

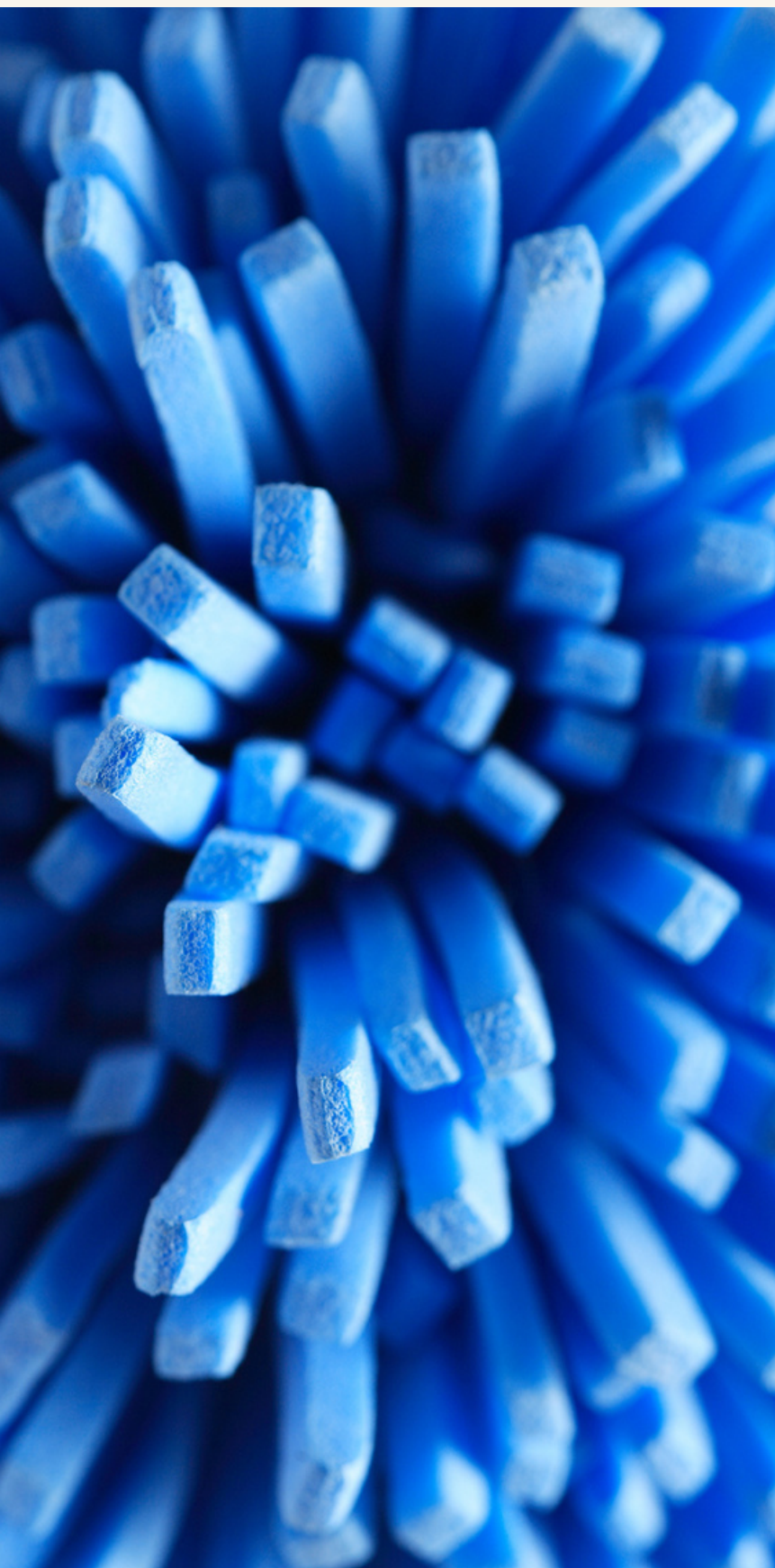
ERTECO RUBBER & PLASTICS AB



SUSTAINABILITY REPORT

2021/2022

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WORDS FROM THE CEO

Yet another year has passed and just like the previous year it has been very turbulent. Twelve months ago, I wrote about the effects of eighteen months with a pandemic. Even though the situation is much better today, Covid 19 is still around us.

