



DANAFLEX

SUSTAINABILITY REPORT 2020

danaflex-group.com

ABOUT THIS REPORT

Danaflex group of companies presents its first Sustainability report. For the first time in 20 years, the company talks openly about its wide variety of activities aimed at sustainable development. This report is meant for our partners, clients, investors, NPOs as well as for the media.

Sustainable, harmonious, or balanced development is a unified process of economic and social transformations that includes the use of natural resources, investment, scientific and technological development, as well as personal development. All the above-mentioned tools are interlinked and aimed at improving the quality of life for the present and future generations. In 2015 all the member states of the UN adopted «The Agenda 2030 for Sustainable Development» that envisages 17 key goals for sustainable development. This agenda is a general call for action to protect our planet, improve the quality of life and prospects for people around the world.





Danaflex has established key focus areas aligning its activities with the main UN Sustainable Development Goals. For Danaflex, sustainable development means innovations, environmental commitment, and concern for people's wellbeing. These vectors of the company's development strategy were the main subject of the 2020 report.

The technological leadership section of the report is dedicated to the Danaflex Science Center, the unique research, and the continuous improvement system which is the foundation of the company's future.

«Danaflex in the Circular Economy» reveals the company's role in shaping and promoting a circular economy. First and foremost, it's the creation of fully recyclable packaging.

«Live environment» gives an account of the company's waste management policy, explains the way we save resources and take care of air quality around our facilities.

«Best talents working as a team» section is all about Danaflex most valuable resource, namely the people. There you'll get an idea about the way the company promotes a supportive working environment and facilitates its personnel development.

The «Change Management» section provides an insight into Danaflex ensuring sustainable development in an ever-changing social and economic reality. It includes the company's actions to control the quality and safety of its products, as well as its risk management policy. Furthermore, there is a separate section dealing with the measures that Danaflex takes to support its employees' health, to ensure the economic stability of the company, and to provide social assistance to those in need during the COVID-19 pandemic.

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INTRODUCTORY WORD OF THE DANAFLEX CEO AYRAT BASHIROV



In 2021 Danaflex is celebrating its 20th anniversary. Looking back at the past, we are pleased to note that the strategic business principles we chose at the beginning of our journey helped us to excel and to obtain brilliant results

In two decades, starting as a small company with only one printing press, Danaflex has become the largest packaging producer in Russia, turned into one of the fastest-growing and most high-tech companies in the country, and confidently made it through the international market, making the top 17 among industrial manufacturers in Europe. All this was possible as it's built on our core principles such as continuous improvement, honesty, responsibility, and respect for the individual. Today the Danaflex group of companies comprises three advanced production facilities in Russia and a modern plant for the production of packaging materials in the Czech Republic. We cherish the trust that major multinational brands put in us, and strive to create reliable and appropriate packaging for them. We are inspired by the challenges posed by our clients. Facing these challenges allows us to grow, develop and soar to new heights.

Our unquestionable motto is believing in innovations and technological leadership. Over the years, Danaflex has independently developed many sophisticated and sometimes unique packaging solutions and has well deserved the status of innovative leader in the industry.

One of our most important objectives nowadays is to create packaging that can be recycled right after use. We have made a lot of progress in this respect so far, so we expect that in the next five years people will be talking about Danaflex: «It's a company that has created the non-existent packaging». Today, Danaflex is on the verge of major changes. We have ambitious goals ahead of us, we are striving to win new international markets and push on to the next level of our relationships with partners. Sustainability is an indispensable prerequisite for all our plans as it has been an integral part of Danaflex strategy since 2020.

Danaflex sees that a sustainable future lies in smart resource management, responsible consumption, energy efficiency, and lean production. It also includes a desire to be the most efficient company possible, to improve the quality of life for people today, and to ensure that the generations to come will be able to fulfill their needs tomorrow. It goes without saying that it also takes the best and highly productive personnel to be sustainable and that further requires all the necessary conditions for development and personal fulfillment.

All the above-mentioned and the way we are achieving these goals are in the first Danaflex Group Sustainability Report.



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- 2. Danaflex today
- 3. Danaflex's mission
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- **10.Production capacity**
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ABOUT DANAFLEX



Company profile

Danaflex. Building relationships

Danaflex is a multinational company based in Russia and a manufacturer of flexible packaging and films

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Since its first days, Danaflex has strived to be the best in its industry. It took the company 20 years to become a leader in its country and to make the top 17 among European packaging manufacturers. It was possible due to the implementation of innovative technologies and building a business based on the principles of honesty and responsibility.

As of today, Danaflex is a reliable supplier for the world's largest food and FMCG brands.







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is to be the best for our partners, building trustworthy relationships, contributing to the development and prosperity of our society

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tonnes of film

50 780 tonnes of flexible packaging

Produced by Danaflex in 2020 DANAFLEX PACKAGING IS USED BY THE FOLLOWING MANUFACTURERS:

- ▶ confectionery
- ▶ snacks
- sauces and ketchup
- cheese and dairy products
- meat and fish products
- ▶ grocery
- personal hygiene products
- hot drinks
- baby food
- ▶ pet food
- other FMCG brands

Danaflex values

Personal growth and development

 We are engaged in each employee development in each division

We are constantly improving and perfecting all processes within the company

Honesty and responsibility

 We keep all the promises to our partners, suppliers, and employees

We take care and protect the environment, and save resources

- We take responsibility for every decision we make

Respect for the individual

We value the experience and knowledge of each employee

We provide them with opportunities to fulfill their potential and ideas

 We create favorable conditions for professional and career growth

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In-house R&D center for the packaging solution development

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We produce packaging for major international brands. Danaflex's customers include more than 200 food, cosmetics and household chemicals producers



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The history of Danaflex

2001-2004

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2005-2008

2009-2012

The company was founded

- Mastering the flexo printing and lamination technology
- Building the team
- Forming a development strategy

