

Sustainability Report 2020

Ekman & Co AB



EKMAN



Ekman

The goal of sustainable development is to meet the needs of the present without compromising the ability of future generations to meet their needs.

This sustainability report provides information about the development, position and result of Ekman¹, as well as the consequences of doing business in regards to our personnel, anti-bribery and corruption, human rights, social responsibility and environment conservation.

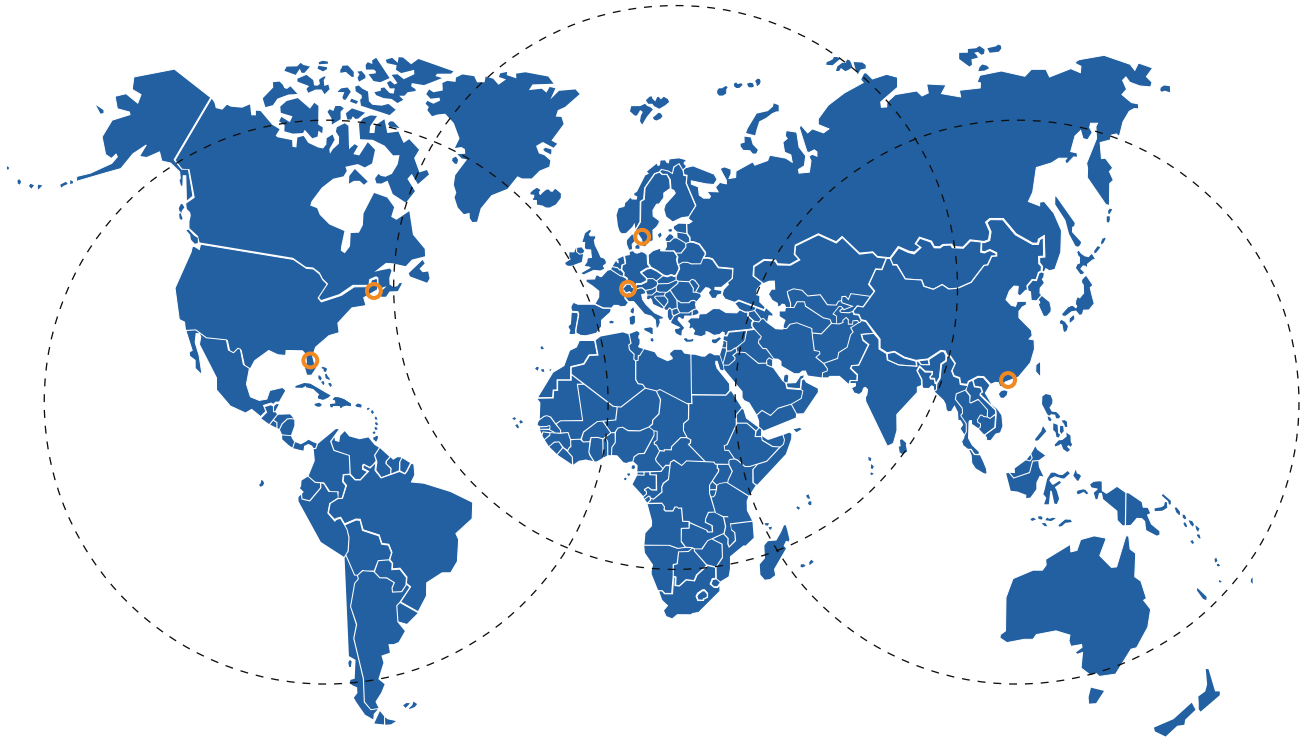
This report was issued by the Board of Directors of Ekman & Co AB on March 23, 2021 and covers Ekman & Co AB and all of its subsidiaries.

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¹ "Ekman" shall in this document mean Ekman & Co AB and its affiliates and subsidiaries; sometimes referred to as the "Ekman Group".