But even if Covid 19 is still present, there are other and very unfortunate factors that are making our daily lives difficult now. The Russian aggression on Ukraine which started on the 24th of February 2022 has changed a lot to the worse in Europe. Most of all for the people of Ukraine who are facing ruthless violence and devastation. Our hearts and thoughts are with Ukraine and therefore we have contributed to various help organizations with money.

The plastic and rubber industries are both very energy intensive and our suppliers and customers are highly impacted by the increased costs of energy and electricity. Inflation and interest rates are also going up and are affecting the buying power of consumers with a lower general demand of products and services, therefore.

One good thing under current circumstances is an increased awareness of energy efficiency, as well as a continued increased interest in more sustainable materials and solutions. Both consumers and companies are looking at investments in green tech energy and Erteco as a company are constantly looking for new opportunities with our materials in this industry segment.



Our goal to increase the share of bio-based and recycled materials that are being sold is developing good. Both volume of sold materials in this field as well as our pipeline of projects is growing with an increased demand for more sustainable solutions.

Travelling to meet with our customers and suppliers is an important part of our business. We strive to travel with as low CO2 impact as possible by choosing train when sufficient. Our fleet of company cars is also continuously upgraded towards more electric and hybrid models.

CARL-OTTO OHLSSON
CEO



ABOUT ERTECO

Erteco is one of the largest distributors of plastic and rubber raw materials in the Nordic market and the Baltics. Our materials come from leading manufacturers and are of the highest quality. The materials range from bulk products such as natural rubber and polyolefins to more advanced composite materials. Erteco is an entrepreneurial and privately owned company with a strong commitment to developing the Nordic and Baltic polymer industry.

“Our vision is to support our customers and work towards increasing their competitive advantage and success in the global market.”

Local presence and nearness to our customers is of the utmost importance to provide service at highest level. We build long-term relationships with our customers, end users and suppliers.

OUR IMPACT

Our responsibility extends beyond distribution. We strive to increase the power of innovation and technological development in our industry to promote sustainable development. We replace metal components in die-cast brass, zinc and aluminium with modern plastic composites, which has a number of positive environmental effects. Lower weight is one of the main effects, which means reduced carbon dioxide emissions in connection with transport from suppliers to us and from us to our customers. The lower weight also reduces energy consumption and carbon dioxide emissions that are associated with the usage of end products, for example in vehicles.

Plastic is also easy to shape and requires less energy consumption than metals during processing. It is also durable and with responsible handling it can have a long service life.

We are certified according to ISCC Plus to enable sales of bio-based and recycled materials according to the principle of Mass Balance. During the year, we have also been certified according to PEFC to enable sales of controlled cultivated natural rubber.

We are implementing procedures to encourage our customers to choose bio-based and recycled plastic to an increasing extent. We have a material guide and during the previous year we have trained our sales staff in life cycle analysis so that they can better explain the environmental impact of various products.

We strive to increase our sales of sustainable materials every year.

Sales of sustainable materials:

2019/2020: 0.02 percent of total sales in kg

2020/2021: 1.33 percent of total sales in kg

2021/2022: 3.97 percent of total sales in kg





CHALLENGES

Demand for plastics has increased sharply in recent decades and is expected to continue to increase in coming years. With our position as one of the largest distributors in the Nordic and Baltics market, comes a great responsibility for the supply and handling of these materials.

Plastic can be produced from fossil fuels such as crude oil and natural gas, which are the most common methods today. It can also be produced from renewable raw materials such as plant-based oils and other biological substances. The challenge with plastic is that it is difficult for nature to decompose, regardless of whether it is made from fossil or bio-based raw materials. For people and society to be able to take advantage of the many benefits of plastic without harming the environment, we must use plastic in a circular manner whereby plastic is both reused and recycled. We must also minimise waste and littering throughout the entire value chain.

As a distributor, we can set requirements, inspire and educate both our suppliers and customers as well as society at large. Knowledge is a prerequisite for behaviour change and there is a lot to learn about plastic and its handling. Today, our sales of bio-based and recycled plastics only constitute a small part of the total sales. The reason for this can be attributed to a lack of knowledge and higher prices for bio-based and recycled materials.

As a distributor, the transport of goods is where we have the greatest direct environmental impact. Currently, we do not offer any sustainable options for transport to our customers. However, during the year we have started a dialogue with our warehouse and the transport companies to try to establish a common sustainability mindset. It is more difficult for us to influence how goods are delivered to us as transport is included when ordering.