• Danaflex has become the market leader in the flexible packaging industry of Russia

- Representative offices were opened in Moscow, St. Petersburg, and Novosibirsk
- Audit for meeting international quality standards
- Launching of Danaflex Nano Russia's largest flexible packaging plant
- The launch of our own polymer film production
- An in-house R&D center was opened
- Product portfolio expansion
- Signing contracts with international brands

2013-2016

2017-2020

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BRC and ISO certification

• Production of the high-barrier film with nanocoating, tube laminates, retort packaging, and baby food packaging

DANAFLEX RANKS AMONG:

- TOP 17 largest flexible packaging producers in Europe
- TOP 10 fastest-growing advanced companies in Russia
- TOP 15 Russian high-tech companies

- The Danaflex Alabuga plant in the Special Economic Zone was opened
- The first factory in Europe was opened: DG Pack in the Czech Republic
- Launching a digital printing project
- Entering the recyclable packaging market «The non-existent packaging»
- Implementation of Sustainable development strategy



Production growth dynamics



International ISO, AIB, BRS certificates confirm the high level of industrial management, quality, and safety of products



danaflex

Danaflex International group of plants

Danaflex

The very first company plant. Competence center and talent pool. A platform for the Mentoring Program development.

Danaflex Nano

The biggest company plant. Vertically integrated production of flexible packaging. R&D company center is located here.

Danaflex Alabuga

It's a plant with high export potential. Danaflex Alabuga is located in the Special Economic Zone «Alabuga».

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DGPack

This plant of the future is a super modern facility equipped with innovative types of machinery such as an energy-saving system, climate control, air purification system, and other environmentally friendly solutions. This production is aimed at working with European partners.

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Since 2019









Sales geography Danaflex

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Danaflex supplies flexible packaging to 24 countries

CIS COUNTRIES:

- Azerbaijan
- Belarus
- Kazakhstan
- Uzbekistan
- Ukraine
- Tajikistan
- Armenia
 - .
- Ireland

EUROPE:

• The Check

Republic

Slovakia

• Hungary

• Estonia

Finland

• France

Germany

- Latvia
- The Netherlands
- Portugal
- Romania
- Slovenia
- Spain
- The UK
- Italy
- Lithuania

Process chain

Danaflex is a vertically integrated full-cycle company. All production stages of the packaging solutions are implemented in-house, starting with the production of films and to the production of finished pouches



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Production capacity

Danaflex plants are fitted with innovative equipment from the industry's leading manufacturers



1. Flexo printing Windmöller & Hölscher (W&H)

- 2. Digital printing Hewlett-Packard (HP)
- 3. Rotoprinting Windmöller & Hölscher (W&H)
- 4. Flat-slot die extrusion Windmöller & Hölscher (W&H)
- 5. Extrusion blow molding Windmöller & Hölscher (W&H)







Danaflex flows the following criteria while selecting equipment:

- high performance
- reliability
- stable quality of products



- 6. Metallizing Applied materials
- 7. Triplex lamination BOBST
- 8. Solvent/Solventless lamination BOBST
- 9. Extruding lamination BOBST
- **10. Wax lamination** BOBST

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Main achievements of 2020

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STRATEGY AND RESPONSIBLE BUSINESS

- Building Danaflex's strategic management and development strategy by 2025
- Project and process management development
- Developing a promotional strategy for recyclable packaging entitled «Non-existent packaging»
- Launching of the company's global website and a corporate portal

PRODUCT PORTFOLIO EXPANSION

LAUNCHING OF NEW PRODUCTION AREAS

- IML labels
- shrink packaging

NEW TECHNOLOGICAL SOLUTIONS:

- BREATHING FILM
- SUCCESSFUL TESTS OF RECYCLABLE PACKAGING

SHAFT ENGRAVING DEVELOPMENT

DIGITAL TRANSFORMATION

- Launching of digital transformation projects
- Introducing AI components

ENVIRONMENT CONTROL

Launching of solvent vapor recovery station

PERSONNEL:

- Launching of an updated mentoring program
- Launching of the Competency development program

TECHNOLOGICAL LEADERSHIP

- 1. Innovations. R&D center
- 2. Danaflex unique products
- 3. Continuous improvement system
- 4. Efficiency support program

«We've entered an established Russian market and managed to become number one thanks to innovations.»

> Airat Bashirov, the CEO of the Danaflex group of companies



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Innovations. R&D center

Innovation and technological leadership are the main Danaflex development priorities. We believe that achieving the following objectives will gain Danaflex an established competitive position:

- Development of innovative products
- Introduction of advanced technologies
- Continuous improvement of technological process

In 2003 Danaflex has founded an R&D center, the largest research, and development center among Russian packaging manufacturers. Since its foundation its specialists are challenged to technologically surpass all existing packaging solutions, to make them more efficient and environmentally friendly.

Danaflex believes in **perfect packaging that is completely safe for our planet throughout its production or after being used.** That is why the R&D personnel:

- develops new types of packaging that can be fully recycled after use;
- improves technological processes to reduce waste and energy consumption as much as possible.

year is the average time it takes from the development of a technology or product to its industrial production

Danaflex has invested

216 mln rubles in R&D between 2016 and 2021



Foil-free tube laminate for personal hygiene products, cosmetics, and household chemicals

Fully recyclable mono polymer packaging. The technology has been tested and approved on the production lines of the world's largest cosmetics companies.



Antibacterial packaging for medical, pharmaceutical, and cosmetic products

The antibacterial coating protects consumers from the majority of harmful bacteria on the packaging surface. The antibacterial effect is confirmed by the Rospotrebnadzor Disinfectology Research Institute* (Russian Federal State Agency for Health and Consumer Rights),

* the Protocol of microbiological research No. 02.32-4160/20 dated December 25, 2020





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IN 2019-2020 DANAFLEX INTRODUCED INTO PRODUCTION THE FOLLOWING PRODUCTS:

Ultra-thin hygienic vapor-permeable films used as an absorbing diaper component

The film's low grammage reduces the final weight of the diaper.

