



ERIKS 2019 Sustainability report

Let's make industry work better

ERIKS

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CEO Welcome

Population growth, scarcity of natural resources, rapid technological development and climate change are having a profound impact on our society. Industries are increasingly facing the challenge of doing more while using less. At ERIKS, we want to make a positive contribution by making industry more efficient and sustainable. In other words: we want to make industry future proof.



Making industry future proof is the essence of what we do. It is about supplying our customers with components that perform better and that are made of materials that last longer. This starts by making the right choice in material and type of product out of the estimated 900,000 products we have on offer. Our experts can provide advice or, alternatively, customers can choose themselves by using one of our online tools, such as the new Motor Calculator Tool, which allows to see how much energy and carbon emissions can be reduced when opting for a more efficient motor.

Making industry future proof is also about identifying how industrial processes can be improved. We can do this by conducting site-scans and surveys at our OEM and MRO clients' facilities. An even more innovative approach to process improvement is taken in our recently launched Joint Improvement Program (JIP) in which we solve problems by visiting a customer's location with a team of experts - each with different skills and experiences. This pressure-cooker methodology has already led to impressive results at a number of clients.

Ensuring uptime for our customers is another way we 'future proof' industry. We do this, for example, by offering engineering, maintenance and overhaul services that allow to prolong the life span of equipment. We also offer our customers so-called smart asset management, which involves sensing and monitoring a plant's processes, so we can measure performance and, in some cases, even predict when components are about to fail. This gives industrial companies more control over their production line, decreasing downtime and making them less wasteful. To enable these services, we continuously innovate and invest in digitalization and the use of new technology. Because we firmly believe that a future proof industry is one that uses the newest technology to decrease its footprint.

In addition to supporting our clients to become more efficient, we become more sustainable ourselves. This starts by setting ambitious targets measured against a globally accepted standard. All our targets for 2020-2030 are linked to the United Nations

Sustainable Development Goals (SDGs) that were determined in the 2015 Paris Agreement. The most specific SDGs that are linked to our key sustainability goals are 'Decent work and Economic Growth' (8), 'Climate Action' (13) and 'Partnerships for the goals' (17). A lot of our work is linked to other SDGs as well, but we believe that by bringing focus we can be more impactful.

This approach is demonstrated by the fact that we are already operating carbon neutral in the Netherlands, one of our largest markets, by lowering our energy use and offsetting our remaining footprint. We have now set the goal to reduce our overall carbon emissions by 30% in 2030, in line with the Paris Agreement. This challenge is actually harder than it sounds, because many of our companies are already using renewable energy sources. In 2019, we increased our yearly green energy consumption by 10%, making the total now 55%. A number of sites migrated to 100% green electricity and we partnered with Rooftop Energy (an NPM Capital participation – also part of SHV) to install solar panels on the roof of our new production location in Ede.

The topic of Health and Safety is also an important feature in this report. Improving safety is an ongoing effort and responsibility for all of us at ERIKS. I am very pleased to see that our continued work in this field has led to positive results during the past years, which is demonstrated by our Lost Time Incident Rate (LTIR) that is historically low, as well as the fact that we have had zero life changing injuries in this year. This will also continue to be our target until 2030: Zero life changing injuries. Since 2016, we have observed a 49% decrease in LTIR. In 2019, we continued to invest in safety, with a successful first phase implementation of ISO 45001 certification which represents an important milestone in the further professionalization of Health & Safety management at ERIKS.

Another important topic of improvement is the diversity of our workforce. Many initiatives are taken to become a more diverse company and we have committed to have 35% of women in senior leadership positions and at least one member of senior committees being a 'foreign national'.

As in previous years, our colleagues worldwide undertook a variety of initiatives – big and small – related to sustainability and CSR. Actions such as the annual tree planting in Belgium and the repairs and repainting of the walls of the school playground for Songjiang Auxiliary School in Shanghai China, contribute to the communities we live and work in - and also reflect our family company spirit. Some of our 2019 charity work was linked to sports activities, which traditionally play an important part in life at ERIKS. Our bodies and minds were strengthened by the many sports events that our companies around the globe competed in. We can safely conclude that, concerning sports, ERIKS is predominantly an endurance sport company, given the many people competing in running, cycling and speed skating. As of 2020, the CSR initiatives at ERIKS will focus on the topic of education.

The evidence of our future proof approach, as well as more explanation on the above-mentioned examples, can be found in the many stories that this 2019 Sustainability Report contains. For the first time we are going fully digital with our report, also stressing our commitment to reduce our impact. I hope you enjoy reading it as much as I did.

About ERIKS

ERIKS offers a wide range of mechanical engineering components and technical services across all sections of industry. Over the last eight decades, we have built up extensive knowledge in sealing & polymer, engineered plastics, flow control, industrial & hydraulic hoses, gaskets, power transmission and tools, maintenance & safety.

Our technical know-how is our major strength. Our skilled people are located worldwide, helping customers in their original equipment manufacturing or maintenance and overhaul operations. We apply our skills, knowledge and expertise to make industrial companies work better, increasing their efficiency, while continuously challenging both them and us to continuously improve.

We strive to reduce our clients' cost of ownership, making their businesses work better and more efficiently. Our customized products help businesses optimize their operational costs and produce more sustainably and efficiently. We look for opportunities to apply our products and services to facilitate innovative, high quality and productive industry performance. We manufacture, test and develop new products at a number of our sites, for example at our Elastomer Research facility in Deventer, the Netherlands. Our digital office in Amsterdam focuses on digitalization and developing 'Industry 4.0' services.

ERIKS is part of SHV, a family company founded in 1896 that consists of seven group companies. We take our values from SHV's Corporate Philosophy, which is the 'glue' that holds us all together:

- growth through performance
- go for niche and market share
- invest in people
- keep things simple
- listen, learn and react
- look for the unusual
- manage change



