

Sustainability report 2023



Modulpac





About this report

This sustainability report is based on year 2023 without financial focus, and it describes how Modulpac takes responsibility for **Economic Sustainability, Social Sustainability and Environmental Sustainability**. The report presents insights into our sustainability journey, our vision, targets and implemented measures.

This is our second sustainability report with a link between our work and the UN's Sustainable Development Goals and where the climate data is reported in accordance with the Greenhouse Gas Protocol (GHG). First time written in English.

A few words from our CEO

As a small company among large players, we want to take our responsibility not only to achieve long-term financial goals, but to also contribute to a reduced environmental footprint.

2023 was yet another outstanding year for Modulpac, even as the turbulent times continued, both geopolitically and in our global economy.

Sustainability has become one of the major focuses for businesses, both as an opportunity and a challenge. Modulpac has seen this as an opportunity and worked with this for many years now. We have seen an increase in interest from our owner, customers and regulators to disclose more information on how we are impacting the climate agenda. We needed someone in our management team who could meet this demand and help Modulpac take further steps forwards in our sustainability development. Therefore, Modulpac welcomed Malin Ewers in a new role as a Sustainability Manager. If you have any queries related to sustainability, please do not hesitate to contact her.

With the new directive for corporate sustainability reporting, our parent company needs to disclose 2026 (FY2025). A sustainability manager was also welcomed at a group level, helping us to prepare and adjust our systems and data collection methods to comply with the comprehensive environmental, social and governance reporting requirements of the CSRD.

Thinking about the future, our most exciting decision was to invest in a third expansion of our western plant: 1 400 m² for hygiene production, 1 400 m² of warehouse space, 340 m² of office spaces, and also 7 000 m² of solar panels, our largest sustainable investment yet.

Kind regards,



Sven Ingvaldsson
CEO
Modulpac AB

Our sustainability vision

To continue to succeed in today's market, Modulpac is aware that sustainability must be embedded in the same way as we do business. Being able to maintain a good balance between the economic, social and environmental aspects is our definition of a sustainable business.

The long-term target for Sweden is to reach net zero greenhouse gas emissions by 2045. It's going to require many measures to reach this target, both from the public and private sectors. This is not a one man's show. For Modulpac, this means that we, together with our value chain, must continue to reduce the use fossil raw materials and adapt to using recycled and bio-based materials.

The vision is that we are fully integrated in a sustainable economy through responsible use and reuse of resources and raw materials. We design and produce parts with high quality as well as high material recyclability.



Sustainable economy

Cooperation

Form networks between suppliers and customers as well as local and national organisations to promote the exchange of competence, transition to alternative materials with less climate impact, return systems and transparent reporting.

R&D

Design products which maintain high quality over the course of a long life cycle, can be recycled easily and contain more sustainable and energy-efficient materials, with a focus on function and automation in production.

Production

Optimise our processes to reduce scrap, chemical consumption and electricity consumption in a safe and healthy work environment.

Waste

Minimise waste through recycling and reuse of spillage in production.

Logistics

Use local subcontractors. Optimise packaging methods. High proportion of internal and automated assembly.



We do not believe that there are any simple solutions to meet the economic, social and environmental demands of the society. We will therefore regularly reassess our results, continuously educate ourselves, while adapting and improving our processes by looking at them through a sustainability lens and reprioritising based on our customers' wishes and demands.



Sustainability Management

Modulpac's management team is responsible for our vision, strategy and targets. Each member of the management team is accountable for their sustainability targets and action plans. Each employee is responsible for contributing to our sustainability work within their area of responsibility. The Sustainability Manager supports and provides advice regarding all sustainability-related issues. Influencing organisational culture by championing sustainability and encouraging continuous improvement.

Certifications

Modulpac is certified according to ISO 14001, and since 2005, we have deliberately been working to identify our environmental aspects, meet binding requirements and enhance our preparedness for environmental incidents.