Ekman around the world



Bringing the world to your business
Ekman serves about 200 countries worldwide



Pulp



Paper & Packaging



Recovered Materials



Bioenergy

Incorporated in **1802**

~300 employees

About **40** locations

~4.3 million tons/year

This is Ekman

Around the globe, companies turn to Ekman for market guidance and knowledge.

Since our incorporation in Sweden 1802, Ekman has earned a solid reputation for reliability, competence and service. Our highly competent and motivated staff, long history in the marketing and sales of forest products, and experience in creating solutions for related financial and logistical matters, help us live up to this reputation.

Ekman offers a wide range of services, covering the entire forest products supply chain and we contribute valuable market intelligence to each stage of our business partners' enterprises.

Operations are coordinated from our hubs in Gothenburg, Miami, Hong Kong, Zurich and Wall. We are represented in over 100 countries and our own sales offices in about 40 locations worldwide, in close cooperation with an international network of partners and representatives, ensure a strong presence throughout the world in all producing and consuming areas for the forest industry.

As a trading house Ekman is, by its very nature, a flexible and responsive entity. For more than two hundred years we have assisted our business partners in making the most of change. We understand that few things are as constant as change, and that change is a natural part of business development. To be successful, we must be able to identify trends and developments and communicate this knowledge to our business partners.

At the core of Ekman's strategy is our focus on building long-term partnerships with business partners. The transparency we operate under has proven to be a successful shift in the way our industry has historically conducted business. Our partners value close and mutually beneficial relationships. Ekman strives to deepen its long-term relationships with existing partners and seek to develop opportunities through new partnerships.

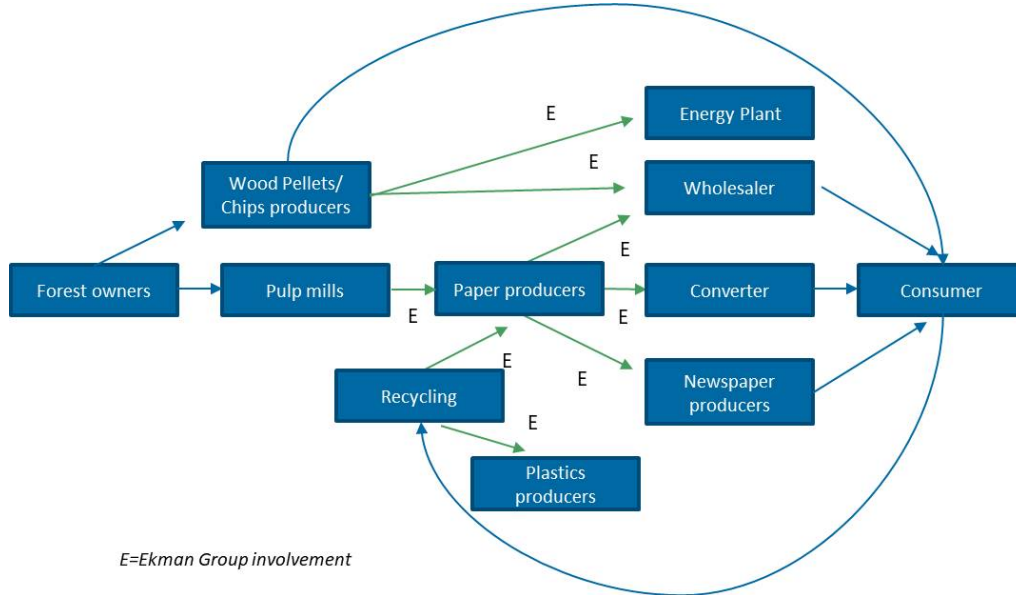
In short, we understand the forest products industry and help our business partners maximize their efficiency in this challenging market.



Stakeholders and risks

Management has a constant focus on minimizing risks which could impact the financial health or reputation of the company as well as that of our various stakeholders.