FOUNDED 79 YEARS AGO
IN ALKMAAR



7,261 EMPLOYEES:
5,305 MALE;
1,590 FEMALE



OVER 300 BRANCHES
IN 18 COUNTRIES



APPROXIMATELY €1.9 BILLION SALES



900,000 PRODUCTS AVAILABLE



3.5 MILLION SHIPMENTS PER YEAR

900,000 Products Available

Approx. €1.9 Billion Sales

OUR CUSTOMERS are Based in Eight Main Groups



POWER GENERATION AND WASTEWATER RECYCLING



FOOD AND PHARMACEUTICALS



MACHINE AND EQUIPMENT CONSTRUCTION



OIL AND GAS



PETROCHEMICALS AND REFINERIES



PRIMARY INDUSTRY



TRANSPORT, AVIATION AND MARITIME



UTILITY AND HVAC

2019 Sustainability Highlights

Governance



2,665 EMPLOYEES TRAINED IN ANTI-BRIBERY AND CORRUPTION/GIFTS AND HOSPITALITY IN 2019 **EXCEEDING OUR TARGET BY 50%**



812 EMPLOYEES TRAINED IN TRADE COMPLIANCE **EXCEEDING OUR TARGET BY 44%**



164,000 CUSTOMERS SCREENED

People



80% DECREASE IN LOST TIME INCIDENTS SINCE 2016



442 SAFETY VISITS BY MANAGERS



35,722 TOTAL TRAINING HOURS



562 NEAR MISSES REPORTED (25% REDUCTION SINCE 2018)

Prosperity



ACHIEVING OVER €1.3 MILLION IN ENVIRONMENTAL SAVINGS FOR OUR CUSTOMERS



€10.7 MILLION ENVIRONMENTAL SAVINGS FOR CUSTOMERS SINCE 2016



SAVED A SINGLE CLIENT UP TO €80,000 ANNUALLY IN A SUSTAINABILITY RELATED INITIATIVE

Planet



12% REDUCTION IN TOTAL INDIRECT ENERGY PURCHASED



35% INCREASE IN DISTRICT HEATING



4% DECREASE IN TOTAL DIRECT EMISSIONS



13% DECREASE IN SCOPE 1 & 2 EMISSIONS FROM 2016 BASELINE YEAR

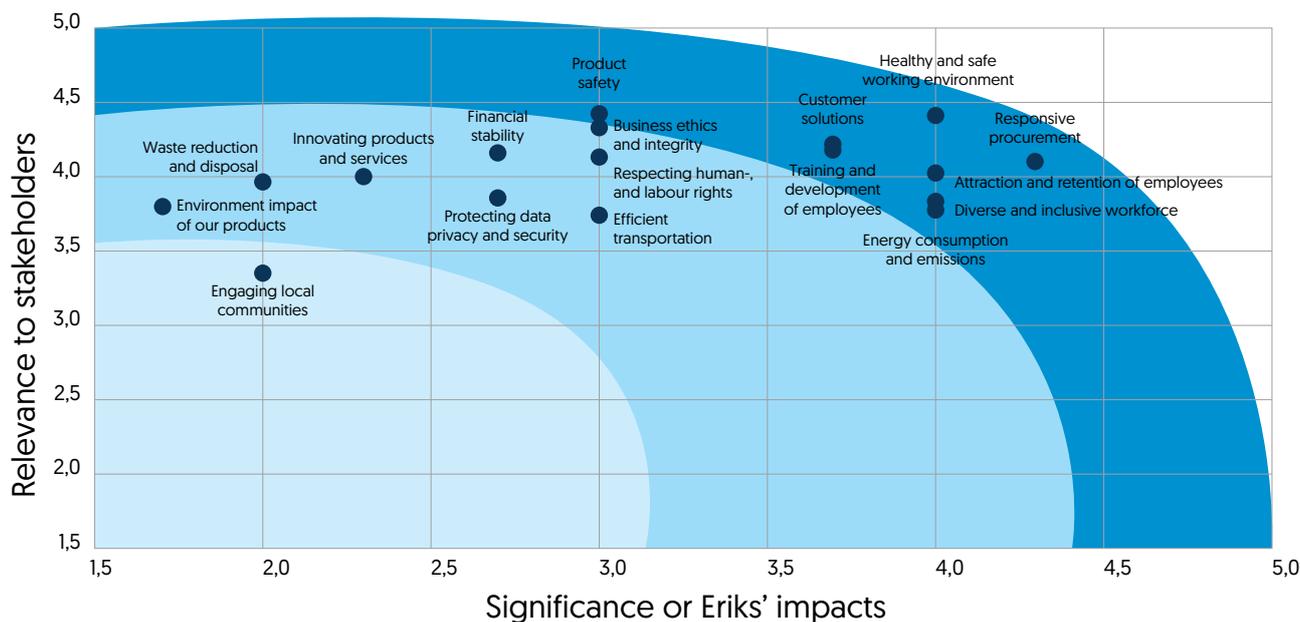


4 YEARS – ERIKS NETHERLANDS MAINTAINS CARBON NEUTRAL STATUS

Our Sustainability Strategy

Ensuring that our sustainability vision is aligned with our business strategy is a fundamental step towards achieving our goals. Carrying out a materiality assessment is a way to identify, understand and prioritize the topics that influence our business, the issues of importance to our stakeholders and where we can add value. The assessment also helps us determine the data we should collect, analyse and act upon. The materiality assessment is a guide to help us refine our strategy and reporting approach, ensuring we meet the needs of our stakeholders.

In 2019, we performed a materiality assessment consulting with a range of internal and external stakeholders to explore a variety of topics and understand their business priority. We also looked at the perceived urgency of different issues to our internal and external stakeholders. Our analysis shortlisted a list of nine topics as shown in our matrix below.



To further refine our list of topics and the focus of our activity, we worked together with our parent company SHV to distil the list to three core areas of activity:

- Create a futureproof and diverse workforce
- Have a safe and healthy working environment
- Reduce our carbon footprint

Aligning with the UN Sustainable Development Goals

The 17 Sustainable Development Goals (SDGs) were agreed in September 2015 by 193 UN member states. They provide an opportunity for businesses to create value, not only for the business itself, but also for society. Addressing all nations and peoples, the goals have established a common set of wide-ranging issues to help all sectors and organizations work together.

ERIKS linked its strategy and targets with the global goals for the first time in 2016. As we evolve and mature our approach, we are looking to increase our impact by being more focused in the areas we target. As we work towards our 2030 goals, we will contribute to the following SDG targets:

SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all

Target 8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

Target 8.8: Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment

SDG 13: Take urgent action to combat climate change and its impacts

Target 13.2: Integrate climate change measures into national policies, strategies, and planning

SDG 17: Partnership for the Goals

Project Future Proof: 2030 Goals

Sustainability has become an increasingly important focus for us. We have thought hard about our role in making industry cleaner, more efficient and ultimately minimizing harmful impact on society and our environment.

With our global industrial customer base and our vast range of products and services, we can play a big part in helping to make industry more sustainable.

Through our energy-efficient products, our total product lifecycle approach, and our focus on sustainability, we aim to do more than simply supply industry. We take a precautionary approach, looking at the whole life cycle of our products.

We have long had our own internal sustainability goals and objectives in place. As an industry leader, we can use our expertise to change how industry behaves, performs and is perceived. Fortunately, many of our customers are thinking the same way.

The overarching aim of our sustainability strategy is to make industry future proof. As we have come to the end of our 2020 target period, we have updated our strategy, using the agreed United Nation's Prosperity, Planet and People pillars and supporting goals to guide our approach and help us identify suitable targets.

