



ERTECO RUBBER & PLASTICS AB

SUSTAINABILITY REPORT 2022/2023





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ABOUT THE COMPANY

Erteco is one of the largest distributors of plastic and rubber materials in our geographic market. Our materials come from leading manufacturers and meet the highest quality standards. The range of materials includes bulk products such as natural rubber, polyolefins, and engineering resins, as well as more advanced composite materials. Erteco is an entrepreneur-driven and privately-owned company with a strong commitment to developing the Nordic polymer industry.

We are represented in all Nordic countries and the Baltics. Being close to our customers is crucial for providing excellent service. We build long-term relationships with our customers, end-users, and suppliers.



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

Erteco Rubber and Plastics, CEO Carl-Otto Ohlsson



GOVERNANCE

The board and management have overall responsibility for sustainability at Erteco. Managers from each country and business area have been involved in the analysis of materiality areas which form the basis of the work and this report. Our CFO, together with the Sustainability manager, are assigned responsibility for the sustainability report, our CCO is responsible for our ISO certifications, and, together with our CEO, they are in charge of goals and follow-up within the respective materiality areas. We regularly educate ourselves in the field of sustainability. Some of the members of the Board have undergone a course in the new CSRD directive and have conveyed the implications of the new legislation to the rest of the board members. Our Sustainability manager has undergone training in CSRD and our CFO, Sustainability manager, and CCO have completed training in strategic sustainability work and reporting, carried out by sustainability consultants.

We have policies and governing documents related to procurement, quality, environment, occupational health and safety, traffic safety, gender equality, diversity, IT, plastics and chemicals, whistleblowing, data and integrity, as well as a Code of Conduct that includes our expectations for our suppliers. Our quality, environmental, and occupational health and safety policies are in line with ISO 14001:2015 and 9001:2015, where these policies are a requirement. Other policies strengthen our ISO certification by supporting the quality and processes in our operations. All policies are revised annually and are decided by the board. The latest versions are available on our intranet. When introducing new employees, the immediate manager must go through the policies with the new employee and show where all policies are available. Employees are then responsible for staying updated on the latest versions.

We use Acture as a management system for our sustainability work, and we have quarterly reconciliations with sustainability experts. They help us ensure regulatory compliance and goal fulfilment.



MATERIALITY ANALYSIS

We have based our materiality analysis on our customer offering, industry, geographical location, as well as requirements and expectations from our key stakeholders when assessing our ability to contribute to the UN's Sustainable Development Goals (SDGs). We have also considered risks related to the environment, social sustainability, and governance.

The risks are presented in a separate table later in the report. Below is presented the result of our stakeholder analysis and the five SDGs, alternatively referred to as materiality areas, which constitute the focal points of our sustainability efforts. In 2025/2026, we will be subject to the new EU directive CSRD, and we understand that until then, we need to expand our materiality analysis with a double impact perspective according to the guidelines in the ESRS standards.

STAKEHOLDER ANALYSIS

STAKEHOLDER	DIALOGUES	PRIORITY AREAS
Customers	<ul style="list-style-type: none"> Regular physical and digital meetings Biennial survey (last conducted in 2022) 	<ul style="list-style-type: none"> Sustainable transportation Sustainable products Good service & support Accessibility Fast deliveries
Employees	<ul style="list-style-type: none"> Recruitment Survey (2022) Meetings with the entire company twice a year Regular physical and digital meetings 	<ul style="list-style-type: none"> Financial stability Social responsibility Job security Good working environment Competitive employment conditions
Authorities	<ul style="list-style-type: none"> Self-updates on laws and regulations, including the use of Natlikan WSP, Chemical Inspection, and FTI/ Näringslivets Producentansvar 	<ul style="list-style-type: none"> Responsible waste management Responsible chemical management Regulatory compliance
Suppliers	<ul style="list-style-type: none"> Code of conduct Meetings (quarterly meetings with sales, projects, etc., follow-ups) 	<ul style="list-style-type: none"> Promoting human rights Good working conditions Good business ethics High safety

MATERIALITY AREAS

AFFORDABLE AND CLEAN ENERGY (SDG 7)

One of our most important and growing customer segments is companies in the energy sector and their environmental influence forms part of our indirect impact. Emphasizing sustainable solutions and material selection is part of our strategy for sustainable transformation. Since the pandemic (Covid-19), our working methods have become more digital. Our intention is to continue working digitally to a large extent because the energy net is positive when we replace travel with digital meetings.

