



Corporate Responsibility Report 2021

ME Group

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ME Group in general

ME Group is part of Ab Wiklöf Holding and was formed during the 1990’s by merging Mathias Eriksson, Trapp & Klingstedt Shiptsupply, Laivamuonitus Shipstores and Mathias Eriksson Sweden. These four companies have 200 years of combined experience and provide the basis for our considerable knowledge. The company’s locations are in Turku, Rauma and Oulu. In addition, the company has a storage in Stockholm.

Today we are one of the biggest providers of Duty Paid, Tax Free and Provisions services in the Baltic Sea area. In this specific area we handle all the logistics, storage and delivery services for our international partners. Our experience, professionalism and continuous improvement in our services guarantee our partners and customers quality service.

We have built on and strengthened our long-term client and supplier relations by focusing on high-quality service and client needs. These long-term relationships have given us the skills and knowledge necessary to meet the needs of new clients with great confidence.

Open communication and reciprocal trust are critical factors in creating a client-focused service. Information technology and its continuous improvement are an essential part of this ongoing development process. A satisfied end user is the ultimate proof of our success.



Business Areas

Duty Paid

Duty Paid business unit provides 3-PL services for importers of alcoholic beverages to the Finnish market. These services include import, storage, picking, delivery to end customers and a variety of different support and value-added functions. We offer an efficient logistic solution for all our customers.

We take care of the logistics, so our customers can concentrate on marketing and selling. Well-functioning logistics are an important part of our success.

Variety of service packages

Basic Service

The Basic Service is the core of all our operations, and it includes reception and storage of goods, handling of customer orders (EDI), picking of goods and delivery to end customers.

Support Functions

The Support Functions cover all necessary requirements from authorities, e.g., license for excise and bonded warehouse, collecting and reporting alcoholic beverage taxes, customs clearance, Valvira and Intrastat reporting. The Support Functions also include several services regarding the physical handling of the goods, e.g., arrival check on all incoming goods, marking of bottles and cases, assembly of display pallets, etc.

Value added services

The additional value-added services are also available for our customers:

- ▶ Import freights
- ▶ Reporting service
- ▶ Invoicing services
- ▶ Provider Managed Inventory (PMI)

*A satisfied consumer
is our ultimate target.*



Business Areas

Tax Free

ME Group Tax Free operations provide all the logistical services needed to deliver alcohol, tobacco products, sweets, cosmetics and perfumes from the producer to the client. Our comprehensive range of services has been created for our partners and customers and guarantees high levels of cost efficiency and reliable delivery.

Our policy is always aiming to fully meet the needs of our partners thus allowing us to become the biggest supplier of tax free services in the Baltic Sea area. By acting in close cooperation with producers and customers, we guarantee smooth and reliable deliveries to customers whom include passenger ferry lines operating between Finland, Sweden and Estonia as well as airline companies and airports. Combined with a thorough knowledge of our market we ensure that strong and lasting confidential customer relations are developed – the kind we care about.

By acting in close cooperation with producers and customers, we guarantee smooth and reliable deliveries to customers.