Modulpac is also certified according to ISO 9001, ISO 13485, FSSC 22000 and ISCC+. A long history of certified management systems equals a systematic operational approach and refinements of our processes in our daily work. We are integrating sustainability not only into our strategy, but also into our management system to help us drive our sustainability efforts effectively.

Internal documents

Sustainability policy

The sustainability policy pinpoints what Modulpac believes to be important when it comes to lasting as a company in the long run. The environmental policy is integrated into the sustainability policy and is available on our website.

Internal Code of Conduct – a shared commitment

Modulpac is a subsidiary to the Pomona-gruppen AB, and our internal Code of Conduct was created with them. It is designed to clarify the expectations for us working for the Pomona-gruppen AB, outlining the policies and practices that define who we are and what we stand for as a business group. Created with our employees in mind, this document is meant to provide clear directions and actionable guidance on what is expected of all full- and part time employees, contractors, consultants, managers and members of the board of directors.

The Code is a part of our introduction program, and each of our employees must confirm that they have read and understood it and that they intend to comply with it.



Internal documents

Supplier Code of Conduct

As Pomona-Gruppen AB invests in Modulpac with a long-term vision, Modulpac wants to build a long-term relations with its suppliers. The supplier code of conduct is also outlined by Pomona-gruppen AB. Modulpac expect its suppliers to respect and act according to the Code, since we want to cooperate with suppliers who take responsibility, not only for the environment but also for the social and ethical aspects of business.

Our Supplier Code of Conduct is based on:

- The United Nations Universal Declaration of Human Rights (UDHR)
- The core conventions of the International Labour Organisation (ILO)
- The OECD Guidelines for Multinational Enterprises on Responsible Business Conduct
- The OECD Due Diligence Guidance for Responsible Business Conduct
- The UN Global Compact
- The EU CSRD, ESRS and CSDDD

In addition to the above-mentioned internal documents, the following policies are of importance to our sustainability work:

- Anti-Illicit Trade Policy
- Work environment policy
- Food Safety Policy
- Know Your Customer policy
- Policy for remote working
- Privacy Policy
- Quality Policy
- Whistle-blowing policy
- Anti-corruption and bribery policy

Sustainability in action

The first time we conducted an EcoVadis sustainability assessment of topics regarding environment, labour- and human rights, ethics and sustainable procurement, we achieved a silver rating.