ERIKS STRATEGY

Supporting the 2030 Agenda for Sustainable Development

United Nations Pillar



PROSPERITY



PEOPLE



PLANET



ERIKS 2030 Themes

HAVING A SAFE AND HEALTHY



CREATE A FUTUREPROOF AND DIVERSE WORKFORCE



REDUCE OUR CARBON FOOTPRINT



ERIKS 2030 Goals

ZERO LIFE CHANGING INJURIES



35% OF WOMEN IN SENIOR LEADERSHIP POSITIONS BY 2030



REDUCE CARBON EMISSIONS BY 30% BY 2030



WORKING TOWARDS...

UN Goals & Targets

8 DECENT WORK AND ECONOMIC GROWTH



TARGET 8.8

PROTECT LABOUR RIGHTS AND PROMOTE SAFE AND SECURE WORKING ENVIRONMENTS FOR ALL WORKERS

8 DECENT WORK AND ECONOMIC GROWTH



TARGET 8.5

BY 2030, ACHIEVE FULL AND PRODUCTIVE EMPLOYMENT AND DECENT WORK FOR ALL WOMEN AND MEN

13 CLIMATE ACTION



TARGET 13.2

INTEGRATE CLIMATE CHANGE MEASURES INTO NATIONAL POLICIES, STRATEGIES AND PLANNING

Governance

A robust and strong approach to Governance ensures support for our sustainability strategy across the business. The ERIKS Management Board is responsible for cascading policies to the Countries and Product Groups. The Board is led by the Chief Executive Officer and includes executives with responsibility for finance, operations and human resources (HR).

As part of our commitment to sustainability, the CEO has special responsibility for our strategy in this area. The Sustainability Manager reports directly to the CEO and is supported throughout the regions by a group of sustainability champions that dedicate part of their time to delivering our strategy. Champions are supported by a Sustainability Committee in each region that drive local initiatives.

We ensure that our Champions can (as a minimum) dedicate 20% of their time to the role, rather than having to find time in addition to substantive roles. With sustainability targets ranging from employee wellbeing to energy emissions, a broad variety of skills and knowledge is essential. Within each country, Sustainability Champions report to their Regional Board, demonstrating the high-level interest in, and support for, the topic.

To engage more individuals and help drive progress, the Sustainability Champions organise the regional sustainability committees. In addition, champions and representatives from across our global organisation form the Group Sustainability Committee. This committee holds a virtual meeting every month and meets up in person at least once a year.

Governance



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164,000 CUSTOMERS SCREENED

Ensuring Business Integrity

ERIKS Business Code of Conduct sets out our expectations for employees and is available on the intranet. Employees are encouraged to contact their local HR business partner or the compliance team if they have any questions about compliance and behaviour issues.

Each ERIKS business is responsible for ensuring compliance with the Code of Conduct. The Group's Internal Auditing department has an unrestricted right to receive information and to carry out audits, subject only to mandatory legal restrictions. Employees are periodically required to acknowledge their receipt and agreement with the Code. In addition, ERIKS employees are required to take note of other ERIKS policies and procedures including: Gifts and Hospitality, Travel and Expenses, Information Security, Information Management, Personal Data breach notification, Social Media and Internal Authorisation Matrix.

We have established a dedicated confidential service available to employees with any concerns regarding behaviour and conduct. In 2019, we received 32 reports via our dedicated 'Speak Up line'. The majority of cases were about labour relations (behaviour and disputes). Each report is investigated using guidelines that set out a clear and comprehensive six -step process. The starting point of an investigation is to understand the merits of the reported concern. If the report has merit, it is investigated. The investigation will report its conclusions and provide advice to management.



Training is an important part of our approach to ensure high standards of business integrity. We use a mix of eLearning and classroom-based training. Our training modules focus on Gifts and Hospitality, and Anti-bribery and Corruption. In 2019, we trained 2,665 employees, exceeding our target of 1,777. For 2020, the focus will be on checking knowledge of procedures knowledge and ensuring managers have the resources to solve any issues. Training is aimed at managers and team-leaders to ensure they set a good example for others.

Trade Compliance

As an exporter of goods, we have an obligation to monitor every transaction including what is being exported, where it is going, who is the customer and what will the item be used for.

Our compliance training ensures employees understand their due diligence obligations when exporting, particularly when trading with an intermediary rather than the direct end-user. Our export pre-clearance and clearance procedure is available to all employees via ERIKS' intranet.

In 2019, we trained 812 employees in trade compliance, exceeding our target of 562. The training was delivered using both eLearning modules and classroom training courses for management.

Before an export order to a new customer is cleared, we perform a third-party check in our Compliance Link system that checks if a person, company or destination is on a sanctions list. As the status of existing customers may change, there is also a day after screening. In 2019, we screened over 216,000 third parties, such as suppliers, customers or distributor.

Data Protection

In 2018, the European Union's General Data Protection Regulation (GDPR) came into force, which created new responsibilities for all parties that hold personal data wholly or partly by automated means. In response, ERIKS established a privacy framework for the management of personal data to ensure we complied with the GDPR requirements. In 2019, we have worked to further improve the framework's operation in our business to ensure we continue to uphold the required standards of data protection.

People

Without people, our business wouldn't exist. Our strength is the skills and knowledge of our talented workforce that can be applied across all industry and help make a more sustainable society. We understand that the safety, wellbeing and development of our workforce is the foundation of our success. We are committed to being a responsible business and playing our part in tackling the issues that society faces.



Health and Safety

The safety of our employees is much more important than making profit. We are absolutely committed to making sure our employees are safe at work. Our 2030 Goal is zero life changing injuries at ERIKS.

The nature of our business, as well as our diverse business operations, inevitably create health and safety risks. Our overarching aim is to limit those risks as much as possible. To help us do this, we have a robust health and safety management structure. Each country has a dedicated Health and Safety, Environment and Quality (HSEQ) Manager, and HSEQ professionals in place, with larger locations also having a safety representative available.

The HSEQ Managers are part of the Global Project Team that shares information, issues safety alerts, meets regularly and reports directly to the ERIKS Management Board. Ultimately, we want everyone to be safe, whether they are employees, customers, suppliers or contractors.

We are on a journey to be a safer place to work. Our aim is zero accidents, and the statistics prove we are making good progress. With around 8,000 employees to inform and involve, effective safety education is a gradual process. In 2019, we noticed an overall ongoing improvement, building on our 2018 reductions. Again, this is no reason to be complacent. We know that complacency can lead to an increase in accidents, giving us all the more reason for our employees to intensify their efforts, improve safety training, and to remember that making our business as safe as it can be is a matter of personal responsibility for each and every one of us.