Pouch packaging for baby food that can be pasteurized

Differently shaped pouches for fruit and vegetable puree and dairy products

The film for molded IML labels is put on rigid plastic packaging for household chemicals, dairy products, and machine oils

The high print quality label is molded into the container and fused with it.

Heat shrink label for rigid plastic containers

It securely adheres to rigid containers and has a high print quality.

Wet wipes packaging Resistant to saturating lotion.





100%









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Moreover, we have developed:

- Wet pet food packaging (foiled laminate)
- High-duty packaging film for frozen products
- Double wall packs that are easy to open
- Recyclable packaging for tea sachets
- Polyamide-free barrier film



Continuous improvement danaflex system



One of the crucial elements of Danaflex sustainable development is **a system of continuous improvement** that is build and introduced as a part of the company's corporate culture. It implies a systematic approach to production and business process optimization, a constant desire to eliminate all possible costs and losses. To meet this challenge, Danaflex uses lean technologies and Lean Production tools.

Danaflex expects to get the following Lean Production effects:

- Increased stability of product quality
- Increased equipment productivity
- Reduced lead time
- Decreased production waste

• Personnel involvement in optimization processes

Lean technology in Danaflex's production processes has shown high performance. Over the past four years, the main equipment productivity has increased by **14,7 %**. Danaflex is introducing a continuous improvement system at its production sites. The introduction of reusable containers is expected to reduce product packaging costs by up to 30%, and optimizing color-coded press changeovers will add 10% to productivity.

Increase in main equipment productivity



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Introduction of lean technologies, results for 2020

What was implemented

Reduced equipment changeover

Product grouping using the product family principle was introduced, resulting

in improved production planning

Value flow map was prepared, debottlenecking of the engraved cylinder production

Optimized packaging for internal consumption by 20% for printing equipment
by 10% for extrusion lines

Increased productivity:

The results

Productivity growth by 10%.
3% waste reduction*

25% productivity increase on the engraved cylinder production line

The cost of the finished product packaging was reduced by 30%

*To learn more about Danaflex waste reduction agenda, see «Live environment/ Waste Control».

Reduced production equipment downtime. Downtime reduction (the reduction of time that production equipment stays in an idle mode due to technical reasons), whether it's planned or unplanned, is one of the high priority objectives for Danaflex engineering department.

A preventive maintenance schedule has been developed at Danaflex facilities. Every 5 years, all equipment at all the company sites undergoes extended maintenance.

The downtime rate (the share of calendar time when equipment stayed out of service due to operational repair or scheduled maintenance) in 2020 for all Danaflex sites decreased by **1 %**.

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Efficiency support

For the last 4 years, Danaflex has been implementing an Innovative Efficiency Support Program. The company sees it not only as one of the most powerful tools for increasing labor efficiency and multiplying the company's added value but also as an important employee engagement factor. This efficiency-oriented approach galvanizes the personnel's creativity and contributes to their personal fulfillment, which ultimately has an impact on the satisfaction level with their working life.

In 2020, Danaflex took steps to promote production efficiency among site personnel. The benefits and advantages of the efficiency approach were discussed in the corporate magazine as well as during team meetings. All the information about rewards for efficiency promoters was posted in the «Open Window».

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Any Danaflex employee can propose an efficiency initiative, either independently or together with their colleagues. The reward depends on the economic effect gained by a particular initiative.


Dynamics of implemented efficiency initiatives



In 2020, Danaflex employees proposed 17 efficiency initiatives. Their total benefit exceeded 100 million rubles.

Economic benefits of implemented efficiency initiatives

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DANAFLEX

- 1. «Non-existent package»
- 2. Building infrastructure for flexible packaging recycling
- 3. Danaflex in environmental legislation



«Non-existent **package»**

As a company that produces packaging solutions that millions of people use every day, Danaflex makes sure that the packaging it produces does not add to the planet's pollution. That is why all the used packaging has to «disappear», that is, after being recycled, it has to turn into recyclable material.

Danaflex's ultimate sustainability goal is to make all the packaging 100% recyclable. For the past 10 years, our R&D center has been successfully working on it.



The composition of a jam packaging

Danaflex engineers and scientists are developing alternative packaging solutions made of mono-materials to replace multi-layer packaging that consists of different chemicals making it difficult to separate for recycling. This new packaging is easier to recycle after use, and its production does not require new equipment.

When developing packaging solutions, Danaflex follows the European standards and requirements for flexible packaging, developed under the circular economy principles.

CEFLEX recommendations. The CEFLEX consortium brings together more than 160 European companies and organizations representing the entire flexible packaging chain: feedstock suppliers, packaging manufacturers, technology producers, and recycling companies. The consortium's main goal is to make all flexible packaging in Europe fully recyclable by 2025, which is fully in line with Danaflex's main sustainability goal.

Danaflex draws on the CEFLEX recommendations in developing an environmentally friendly alternative to existing packaging solutions.

Expert opinion. The mono-material packaging solutions developed by Danaflex are subject to a mandatory recyclability assessment. For said purpose, the company collaborates with internationally recognized recycling experts:

• Interseroh, Europe's largest waste recycling company, and recycling technologies developer

• **Cyclos-HTP,** a research organization specializing in recycling

All of Danaflex's recyclable packaging solutions have received expert recyclability certifications from Interseroh and Cyclos-HTP.

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How do we recycle or reuse Danaflex packaging? That is the exact question Danaflex asked its partner, EcoTechnology, the leading recycling company and recycling advocate in the Russian Federation.