DECENT WORK AND ECONOMIC GROWTH (SDG 8)

Occupational health and safety are central issues in our sustainability work. Our employees are one of our most important resources, and we are committed to ensuring that they feel safe, included, and appreciated. Economic sustainability is a prerequisite for us not to compromise on quality, design, or sustainability. We are convinced that sustainability brings many long-term business benefits, but in the short term, it entails costs that we must bear to contribute to the necessary transformation.

INDUSTRY, INNOVATIONS, AND INFRASTRUCTURE (SDG 9)

We have a clear connection to both national and international industry, even though we ourselves do not engage in production. We work closely with our suppliers of materials, and one of our customer segments is large manufacturing companies. Thus, a large part of our indirect impact is influenced by how these actors conduct their operations. One of our main competitive advantages is our commitment to innovation, sustainability, and technical knowledge. We replace metal with the modern construction material plastic, which, from an environmental perspective, is often more resource-efficient than metal. We also replace glass with plastic in certain applications.

RESPONSIBLE CONSUMPTION AND PRODUCTION (SDG 12)

The responsible management of chemicals and waste constitutes a central focus of our sustainability initiatives. We actively engage in efforts to ensure effective management both internally and externally. We need to increase public knowledge about all polymer materials and inform that there are bio-based and recycled materials. We also strive to contribute to the development of products that should last longer, thus consuming fewer resources. It is a prerequisite for us to be able to shift our offering to a more sustainable one. Transport is another important factor that we do not have full control over, which is why it is essential that we set requirements for our suppliers.

LIFE ON LAND (SDG15)

