material and energy resources while ensuring maximum protection. Our packaging is thoughtfully designed to strike the perfect balance between preserving the product and using the necessary amount of packaging. This approach allows us to maintain product integrity while reducing our environmental impact.

The relationship between packaging weight/volume, product protection and environmental impact*:



Optimum Packaging: The Innventia AB model shows that the environmental consequences of product losses caused by excessive packaging reduction are far greater than guaranteeing adequate protection through an incremental excess of packaging.

Example: Aran, in collaboration with the German company IBA, manufactures a 1000-liter container called IBA Tainer. This innovative solution replaces the much heavier stainless steel containers previously used for transporting fruit jams intended for yogurts to dairies. The IBAtainer, although disposable, offers significant energy savings due to its lightweight design. Moreover, it minimizes the need for repeated transportation from the customer and eliminates the environmental impact associated with cleaning processes.

The weight of an Aran bag containing 1000 liters of liquid is merely 2.2 kg. Considering that the liquid itself weighs at least 1 ton, the Aran bag accounts for a mere 0.22% of the total weight of the packaged product. This emphasizes the exceptional efficiency and eco-friendly advantages of the Aran container in the transportation and packaging industry.

* The Consumer Goods Forum Sustainability Pillar. A global language for packaging and sustainability. A framework and a measurement system for our industry. 2009. The Consumer Goods Forum Report. Paris.http://globalpackaging.mycgforum.com/allfiles/GPP_FinalReport_170610.pdf



1000-liter container that Aran produces in collaboration with IBA

BIB (Bag In Box) - An Environmentally Friendly Solution

Our bags are commonly used as inner packaging in BIB (Bag In Box) packages. These inner bags are designed to hold various liquid products such as tomato concentrate, fruit, wine, and dairy products. Once used, they can be easily replaced. In contrast, the outer packaging, which does not come into direct contact with the food, is typically made of metal, plastic, wood, or cardboard and is intended for reuse. For example, an external metal barrel containing tomato concentrate packed in an Aran bag can be used for multiple rounds of filling.

BIB packaging produced by Aran offers numerous environmental benefits. Firstly, Aran's flexible packaging (SUP - Single Use Plastic) is remarkably lightweight compared to the total weight of the entire packaging system (barrel, tap). This means that replacing the bags after use requires minimal material and energy resources for packaging, as opposed to a substantial environmental impact from the disposal of the outer packaging. For instance, the lightweight bag replaces hard plastic and glass packaging, leading to reduced greenhouse gas emissions during transportation. Additionally, the outer packaging remains clean without food residues, which increases the likelihood of achieving high-quality recycling.

One of Aran's pioneering trends is wine BIB packaging. This innovative BIB packaging for wine allows for up to three months of continuous use after opening, thanks to a special faucet that pours the wine without introducing oxygen. This not only extends the shelf life of the wine but also brings significant savings in packaging resources. For example, our 3-liter wine bag replaces an average of 4 glass wine bottles, each with a volume of 0.75 liters, for home use. Similarly, a 20-liter bag designed for institutional kitchens can replace about 27 glass wine bottles, promoting eco-friendly practices throughout the industry.



Can single-use plastic offer an environmental solution?

Aran's BIB packaging presents a substantially lower ratio of disposable plastic to the volume of the packaged product compared to conventional packaging methods. This ratio further improves with the package's size.

The structural integrity primarily relies on the reusable outer packaging components, while the inner bag produced by Aran, intended for replacement, and contributes negligibly to the overall weight.

Table 3 Plastic weight in relation to the volume of liquid packed in Aran bags:

The volume of the packaged liquid in liters	gram of plastic/ 1 liter of liquid in Aran's bag
3	0.014
5	0.011
10	0.0075
20	0.006
200	0.0025
1000	0.0021

Reducing Food Waste at Aran

According to UN data, approximately one-third of the world's food production is categorized as "lost food," the loss occurring at various stages from farm to consumer. This wastage includes growing, processing, storage, distribution, and consumption. Around ten percent of all greenhouse gas emissions can be attributed to food loss.

At Aran, we are committed to manufacturing packaging that minimizes resource consumption while effectively preserving food. Our primary focus is to raise awareness about this critical issue and develop tailored solutions to combat food waste:

- Our innovative packaging ensures food remains fresh and of high quality throughout its entire lifecycle.
- By extending the shelf life of products at room temperature, we contribute to reducing food spoilage.
- Through concentrated food packaging, we enable the availability of nutrient-rich foods without seasonal limitations.
- The careful design of our lightweight packaging maximizes the Food to Packaging Ratio (FTP index), effectively reducing food losses within the packaging.
- Our efforts also encompass facilitating maximum emptying of each package during usage. This initiative significantly contributes to preventing food waste and enhances the recyclability of our packaging by reducing food residues.