In 2020, within the joint project between the two companies, Danaflex provided the design of a mono polymer packaging, while EcoTechnologies tested its recyclability. As a result, a secondary polypropylene pellet was obtained. It was used to make a prototype of a household tray at the secondary polymer plant.

Used jam packaging

Cat litter pan



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Building infrastructure for flexible

Danaflex in environmental

In 2020, the Danaflex fully recyclable packaging solutions have been successfully tested and ready for product launch:

To be certified and to be shelf-life tested:

• Packaging for wet pet food

• Lidding barrier film for rigid trays and cups

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- coffee and tea
- sauces and jams
- baby food
- dairy (butter, condensate milk, ice cream)
- confectionary
- chips (creeps) and seeds
- spices
- pet food (dry)
- tube laminate
- liquid soap
- wet wipes





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OON-EXISTENT PACKAGE

dry pet food

Sustainable solution High strength material High weld strength All types of printing

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Creating infrastructure for flexible packaging recycling



Danaflex believes in the highest priority of arranging conditions for a circular economy. More specifically, it is about the involvement in creating infrastructure for the collection, sorting, and recycling of flexible packaging.

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Danaflex offers new environmentally friendly packaging solutions and its vision for redesigning existing packaging of various types to food manufacturers and retailers. Retail companies are developing new packaging design guidelines for product manufacturers stipulating the mandatory packaging recyclability. At the same time, retailers and recycling companies are jointly building an infrastructure for collecting and sorting used flexible packaging and developing motivational programs to increase consumer engagement.



Danaflex is committed to adopting and promoting the circular economy mechanisms both on a global and regional level. To achieve this Danaflex is working on the following initiatives:

• WASTE REDUCTION ON THE PLANET by creating and introducing fully recyclable packaging.

• DEVELOPMENT OF A SYSTEM FOR THE COLLECTING, SORTING, AND RECYCLING OF FLEXIBLE PACKAGING by building partnerships with large retailers and recycling companies.

• CONTRIBUTING TO THE REGULATORY FRAMEWORK DISCUSSION aimed at increasing the environmental responsibility among packaging manufacturers.

Danaflex in environmental legislation

As the largest representative of the Russian packaging market, Danaflex actively contributes to the legislation when it comes to laws and regulations for the extended responsibility of packaging manufacturers.

In particular, at the invitation of the Russian Government, Danaflex acts as an expert in the discussion and implementation of the **«Concept for improving the extended responsibility institute for producers and importers of goods and packaging».**

The concept is designed to develop and introduce economic regulation mechanisms that oblige manufacturers to ensure the disposal of their products after their use or loss of consumer properties.



4.

LIVE Environment &

Air quality control
Waste control
Saving resources

Air quality control

Emission control

Danaflex strictly monitors air quality around its facilities. At all company's plants, there is regular control over pollutant emissions and the quality of atmospheric air at the sanitary protection area. Russian production facilities do not exceed the level of maximum permissible emissions approved by the Supervisory Natural Resources Management Service of the Russian Federation («Rosprirodnadzor»). Equally, DGPack plant emissions are regulated by European legislation.

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Air purification technologies

Danaflex is constantly investing in various air purification technologies. In 2020, thanks to the recovery station at Danaflex Nano, and the regenerative thermal oxidation technology at the DGPack plant being put into operation, the company managed to significantly reduce its total pollutant emissions.

A solvent recovery station captures solvent vapor, purifies it, converts it to fluid, and returns it for reuse.

Air qua	ality control	.47
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The operating principle of the recovery station

Once the machinery is started, the signal is sent to the operator's control panel.

Then the valve is turned on. The solvent vapor is sucked in through the air ducts, so the vapor gets to the recovery station.

Solvents are stripped from the air and turned into fluid, so-called «crude solvent».

This «crude solvent» is later purified and converted into ethyl acetate and high-purity alcohols.

After the purification, the solvents are recycled back into production.

DANAFLEX NANO PLANT HAS 10 TIMES FEWER SOLVENT EMISSIONS



nnes

per day in 2019, before the recovery station was introduced

0,8 tonnes

per day in 2020, after the recovery station was introduced

Danaflex is planning to introduce a recovery station at the Danaflex Alabuga plant by 2023.

Regenerative thermal oxidation technology (RTO)

RTO technology is the purification of polluted air using flameless oxidation at high temperatures in a special furnace.

As a result:

• **98.7%** of volatile organic compounds from the plant production activities are **neutralized** (confirmed by a certified organization).

• Saving gas consumption because the heat released as an RTO byproduct is used to heat the rooms.

The operating principle of regenerative thermal oxidation technology

Polluted air passes through the incinerator (that is three heat exchange chambers with ceramic elements)

After that, the air is heated to more than 800° C which is an oxidation temperature of volatile organic compounds

These volatile organic compounds are converted into carbon dioxide and water

Finally, the hot purified air is used for room heating

Air qua	ality control	47
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Danaflex acts responsible and scrupulous when it comes to production waste disposal. It collects its industrial waste and stores it separately from household waste. There is a separate designated area and containers for hazardous industrial waste to ensure its temporary storage safety

The main waste management goals of Danafl

TO REDUCE the total amount of waste generated during production by improving the technology and implementing the lean manufacturing principles. **TO INCREASE** the waste sent for recycling by introducing 100% recyclable packaging solutions.

Waste recycling

Danaflex hands over or sells all-recyclable production waste to third parties for further recycling and reuse. It includes films (polyethylene terephthalate, polypropylene, polyethylene), paper, cardboard, scrap, steelwork waste, uncontaminated metals, as well as aluminum foil.

In 2020, 2/3 of Danaflex production waste was sent for further recycling and reusing. Danaflex Nano and Danaflex Alabuga are in the lead, with more than **80%** of their waste sent for recycling.