Ekman Group involvement in the forest industry value chain



STAKEHOLDER	PERSONNEL	ANTI-BRIBERY AND CORRUPTION	HUMAN RIGHTS	SOCIAL RESPONSIBILITY	ENVIRONMENT
OWNERS	Healthy, happy and skilled employees for future success and business growth	Compliance with laws to protect reputation and prevent loss of funds	Compliance with laws to protect reputation and prevent loss of funds	Good reputation	Business sustainability
EMPLOYEES	Safe and healthy work place, with equal treatment and opportunity	Legal and ethical work environment and job security	Legal and ethical work environment and job security	Socially responsible work environment	Environmentally friendly work place and company
SUPPLIERS	Skilled personnel	Business partner with integrity, quality and ethics	Business partner with integrity, quality and ethics	N/A	Certified products
CUSTOMERS	Skilled personnel	Business partner with integrity, quality and ethics	Business partner with integrity, quality and ethics	N/A	Certified products
OTHER BUSINESS PARTNERS	Skilled personnel	Business partner with integrity, quality and ethics	Business partner with integrity, quality and ethics	N/A	Business sustainability
BANKS, FINANCIAL INSTITUTIONS	Skilled personnel	Business partner with integrity, quality and ethics	Business partner with integrity, quality and ethics	N/A	Business sustainability
AUTHORITIES	Compliance with local and national labor laws, diversity, equality and anti-discrimination laws	Compliance with laws to prevent corruption	Compliance with laws to protect human rights	N/A	Business sustainability
SOCIETY	Job opportunities	Compliance with laws to prevent corruption	Compliance with laws to protect human rights	Benefits in different ways in form of contributions, charity work, sponsoring	Reduced negative impact on the environment

Directors' Report

Significant events during the financial year and afterwards

2020 was a year marked by huge uncertainty, largely as a result of the ongoing coronavirus pandemic that has caused disruption both in the global economy and in local and regional supply and demand patterns. Paper products were affected very differently, mainly depending on product segment, but also depending on geographical market as the repercussions of the pandemic and local policy decisions affected the markets to varying degrees and extent.

Demand rose sharply for products related to controlling the spread of infection, disposables in the healthcare sector and food packaging materials. On the other hand, demand plummeted in other segments such as office paper and products related to restaurant business. Overall, paper products were less affected by the pandemic than many other industries and in general, the need for forest products actually increased as a result of the pandemic.

The market price for paper pulp rose sharply in the latter part of the year. In addition to the increased demand in certain paper segments, prices were also affected by some temporary loss of production capacity.

Similar to the situation for paper pulp, the Group's paper product sales were also affected depending on segment and area of use. Demand in the Group's focus area, containerboard, was strong during the year and sales volume was up year-on-year.

For recovered paper, which accounts for a significant share of the Group's volumes, the challenges relating to coronavirus were huge during the year. Both the generation and collection of waste paper was negatively impacted by various societal lockdowns. This created huge volatility in prices and changing export conditions. However, the market recovered slightly during the latter part of the year.

The pellet market has also presented challenges over the past year. Prices were already low at the beginning of the year and have been squeezed further over the course of the year.

Overall, business has been strong in 2020 and the Group has benefited from its global diversification, many years of experience and strong business relationships allowing it to manage the impact of the huge uncertainty that prevailed in the markets particularly during the initial phase of the pandemic.



5 year ratios

Five year summary

A summary of financial ratios spanning the past five years is presented below.

Financial information is prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and the general advice of the Swedish Accounting Standards Board (Bokföringsnämnden) in its standard BFNAR 2012:1 Annual Reports and Consolidated Accounts ("K3").

SEK million	2020	2019	2018	2017	2016
Revenue, including agency commissions	18,429	19,576	22,050	20,331	17,031
Profit after financial items	107.06	-10.0	85.2	82.8	52.5
Net profit for the year	69.1	-38.9	54.3	59.5	28.6
Total assets	2,137	2,771	3,267	2,447	2,208
Equity	483.1	426.8	480.5	446.2	398.7
Return on equity, %	15.2	-8.6	11.7	14.1	7.3
Equity ratio, %	22.6	15.4	14.7	18.3	18.1
Average number of employees	298	301	296	283	279

Definitions

"Net profit for the year" refers to the net profit attributable to the Parent Company's shareholder

"Equity" refers to the equity attributable to the Parent Company's shareholder

"Return on equity" is calculated as income before taxes less the share due to non-controlling interests, divided by average total equity

"Equity ratio" is calculated as total equity attributable to the Parent Company's shareholder divided by total assets



Our personnel

Key focus: Provide a safe and healthy work environment, promote diversity and equal treatment and encourage employee development and advancement.