In 2023, we will be publishing a comprehensive guide on how to completely empty and utilize Aran packaging, further promoting sustainable practices and combatting food waste.



Processed tomatoes - Extending shelf life with Aran packaging

The climate crisis is causing various adverse effects, including heatwaves and droughts, leading to a scarcity of drinking and irrigation water. These changing environmental conditions pose significant challenges for water-dependent crops, such as tomatoes, which consist of about 95% water. To produce just one kilogram of tomatoes, a staggering 130 kilos of water are required. Given the fundamental role tomatoes play as a staple food product, preserving them for extended periods becomes crucial to prevent food waste.

In 2022, approximately 20% of our company's products were used to packaging processed tomato concentrates in aseptic bags with a capacity of up to 1000 liters. These innovative bags effectively maintain the quality of the concentrates and extend their shelf life without the need for preservatives. To store them, the aseptic bags are placed inside a durable case, known as Bag In Box (BIB) packaging. The BIB packaging solution ensures that the tomato concentrates remain fresh and usable for prolonged periods, reducing food wastage significantly.

Innovation and sustainability as growth drivers

At Aran, we consider innovation to be a key driver for our business development and growth across all areas of operation. We strongly believe in the importance of sustainability and integrate it as a significant pillar in our innovative endeavors. Our focus lies in the utilization of renewable and recycled materials for bag production, encouraging the reuse of Aran products, and implementing end of life management solutions for our bags.

To achieve these goals, our company boasts a dedicated product innovation team, which diligently assesses market needs and develops cutting-edge products to address them. As a testament to our commitment to sustainability, we took various steps in 2022 to promote eco-friendly solutions:

1. Pilot recycling program in partnership with the "Roded" factory: This purpose is to offer our customers a viable solution for recycling their empty packaging.

2. Field study to assess an innovative bio-additive for laminate sheets, promoting composting: Aran produced sheets containing the bio-additive and conducted a controlled experiment by burying them in the "Dodaim" landfill. The results of this experiment will determine whether the additive can significantly accelerate the decomposition rate of Aran's bags, reducing it to 3-5 years instead of the typical 300-1000 years.

Climate-Promoting Solutions

Aran firmly believes that ecological solutions hold the key to changing the world, and actively works to promote customized solutions in collaboration with companies within the developing climate tech industry, focusing on climate and environmental technologies.



HOME BIOGAS®

Home Biogas

"Home Biogas" offers innovative home systems for energy production from waste. Their revolutionary system efficiently converts food scraps into cooking gas and liquid fertilizer, providing a sustainable source of green energy. Aran's bags play a crucial role in Home Biogas systems, serving two primary functions. Firstly, they are utilized for storing waste and facilitating gas production. Secondly, these bags are used to store the generated gas. Aran worked closely with "Home Biogas" to design bags that perfectly match the required size and possess unique characteristics, making them ideal for multiple uses



Milkit

"Milkit" has developed a precise milk pouring system for cafes and restaurants, which connects to a 10-15 liter milk bag produced by Aran. This innovative system accurately dispenses the required amount of milk into frothing pitchers, effectively replacing dozens of milk cartons. Additionally, it plays a significant role in reducing milk wastage and its associated environmental impact throughout the distribution chain



Bio Bee

"BIO-Bee Biological Systems," operates a unique plant dedicated to breeding insects for agricultural purposes. One of their essential services involves biological pest control using bees, which effectively aids in pest management while reducing the reliance on chemical pesticides. Aran's bags are used as containers, filled with water and sugar, creating a conducive environment for the bees to build their hives. These hives are then transported to fruit orchards, where the bees help in pest control and pollination.

Ensuring Product Quality and Safety

Aran is committed to upholding the highest standards of product quality and safety, alongside its environmental considerations. The company ensures that environmental goals are met without compromising the durability and excellence of its bags. Throughout the production process, each product undergoes frequent quality controls, including rigorous strength, size, and functionality testing.

Quality management is overseen by a dedicated team and is supported by laboratory tests, aligning with international quality standards (ISO 9001-2015, BRC). In 2022, no events of product return due to safety risks occurred.