Since 2016, we have seen a **decrease of 80% in Lost Time Incidents across ERIKS worldwide**, reducing from 72 in 2016 to just 14 in 2019. The Lost Time Incident Rate (LTIR) has decreased from 5.6 in every 200,000 hours worked (equivalent to 100 employees working one year) in 2016 to 1.2 in 2019. Unfortunately, there has been a slight increase from a low of 0.6 in 2018 but well below our KPI of below 3.

Zero = Hero

Our primary safety campaign, 'Zero = Hero', was introduced in 2016 and is now firmly established across all our regions. Our six golden safety rules are displayed at all our locations and are the core behaviours we expect all employees and visitors to adhere to.

In 2019, SHV reviewed occupational Health and Safety across all its owned businesses. All Chief Executives came together to discuss the outcomes of the review and recognised that the businesses faced similar issues. By working together, they are looking for ways to lift Health and Safety performance to the next level. Agreed activities include a global SHV safety policy, quarterly meeting to facilitate joint initiatives and to integrate safety into leadership development programmes.

Safety Leadership Essentials

In 2019, our Leadership Training focused on how to become a company where safety is a core value; where the leadership is accountable and everybody is responsible for their actions. Our continuous health and safety approach has four steps: Plan, Do, Check and Act.

Our Safety Leadership Essentials Training ensured that all tiers of management have a clear understanding on how their role can help create a more pro-active safety culture. The training profiled different incidents to initiate discussions on how good leadership can prevent similar incidents happening again. Focusing on behavioural safety and organizational performance helped participants understand the potential pitfalls and how to avoid them. The training also provided our leaders with the latest information on our **ISO 45001 Standard Occupational Health and Safety Management System** and the value of a well-maintained system to their role.

In addition, we have introduced a program to ensure that senior leadership are visible and their presence is felt on health and safety issues. Senior leaders have been carrying out site visits and contributing to local meetings to demonstrate the high priority we place on safety.

Web-based Health and Safety Reporting

Our web-based application, Intellex, allows quick and easy reporting of near misses, unsafe situations and improvements. The system also supports safety inspections and audits. The application dashboard provides a real-time view of ERIKS' Health and Safety situation and makes it easier to investigate and track associated actions. In 2019, we reported 562 near miss events demonstrating the attentiveness of our employees to safety issues. Reporting a near miss helps prevent future accidents across our business.

Raising the Bar on Safety

Forklift trucks are used extensively at ERIKS, Netherlands, and with that comes a number of health and safety risks that need to be managed. In 2019, two incidents occurred where forklift mast was in the upright position and hit the floor of a passageway when passing underneath. Fortunately, only property was damaged and no-one was hurt but the potential risk to people was clear.

Once identified, steps were taken to eliminate the risk. Safety Alarm Bars were fitted at all our ERIKS, Netherlands locations. When the bars are hit a loud alarm and flashing lights alert the driver to ensure he has enough warning to stop before reaching the passageway.

Since the alarm bars have been fitted, we are pleased that no further incidents have occurred. However, the bars are the last physical barrier to prevent incidents; the most important prevention measure is to ensure that our forklift truck drivers have excellent training and are consistently made aware of the potential risks they face.

Finding New Ways to Make our Work Safer and Cleaner

Associates at our CNC Flow Control business in Houston, Texas have found an alternative corrosion inhibitor for testing valves that is less hazardous to people and the environment.

The team noticed that the chemical used to test valves was a serious skin and eye irritant. Rather than risk the health and safety of their associates, the team collaborated with the Manufacturing Engineering and Quality departments to find an alternative that was safer to use without compromising on rust minimization.

After evaluating a range of alternatives, one product was found to be less hazardous and a better performing corrosion inhibitor. In addition, due to the inhibitor's lower toxicity, laboratory analysis showed that the valve test water no longer needed to be sent for solidification and disposal to landfill. Instead, the test fluid can now be added to the site's wastewater that is sent for recycling and oil recovery.

“Finding an alternative, safer way of testing our valves has resulted in many wins: it's removed a health and safety risk; it's reduced our environmental impact; it provides greater protection to our products; and it also saves the company money as it costs less.”

Ron Bobo,

Environment, Health and Safety Manager, CNC Flow Control, North America.

Cycling Benefits Get Better at ERIKS Belgium

In 2019, employees at a new site in Belgium, were so enthusiastic about cycling to work that ERIKS started the 'Bike Project.'

The initiative to promote cycling to work began by providing employees with a bonus. The more people cycle to work, the higher the bonus. Employees log their mode of travel on a software system on arrival so HR can automatically calculate their travel bonus.

The 'Bike Project' has now gone country-wide with six out of the seven Belgium locations receiving upgraded bicycle infrastructure, including new secure parking areas and charging stations for e-bicycles.

Demand has been so strong, that ERIKS Belgium's Sustainability Champion and HSEQ Manager, Karin Winnepenninckx has worked in partnership with HR to arrange a bike leasing program for all ERIKS Belgium employees. Negotiations with leasing companies started in 2019 and a well-established Belgian bank was selected to deliver the scheme. The leasing program was made available to employees early in 2020. To be eligible for the program, employees must make 20% of their journeys to work by bicycle and maintain this throughout their lease period.

The leasing program allows employees to select a bike of their choice from over 400 participating dealers. Employees can choose any type of bicycle, including electric, the only restriction is that it does not go over 25km per hour. The leasing package also includes insurance, maintenance and assistance. Employees can spread the cost of the bike over 36 months.

“The response to the project has been really positive and employees are very interested. People in Belgium are embracing cycling and it is great that ERIKS can support them in the transition to healthier and cleaner ways of getting to work.”

Karin Winnepenninckx,

ERIKS Belgium's Sustainability Champion and HSEQ Manager.

Employee Development, Attraction and Retention

Attracting and retaining talented employees is a high priority for our business. We understand that we are in an increasingly competitive employment market and to attract the best people, we need to offer the best working environment and career development opportunities.

We know that we need to listen carefully to employees to understand their needs and we launched our Global Employee Survey on Sustainability in 2016. We now run the survey bi-annually with the most recent survey results being distributed in 2019.

We want to make sure that our employees feel happy, satisfied and rewarded for their hard work. Our people work hard for us, so we need to work hard for them. We want four out of five job vacancies filled by internal appointments. We see this as an indicator that employees are happy and staying with the business long term. In 2019, we carried out a company-wide survey to understand levels of employee engagement.

2019 Survey Supports Strategy for Increasing Employee Engagement

At ERIKS, we understand that employee engagement is fundamental to our success and essential for a sustainable business. Companies with highly engaged employees are more profitable, have better morale, less absenteeism and higher retention levels than those with low engagement.

ERIKS employee engagement surveys are carried out regularly by independent experts. The most recent survey in Spring 2019 received a business-wide response rate of 73.8%, with a notable high of 89.4% in North America. We were pleased to see an overall 34% increase in response rate since our last business-wide survey.