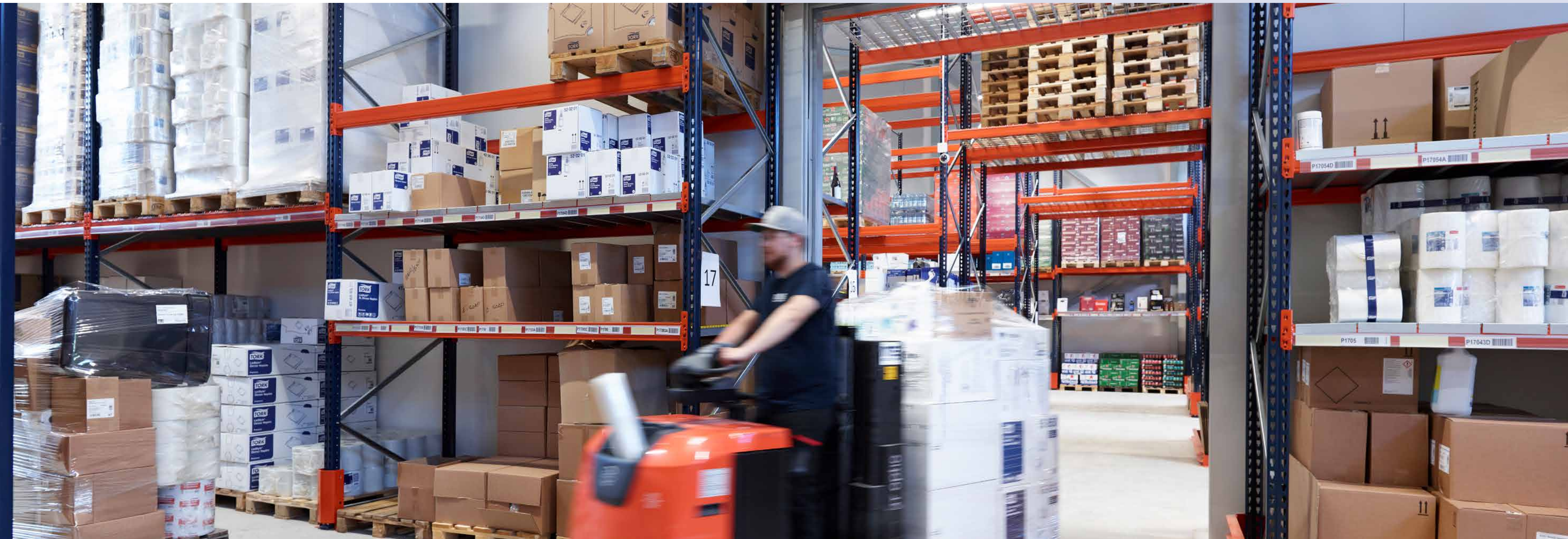


Business Areas

Provisions

ME Group provides a variety of food articles, ships chandlery articles and delivery services to clients. We are able to supply pantry, deck and engine equipment and spare parts either from stock or on request. Our wide clientele base includes cargo ships and cruise passenger ships.

Our provisions service is very comprehensive and includes all food items, equipment purchasing and delivery services. In addition, we have a very wide range of high-quality food articles in stock allowing us to respond quickly to client demands. Food freshness is guaranteed through the use of a data system that keeps a check on sell-by dates. Our considerable experience and professionalism give us the flexibility and knowledge necessary to meet the diverse and wide-ranging needs of all our clients.



Year 2021

– CEO's Review

In 2021 the Covid-19 pandemic was still challenging companies around the world driving various restrictions on mobility and activity. The pandemic affected widely ME Group's operations, especially resulting in the significant loss of sales in the Tax free business.

However, as in 2020, the situation in the Duty Paid business was the opposite; travel restrictions and the shift of alcohol sales to Alko's shops increased delivery volumes. After the sharp slowdown in 2020 the demand recovered strongly across the global economy. The combination of the pandemic and high demand led to supply chain disruptions, and inflation in materials and labor in various parts of ME Group's business.

Despite these challenges, we managed to ensure the continuation of our operations by effective adaption and responsible choices. Office work continued as remote work, the working hours in warehousing operations were restructured to avoid overlapping shifts, and the number of visitors were minimized to reduce risk of infection. The working hours were temporarily reduced, but layoffs and redundancies were avoided.

The most significant change in ME Group's operations was the closing down of the operations and warehousing in Vantaa in autumn 2021. The operations in Vantaa were relocated in other facilities of ME Group.

ME Group wants to be involved in creating a more sustainable future. ME Group's second corporate responsibility report has now been finalized, and it describes ME Groups main sustainability themes, targets as well its performance in 2021.

The main themes are linked to sustainable development goals and indicators. A focal key indicator is the carbon footprint. The carbon footprint was calculated for the second year in a row and ME Group has now learned to identify the most significant sources of emissions and can therefore identify feasible measures with a real impact.