There was **30%**

growth of the waste that Danaflex handed over for recycling or reuse in 2020



Types of waste sent for recycling or reuse in 2020

Waste reduction

To reduce the amount of industrial waste and its environmental impact, Danaflex undertakes the following:



It optimizes the production processes to eliminate unnecessary feedstock losses.





It uses consumables efficiently namely upgrades the storing system and usage of consumables.



number of faulty products by improving technology and upgrading personnel professional skills.

It reduces the



Danaflex achievements in waste reduction in 2020

• The amount of waste has decreased by **3%** after the product sorting system depending on the type of material was introduced.

- Danaflex Nano has significantly reduced its solvent procurement, as 85% of its needs are covered by recovered solvents.
- Consumption of expendables has dropped by **10%** thanks to the «supermarket» system in its storage area.
- The number of faulty products at all the Danaflex plants reduced to **0,4%**.

Moreover, the waste reduction activities at Danaflex are still ongoing. As soon as the printing equipment changeover is optimized, the raw material waste reduction by **5%** is expected.



Saving resources



Danaflex's management system is aimed at the continuous search for the most effective measures to reduce energy costs

The main aspects of resource-saving:

• Optimization of energy costs

• Monitoring the heat energy, optimization of heating and ventilation systems

• Reducing water consumption

Electrical energy control

Preventing voltage spikes.

In 2020, Danaflex Nano completed a three-year electricity-saving project. Its goal was to prevent sudden voltage spikes, socalled «peaks», which lead to unjustifiably higher energy costs. Danaflex engineers have analyzed the equipment operation in different modes. They also have reviewed the production schedule and operating procedures of all units, so they have established optimum maintenance and restart schedules. Building a uniform energy consumption system allowed the plant to switch to a different. more cost-effective electricity price range, which by the end of 2020 saved 1 million rubles.

Power-saving equipment.

Danaflex uses only modern, energy-efficient technologies and equipment. When purchasing equipment for new production lines and when replacing obsolete ones, the company always opts for low energy consumption options equipped with VSD (to avoid power spikes) and UPS, etc. This allows Danaflex to reduce energy costs per kg of output every year.

reduction in energy costs

per kg of output at Danaflex

There was

plants in 2020

The number of LED lamps at the Danaflex Alabuga plant increased by



Changing the lighting system is another important aspect of energy cost reduction. The Danaflex production sites are now consistently replacing fluorescent light bulbs with LEDs, as well as equipping the workshops with automatic light control sensors.

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Heat energy control

All the Danaflex production sites have a unified control procedure for heating and ventilation systems. There is constant monitoring of air temperature in production and office facilities, control over ventilation systems, heating systems, and smoke removal systems. In order to save heat energy, we maintain the operation condition needed for the climate control system and ensure its optimal operation.

As a result, Russian plants of Danaflex were able to reduce their heat consumption per kg of output by **10%** in 2020.

Two of the company's sites managed to significantly decrease the amount of natural gas consumed in 2020. The gas consumption per kg of output was reduced by **20%** at the Danaflex plant, and by **23%** at Danaflex Alabuga.

DANAFLEX HEAT-SAVING PROJECTS:

• Danaflex Alabuga uses secondary thermal oil circuit technology, which significantly saves heat energy for office space heating, water heating, and ventilation system operation.

• DGPack uses the heat released as a by-product from the regenerative thermal oxidation technology (incineration of production emissions).

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Reduced water consumption

The company pays special attention to freshwater saving. The flexible packaging and film technology, unlike other packaging materials, does not use a lot of water, so most of the water used at Danaflex facilities is for domestic purposes. To save water, sensor taps are installed at all company facilities: toilets, showers, hand washers next to production workshops.

Reducing the cooling water consumption.

The Danaflex Nano specialists upgraded the equipment that uses running water. Previously, the running water from the general water supply was used for equipment cooling. The Danaflex Nano engineers developed, built, and put into operation a closed cooling water loop by connecting it to the general cooling system. Thus, the plant's water consumption has been **reduced by 300 m³** per year.

There was **5%** reduction in water consumption costs per kg of output at Danaflex plants in 2020

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BEST TALENTS WORKING AS A TEAM

Danaflex personnel in 2020

DANAFLEX TEAM CONSISTS OF





employees

50% of employees have a college degree



% In 2020 the company's workforce grew by

WE VALUE OUR TALENTS: Despite all the hardships this pandemic and a lockdown brought to us, Danaflex didn't simply keep all the employees but managed to hire new people.



85%



Danaflex HR management philosophy

«Best talents working as a team» is Danaflex's basic HR principle. The company recruits the best talents from the labor market and facilitates their development and personal fulfillment. The teamwork of qualified and enthusiastic employees builds a solid foundation for the company to achieve high results and grow.

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Danaflex's main goals in HR management are as follows:

- Achieving maximum teamwork efficiency
- Attracting the best employees to the company
- Creating favorable conditions for employee development

Our priorities in working with personnel:

- Development of an effective training system
- Providing an inspiring incentive program
- Improvement of working environment and safety
- Establishing the Danaflex talent pool



DANAFLEX CORPORATE

All employees of Danaflex are obliged to adhere to the Code of Business Conduct. Danaflex's corporate culture is based on the principles of partnership and respect for the individual

The company taboos:

- any discrimination based on nationality, age, gender, culture, or other aspects
- any violence or threats
- sexual or other types of harassment
- verbal abuse, and any other deterrence

Danaflex encourages polite and respectful relations among colleagues and facilitates an atmosphere of mutual understanding and cooperation to achieve professional goals and results.



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Danaflex HR management

Enabling a healthy working

Employee motivation

Personnel training

Enabling a healthy working environment

OCCUPATIONAL HEALTH

AND SAFETY. Danaflex gives absolute priority to the life and health of our staff, as well as to a healthy working environment. Since day one, Danaflex has strictly complied with all the provisions and requirements of Russian health and safety legislation.