We are committed to following up on survey results. For example, the previous survey indicated the need for improvements in middle management leadership capacity. In response, we strengthened our training programmes and are pleased that employees recognized the improvements of their managers in the latest survey. Another positive finding was the pride expressed by employees in their technical expertise and the value of the ERIKS' brand.

In our most recent survey, employees identified the need for further communication around our strategy and greater clarity on business plans. In our commitment to take forward the survey results, Country leadership teams, supported by local HR Directors, have developed specific improvement plans. Progress on plans is reported quarterly to the Board and a mid-year 'pulse' survey is scheduled for later in 2020.

Improving employee engagement is a high priority for ERIKS, so much so that in 2020 engagement became a bonus KPI for each Managing Director and HR Director in the company.

As we strive for continuous improvement, we look forward to the next employee survey to understand how we can further improve our engagement levels.

Training and Development

We do all that we can to attract high-quality employees to the business and then retain them. We encourage our employees to develop personally and professionally through schemes such as the ERIKS University and the Employee Leadership Development Programs, ELEVATE and RISE. The average tenure across the organisation is over 10 years, showing that our employees stay with us for a significant part of their career.

ELEVATE and RISE

Our objective is to make sure we have the right people, at the right time, in the right place. Our leadership program, ELEVATE, is held annually and ensures the structural development of leaders within our company. The program is designed to help participants gain new insights and develop their leadership competencies. A variety of learning methods are used, carefully chosen to create a climate of collaboration and personal development. Participating also helps employees to build a global network and meet with senior managers.

The RISE program helps employees by encouraging them to explore different behaviours, undertake self-reflection and break old habits. The program takes six months to complete and includes groups of 12 to 15 participants. It is an international program with participants from all areas of the business. The program uses a variety of training methods including a week-long intensive 'boot camp', video conferencing and online training portal.

Supporting our Local Communities

ERIKS employees work hard to support local charities and good causes and we are proud to support them.

In 2019, ERIKS Belgium started a new program that allows employees to donate half a day of their paid work time to charity. Employees can select from a range of charities through the Time4Society program that has been running since 2008. The response to the program was really inspiring, with 100 employees taking part supporting many different causes. The program has been so successful that Karin Winnepenninckx, ERIKS Belgium's Sustainability Champion and HSEQ Manager is looking forward to it running again in 2020.

ERIKS Singapore partnered with the 'Joy in every bundle' campaign, an initiative run by Food Bank Singapore and Fei Yue SAC that delivers food to those in need. Our employees got involved at every stage of the campaign, including contributing food, packing and delivering the bundles.

ERIKS Shanghai volunteered to repair and repaint the walls of the school playground. The project aimed to create an inspiring learning environment for the Songjiang Auxiliary School in Shanghai, China.

Diversity and Inclusion

Appreciating differences and creating a culture of inclusion is high on the agenda for ERIKS and is one of our three sustainability focus areas for the next decade.

We have set the goal of 35% of women in senior leadership positions by 2030.

The first step towards our goal has been to understand our current position and raise awareness of why diversity is important to our business. We believe that diverse and inclusive companies understand their customers better, perform better, make better decisions and are more creative and innovative.

To be a diverse company, our workforce needs to mirror the societies in which we live and operate. We are talking about gender, race, religion, age, disability and sexual preference. But also different experiences, backgrounds, nationalities, personalities, and thinking styles. In a global business that provides a range services, levels of diversity vary greatly. At ERIKS we decided to adopt a focused approach and start from gender diversity.

To engage employees in this journey we identified lead contacts in each country to take part in a bottom-up 'Diversity and Inclusion Taskforce'. Each location has set local activities that are reported on at quarterly Taskforce meetings. In 2020, Ambassadors are working to develop an in-depth understanding of the challenges and opportunities for their particular location.

At the same time, our Chief Executive Officer and Chief HR Officer are responsible for diversity and inclusion issues at Board level. The topic is a regular item on the Board's agenda and we keep our parent company SHV updated on our progress. The top-down, bottom-up approach will ensure that diversity and inclusion stay a high priority across the business as we work towards our 2030 goal.

Women in Leadership Training

Supporting women in the business and attracting the next generation will be imperative for us to achieve our 2030 goal of 35% of women in senior leadership positions. We understand that issues such as leadership style and unconscious bias have an impact on how comfortable women feel in the workplace. We want to provide a welcoming and supportive environment that will help us to attract and retain the best talent.

Each location is taking different initiatives, one of the most liked was a 'diversity and inclusion' bingo organised to give additional context around diversity in a fun and engaging way. One of the facts we use is that, on average, 87% of all budget decisions in the home are made by women, which is compared to a 30% presence in leading commercial roles in the business. These stark contrasts help people understand the gender gap in more detail and why we need to act.

ERIKS employees took part in SHV's first Women in Leadership training program held in 2019 that included 55 participants. The program aims to train 120 SHV Female leaders in 2020.

ERIKS Digital focus on Inclusion

ERIKS Digital has a team of 100 with 23 different nationalities and 29% of senior positions filled by women. With an established diverse workforce, the team is focusing on creating a more inclusive environment. This means giving every employee the opportunity to develop and progress, cultivating a culture of respect and engagement, where the thoughts, ideas and voices of every single

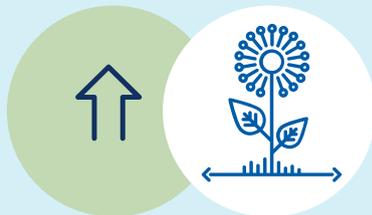
employee are valued.

The team has been looking at ways to create a more inclusive culture across all aspects of their approach, from leadership style to office set-up. One of the first steps has been raising awareness of unconscious biases. Training sessions have helped employees identify and understand their own biases. It can be quite confronting when people realise that they have a bias, but as they become aware, it helps to develop a deeper understanding of the issues involved. As we become aware of our biases, we can progress beyond them and work towards a more inclusive culture.

Prosperity

As an international business, with a large supply chain and capacity to influence industry, we know that we can instigate positive change. We are always looking to innovate and create better ways of doing things, it is the foundation of our approach.

Prosperity



**ACHIEVING OVER
€1.3 MILLION IN
ENVIRONMENTAL SAVINGS
FOR OUR CUSTOMERS**



**€10.7 MILLION
ENVIRONMENTAL
SAVINGS FOR
CUSTOMERS SINCE 2016**



**SAVED A SINGLE CLIENT
UP TO €80,000 ANNUALLY
IN A SUSTAINABILITY
RELATED INITIATIVE**

Sustainable Products and Services

Reducing their total cost of ownership (TCO) is a key challenge for industries. At ERIKS, our customers have an experienced partner that can make their business work better and more efficiently. The added value we offer customers includes documented savings potential throughout the entire process chain. Our customized products help companies to optimize their cost of operation and produce more sustainably and efficiently, allowing faster time to market.