Ekman values a safe and healthy workplace with equal opportunity for employment, development and advancement for all employees, and considers the employees its most important resource for future success and continued growth. Ekman strongly believes in the concept of "decent work". This includes physical protection, well-being of people at work, contributions toward a broad social goal of diversity and equal treatment, work security, as well as providing employees with support to enhance personal skills and potential. Ekman is diverse along many dimensions. This diversity encompasses differences in employees' ethnicity, nationality, gender, language, age, religion, socio-economic status, thinking styles, experience, and education.

The main risk regarding personnel and labor is loss of key personnel, including not being able to attract, recruit and keep qualified employees. Other risks involve not keeping employees safe and healthy which could result in high employee absenteeism and low morale. This combined with lack of opportunities for development and advancement could lead to a non-motivated and non-skilled workforce. Compliance with labor laws are crucial to prevent an unfair work environment and the risk of monetary loss in forms of fines and penalties. Lack of diversity is also a risk in that this would put Ekman at a disadvantage in the international marketplace.

In order to attract and keep personnel satisfied, a healthy, safe, diverse and equal work environment is defined in the Ekman "Code of Conduct" and "Human Rights Policy". To confirm compliance with labor laws, the company is kept up-to-date through continued education, and support from external professional expertise. As a global player, the company recruits people from/in different countries. Ekman believes that employees from many different cultural, linguistic and national backgrounds provide the group with valuable knowledge for understanding complex international markets which adds value for the customers. Employees are recruited in the local markets and countries in which Ekman operates. A more skilled workforce enhances the organization's human capital and contributes to employee satisfaction, which correlates strongly with improved performance. Hence, Ekman employees are encouraged to strive for personal and professional development and both internal and external training is available and encouraged. To encourage improvements and further development, the company also has a toolbox for personal annual reviews and follow-up meetings between managers and employees.

Early in the year additional functions to the Group's digital platform were launched. The platform is an important tool facilitating communication internally and externally, used to share business experience and knowledge. It supports collaboration and information sharing, has chat functions and enables video meetings. It is also used for participating in company sponsored events and webinars for additional learning.

To further attract, retain and motivate ambitious employees, Ekman has successfully completed several programs. The recurring Mentor Program and Leadership Training Program offered specific focus and included employees from all parts of the world, with different backgrounds and different professional orientations.

The intent of the programs is passing on and sharing experience within the group with employees for personal development and possible future key positions.

Ekman truly believes in passing on and sharing experience and knowledge. This is the essence of the Mentor Program and constitutes an important part of how sales managers, and managers in other areas, engage younger or more inexperienced personnel, for continued development.

The recent Trainee Program has been successfully completed and the overall evaluation by both trainees and managers was very positive. All trainees completed the 18 months long program, with learning experience on three continents. Since the beginning of 2020 the trainees are working in solid, relevant job positions within various divisions of Ekman.

From the outset of the Covid pandemic immediate protective measures were taken. Group wide as well as local recommendations were implemented. With a clear focus on health and safety of employees as well as continuity of operations, two special task forces were formed; the Ekman Corona Communication Team (with focus on HR matters) and the Ekman Corona Commercial Group (with focus on business matters). The various Ekman communication platforms were actively used and facilitated an open and frequent dialogue with and within all parts of the Group. Beside the two dedicated task forces, the CEO engaged personally in systematic and direct communication with a large number of employees which generated both trust in the measures taken and very important feed-back to management. In order to reduce risk in all aspects meeting and travel restrictions have been implemented and working from home has been facilitated as well as encouraged.