All Danaflex production sites undergo an annual assessment of working conditions and working environment. The company spares no effort to avoid accidents and emergencies in the workplace. Every new employee is familiarized with the safety procedures of the entire production facility and their particular responsibility area before they start work. Safety instructions and all the necessary documents on working with harmful factors are freely available at each production site.

INCIDENT PREVENTION.

In 2020, Danaflex launched an incident visualization program. Its purpose is to prevent accidents, injuries, and emergencies in the workplace.

If an employee is injured at work, the rest of the staff is immediately informed. To encourage personnel to pay more attention, the actual pictures of the injuries are posted on information boards. Moreover, some information is distributed on how the production area where the injury occurred has been optimized and what actions have been taken to prevent similar accidents in the future. All production staff passes an unscheduled additional safety briefing.

The	numl	oer	of	accio	dents	at
Dan	aflex	pro	odu	ictio	n site	s:

in 2019 — 0 in 2020 — 1

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MEDICAL CHECKUP.

A daily medical check-up is mandatory for all production and warehouse staff. Only those who successfully passed it are allowed to work. To keep fit and prevent occupational diseases, Danaflex carries out preventive examinations and annual check-ups for all personnel.

HEALTH AND SAFETY COMMITTEES. In 2020, all

Danaflex plants founded Health and Safety Committees. They include representatives from all production areas, service departments, as well as general managers of the plants. The main task of the committees is to identify and solve urgent issues to improve the working environment. Meetings are held once a month, and the problems identified are promptly eliminated. For example, in 2020, the Health and Safety Committee at Danaflex Nano resolved several issues based on the feedback from employees. For example, it was decided to repair the showers, to improve the air conditioning system in the workshops, to make women's locker room more comfortable, to change the supplier of protective clothing, and to improve the quality of food in the canteen.

COMPLIANCE WITH THE INTERNATIONAL STANDARD ISO 45001. To ensure the stable operation of all production sites, improve efficiency and reduce costs related to occupational injuries and illnesses, Danaflex is introducing the international health and safety management system standard ISO 45001 in all its plants.

The standard covers the following conditions in the plants:

- maintaining the availability of health and safety systems with the management focus on it;
- continuous risk analysis and potential threat prevention;
- regular checkup of standard compliance and a prompt adjustment when nonconformities are detected.

Currently, Danaflex is preparing for ISO 45001 certification. Health and safety departments, QA, and site managers are actively involved. There is an ongoing risk assessment, preparation of documentation and guidelines, remedial actions, and a constant dialogue with the suppliers of PPE. The audit for ISO 45001 certification is planned for 2022.

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Personnel interaction

Danaflex sets a high value on open and effective communication, thus we respect the opinion of each employee and value their experience and competencies. The company cultivates democratic relations between management and staff and welcomes open and candid discussion.

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«The Open Window» project has been launched at Danaflex in 2019. The employees ask the management any questions and get answers regarding all aspects of the company's functioning: namely, production issues, working environment, payment principles, communication with the management, and so on.



In 2020, **203 employee requests** were received via the «Open Window». 185 of them were closed (problem solved), the decision on the remaining 18 was deferred to 2021.

THE «OPEN WINDOW» IS FUNCTIONING USING THREE COMMUNICATION CHANNELS:

There are some information boards and a special mobile application that uses a QR code. It is a great opportunity to ask your question anonymously, using a QR code and an app on your smartphone. Further, the management's answers are posted publicly once a month.

Personal meetings with the plant management.
The managing director meets with plant personnel weekly by appointment.

3 «My Danaflex», Danaflex's corporate journal, is published 4 times a year in paper and as an electronic version. The journal publishes the latest news, interviews with heads of departments, some information on upcoming and past corporate events. The total is 203 requests

Decisions made: **185** (91 %)

Postponed to 2021

18 (9 %)

Employee motivation and incentives

Danaflex provides its employees with a decent salary, determined by their level of competence, experience, knowledge, and skills

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«Our employees are our greatest asset. Everyone is an integral piece of the big Danaflex jigsaw puzzle. The whole picture cannot be complete without them».

> Aidar Safin, the CEO of the DANAFLEX NANO LLC

Under the Labor Code of Russian Federation and Federal Law No. 426-Ф3 «Special Work Conditions Assessment», Danaflex provides all necessary benefits to the employees working in a hazardous environment (3.1 and 3.2 hazard types). These include monetary allowances, additional annual leave, and preferential pensions. **1,3 million rubles** employee assistance beyond the basic incentive package in 2020

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Employee incentive programs are developed by the Motivational Committees at each Danaflex plant. These committees are comprised of general plant managers, HR managers, CFOs, and the heads of the division which initiates the introduction of the new incentives.

Danaflex' contribution to the sports teams' maintenance:



* reduction of the amount is due to the COVID-19 pandemic

Employee assistance

Danaflex always supports its employees beyond the basic motivation package. Any employee who finds themselves in difficult personal situations or in need of assistance can get it. In addition, in 2020 Danaflex provided its employees with grocery baskets during the COVID-19 pandemic lockdown.

Danaflex is committed to making a difference when it comes to the employees' healthy lifestyle

The company welcomes various sports activities and provides everything to enjoy team sports with colleagues. For instance, there are soccer and volleyball teams. The company rents facilities so Danaflex sports achievements in 2020:

3rd

place in the team event at the Volga Region Interregional Corporate Games

2nd place in the Regional Corporate Soccer Tournament

3rd place in the Regional Corporate Volleyball Tournament

they can train. Personnel of Russian Danaflex enterprises annually participate in corporate tournaments in 30 types of sports, in bicycle racing and marathons, as well as in skiing competitions.