We see a great opportunity to use our products and services to create the most innovative, highest-quality and most productive industry possible. Our extensive product and process knowledge allows us to co-engineer with our customers in original equipment manufacturing (OEM) and improve their products' performance.

Perhaps the greatest positive environmental impact our products and services have is the prevention of harm through their use. Predominantly, their greatest negative impact is the energy they use.

With this in mind, we are constantly working to develop products that are energy efficient, reduce pollution and are sustainable. We want to help our customers make significant savings in environment costs, predominantly energy and water disposal costs.

To understand the savings we deliver to customers, we need to measure them. We have developed a global online system that captures and presents clear and consistent environmental data. The new tool has been developed as part of our Customer Relationship Management system, OneCRM. The cost savings function has now been launched in Belgium and the Netherlands and will be rolled out to other countries when IT systems are upgraded.

In 2019, we achieved an additional €1,343,665 in environmental savings for our customers taking our total to €10.7 million since we began monitoring in 2016.

ERIKS Helps Dairy Reduce Environmental Impact

At ERIKS, we focus on reducing the Total Cost of Ownership (TCO) for our clients, which often identifies inefficiencies that have environmental impacts. The work of our Netherlands' Conveyor Solutions Team is an example of how our TCO approach creates both environmental and cost benefits.

The team were called into help at a Dairy Plant where the client was having major issues with the functioning of a conveyor belt. Contamination was leading to high levels of mould that required frequent cleaning with large amounts of powerful chemical agents. The process was time and resource intensive, leading to large amounts of cleaning waste. The cleaning also led to rapid belt deterioration which meant that it needed to be replaced every six weeks. The situation was untenable and our Application Engineer, Hans Venema, was called in to help.

ERIKS worked closely with a laboratory to test several different belt materials for suitability with the Dairy's conveyor system. The analysis helped identify the best available belt material for the job, ensuring that wear and contamination from cleaning was minimised.

The new belt has greatly reduced the amount of hot water needed for cleaning, resulting in much lower energy consumption. In addition, a less powerful cleaning agent is needed, reducing contamination and significantly extending the lifespan of the belt.

The total cost saving for the client is up to €80,000 annually with dramatically reduced energy consumption and carbon emissions.

Bringing Total Cost of Ownership Online

Total Cost of Ownership is about more than working out the finances. It's about helping our customers understand that their choice isn't the environment or prosperity; it's about finding better ways of doing things that benefit everyone. A way that is about understanding the true costs of production over the entire lifetimes of assets.

For many years, society has not fully understood the costs of its economic growth leading to inefficient use of resources, pollution and climate change. As we become more aware of these costs, governments are acting to incentivise cleaner and more efficient ways of producing and living, while penalising those that continue with business as usual.

ERIKS has a core focus on sustainable business and we lead by example, minimising the impact of our operations. We also understand that our skills, knowledge, products and services can help our customers meet the expectations of a more sustainable society. We give our customers the inside information they need to understand how legislation and policies will impact and benefit them. We then support them make the optimum choices for their business. Our focus on the future prepares our customers for a changing world and makes their business better.

An example of our TCO approach is the new online motor calculator tool launched in 2019. When you look at the initial motor purchase price, this is only around 10% of the total costs during the lifetime. What the price tag fails convey is that the biggest cost will be the product's energy consumption. By understanding our customers' needs, we provide the optimum motor choice for their business. The tool asks simple questions to understand the intended use and then provides a recommended product with a summary of the maximum savings over its lifetime, including reductions in energy consumption and carbon emissions. Often an additional €200 on purchase price can save thousands over the lifetime of a motor.

As we look to the future, there are many opportunities for businesses in a more efficient and sustainable society. Being ahead of the curve and understanding all elements of the production process can drastically reduce costs and environmental impact at the same. At ERIKS, this is our TCO approach. We work across diverse industries and use our skills and know-how to assess whole manufacturing processes, not just motors. As we digitise our services and approach, our support will become quicker, easier and more efficient; just like we make our customers' businesses.

“Our society is changing rapidly and that is a massive opportunity for industry. The skills and technical expertise we have at ERIKS can help our customers gain maximum benefits from the transition. We understand Total Cost of Ownership. Our focus is on the detail and the future. We make it our business to know the upcoming legislation and where all the hidden production costs may be. Our whole company philosophy is making industry work better and that fits perfectly with a more sustainable society.”

Timo Vernooij,
Business Unit Manager, ERIKS Netherlands.

Sustainable Procurement Practices

Procurement is a major aspect of our business and we spend over €1 billion with our suppliers every year. Part of being a sustainable business is influencing change. It is important that we encourage our suppliers to meet the same sustainability standards that we set ourselves. By focusing on our supply chain, we can reduce risk to our business, develop a better supply chain and deliver improved solutions for our customers.

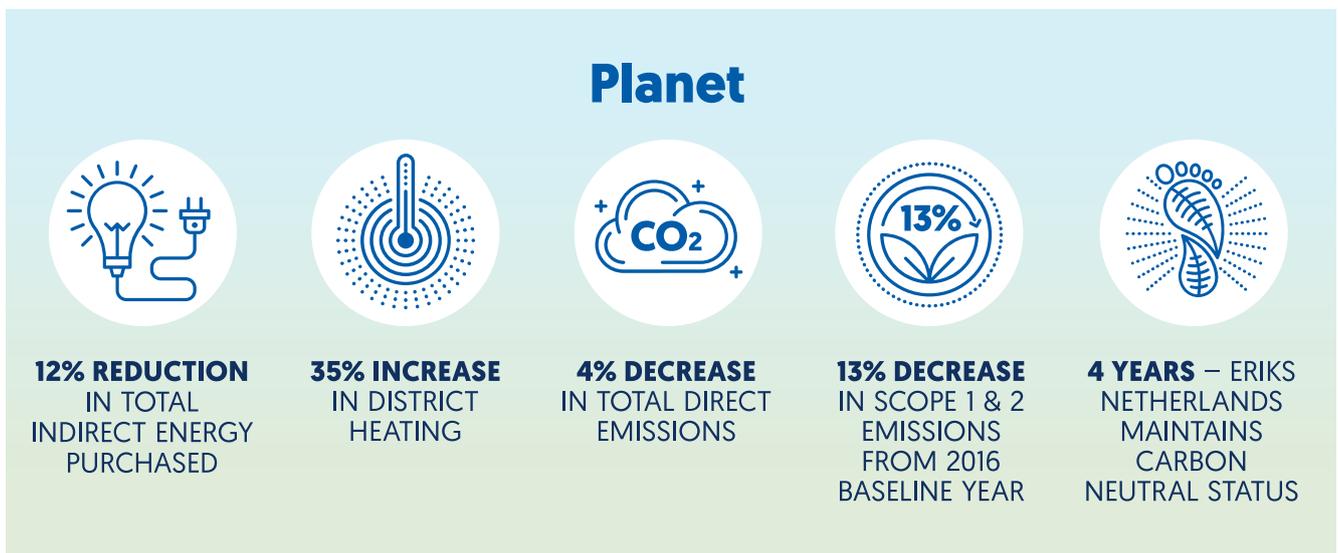
Due to the nature of our business and global presence, our supply chain is very complex, connecting with over 30,000 suppliers from all parts of the world. In 2017, we initiated the use of the Supplier Code of Conduct as an integral part of contract templates and began to communicate with our suppliers about their need to commit to it.