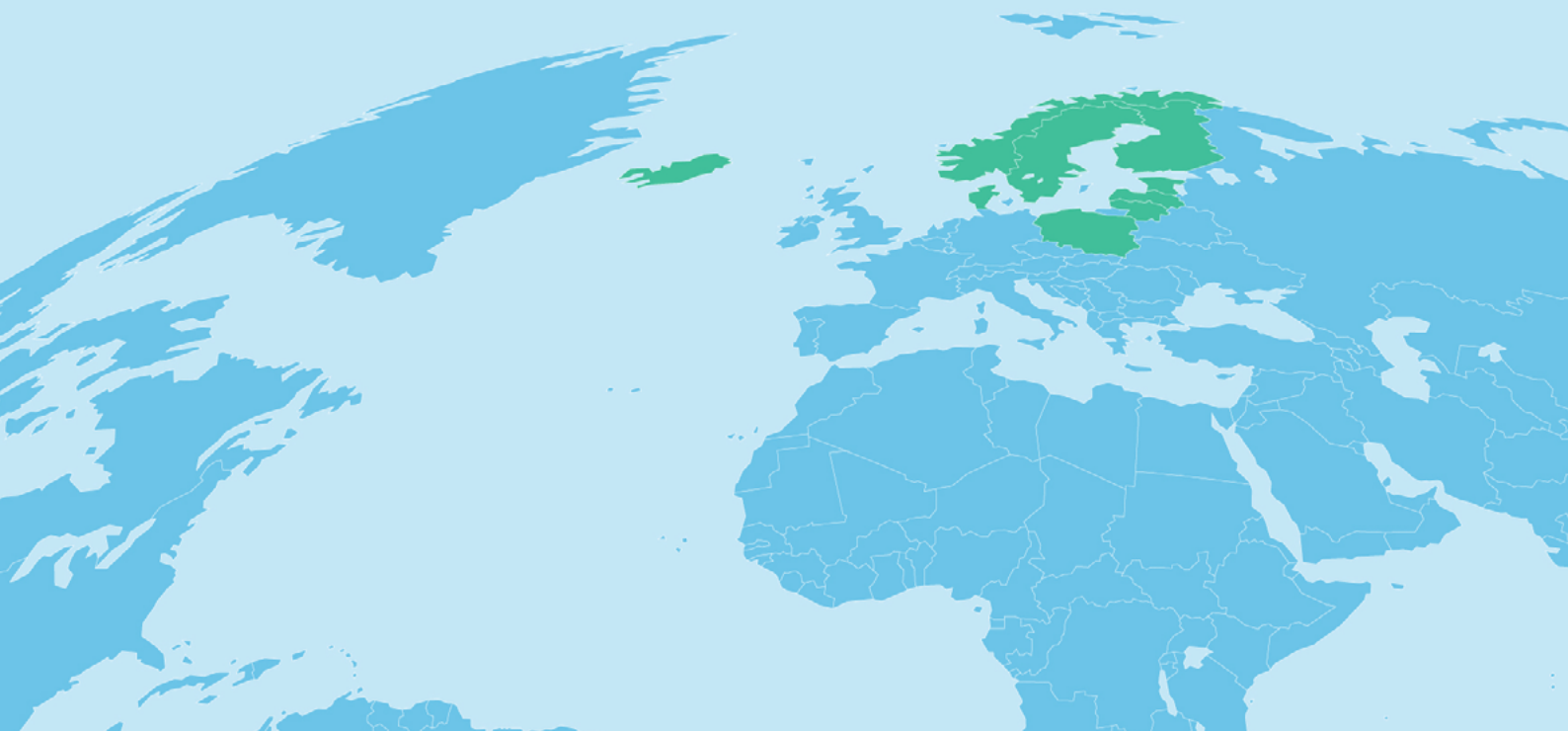
Plastic waste poses a threat to forests and oceans, people, and animals. Consequently, for many years, we have supported various projects and organizations dedicated to cleaning, saving, and preserving ecosystems and biological diversity. We are the largest contributor to the Rainforest Foundation and have donated 5 percent of our profit to various projects dedicated to saving and preserving rainforests in South America since 2001. We are members of the industry initiative Operation Clean Sweep, which aims to prevent and minimize material waste in the distribution chain, especially plastic waste in oceans and marine environments.



OUR SUSTAINABILITY WORK

“Plastic and rubber are materials used in many different products and industries. These materials have several advantages, such as low weight, durability, hygiene, and reusability. However, they also have challenges such as environmental impact, waste management, and health and safety risks. Erteco is well aware of the challenges in the industry and strives to be a responsible and sustainable player in the plastic and rubber industry. One of the major challenges lies in the imbalance between the supply and demand for more sustainable materials. Increased circularity requires better systems from the design stage to the collection of products for recycling. We have the possibility to influence the choice of materials for different applications to promote circularity. We continuously work on improving our environmental performance, reducing our climate impact, increasing resource efficiency, protecting our personnel and collaborators, respecting human rights, and combating corruption.”

CEO, Carl-Otto Ohlsson



OUR RESPONSIBILITY GOES BEYOND DISTRIBUTION

We strive to increase innovation and technological development in our industry to promote sustainable development. We replace metal components in die-cast brass, zinc, and aluminium with modern composite materials resulting in several positive environmental effects. Lower weight is one of the main effects, leading to reduced carbon dioxide emissions during transportation from suppliers to us and from us to customers. The lower weight also reduces energy consumption and carbon dioxide emissions associated with the use of end products, such as in vehicles. Plastic is easy to shape, facilitating and streamlining production. It is also durable and, with responsible handling, can have a long lifespan. Plastic materials have much lower density than metal (e.g., the density of zinc alloy is 6.6 kg/dm³, while plastic's density is 1.69 kg/dm³). Our Tech Center actively works on topological optimization, designing products in a way that maximizes material utilization. This involves using as little material as possible and increasing the durability and lifespan of products. Some challenges that the Tech Center faces include customers requesting materials that can

easily prove lower emissions during production. Simple statistics are often a necessity for customers' own sustainability reporting. The focus is often on CO₂ emissions during the production of materials, making interest lower in, for example, more energy-intensive materials that last longer over time. Assisting customers in considering emissions throughout the product and supply chain is, accordingly, a challenge. We can best help customers and the environment by understanding customers' goals for sustainable materials and then adapting our offerings. Sustainability goals can vary, including a desire for lower emissions, products appearing more environmentally friendly, or reduced product weight.