Despite the effects of the coronavirus pandemic and the changes in the market, the company has managed to keep its business profitable and improve the sustainability. These responsible choices have created a solid foundation and despite all these challenges we deeply believe in ME Group's bright future.

Helena Sjögren
CEO, ME Group



Corporate Responsibility

in ME Group

Corporate Responsibility Reporting

ME Group is a responsible logistics operator that strives to communicate its corporate responsibility efforts effectively. The corporate responsibility report describes the company's operations and its impact on the environment and society. In the report, stakeholders such as employees and customers can find information about the company's operations from a sustainability perspective. The 2021 Corporate Responsibility Report is the second corporate responsibility report published by ME Group. The report is inspired by GRI reporting standards. The report is published online in PDF format in English.

Management of Corporate Responsibility

The company's corporate responsibility efforts are led by the CEO and guided by ME Group's corporate responsibility program. The program combines the most significant areas of responsibility for the company and the set sustainability targets.

The corporate responsibility program is used to guide and implement practical corporate responsibility work and to monitor its progress. The program defines the social, economic, and ecological impacts the company has on the environment and society. The United Nations Sustainable Development Goals (SDGs) are integrated into the program and can be used to illustrate the company's impact in a global context.

The results and management of corporate responsibility will be evaluated in connection with the update of the corporate responsibility program. The targets set out in the program are the responsibility of the person in charge of the department. The logistics manager is responsible for coordinating the annual summary of the program.

The corporate responsibility report is published annually and is the responsibility of the logistics manager. The human resources manager is responsible for the personnel-related key figures, the logistics manager is responsible for environmental-related key figures, and the financial manager is responsible for the financial key figures included in the report.



Risk Management

Risk management is implemented at both strategic and operational levels. The goal of risk management is to identify and manage risk factors and keep them within limits, so that they do not threaten the company's business.

The deregulation of Alko's monopoly position or the change in Åland Islands special status would have a significant impact on ME Group's business operational conditions. ME Group cannot directly influence these strategic risk factors through its own operations, but by identifying them, they can be managed. ME Group has two business lines independent of each other, which diversifies risks at the strategic level. Potential market changes are risk factors, but also opportunities that have been analyzed and identified.