Society





ARAN GROUP

ROTATE STOCK
PLEASE KEEP AWAY FROM:

- DIRECT SUN
- HIGH HEAT
- POISONOUS OR ILL SMELLING ARTICLES
- PLEASE KEEP IN SHADED AND COVERED AREA

ARAN GROUP

↑

ARAN GROUP

Society

Aran has a workforce of approximately 250 employees, forming the core of our organization, operating within a pleasant, open, and respectful work environment. Our human resources are the cornerstone of Aran's strength and success. Embodying the spirit of the kibbutz movement, our unique organizational culture makes Aran an exceptional place to work. We prioritize open communication between managers and employees, fostering formal and informal dialogues, maintaining an "open door" policy, encouraging personal conversations, and facilitating cross-sectional exchanges. To nurture a sense of unity, we arrange fun and spirit days and share toasts during holidays. Additionally, we utilize online bulletin boards and an inquiry box to encourage ongoing communication.

Prevention of Sexual Harassment:

Every employee at Aran is required to adhere to the regulations for preventing and addressing sexual harassment. To reinforce this commitment, we provide annual training, emphasizing the responsibilities of managers in preventing harassment. We have appointed a supervisor to oversee the prevention of sexual harassment and established accessible hotlines and procedures for filing complaints and seeking clarification. Our dedication to fair treatment and harassment prevention is explicitly stated in the company's code of ethics, which is presented to each new employee, and routinely reiterated during annual employee training sessions.

Prevention of Discrimination:

At Aran, we are steadfast in our commitment to preventing discrimination or harassment based on any factors, including background, race, nationality, origin, religion, sex, and more.

Diversity and Inclusion:

Aran actively fosters diversity within our workforce, promoting a multicultural work environment. Around 25% of our employees in Israel are of Ethiopian descent, with many serving in operational roles. Over the years 2021-2022, we observed a 10% increase in the number of workers from the Arab sector, who now comprise 5% of our Israeli workforce. We acknowledge the various denominations and religions represented among our employees, and we use this information to determine shift placements, working hours, and meals, accommodating everyone's needs.

Gender diversity is of utmost importance to us, and over 50% of our management members are women. We take pride in the fact that 33% of these women are employed at the highest salary level within the company. Moreover, we ensure full pay equity between men and women at both the management and employee levels.

Table 4 Aran Israel employees by gender and age:

	Up to 29	30-34	35-44	45-54	55-66	67-64	75+
Male Employee (%)	17%	83%	52%	58%	82%	75%	100%
Absolut Numbers	4	5	13	19	28	3	2
Female Employee (%)	83%	17%	48%	42%	18%	25%	0%
Absolut Numbers	19	1	12	14	6	1	0
Total (%)	18%	5%	20%	26%	27%	3%	1%

Table 5 Aran Isreal gender distribution of employees/management in absolute

	Production	Group Headquarters	Group Management	Total
Male Employee	61	2	11	74
Female Employee	39	1	13	53
Total	100	3	24	127

Fair and rewarding employment:

Aran takes pride in ensuring its employees' job stability and fostering a sense of belonging among them. To promote work-life balance, Aran encourages flexible working hours and allows partial work from home for employees not directly involved in production. Moreover, the company actively encourages its workforce to utilize their annual vacation days.

Aran goes beyond just financial compensation and offers various social benefits. These include providing loans on favorable terms, bonuses, grants, and support during significant life events. The company is dedicated to supporting employees who need to care for sick family members or parents of children with special needs. Employees at Aran receive support in structured career planning, with assistance in finding suitable training opportunities and language studies. Additionally, the company provides scholarships for academic pursuits and professional courses.

The implementation of a strict code of ethics is a priority at Aran. The company strongly encourages all employees to come forward and report any suspicions or concerns related to harassment, misconduct by managers or fellow employees, terms of employment, or any other issues that may arise.

Table 6 occupational stability 2022:

Percentage of temporary workers	Approx. 12%
Average seniority of the company's employees	8
Ratio between the highest salary and the median salary	1/6

Table 7 Employee turnover 2022:

Employees who left	45
Recruited workers	64

Leadership Skills Development Course

The company prioritizes the personal growth of its employees, going beyond their regular work responsibilities by offering enrichment lectures, financing courses, and professional training. To ensure that the courses are relevant and beneficial, the company actively seeks input from employees through surveys, allowing them to suggest content topics for future courses. Responding to a need identified in one such survey, 11 male and female managers at Aran underwent a leadership skills development course in 2022. The results were outstanding, with the post-course attitude survey showing extremely high satisfaction levels among the participants.