We are certified according to ISCC Plus to enable the sale of bio-based or recycled materials following the mass balance principle. According to this principle, the fossile feedstock can be fully or partly replaced with bio-based or recycled materials, even if the entire product is not made up of these materials. We are also certified according to PEFC to sell responsibly cultivated natural rubber.



Several of the plastic materials we sell are bio-based, and the crops are grown in desert areas to avoid using agricultural land for food. We are in the process of implementing procedures to encourage our customers to choose bio-based and recycled plastic more frequently. We have developed a material guide, and we continuously train our salespeople so they can explain the environmental impact of various products to customers. Currently, our sales of bio-based and recycled plastic constitute only a small part of total sales, but we aim to increase sales of sustainable materials every year. The development is presented in a table later in the report.

The biggest challenge with the more sustainable materials is the availability. There is a consensus in the entire industry that the supply of sustainable materials is far below what is demanded by customers. The scarcity of recycled materials also drives prices up. Another challenge with materials is that the requirements for properties that customers have do not always meet those of virgin materials. Our customers request data on these materials to trace sustainability to their own sustainability efforts, but these certificates are difficult to obtain from our suppliers. Our ability to influence in this matter will be to clearly inform our suppliers about end customers' requirements and needs to address the gap that exists. Our purchasing department regularly communicates such information to suppliers.

Currently, we also see a limitation in how much information we can obtain from our suppliers regarding data and statistics from their production processes. We will have greater opportunity to follow up on emissions and life cycle information the more suppliers' share information about emission data.

Today, we are one of the largest distributors of plastic and rubber materials in the Nordic market, and with that comes a great responsibility for the supply and management of these materials. Plastics 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 bio-based biological substances.

The challenge with plastic is that it is difficult for nature to break down, regardless of whether it is produced from fossil or bio-based raw materials. For humanity and society to benefit from the many advantages of plastic without harming the environment, we must use plastic in a circular manner, where plastic is reused primarily and recycled secondarily. We must also minimize waste and littering throughout the value chain. As a distributor, we can set requirements, inspire, and educate our suppliers, customers, and society at large. Knowledge is a prerequisite for behavioural change, and there is much to learn about plastic and plastic management.

For us, as a distributor, transport of goods is a significant part of our environmental impact, and therefore, we have begun to explore opportunities for streamlining and alternative means of transportation. The availability of transportation options is very limited today, and we realize that we have difficulty influencing our choices to the extent we desire. There is generally a shortage of freight options, and the more environmentally friendly alternatives do not always meet our customers' needs for high service levels and competitive prices. However, we will continue our search with the goal of finding more environmentally friendly alternatives while maintaining the service level. Our Purchase department is also working to a greater extent on ordering transport with fully loaded trucks and reducing the number of small transports as part of our efforts toward sustainable transportation.

DURING THE YEAR, WE HAVE TAKEN THE FOLLOWING CONCRETE ACTIONS:

- Conducted a comprehensive climate calculation following the GHG* protocol to assess our emissions throughout the value chain.
- Undergone training in CSRD, with one course focusing on the implications of the regulations for the board and another for the company as a whole. The purpose has been to prepare for reporting according to the new directives in the coming years.
- Included questions in our customer survey about customers' attitudes toward higher prices for more environmentally friendly transportation. The survey revealed a desire for sustainable transport but a reluctance to bear the associated costs.
- Replaced 8 company cars with hybrid cars, 1 company car with an electric car, and replaced 1 private car with an electric car, extending the standard leasing period from 3 to 4 years.
- Trained and involved employees in our sustainability efforts. Our sales team has also been visited by several suppliers who provided education on new sustainable materials in their portfolios.
- Launched external communication efforts to educate and inspire both our customers and the general public about sustainability and plastic. This is aimed at increasing demand for sustainable materials.
- Employees have received training on anti-bribery and anti-corruption measures.
- Conducted an organization-wide workshop to compile our current status and ambitions from various functional perspectives.