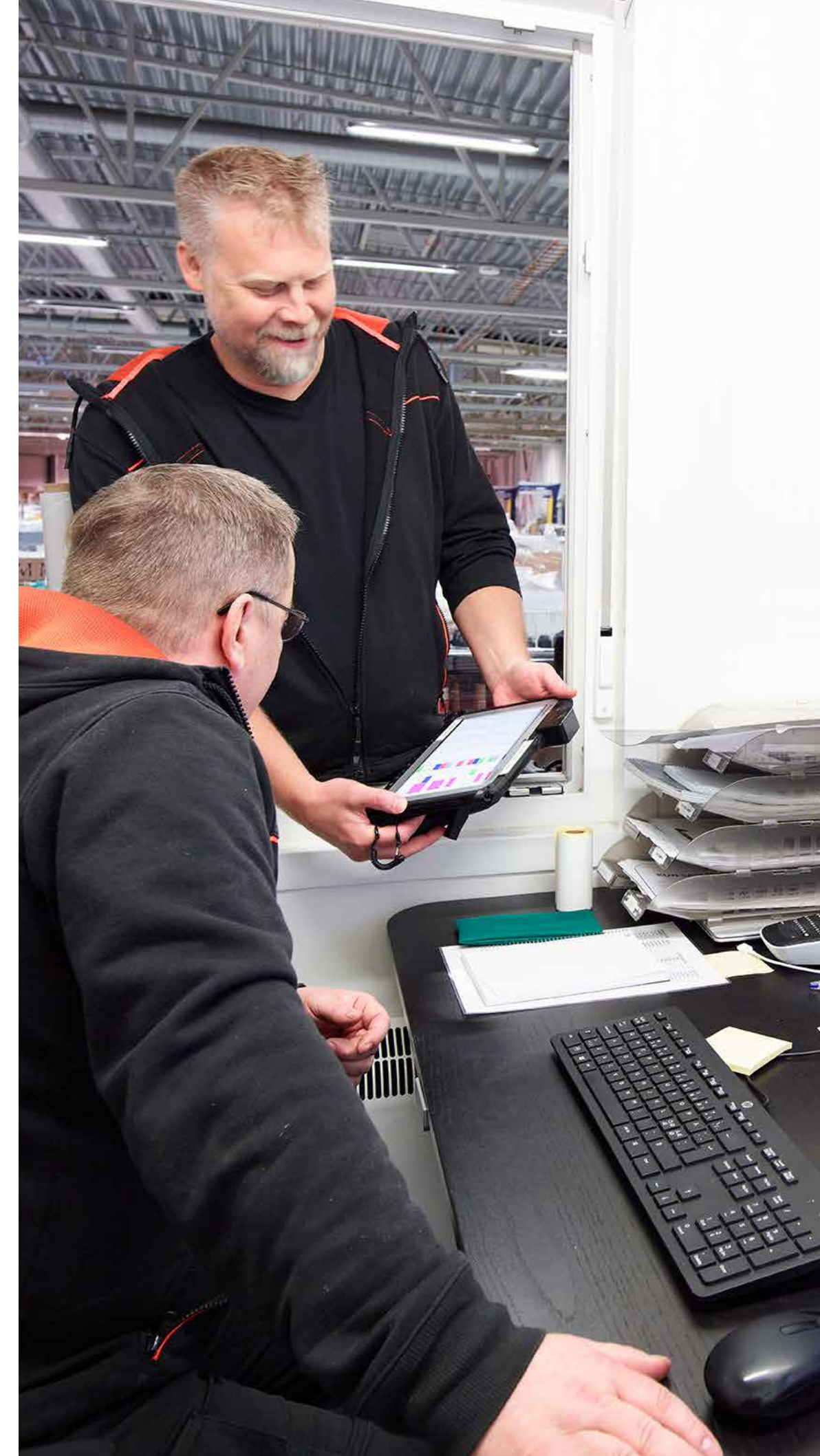
The spread of the Covid-19 pandemic and its effects after the crisis are being actively monitored. Financial risks have been minimized through financing and insurance arrangements and the company's liquidity has been strengthened at the company and group level. Shortages in transport capacity and price fluctuations have been minimized by committing transport companies to longer-term contracts. The reliability of the partners bring predictability to operations.

Risk management ensures business continuity. ME Group's Business Contingency Plan contains guidelines for action in the event of a potential crisis.

Good risk management is proactive, informed, and systematic. ME Group operates in accordance with legislation and collective agreements. Risk management also plays an important role in the development and maintenance of occupational safety. The health and safety organization carries out their own annual risk assessment. Strong personnel policy and occupational safety ensure the well-being of personnel and improve both the retention and availability of employees.

Business licensing (excise duty, customs legislation, alcohol legislation) is a unique feature of ME Group, which is considered in all operations. Compliance with legislation and permit instructions and continuous monitoring are part of ME Group's risk management. The reliability of IT systems has been ensured and security risks have been mapped to avoid security breaches.

Risk management is the responsibility of top management, but the practical implementation requires the input of all personnel.





Megatrends

Certain megatrends will have a significant impact on the logistics business now and in the future. The main megatrends are climate change, technological development and digitalization, renewable energy, and globalization.

Climate change is one of the most influential megatrends and affects the entire logistics industry through legislation and consumption habits. Transportation remains to be largely dependent on fossil fuels. The aim is to provide transport services with the lowest possible greenhouse gas emissions.