In 2019 the “Ekman Digital Inspiration Team” was created. The mission for the team is to give inspiration and to create awareness around Ekman’s development in a digital world. The team consists of eleven members from different offices and in different roles, and tasks include creating digital change across the organization, bridge any cultural obstacles to digital change and be the forum where innovation is handled. A bonus will be attracting millennials by being digital – without losing other generations.

Personal annual reviews and follow-up meetings are encouraged globally.

No cases of discrimination have been reported to the Ekman Whistleblowing service.

It is all about the people



Anti-bribery and corruption

Key focus: Provide an ethical work environment and assist in preventing bribes and corruption in the supply chain.

Ekman's history and reputation for transparency and fairness provide the platform for strong partnerships around the world. Ekman believes openness and trust are key factors, as well as integrity and ethical behavior. Ekman's business is global and involves transactions in different countries, cultures and markets. The company has a long-standing commitment to conduct its business in compliance with applicable laws and regulations where it operates and in a manner consistent with the highest ethical principles. Suppliers and customers are expected to comply with anti-corruption laws and regulations (as specified in the "Ekman Code of Conduct for Business Partners" found on ekmangroup.com) and Ekman will sign their Code of Conduct upon request.

The existence of corruption is a global reality and the risk of corruption is therefore something that needs to be considered by anyone doing business on a global basis and especially when dealing with so called "high corruption risk countries". Bribery and corruption in the supply chain could seriously damage the reputation of Ekman, prevent fair competition, create an unethical work environment and could result in monetary loss and fines. Ekman's zero tolerance and internal education in this matter ensure that the risk of corruption and bribery is eliminated as far as possible. The risk and compliance program implemented in 2019 was further improved during 2020, with additional features. The program screens business partners for flags and adverse media for sanctions, bribery and corruption, as well as for crimes against human rights and the environment. To monitor the work with compliance, risk assessments and internal reviews are performed continuously.

To deter bribery and corruption and to increase employee awareness of fraud in general as well as promoting ethical behavior, Ekman has a global Compliance Program in place. A Compliance team is responsible for keeping compliance policies up-to-date (including "Code of Conduct", "Anti-fraud, Bribery and Corruption Policy", Trade Compliance Policy and "Whistleblowing Policy"), offering employee training, performing investigations if needed and monitoring of the program. A third-party administered web-based whistleblowing service is in place, for anonymous and confidential reporting of corruption and other fraudulent and unethical behavior. The members of the compliance team also receive continuous anti-corruption training and are members of the ACFE (Association of Certified Fraud Examiners), the IIA (Institute of Internal Auditors), TI (Transparency International), NBEN (Nordic Business Ethics Network) and SCCE (Society of Corporate Compliance and Ethics).

Employee training in anti-bribery and other trade compliance issues is on-going and global. To ensure employee training participation and understanding of training subjects, tests are mandatory and documented.

New for 2020 is the creation of the "Ekman Ethics Committee" which consists of top management, the compliance team and legal counsel.

Human rights

Key focus: Provide an ethical work environment and assist in preventing crimes against human rights in the supply chain.



Ekman's business is global and exposed to various risks via business transactions in different countries, cultures and markets. Ekman is committed to live by the highest ethical standards, and expects the same from its partners. Suppliers and customers are expected to comply with all human rights laws and regulations (as specified in the "Ekman Code of Conduct for Business Partners" found on ekmangroup.com) and Ekman will sign their Code of Conduct upon request.

Having said that, the risk of crimes against human rights is in indirect connection with business partners, where Ekman has little power or ability to confirm that principles are conformed to by other parties.

Labor rights are regarded as human rights and companies can work on these by ensuring non-discrimination in personnel practices, by ensuring that they do not use direct or indirect forced labor or child labor, by guaranteeing freedom of association, providing safe and healthy working conditions, by strategic social investment and philanthropy and by making reasonable accommodations for all employees' religious observance and practices.