MANAGEMENT CONTROLS

The Board and management have the overall responsibility for Erteco's sustainability work. Managers from each country and business have been involved in the analysis of what is essential. CFO Kristina Havdelin and senior accountant Sara Gustafsson has been assigned responsibility for the sustainability report, Quality Manager Niklas Olsson is responsible for our ISO certifications and they, together with CEO Carl-Otto Ohlsson, are responsible for goals and follow-ups in each essential area. Each person has received education in strategic sustainability work.

We have policies and governing documents involving the environment, purchasing, quality, working environment, traffic safety, preparedness and emergencies, gender equality and diversity, IT, data and integrity, a code of conduct and whistle blower policy. All policies are established in line with ISO 14001 and 9001.

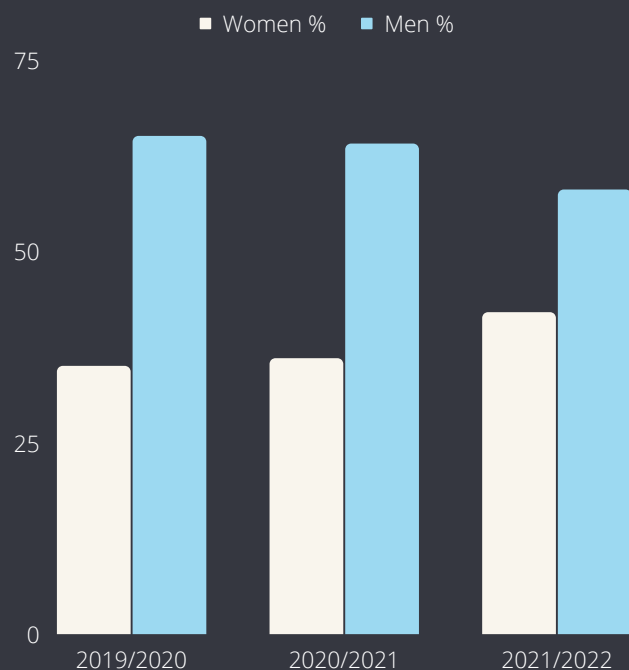


GENDER DISTRIBUTION STATISTICS

In 2019/2020, we were a total of 31 employees, of which 35 percent were women and 65 percent men.

In 2020/2021, we were 33 employees, of which 36 percent were women and 64 percent men. Among employees in senior positions, 25 percent were women and 75 percent men.

In 2021/2022, we were 36 employees, of which 42 percent were women and 58 percent men. Among employees in senior positions, 20 percent were women and 80 percent men.



MATERIALITY ANALYSIS

Demands from our stakeholders are one of the driving forces in our sustainability work. Therefore, we make regular efforts to examine their expectations.

This year's employee survey confirmed that our employees still want us to prioritize sustainability. On a ten-point scale of how important sustainability is, the result was 9.25. The two Sustainable Development Goals that our employees think should be most prioritized are Responsible consumption and production (SDG 12) and Decent work and economic growth (SDG 8).

Surveys from previous years showed that our customers expect good service and support as well as availability and fast deliveries. Our suppliers of plastic and rubber materials have high demands on business ethics and what sold materials are used for.

Authorities require regulatory compliance mainly with regard to the handling of waste and chemicals. The awareness of sustainability is increasing in our industry, but there is still much to do. Our ambition is to work proactively to advance our position and lead the sustainable development within the industry.

During 2020/2021, representatives from each business area together with consultants from PURE ACT analysed our internal strengths and weaknesses in environmental, social and financial sustainability. We have also analysed our external opportunities to maximise the positive effect of our sustainability work, and the external threats that could make our commitments more difficult. Based on these analyses and on expectations from our stakeholders, we have decided to prioritize five Sustainable Development Goals.



SDG 7

Affordable and clean energy

In the last two years, our working methods have become more digital due to the pandemic (Covid-19). On one hand, it has reduced our travelling, on the other hand, it has increased our energy consumption. We intend to continue working digitally, why energy is an essential area. During the year, we have reviewed the type of energy our electricity suppliers provide. From July 2022 we have renewable energy both at our office in Denmark and in Sweden. We also have a supplier for data storage whose server halls are powered by renewable energy.

One of our growing customer segments are companies in the energy sector. Their environmental impact is a part of our indirect impact. Emphasising sustainable solutions and material choices is part of our strategy for sustainable reconfigurations.