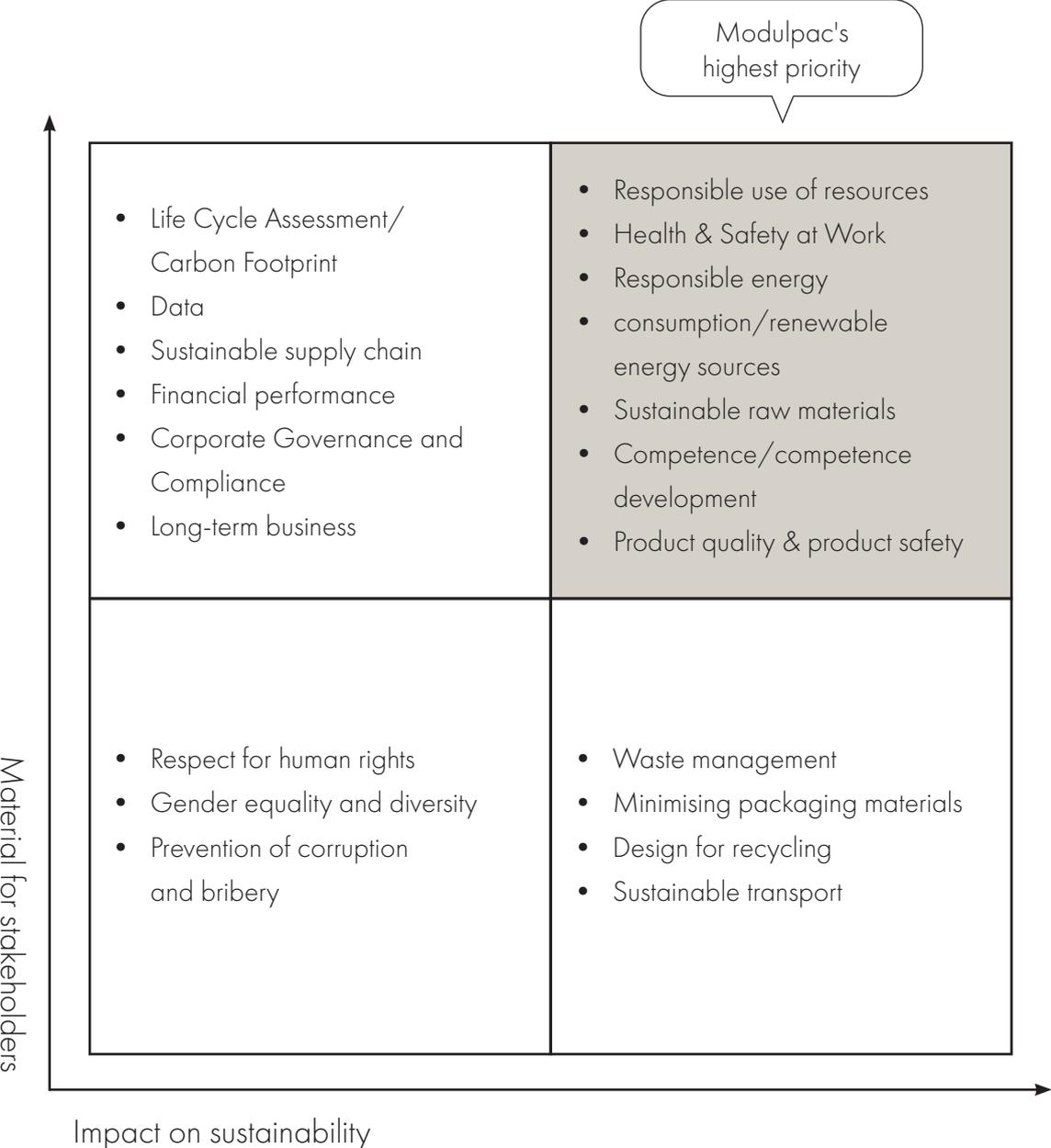
ecovadis

Stakeholder dialogue

Stakeholder	Dialogues	Key questions
Customers	<p>Customer satisfaction survey (annual)</p> <p>Requirement specifications/agreements</p> <p>Face-to-face meetings</p> <p>Web page</p> <p>Forms/assessments</p>	<ul style="list-style-type: none"> • High-quality products • Delivery performance • Good working conditions for subcontractors • Sustainable logistics • Healthy and safe work environment • Compliance • Anti-corruption • Material recyclability
Employees	<p>Performance review (annual)</p> <p>Internal meetings (continuous)</p> <p>Employee survey (annual)</p>	<ul style="list-style-type: none"> • Decent terms of employment • Long-term employer • Healthy and safe work environment • Responsible company with strong environmental work • Non-discrimination • Development opportunities
Suppliers	<p>Orders (continuous)</p> <p>Supplier meetings</p> <p>Supplier visits/audits (recurring)</p> <p>Supplier assessment/forms (annual)</p>	<ul style="list-style-type: none"> • Health and safety • Quality in delivery • Supplier Code of Conduct • Compliance
Parent company/ Shareholder	<p>Board meetings</p> <p>Financial reporting (monthly)</p> <p>Investments</p> <p>Budget</p>	<ul style="list-style-type: none"> • Financial performance • Sustainable investments • Reinvest profits

Materiality Matrix

An online survey has been sent out to all our customers to get a picture of what our customers consider to be the most important aspects regarding sustainability. The results, together with our knowledge of our impact, have been evaluated.