Preparation for Retirement

Recognizing the value of its employees, Aran is committed to supporting them as they plan for retirement. This assistance includes providing access to pension counseling and personalized retirement planning tailored to each employee's unique needs. The company also offers the option for employees to continue their employment, with choices for gradual retirement or alternative formats, such as consulting or split shifts, for those interested in such arrangements.

Safety and Security at Work

At Aran, safety is paramount, and the company maintains a rigorous safety policy in line with its safety goals. Each year, the company operates according to a comprehensive safety plan, which is overseen by a dedicated safety supervisor and implemented by field managers. Ensuring employee involvement and input, the company establishes a safety committee, with half of its members being employees from within the organization.

Taking proactive steps to create a safe work environment, investing in safety projects and implementing maximum machine protection. Regular safety training sessions are conducted for all employees, with specific sessions tailored to individual job positions and new hires. Furthermore, department managers conduct weekly safety training for their respective teams. In the unfortunate event of a work accident, a thorough investigation is carried out to identify the causes, and the lessons learned are shared and applied by the safety supervisor and relevant department heads to prevent similar incidents from occurring in the future. During the year 2022, the company experienced several work accidents, resulting in minor injuries to seven employees.

Table 6 occupational stability 2022:

Number of safety incidents 2022	13
Number of safety incidents that led to injury	7
Number of employees injured	7
Number of employees injured Serious injury	0
Rate of total injuries among the company's employees	7

Community

The headquarters of Aran and the production plant in Israel operate in Kibbutz Nachshon. A significant part of the workers lives in the kibbutz area. The company takes pride in being an integral part of the Nachshon community. We engage in volunteer activities inside and outside the community that include work with the elderly, children, and people with disabilities. One significant responsibility undertaken by the company is the ongoing maintenance of the "Ohel Rashonim" monument, which commemorates the founders of the kibbutz. Additionally, Aran is committed to supporting the maintenance of the kibbutz cemetery, with deep respect for the resting place of the old members and other community members. All the while actively participates in various social projects within the kibbutz, extending their support to the local youth who work at the "Rhapsody" factory during summer.

They firmly believe in empowering the community and enhancing personal skills, which is why they run volunteer programs encouraging employees to actively contribute to the development of the selected community. In 2022, an impressive 80% of Aran employees took part in these valuable initiatives.

Furthermore, the company follows a donation procedure, encouraging its employees to propose projects deserving of the company's support. This ensures that the community's needs and aspirations are taken into account while giving back and making a positive impact.



Governance





Governance

Ethics at Aran Group

Aran places great importance on adhering to all required regulations and ethical principles in all aspects of its operations. The company has established a comprehensive code of ethics, which is regularly updated. This ethical code serves as a guiding framework for both employees and business partners, inside and outside the company.

The code of ethics strongly emphasizes the commitment to uphold human dignity and human rights for all employees, customers, suppliers, and business partners. Aran takes responsibility for ensuring the safety, dignity, and privacy of its employees, striving to prevent any form of harassment, promoting equal opportunities, and fostering diversity within the workforce.

Honesty, fairness, and professionalism are at the core of Aran's interactions with customers, suppliers, and business partners. The company is dedicated to transparent and ethical conduct, making decisions based solely on business and professional considerations.

To avoid any conflicts of interest and improper activities, such as giving or receiving gifts or favors, Aran has stringent policies in place for all parties involved.

The complete code of ethics is available on the company's official website for reference.

Ethics Implementation and Reporting Mechanisms

Aran is committed to maintaining a safe and supportive work environment, free from harassment or any misconduct. The ethical guidelines are deeply ingrained in the corporate culture, and all employees, including new hires, undergo annual training on the code of ethics. Additionally, employees receive a comprehensive booklet detailing the ethical code. The company has designated a supervisor responsible for handling harassment-related matters and established clear procedures to encourage employees to report any unethical behavior without fear of retaliation, ensuring full confidentiality.

Prevention of Corruption and Bribery

Aran has strict procedures in place to prevent any form of corruption or bribery, including the giving and receiving of favors. Guidelines regulate authorized hospitality expenses, invitations to business events for employees, business partners, and customers, as well as the company's approach to donations and sponsorships.

Privacy Protection

Aran has a well-defined policy for handling privacy and maintaining confidentiality for all stakeholders. The company has established procedures to address violations, and a dedicated support center is available for employees and stakeholders, in which they can submit inquiries, concerns, and complaints related to privacy protection.

Responsible Supply Chain Management

Aran takes a responsible approach to manage its supply and distribution chain, considering both ethical principles and environmental impacts. As part of this commitment, in 2022, the company started including questions related to environmental and societal aspects in the supplier questionnaire to promote responsible procurement.







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