SDG 8

Decent work and economic growth

The working environment is one of the most central issues in our sustainability work. Our employees are one of our most important resources and we care that they feel safe, included and appreciated. During the year, we decided to implement an employee survey on well-being and equality every three years. It was conducted in June and the results showed that our employees are happy with their work environment and conditions. The job is experienced as fun and meaningful. However, we can do more to strengthen the perceived gender equality, for example by working for a more equal gender distribution in leading positions.

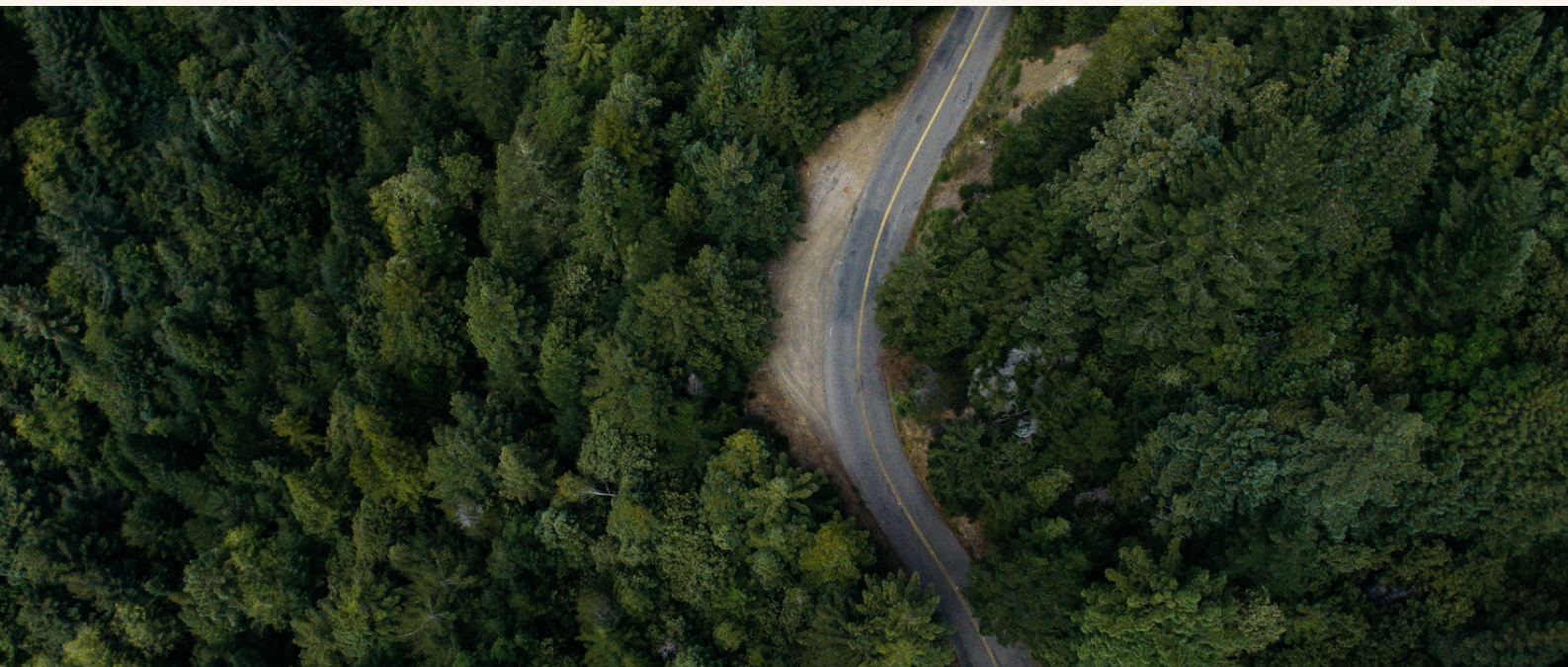
To avoid compromise when it comes to quality, design and sustainability, economic stability is a prerequisite. We are convinced that sustainability brings many business benefits in the long term, however in the short term it entails costs that we must accept to contribute to the necessary adjustments.

SDG 9

Industry, innovations and infrastructure

We have a clear connection to both national and international industry, even though we ourselves do not conduct any production. We work closely with our suppliers of plastic and rubber raw materials and our customer segments are often large producing companies. Thus, a large part of our indirect influence is governed by how these actors conduct their activities.