We also designed an assessment questionnaire for new suppliers. This includes sustainability questions as a first step towards ensuring we are adding the right partners to our supply chain.

Planet

Working smarter and more efficiently means that we can do more with less in a world of constrained resources. The best example for our customers is through our own approach of reducing our footprint.

Only by being fully committed to reducing our own emissions, water consumption and waste, can we expect our customers to take our support seriously when we help them to do the same.

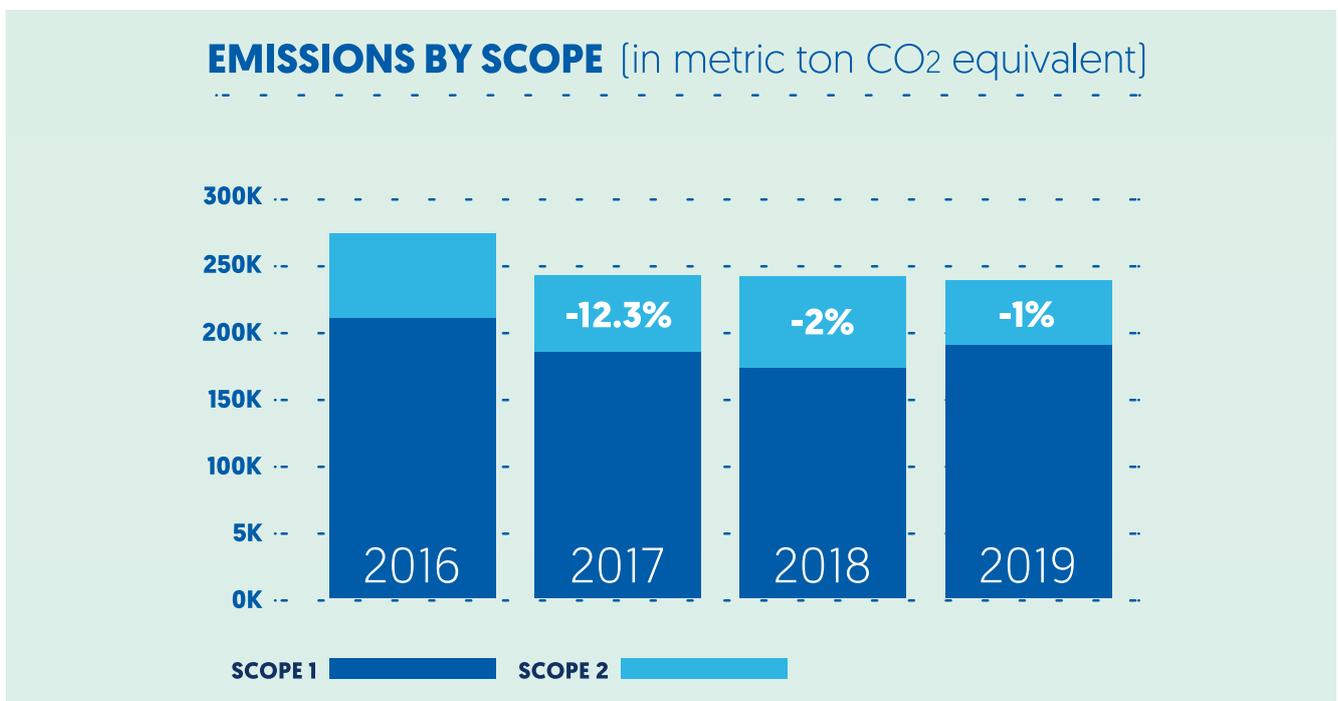


Climate Change and Energy

The use of fossil fuel energy produces carbon emissions that are causing our climate to change. Our customers expect us to lead by example when it comes to energy reduction. It also makes financial sense for the business as less energy used means reduced costs.

Energy consumption and emissions are an inevitable part of our business operations. We need to do all that is reasonably possible to reduce them either to zero, or as close to zero as practically possible. **We have set the 2030 goal of a 30% reduction in carbon emission.**

Everyone at ERIKS is responsible for reducing our energy consumption and emissions. Our Sustainability Champions are designated colleagues that lead the way with initiatives and advice, as well as data collection and reporting to show the effectiveness of our efforts.



We currently monitor and measure our scope 1 and 2 emissions. Scope 1 are direct emissions from ERIKS owned or controlled sources and scope 2 are indirect emissions from our purchase of energy. Since our base year in 2016, we have seen an overall reduction in both our scope 1 and 2 emissions. Overall emissions have reduced by 13% against our 2016 baseline year, with a 1% reduction between 2018 and 2019.

In 2019, we continued to change the profile of our energy sources, maintaining zero fuel from coal, while increasing the use carbon efficient District Heating by 35%. Overall, our energy purchased decreased by 12%. Our petrol consumption reduced by 23% and propane by 17%. We experience a small 3% rise in diesel fuel. Where possible, we offset emissions from our transport fuel consumption.

Due to the complexity of our supply, we have yet to determine our scope 3 emissions, which are all indirect emissions associated with our operations (not included in scope 2). Scope 3 emissions include all emissions in our value chain, both upstream and downstream.

Offsetting Fuel Emissions through Nature-based Projects

ERIKS seeks to avoid and minimise carbon emissions, where this is not possible, offsetting is the next best option.

In 2019, ERIKS became part of an SHV wide initiative to offset vehicle emissions through an agreement with a fuel supplier. Purchases of vehicle fuel will be eligible for carbon offsets from an independently verified nature-based project.

A single CO2 credit represents a verified reduction of 1 tonne of CO2 in the atmosphere. ERIKS CO2 emissions are calculated over a calendar year and the total offset for the litres of fuel purchased will be purchased at the end of the year.

The CO2 emissions are calculated by multiplying the litres of fuels purchased by a local emission factor provided by independent sources, such as the European Commission and the Netherlands Government.