Sustainability Targets

Setting and working towards our sustainability targets is a must to realise our vision and to contribute to the UN's global goals at the same time. Of the UN's seventeen sustainable development goals, Modulpac focuses on the four with which we believe we can make the most difference.

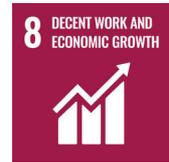
We have a responsibility for the global goal of making consumption and production sustainable by minimising resource use, improving waste management and working for high-quality packaging with more sustainable materials. Of course, we also have an important role as an employer to offer a safe workplace while also providing an opportunity to competence development.

Materiality aspect	Indicator	Outcome	Target	
Economic sustainability				
Financial performance	• Turnover	258 mkr	260 mkr	
Long-term business	• Customer satisfaction • Delivery performance	4,3 98,4%	>4,2 98,1%	
Social sustainability				
Healthy & safe work environment	• Number of accidents	9	0	
Competence	• Conduct sustainability training	OK	OK	
Environmental sustainability				
Sustainable raw materials	• Increase the quantity of sustainable plastic raw material • Increase the use of NIR detectable masterbatch	180 ton 22,7 ton	144 ton 5,8 ton	
Responsible energy consumption	• Reduce electricity consumption/kg of plastic raw material consumed	1,906 kWh/kg	1,885 kWh/kg	
Responsible use of resources	• Reduce the amount of combustible waste compared to 2022 in relation to turnover	-28%	-1%	

Economic sustainability

Long-term business

At Modulpac, we see profitability as an opportunity to take social and resource-efficient responsibility in the long run. Product quality and precision of delivery are prerequisites for long-term profitability.



Modulpac is able to contribute to the sustainable management of resources through maintaining high product quality. Preventive maintenance of tools and machines, process optimisation and quality control contribute to a reduced amount of quality defects and scrapping. Focusing on product quality also means that our customers avoid unnecessary stops in their production, increasing their efficiency in turn. If we deliver defective parts, the worst-case scenario can lead to scrapping at the end-customer's side. Delivery performance as well as internal and external complaints are a key performance index for Modulpac, with a monthly follow up.

Responsible sourcing

Our suppliers are crucial to our profitability. Modulpac has a long history with most of our suppliers, where the relationship is based on quality and trust. Raw materials are mainly purchased via distributors, which means that our insight in upstream supply chain is limited. We also don't know how many tiers our supply chain consists of nor how complex it is. Modulpac therefore relies on its Supplier Code of Conduct to ensure that its suppliers and their subcontractors comply with our and our customers' requirements for climate-related and social aspects.

Suppliers are re-evaluated annually according to Modulpac's operating procedure for purchase. To date, assessments and audits have had a great emphasis on quality, but from now on more focus will be placed on the work environment, safety and human rights. If there is a suspected non-conformance on any of these topics, the supplier shall be audited on-site. Modulpac did not have any cases of bribery or corruption in 2023.

Competence development

Retention of competence

Modulpac truly believes that training strengthens competence. Therefore, a lot of time and money is invested in competence development. Training is being provided for staff at all levels, and training takes place both externally and internally. At each performance appraisal, the competence gap is mapped, and an individual training plan is documented.