One of our main competitive advantages is our pursuit of innovation, sustainability and technical knowledge. We replace metal with modern plastic composites, which from an environmental point of view is often a more resource-efficient material than metal. We also strive to be involved and contribute with knowledge in new segments like E-mobility and energy storage.



SDG 12

Responsible consumption and production

Responsible handling of chemicals and waste are key factors in our sustainability work and hence we work actively to ensure good handling both internally and externally. We need to increase the common knowledge of all polymeric materials and promote bio-based and recycled materials. It is a prerequisite for us to be able to convert our offerings to more sustainable solutions. Responsible consumption is also about designing and producing with high quality to last for a long service life.

Our goal is to reduce our travelling emissions by five percent each year by primarily replacing physical meetings with digital ones. When possible, we strive to choose travelling by train over flying.

Until 2019, we measured our travelling footprint every other calendar year, now the measurement is performed annually. The trend has been as follows:

2017: 3079 kg CO₂e
2018: Missing data
2019: 3138 kg CO₂e
2020: 1169 kg CO₂e
2021: 3035 kg CO₂e

In 2020, we managed to lower our emissions significantly due to reduced travel during the pandemic. In 2021, we had slightly larger emissions than planned due to high demand for site visits after the covid restrictions were lifted.

SDG 15

Life on land

Plastic waste poses a threat to forests, the sea, humans and animals. Hence, for many years we have supported various projects and associations that are dedicated to cleaning, saving and conserving ecosystems and biodiversity. We are the Rainforest Association's largest donor and since 2001 we have donated 5 percent of our profits to various projects that are dedicated to saving and conserving rainforests in South America. We are members of the industry initiative Operation Clean Sweep, which aims to prevent and minimise material waste in the distribution chain, especially plastic waste in oceanic and marine environments.

In our statutory sustainability report, we describe tangible activities and goals for each material area.



RISKS AND RISK MANAGEMENT

Based on our material areas, we have analysed which risks could arise and how we will prevent and/or manage these.

If the plastic we distribute is not handled responsibly, there is a risk that it will end up in the nature, which will have negative consequences for the environment as well as for animal and human health. To prevent plastic from ending up in nature, we follow the general provisions for suppliers as per the Swedish Plastics Industry Association and the Plastics and Chemicals Federation for our deliveries. We are also part of Operation Clean Sweep which is a project initiated by Plastics Europe and aims to prevent raw materials waste along the production and distribution chain. The plastics industry must ensure the correct use of its products that are sold and used.

Synthetic plastic and fossil fuels are made from crude oil, a natural resource that depletes over time. As the supply of crude oil decreases, the production and transport costs for synthetic plastic increase. It is also likely that taxes and fees for plastic and fossil fuels will be raised. At the beginning of 2021, a ban on disposable plastic was introduced within the EU and similar bans may also apply to other types of plastic products in the future. However, there are few indications that the total demand for plastic will be decreasing as it constitutes a large and important component in our societies.

To maintain Erteco's viability, we are working proactively to reorganise our offerings so that they consist to a greater extent of bio-based and recycled plastic. We also support research and development to raise the quality of recycled plastic. Regarding our transports and cars, we have begun to investigate the possibility of gradually switching to fossil-free fuels and means of transport.

Interest in environmental issues is increasing sharply and the public's attitude towards plastic is generally negative. Hence it is important that we show existing and potential employees that we take responsibility for the impact that our activities have on the environment. It is important that we are responsive to our employees' demands and expectations in order for us to remain an attractive employer. Other issues that are important for employees are gender equality and good working conditions. We advocate a balance between work and leisure, which is why we give our employees the opportunity to influence the working environment themselves. Today, the majority of our employees are men, but to become a more attractive workplace for women, we offer good opportunities to combine careers and parenthood.

COMMUNITY ENGAGEMENT

We support actors in our immediate areas to broaden our social and environmental responsibility. We provide financial support to organizations such as the Swedish Childhood Cancer Fund in Sweden, Children's Rights in Denmark, Save the Children in Finland and to local sports associations where our employees' children are involved.





OBJECTIVES 2022/2023

Our sustainability work is continuous and we strive to constantly broaden the responsibility we take in both environmental and social sustainability. We have set the following goals for our sustainability work during the year 2022/2023.

- Start formulating long-term, measurable goals for our sustainability work.
- Include questions in our customer survey about their attitude to higher prices in favor of more environmentally friendly transport.



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Our complete and audited sustainability report is available (in Swedish) on our website
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