Personnel training and development

Danaflex considers as one of its priorities to build a favorable environment for the personal development and fulfillment of its personnel and to facilitate their continuous professional growth



Funds allocated for personnel training



MBA program

In 2019, Danaflex launched a training project under the presidential mini-MBA program. The program is designed to train a new generation of managers with effective management skills, adapted to modern environmental conditions.

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The first training group included 30 of Danaflex's top managers. Upon graduation, they will receive an MBA degree and a personal certificate from the international association MBA (the United Kingdom).

The program tuition is fully sponsored by Danaflex. The company is planning to continue training its managers for various departments. The next MBA training group, starting at the end of 2021, will include mid-level employees.

Mentoring program

All the Russian sites of Danaflex have implemented a successful Mentoring Program, allowing the company to train personnel according to its production needs. There is no educational institution in Russia training flexible packaging specialists, that is why the Mentoring Program is the only way to provide a skilled workforce for Danaflex. passes the certification committee and if they get a high score (not less than 7) they get the qualification of an assistant. The second training stage covers the transition to a specialist. This stage takes on average 6 months, while operator training takes about 12 months.

How does the Mentoring Program work?

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- New employees start their career at Danaflex as a trainee.
- Each trainee gets an assigned mentor, who gives them practical knowledge and helps them with theoretical aspects as well. Trainees receive training manuals and a training diary with assignments and a detailed lesson plan.
- The first training stage lasts at least three months. According to its results, a trainee

What has our Mentoring program achieved in 2020?

> 8,2 is the average certification score (out of 10)

33 active mentors

Mentors' selection procedure

Applicants for the mentor position are selected via two channels: 1) a recommendation from the head of a department, and 2) the employee's initiative. All applicants undergo training and mandatory assessment. Based on the test results we select the best mentors, while those who have failed the test are included in a special pool. Later having passed additional training they can try their hand at it again.

Incentives used for our mentors

• Financial incentives: a remuneration for each trained specialist + an increased social package which includes an extended VHI program.

• Non-financial incentives: being a mentor is prestigious, a special status among colleagues, which is emphasized by a special uniform that differs mentors from the other employees.

The average training time has decreased:

	SISTANT INING:	AN OPERAT TRAINING	
и 2019	IN 2020	IN 2019	IN 2020
4,5	3	19	12
молтня	MONTHS	MONTHS	MONTHS

In 2020 all mentors attended a general course of «Effective Mentoring» (4 sessions), as well as internal technological courses. The following mentor training is planned for 2021: «Effective Communication», «Tactical Management», and «Developing Feedback».

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Employee training at the DGPack plant

As a modern and rapidly growing production site with a growing workforce, the DGPack plant pays special attention to the training of new employees. There are several levels of training for newcomers. In addition to mandatory on-the-job training (on technology, equipment, materials), all new employees undergo a series of training and courses to expedite their adaptation.

Everyone must be familiarized with industrial safety rules and the basics of fire protection, occupational health, and safety standards. Danaflex places greater focus on environmental and energy conservation training for its employees. Thereby, the above-mentioned training sessions take place every week.

Also, there is special labor law training for managers. Each course has its methodological manuals and visuals (presentations).



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Social responsibility



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Every two years, Danaflex undergoes a social audit according to the international SMETA standard. It is a global verification of the company's social, environmental, and ethical commitment. The last audit took place in March 2021, conducted by SGS, a world leader in inspection services, expertise, testing, and certification.

The auditors focus on the whole range of measures Danaflex takes to create a comfortable working environment and ensure the safety of its employees. Moreover, the company's incentive system and communication efficiency are evaluated. The auditors are introduced to production Following the SMETA standard, all Danaflex facilities were audited on the following aspects:

Compliance with labor laws and human rights Ensuring personnel occupational safety and health at the plant Ethics and teamwork principles Employee training

conditions, they analyze documentation, arrange group and individual interviews with the staff, and take pictures of facilities, both for work and recreation.

As a result of the 2021 audit, Danaflex received a favorable opinion: all of the company's production sites meet modern international requirements for working conditions and respect for human rights. Danaflex's social audit report is available at www.sedex.com.

Quality control
Risk management
Danaflex during the COVID-19 pandemic

Being a partner of multinational companies, Danaflex pays special attention not only to the quality and safety of its products but also to the service level and strict adherence to delivery deadlines.

90% of the company's packaging is manufactured for the food industry. This entrusts Danaflex with a lot of responsibility. The company guarantees that its packaging solutions meet all international quality requirements, it's reliable and safe for human health.



Decrease in the number of customer quality complaints in 2020:

Film quality complaints

compared to 2019

 Flexible packaging complaints decreased

compared to 2019

Danaflex achieved

customer quality satisfaction



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International BRC standard

Danaflex production sites have set up a product safety management system. The company adheres to the BRC Global International Standard for manufacturers and suppliers of packaging solutions and materials.

In 2020 all Danaflex plants have been BRC certified, proving the effectiveness of the company's management system and product safety.

THE BRC STANDARD REQUIREMENTS:

- an effective risk, safety, and quality management systems
- a high standard for hygiene and sanitation
- demanding requirements for feedstock suppliers and service providers
- highly developed product and process control systems
- specific requirements for employees and their motivation
- top management commitment to BRC standards

Risk management

Danaflex risk management involves the identification, analysis, and evaluation of risks affecting the company's goals and customer satisfaction, as well as the development and adoption of solutions to avoid and minimize negative consequences.

Danaflex's risk management procedure is updated every 5 years. It defines the means of management, responsibility, and organizational authority when dealing with risks. The requirements of the abovementioned procedure apply to all Danaflex processes, departments, and employees. Annually a Working group involving all business unit managers is formed to manage operational risks.

How does it work?