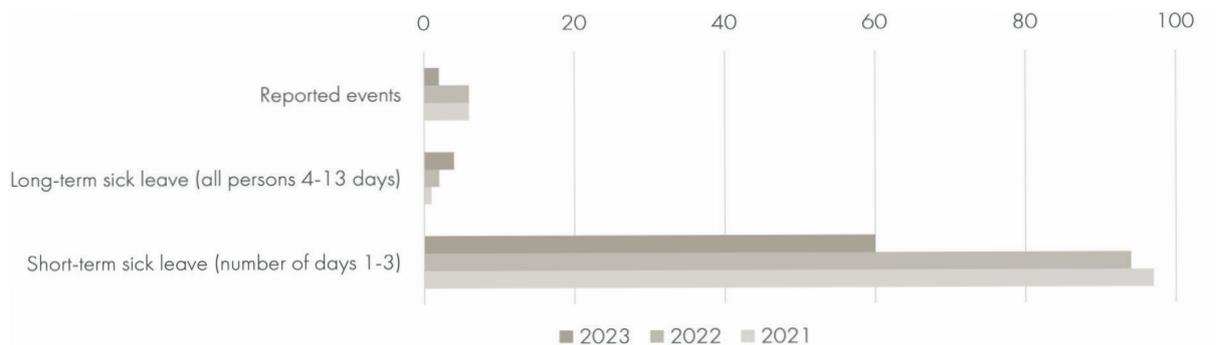
Social sustainability

Occupational health and safety

For us at Modulpac, social sustainability means that our employees and temporary workers must have a safe and sound work environment, free from discrimination and biases, with the essential requirement to stay healthy in both body and mind.



Actions to prevent ill health and accidents at work and to achieve a satisfactory work environment are being performed. Modulpac does not accept any harassment and consistently strives to be a fair and equal employer while having a good mix of different skills, backgrounds and characteristics in terms of gender, age and culture. Modulpac ensures a good physical and mental work environment through systematic work environment management, a safety committee and work environment checks. All employees are entitled to wellness allowance. Machinery safety and fire protection are ensured through internal resources as well as external parties. Together, we work for a good working climate where we make sure we get the right tools to succeed. The target is to have zero accidents.



Sustainability in action

On the 30th of May, Terje Andersson, Sustainability Coach at RISE (Sweden's research institute and innovation partner) came to Modulpac to lecture about what sustainability is, and why we (read everyone!) must keep working with sustainability and how we can develop our strategic sustainability work. The upcoming packaging directive, plastic recycling and life cycle analysis, important focus areas for Modulpac, were also a part of this workshop.

Environmental sustainability

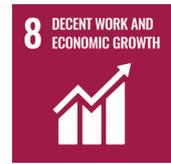
Responsible use of resources

Plastic is a prerequisite for a sustainable society. High-quality closures and packaging impact the shelf life of a product, which in turn reduces waste and contributes to reduced greenhouse gas emissions.

Modulpac's direct emissions are at a very low level. While most of our greenhouse gas emissions occur in our value chain, there are things we can control and/or influence:

- The development of recyclable packaging
- Product weight
- The development of packaging that is efficient to produce
- Optimisation of packaging methods
- The number of sustainable materials we can offer to our customer
- Production efficiency and energy consumption
- The proportion of assembly work that takes place in-house or in our immediate area
- Optimisation of transports
- Responsible management of chemicals

In 2023, our direct emissions were 8.0 tonnes of CO₂e. Since Modulpac had no leakage of refrigerants, the emissions come from the two communal vehicles which are used to drive between the factories or to nearby suppliers. Besides these, the emissions to air resulting from our operations are negligible.



Refrigerants

We have modern cooling systems at both of our production units for comfort cooling and cooling of process water. Both plants are connected to free cooling, which means that the temperature can be lowered without mechanical cooling. Also, the return water from our processes is being used to heat our premises, which saves energy.

The calculations are based on documented emission factors from ei.se (Final Residual Mix for Sweden) and car manufacturers.

Scope 1	Direct emissions (Diesel, petrol)	8,0 ton CO ₂ e
	Leakage of refrigerants	0 ton CO ₂ e
Scope 2	Indirect emissions (internal energy consumption)	239 ton CO ₂ e

Scope 3

In 2023, we extended our calculations for scope 3 and received more emissions reports from our suppliers. Emissions from the purchase of raw materials still has the highest impact on our total emissions, and therefore the greatest potential for improvement.