Ekman is supporting labor rights/human rights by providing employee handbooks, offering benefits and training, having a company "Code of Conduct", "Human Rights Policy", "Anti-fraud, Bribery and Corruption Policy", "Social Responsibility Program", as well as following national and local labor laws. It also includes protecting personal privacy and following occupational health and safety procedures, as mentioned above in the Personnel section and below in the Social Responsibility section. The risk and compliance program implemented in 2019 was further improved during 2020, with additional features. The program screens business partners for flags and adverse media for crimes against human rights.

Corruption is also a human rights issue. Whichever form it takes, large or small, corruption results in countries not fulfilling their human rights obligations and in people not enjoying their rights. As mentioned in the Anti-bribery and Corruption section above, Ekman has a Compliance Program in place including an "Anti-fraud, Bribery and Corruption Policy", employee training and Whistleblowing service, to help prevent corruption.

Any crimes against human rights in the supply chain could seriously damage the ethical reputation of Ekman and could result in a loss of funds in forms of fines and penalties.

No cases of crimes against human rights have been reported to the Ekman Whistleblowing service.

Social responsibility

Key focus: Encourage involvement in local causes to benefit local communities and society in general, as well as improve employee involvement and satisfaction.

Due to size, Ekman does not have a big impact on the local communities in which the company operates, apart from providing job opportunities/securities.

The company does not see any essential risks associated with this area of sustainability, however, social responsibility is becoming a more important issue to the company itself, its employees and stakeholders and society in general. In order to create a positive work environment, maintain company reputation and to have a positive impact on recruiting and keeping key personnel, offices and subsidiaries worldwide are encouraged to engage in causes which will benefit society, as suggested in the "Ekman Social Responsibility (CSR Program)".

Ekman has always provided support for various causes, and activities are more structured in the CSR Program which was implemented in 2018. Due to the Covid-19 pandemic, most corporate social responsibility during 2020 focused on the safety and well-being of the employees.

Apart from intra-company and external support with Covid-19-related protection items, this year's support by Ekman Group companies includes money, items and/or time donated to various causes and organizations, such as donation of a large number of face masks to Svetlogorsk Central Hospital and the Republican Scientific and Practical Center of Pediatric Surgery (Group donation), supporting the volunteer organization Soroptimist's work for girls and women globally (Oregon, US), donation of face masks to workers at a local mill (Belarus), volunteering at the Cutting Edge Health Team/Flannel check and Community Benefit Tree, volunteer work at and support of Feeding America, Fox Cities Hygiene Drive and Habitat for Humanity (Wisconsin, US) donation to a sports association for the disabled (Australia), support of a local NGO association helping/supporting children in the Raval area of Barcelona (Spain), sponsorship of a local handball club and enabling an On-the-job-training opportunity (Denmark), donation of hygiene products and funds to the retirement home "Assistência Vicentina Lar Bussocaba", monthly volunteer work at and donation to "Instituto Velho Amigo", donation of hygiene products and food to people in need (Brazil), support of local no-profit associations assisting elderly and disabled persons, donation to research institutes for heart disease and cancer treatment, supporting a shelter for abandoned dogs, regular blood donations in Milano (Italy), support of Saint Jude's Children Hospital, the Make-a-wish Foundation and Salvation Army Angel Tree Program and annual sponsors of the West Coast Pulp Charity (Florida, US), regular donation to organization supporting those who suffer from serious illness and poverty (South Korea), donation and support to the Gothenburg City Mission and sponsor children in Ethiopia and Uganda, sponsorship of BMCT cycling team (Sweden), sponsorship of local handball player (Switzerland) and more.

The company had chosen a building project with *Habitat for Humanity*, which should have taken place in Portugal in April 2020. Due to Covid-19 the event was postponed.



Environment

Key focus: Promote the sustainable forestry industry.



The environmental dimension of sustainability concerns an organization's impact on living and non-living natural systems, including eco-systems, land, air and water, and is of utmost importance for the future. The very nature of Ekman's business is trading in sustainable, recyclable and renewable resources. In addition to pulp and paper, the company also trades in recycled products and bioenergy – both divisions promoting an enhanced circular economy. Ekman's recycling division plays a role marketing recycled material and the overall industry helps avoid filling landfills or burn facilities. Ekman encourages all local offices to become more environmentally conscious as suggested in the "Environmental Policy" (including recycling, saving electricity, using eco-friendly products etc.).