The carbon offsets purchased will support the Cordillera Azul Project in Peru. The project is certified by the Verified Carbon Standard, currently the largest source of the voluntary nature-based projects. The project is also certified by the Climate Community and Biodiversity Standard, which guarantees that projects jointly address climate change, support local communities and conserve biodiversity.

The Cordillera Azul National Park Project is part of the United Nations Collaborative Programme on Reducing Emissions from Deforestation and forest Degradation (REDD+). The project is designed to transform local communities and ecosystems by helping to prevent illegal logging and promote climate friendly activities such as agriculture, textiles and crafts. The project targets are to:

- protect over 1.6 million ha of threatened forest protected in 2021.
- support 440 communities living in the project zone including 30 indigenous communities
- support 716 jobs supported – 30% held by women
- support 24 sustainable enterprises
- protect 28 High Conservation Value Species
- improve schools for 6 communities
- avoid 22.1 million tonnes of CO2 emissions by 2021

Leading academics advise that nature-based solutions have the potential to provide over a third of the cost-effective climate mitigation needed between now and 2030 to stabilise warming to below 2oC on average.

ERIKS Netherlands Celebrates Four Years of Carbon Neutral Operations

ERIKS Netherlands has maintained its Carbon Neutral certification for the last four years. The business uses 100% green electricity, ensures the vehicle fleet has a CO2 emissions cap that reduces annually, and reduces air travel through online virtual meetings. The small remaining emissions are neutralised by supporting renewable energy projects. In addition, our Netherlands business uses an ISO 15001 certified energy management system to monitor and control consumption, helping to show progress towards reduction targets and also encouraging further improvements.

Lighting Upgrades Make Big Difference

As part of ERIKS' movement towards increased sustainability, our LGI Distribution Center and Charleston Service Center teamed up to upgrade the lighting in their warehouse space to increase safety and reduce their carbon footprint.

The warehouse space was poorly lit with energy intensive fluorescent lamps, resulting in high electricity costs and increased health and safety risks due to poor lighting. An energy reduction group reviewed the lighting and made recommendations including: replacing all current T8 interior fluorescent lamps with 14 watt LED tubes; replacing all current exit signs with comparable LED signs; and replacing all current 400W HID fixtures with LED industrial fixtures.

The lighting upgrades produce an annual savings of \$9,940 per year and make the shop much brighter, eliminating all dark spots helping to ensure the safety of our associates. The entire project took about six weeks to complete.

Charleston Service Center Takes Initiative on Recycling

As a responsible member of the community, the Service Center at Charleston, WV, recognized the importance of protecting the environment. Gregory Stanley, their new Manager, introduced a simple six-step approach to begin a recycling program: form a committee; create a plan; identify materials to recycle; collection and processing; plan for waste prevention; raise awareness.

Through their research, the committee identified three materials suitable for recycling: plastic bottles, aluminium cans and batteries. It takes a plastic bottle 450 years to decompose, an aluminium can take between 200 and 500 years, and a simple AA battery can take 100 years.

The committee researched local recycling companies and discovered there was one located in their industrial complex that could recycle all of the identified materials. Once a month, they use the Service Center's delivery truck to take the materials for recycling.

At the launch of the program, the Committee shared information with fellow associates to explain the reasons for recycling and what they needed to do within the centre.

The associates embraced the initiative and also recognised that 'E-waste' is growing. As electronic equipment becomes outdated, there is an urgent need for effective electronics recycling programs. Because old electronic devices contain toxic substances, proper processing is essential to ensure that these materials are not released into the environment.

In response, the associates started an electronics recycling initiative. The team surveyed the entire building for unused electronics to return to the IT Department for recycling. They returned over 20 individual computers, monitors, printers, and more.

Next on the agenda, is the committee's plan to scale up the program up by encouraging associates to bring in items from home if there is no recycling offered in their community.

“Every day, ERIKS Charleston “makes industry work better” by servicing its customers while making a positive social and environmental impact on the community. We are committed to putting our expertise to work, where it can do the best for people and the planet, making possible today what was impossible yesterday.”

Greg Stanley,

Service Centre Manager, Charleston, WV, ERIKS North America.

ERIKS Digital Team Launches Green Team

ERIKS Digital is our technology hub established in 2018, a relatively new part of the business but is already embracing our commitment to sustainability. Based in Amsterdam, the 100 strong team work collaboratively across the business to provide a range of Technology solutions and support at the same time as looking at how they can be more sustainable.

The business is based in Amsterdam's "Knowledge Mile" one of the longest streets in the city and a centre for collaboration and innovation. One of the Mile's joint initiatives was to develop a Collective Waste Program (CWP) to decrease waste, increase recycling and minimise the number of trucks needing to visit buildings along the street. Adriaan van der Heijden, Recruiter at ERIKS Digital, was involved in the CWP and collaborated with colleagues to develop the idea of a "Green Team". The team looks for sustainability opportunities within the business and has received a great response from employees and the executive team.

Green Team representatives are now across all parts of the business and the executives have allocated a budget to support their activities. The Team has been quick to make changes: the lunch provider is now a company that focuses on providing local produce and uses electric vehicles for deliveries; every employee now has a plant on their desk; vegetarian and vegan lunches are organised regularly with many employees bringing in homemade dishes to share; and plastic water bottles have been removed from the offices.

At Christmas, many employees chose to donate to a reforestation program as their gift, leading to the planting of 200 trees. Next on the agenda is making their building more sustainable, with ERIKS Digital working with all the other building occupiers to encourage the owner to invest in solar panels.

“We approach sustainability the same way as we build software; continually improving, always looking for better ways of doing things. Our employees are really enthusiastic about sustainability and our leadership really supportive, even giving us a budget so that we can do more. ERIKS has an entrepreneurial mindset and rewards people for taking the initiative, making it a great place to work. For me, working at ERIKS is not just about a job, it's about being part of something bigger – being part of a company that makes more sustainable choices.”

Adriaan van der Heijden,
Green Team representative and Recruiter at ERIKS Digital

Finding Ways to Minimize Waste

At ERIKS, we want to minimize waste wherever possible and ask our employees to look for opportunities to save resources. Our Gaskett Technology, Netherlands team were concerned to see pallets used for the shipping of metal sheet orders were being disposed in the waste wood container. The pallets were also a significant cost with a single 40m³ container valued at €250.

The team contacted the supplier and asked if they offered a reuse or recycling program. The supplier agreed to put a program in place for ERIKS and all pallets are now collected, sorted and reused. The change has save resources and the company around €3,000 every year.

“Every year we were seeing around 1,000 pallets and lids being disposed of, it seemed like a real waste of resources. By contacting the supplier and asking that they recycle we have been able to save the company money and minimise the waste we produce.”

John Riegman,
Logistics Coordinator, ERIKS Netherlands.



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Let's make industry work better