CO₂ emissions by category

Purchased goods & services			Employee commuting		
• Raw material	93%		• No data	-	
• Cardboard boxes, packaging, consumables	3%				
Capital goods			Upstream leased assets		
• Not material	-		• Not material	-	
Fuel- & energyrelated activities			Downstream transportation & distribution		
• Not material	-		• WTW	1%	
Upstream transportation & distribution			Use of sold products		
• Transportation of raw material to Modulpac	1%		• Not material	-	
Waste generated in operations			End-of-life treatment of sold product		
• Paper, Combustible waste, Corrugated Cardboard, Wood, Metal, Hazardous waste, Waste water treatment	0,1%		• Plastic packaging	1%	
Business travel			Downstream leased assets		
• Emissions from car travel	0,2%		• Not material	-	
			Franchise		
			• Not material	-	
			Investments		
			• Not material	-	



Sustainability in action
 During 2023, we joined Avery Dennison Liner Recycling programme. Paper and filmic label liners are now collected instead of being disposed in combustibile waste containers. Modulpac has been able to reduce the amount of combustibile waste by 19 tonnes during 2023, a reduction of 34 tonnes in CO₂ emissions.

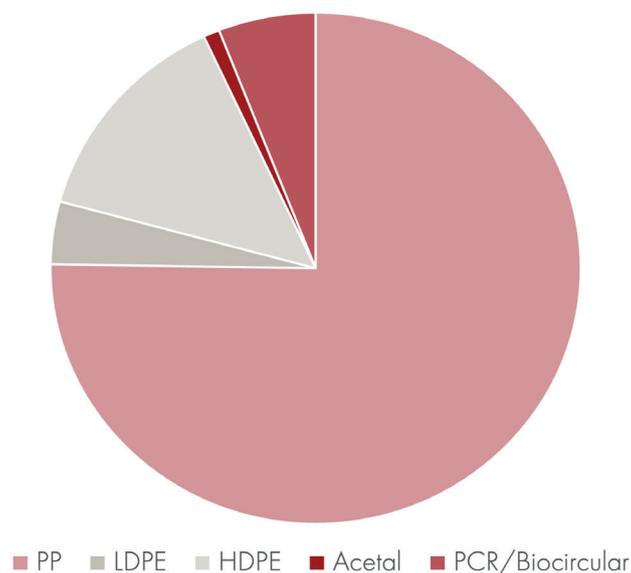
Materials

The choice of materials is central to reducing our environmental impact. However, since the choice of materials is most often determined by our customers, Modulpac cannot make these decisions alone. We are dependent on having a dialogue with our customers and our supplier's ability to deliver sustainable materials.



While Modulpac is producing parts made from biomaterials and PCR materials, it is still mainly parts made from fossil PP and PE plastics that are being purchased.

Over the last years, Modulpac has proactively been working with new and existing suppliers to develop more sustainable materials: mono materials, NIR detectable masterbatches, bio-based materials and PCR/PIR materials. This resulted in an increase of use for both PCR- and mass-balance materials during 2023. We have also increased the use of NIR detectable masterbatches, which contributes to a higher recycling rate of black/dark details compared to colourants with carbon black. Modulpac is certified according to ISCC+, which increases our opportunities to procure circular and bio-based raw materials.



Challenges

Even though plastic is an important and commonly used material in our everyday lives, helping us to solve many of our needs, such as internet, mobile phones, medical equipment & electricity, the material gets a lot of negative publicity in the media. Much of the publicity around plastic is about littering, so the challenge is to educate people about the fact that we must change our behaviour, not the material in our packaging.

Few reports are published about the fact that only a small portion of oil and gas (2-4%) is being used to produce plastic packaging. Plastic contributes to a reduction of the global greenhouse gas emissions by, for example, reducing food waste and fuel consumption during transport and heating. Studies that solely focus on the amount of CO₂, emitted during the production of plastics are therefore very misleading. The production of paper, metal, and glass results in 5–15 times more CO₂ emissions, and if plastic were to be replaced with one of these materials, the amount of disposed waste would increase by 3–4 times in weight.