FOR 2023/2024, WE PLAN TO:

- Begin distributing our updated code of conduct for suppliers. This will be done gradually in connection with contract renewals, and we will document those who have received the code of conduct to track the number of verified suppliers and signed codes of conduct.
- Based on the results of our climate calculation, establish long-term, measurable goals for our sustainability efforts.
- Develop a list of our material types and identify environmentally friendly alternatives or address gaps in such alternatives. Include information about qualities and characteristics.
- Investigate the possibility of obtaining more current and specific data on emissions related to the production of our various material types.

*GHG protocol stands for Greenhouse Gas Protocol, a global standard used to facilitate organizations' reporting of greenhouse gas emissions.

CLIMATE FOOTPRINT

CARBON EMISSIONS SCOPE 1, 2, AND 3

2022/2023	Ton CO₂e
Scope 1 - Direct Emissions	48
Scope 2 - Energy	11
Scope 3 - Indirect Emissions	116 958
Total Climate Impact	117 016
Climate Impact per Million SEK in Revenue	126
Carbon Footprint per Sold Kilogram	6,6

2021/2022	Ton CO₂e
Scope 1 - Direct Emissions	80,1
Scope 2 - Energy	11
Scope 3 - Indirect Emissions	149 437
Total Climate Impact	149 528
Climate Impact per Million SEK in Revenue	144
Carbon Footprint per Sold Kilogram	6,2

The tables show the results of our first two climate audits based on calculations for the fiscal years 2021/2022 and 2022/2023. The climate audit aims to increase understanding of the factors driving our climate impact, enabling us to formulate goals and strategies to reduce our footprint. It also ensures transparency and traceability in our environmental efforts. Every year, we internally work to enhance data quality. By collecting clearer data from our stakeholders, we strive to improve the quality of our reports and decision-making materials.

BUSINESS TRAVEL

Year	Kg CO ₂ e
2022/2023 (financial year)	10 269
2021/2022 (financial year)	11 169
2020 (calendar year)	1 169
2019 (calendar year)	3 138
Carbon footprint per sold Kilogram	6,2

The table shows our emissions from business travel. From 2019 to 2021, we measured emissions per calendar year. In 2021, we have converted to financial years to include the period from January to August 2022, excluding January to August 2021 from the table. However, it should include fewer trips due to COVID. In 2020, travel was nearly nonexistent due to COVID restrictions. The significant increase from 2019 and subsequent years is due to a lack of data and limited calculation methods for the calendar year 2019. We acknowledge that we have not been able to achieve our goal of reducing emissions by 5 percent each year. Going forward, we need to establish strategies to meet the goals and ensure data quality.

COMPANY VEHICLES

År	Kg CO ₂ e
2022/2023 (räkenskapsår)	84,38
2021 (kalenderår)	121,3
2020 (kalenderår)	121,6
2019 (kalenderår)	127,6

The table shows the average carbon dioxide emission volume of our company cars. From 2019 to 2021, we measured the emission volume per calendar year, but starting from this year, we are measuring emissions per financial year. During this financial year, we have replaced 8 company cars with hybrid cars and 1 company car with an electric car.

SALE OF SUSTAINABLE MATERIALS

Year	Percent %
2022/2023	7,52
2021/2022	3,97
2020/2021	1,33
2019/2020	0,02

The table shows the proportion of our total sales represented by sustainable material choices. Our goal is for this percentage to increase each year. Achieving this goal depends on the availability of sustainable materials.

GENDER DISTRIBUTION

	2019/2020	2020/2021	2021/2022	2022/2023
Entire organization, percentage of women	35%	36%	42%	41%
Entire organization, percentage of men	65%	64%	58%	59%
Leadership positions, percentage of women	-	25%	20%	14%
Leadership positions, percentage of men	-	75%	80%	86%

The table depicts the gender distribution within the entire organization and in leadership positions (executive team).