- Heads of departments and their subordinates identify and assess the risks at their level.
- Representatives of the Working group send risk assessment results to the quality manager, who aggregates the identified risks in the Risk register.
- During the meeting, the Working group reviews the Risk register. Risk assessment is clarified, and risk owners are assigned (the head of a unit

responsible for the relevant risk management). After that, certain risk mitigation measures are developed.

- The Risk register is reviewed and approved by the General Director.
- An action owner for each measure is assigned, and all the deadlines are set.
- Once a month the quality manager monitors the status of risk management measures and indicates it in the Risk register. Once every three months, the progress data is submitted to senior management for further analysis and decision-making.

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Risk assessment. At

Danaflex all the identified risks are categorized as follows:

- finance,
- company goodwill,
- quality,
- environment,
- health and safety,
- production,
- penalties,
- product safety

The risk analysis and risk assessment are carried

out on a three-point scale. It takes into account the potential consequences and their probability:

1 - it is unlikely that the risk
will occur within a year;
2 - the risk is likely to occur

within a year;

3 - the risk has repeatedly occurred in the past, there is a high probability of its occurrence, or there are internal or external prerequisites for its occurrence within the year.

Measures were taken depending on the risk level

If the level of risk is defined as **«high»**, Danaflex management undertakes very active steps to mitigate it. The Working group develops a set of measures to be implemented as quickly as possible. The required financial and other resources are allocated to these measures in the first place.

Regarding **«average»** risks, the decisions are taken by the

business units and risk owners. In this case, various procedures and procurement of goods and services can help to mitigate the risk or reduce its negative consequences. The deadlines are set based on the funding availability and schedule, as well as the time needed to take a particular measure.

For **«low»** degree risks, there is no active response. They are simply monitored, so if the risk level changes to a higher one, appropriate actions are taken.

Danaflex in a time of COVID-19 pandemic

Since the beginning of the COVID-19 pandemic, Danaflex promptly took all possible measures to ensure the safety and health of its employees.

By Order No. 669-p of the Cabinet of Ministers of the Republic of Tatarstan dated 28 of March 2020, three Danaflex Group plants (Danaflex, Danaflex Nano, and Danaflex Alabuga) were listed as large, economically and socially significant enterprises of the Republic of Tatarstan

Danaflex plants haven't stopped its production in 2020, continued providing packaging for FMCG producers according to the agreed delivery schedule. Moreover, all jobs were preserved, and wages were paid in full.

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Measures were taken by Danaflex during the COVID-19 pandemic

Ensuring the safety of vulnerable employees

Upon the WHO recommendations, Danaflex listed employees over the age of 65, as well as those with chronic bronchopulmonary, cardiovascular, and endocrine diseases as vulnerable. All of them shifted to their home office. Employees who were not able to work remotely were given a regular leave.

Minimizing employee contact with each other and with outside partners

• Danaflex has banned face-to-face meetings.

• All the business trips have been postponed, and employees returning from business trips have been quarantined for 14 days.



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• Shift handover was organized in such a way that employees would cross paths with one another, neither in the shops nor in the locker rooms.

• To exclude the possibility of contracting the virus on public transport, personnel was traveling in mini-groups and used only private vehicles.

Office personnel switching to a home office.

All employees that can perform their duties remotely switched to a home office.

Health safety measures

• All employees at the plant were provided with personal protective equipment, namely, masks, gloves, and sanitizers.

• Additional sanitary treatment of production premises, equipment, and tools was introduced after each shift.





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• Cleaning procedure was improved: more frequent floor washing with disinfectants, additional wet cleaning of doors, door handles, and cabinets, as well as disinfection in places of frequent contacts every two hours.

• A routine self-disinfection of the workplaces every three hours have been introduced.

• In addition, it was decided to install closedtype bactericidal lamps for air disinfection.

• Danaflex has strengthened disinfection in canteens as well: it introduced the mandatory use of special dish agents and washing it with water of 80°C for 3 minutes.

Raising awareness among employees

Posters and leaflets with detailed information about the prevention of coronavirus, flu, and acute respiratory viral infections were distributed in all Danaflex facilities. Employees were trained and explained the measures to be taken if a sick person is detected at work.

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Danaflex during









Health control at work

Every four hours the body temperature measurement was introduced using non-contact laser thermometers. The measurements were recorded in a special log. A rapid response plan was developed in case there is a person with a suspected coronavirus infection. Also, a separate room was allocated for their isolation until the arrival of medics.

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Non-contact shipment in warehouses

Danaflex has adjusted the feedstock shipping procedure in its warehouses. No interaction between drivers and employees in the warehouse was allowed: the unloading was carried out by Danaflex employees, after that the feedstock was quarantined for 48 hours and treated with sanitizer every 6 hours.

IT support for home office personnel

• Danaflex Service desk provided all the necessary support to home office employees, managers, and IT specialists to ensure their efficiency.

• Specifically, it deployed new online servers, making it possible to use all the necessary software remotely. Channel capacity was increased threefold.

• Necessary software was installed on personnel home PCs and laptops.

Danaflex has sent

4,066 million rubles to help NGOs and medics in 2020

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• Moreover, the information security was ensured: an encrypted secure connection was set up, restricting outside connection.

• The IT service has prepared instructions on the software self-installation for employees who could not personally come.

Psychological support

Danaflex HR Department promptly organized online stress-relieving programs to support those working remotely. There qualified psychologists and coaches helped them to cope with stress and learn to work in this new environment.

Helping NGOs and medical personnel

Danaflex has been permanently sponsoring various non-commercial associations and medical institutions. During the pandemic, this assistance has become more targeted. For instance, during the lockdown Danaflex arranged free hot meals for the doctors of the Children's Republican Clinical Hospital. Danaflex also supported international students who were temporarily locked in their dormitories during the lockdown and could not get home. They received grocery baskets.

2310 people were provided with lunches during the three weeks of lockdown

people were provided with grocery baskets

1790

1 318 people were sent sweet treats and pies for Ramadan