The main environmental risk is that the use of non-certified products in the supply chain could be from sources that are not managed in a sustainable manner. In order to promote the sustainable forest industry, certified products are marketed/traded and customer awareness of such products is increasing. The Ekman Group has the following certifications related to environmental sustainability.

FSC® (Forest Stewardship Council), FSC® license codes FSC-C013203, FSC-C103598, FSC-C106172, FSC-C016305; an internationally recognized certification scheme in place to ensure the responsible management of the world's forest;

PEFC™ (Program for the Endorsement of Forest Certification); an international non-profit, non-governmental organization dedicated to promoting sustainable forest management;

ENplus (through The European Pellet Council); a certification system in place to ensure defined and even quality. To ensure that wood pellets traded are of high and even quality, both the production itself as well as the logistics and delivery routines are monitored; and

SBP (Sustainable Biomass Program); an economically, environmentally and socially sustainable program for the woody biomass supply chain.

RCS (Recycled Claim Standard), license code CU1071172; an international, voluntary standard that sets requirements for third-party certification of Recycled input and chain of custody. The goal of the certification system is to increase the use of Recycled materials.

Several of the Ekman entities spread around the world are certified and the company can handle certified products in the above mentioned programs in all major global markets. Although trading in certified products only represents a part of the company's business today, more certificates and more sites continue to be added. Some Ekman offices are also ISO 9001 certified.

The aspects of transport of goods from supplier to customer also represent an area in which the company's business further impacts the environment, although through other parties such as suppliers of logistics services. The main shipping lines used globally by the company are certified, signatories of the UN Global Compact, and committed to contribute to "UN's 2020 Agenda for Sustainable Development".

In 2020, Ekman made a small investment in Bright Day Graphene. Bright Day Graphene uses a residual product from the forest industry and transforms it into a high-quality graphene material, suitable for energy storage and other applications. The goal of the company is to enable a sustainable energy society. With Ekman's trading house experience and a global network within the forest industry, Bright Day Graphene is a very interesting investment for Ekman going forward.

If Ekman makes transactions with an existing business partner whose activities prove to have significant negative effects on the environment, Ekman will actively encourage them to reduce such effects. If Ekman should be offered transactions with a new business partner whose activities have significant negative effects on the environment, Ekman will actively encourage them to reduce such effects or abstain from making business with such a partner.



"Ensure healthy lives and promote wellbeing for all at all ages."

- *Code of Conduct
- *Safe work environment
- *Adherence to labor laws



"Ensure inclusive and equitable quality education and promote life-long learning opportunities for all."

- *Professional development
 - *In-house training
 - *Mentor Program
 - *Leadership Program
 - *Trainee Program



"Achieve gender equality and empower all women and girls."

- *Diversity and Equality Policy
- *Anti-Discrimination Policy
- *Human Rights Policy
- *Women in management



"Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all."

- *Code of Conduct
- *Annual reviews
- *Whistleblowing service



"Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification and halt and reverse land degradation and halt biodiversity loss."

- *Trading in certified products
- *Trading in renewable products
- *Environmental Policy
- *Enhanced circular economy

As a trading company and due to size, Ekman does not have a big direct impact on the UN Sustainable Development Goals globally. The company's aim is for continual improvements, specifically in the areas above, with focus within the organization and the local communities in which we operate.

*Ekman activities



Auditor's report on the statutory sustainability report

To the annual general meeting of shareholders in Ekman & Co AB, corporate identity number 556020-4595

Engagement and responsibility

It is the Board of Directors who is responsible for the statutory sustainability report for the financial year 2020 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 *The auditor's opinion regarding the statutory sustainability report*. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Gothenburg, 23 March 2021

Deloitte AB

Signature on Swedish original

Hans Warén
Authorized Public Accountant