IRREGULARITIES

Year	Reported cases (bribes/corruption)
2022/2023	0
2021/2022	0
2020/2021	0

The table displays the number of reported cases of irregularities in the form of bribes/corruption.

CLIMATE COMPENSATION OUTSIDE THE VALUE CHAIN

To further contribute to the urgent global transition, Erteco has been supporting the Rainforest Foundation's climate project since 2001 by donating 5% of the annual profit. The Rainforest Foundation works to protect the rainforest in the Amazon, Brazil, currently contributing to the preservation of 28 million hectares in northern Amazon and actively combating deforestation in the southern part of the state. The foundation collaborates with and provides support to indigenous peoples and local organizations.

So far, we have not been able to estimate how much rainforest has been protected from massive logging or burning if the project did not exist.

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RISK ANALYSIS

We have based this risk analysis on the type of operations we conduct, our geographical location, and the key resources we depend on. In the course of this risk analysis, we primarily assessed the probability of how potential external risks could impact our operations. Subsequently, we evaluated the extent of the negative consequences from a financial perspective if the risks were to materialize. The risk areas that we have ranked either high or medium in terms of probability or consequence are described in the table below.

RISK	DESCRIPTION	LIKELIHOOD	CONSEQUENCE	MANAGEMENT
Climate change	If the lack of sustainable materials hinders us from adapting our portfolio to sustainability to the extent we desire, it poses a risk of negatively impacting the environment.	Medium	Medium	To discover more sustainable materials for our portfolio, we need to constantly stay updated on available materials, as well as the advantages and disadvantages of their properties. We achieve this through regular training sessions on supplier materials, among other methods.
Pollution	Improper handling of plastic can infiltrate sensitive ecosystems with negative consequences for the health of animals and humans.	Low	High	We adhere to the general regulations of the Swedish Plastics Industry Association and the Plastics and Chemical industries in our deliveries. We have a plastic and chemical policy, we comply with the REACH regulation, and we are certified according to ISO 14001 and 9001. We are also affiliated with Operation Clean Sweep.
Work Environment Deficiencies	If we fail to meet our employees' demands regarding the work environment and equality, we risk not remaining an attractive employer.	Low	High	We advocate for a balance between work and leisure. Therefore, we provide our employees with the opportunity to influence their work environment. We also offer good opportunities to combine career and parenthood.

Intensified regulatory/legal requirements related to sustainability	BPA restrictions have hindered the possibility of selling polycarbonate for applications in contact with food. In 2025/2026, we will be subject to the new EU directive CSRD, which imposes significantly higher requirements on sustainability reporting. We need to work proactively to ensure that we meet these requirements by then. There is a risk to our business if it falls under potential PFAS regulations.	High	Medium	We have listened to our customers and based our offerings on new requirements that customers have made due to BPA restrictions. During the year, we have conducted our first climate audit to understand our greenhouse gas emissions throughout the value chain. We have also changed the structure of this year's sustainability report to begin adapting to CSRD. Regarding PFAS regulations, our suppliers are highly aware of the PFAS proposal and are working to find alternative solutions in products that may be affected.
Lack of innovation/adaptability	Synthetic plastic is produced from crude oil, a natural resource that is depleting, leading to increased production and transportation costs. Taxes and fees on plastic and fossil fuels are also likely to gradually increase. In the beginning of 2021, a ban on single-use plastics was introduced in the EU, and similar bans may also apply to other types of plastics in the future.	Medium	High	We are proactively working to adapt our offerings to consist of a larger proportion of bio-based and recycled plastic. We have also started reviewing our transportation and service vehicles to gradually transition to fossil-free fuels and transportation methods.
Changed Customer Behaviour	Public attitudes toward plastic can quickly shift due to new political discussions and media perspectives, making it challenging for us to convey a nuanced image of our material, even if it is sustainable.	Medium	Medium	We continue to work on transitioning our portfolio to include the sustainable materials in demand and informing customers and the public about our material, as well as the positive characteristics and benefits of plastic.



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