Another challenge is that recycled materials approved for food and medtech/pharma are extremely limited. This is because the plastic waste streams are complex with mixed plastics and the presence of hazardous substances. Today's mechanical recycling must be paralleled with chemical recycling. Chemical recycling is the process of breaking down polymeric waste into their building blocks, returning them to virgin plastic properties. These recyclates can be used in demanding applications, such as food contact.

Since most post-consumer plastic waste goes to landfill and energy recovery around the world, there is a clear potential for improvement. Several different recycling techniques and closed loops need to be combined and developed. Closed loop means that the packaging returns to its original use. An example of a closed loop is Modulpac's project Closure2Closure[®], where caps are produced in PCR material based purely on recycled plastic caps.



Our sustainability work

Product safety

Through quality control and internal and external analyses, we comply with the legislation for the segments we supply to, performing test for migration, child protection certificates and UN certificates. Our closures and packaging are subject to many different legislations, and Modulpac uses web-based service where we can search and monitor laws. Product safety is a high priority for us., and our products shall not cause any harm to people nor our planet.



Modulpac manufactures medical devices and parts to pharmaceuticals industry in a strictly controlled environment – a cleanroom. Our first cleanroom was completed in 2001 at our eastern plant. The cleanroom was moved 2008 when our western plant was opened. It is validated to class 8, which according to ISO standard 14644-1 means that the number of particles larger than 0.0005 mm must be fewer than 3.5 million per cubic metre of air. Class 8 is the most widely used cleanroom purity level to produce parts that must undergo a sterilisation process after assembly and packaging. Today, we have our own CE-marked medical devices on the market.

There are many advantages to using plastics in medical devices. For example, plastic does not absorb odours. It is also resistant to water and other liquids and can be sterilised. In addition, plastic can be shaped in many ways depending on intended purpose. Plastics are, and will continue to be, critical to patient safety. Many life-saving measures would not be possible without plastic as a material. Today, it is possible to produce medical device details with sustainable materials.

Halved food waste in the world

By 2030, the amount of global food waste shall be halved. Plastic is currently the most efficient packaging material, and more than half of all goods in Europe are packaged in plastic. Plastic packaging supports a safe distribution of food over long distances and minimises food waste by keeping it fresh for longer periods. Also, the packaging weight is low, which leads to lower emissions for transport and waste management.



One fifth of all food available to consumers is being wasted at the retail, food service and household level. Many of Modulpac's closures and packaging solutions are being delivered to the food industry. With high quality and function, we can contribute to reduced food waste.

Responsible management of chemicals, waste and water

Environmental compliance plays a crucial role in maintaining a sustainable and responsible approach for a business and its operations. No monetary penalties have been imposed for violating environment-related laws and regulations.



Approved chemicals are listed in an externally provided chemical management system. The system tracks consumption and substitution work while providing safety data sheets and risk analysis. Hazardous waste is being handled to minimise the risk of leakage, while correct labelling and storage in separated locations is being conducted. In 2023, 178 tonnes of waste were generated, 6 percent of which was classified as hazardous waste.

Hazardous Waste

Modulpac is performing regular inspections of the indoor and outdoor environment to ensure that there's no pollution or emissions of hazardous chemicals and materials to air or water. No floor drains are installed inside our plants. The outdoor wells have pre-installed strainers to catch plastic granules. Modulpac's operating procedure for emergency includes sealing/absorbent material. Any temporary violations are considered to have minimal impact on nature.

96%

Material recycling

4%

With energy recycling

<0,01%

Landfill

Sustainability in action

According to tradition, a yearly Christmas Gift was donated to Lagan, the community where we operate. This year Modulpac decided to buy two benches to the local hiking trail, called Bergastigen. By next summer this six-kilometre path will have one more stop for sitting down and taking a rest.



Modulpac