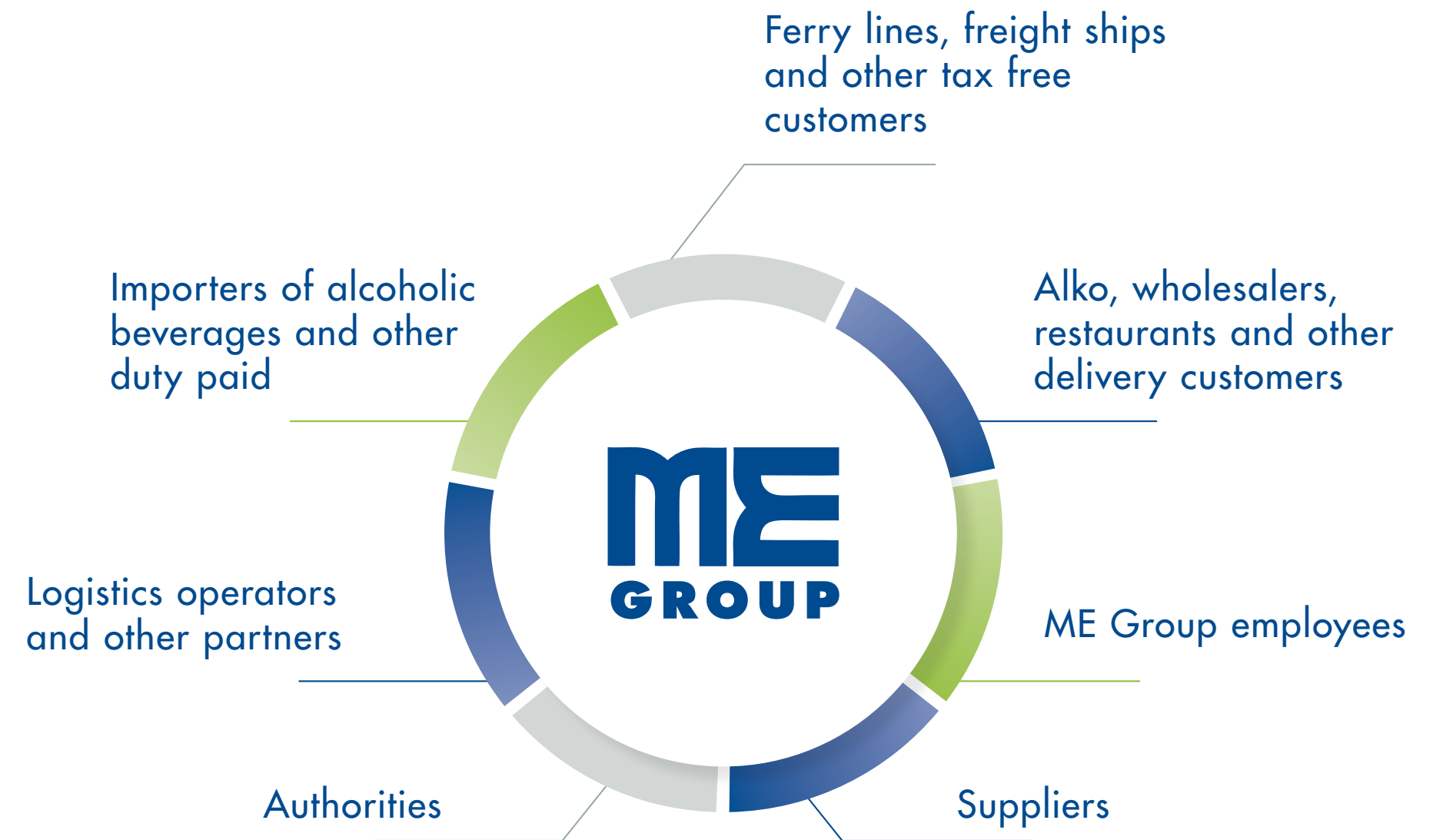
Technological development and digitalization have accelerated the development of the entire industry. The utilization of electricity and gas as energy sources and the optimization of logistics are examples of how technological developments can provide solutions. The widespread adoption of new technologies is significantly influenced by their cost-effectiveness.

Political support is being sought for renewable energy, and political guidance is also having an impact on the field of logistics. Fossil fuels such as diesel are still the most common energy source, but, for example, the electrification of transport can change the situation quickly.

Due to cost-effective logistics, products produced in different parts of the world can be consumed relatively cheaply in Finland. Efficient logistics has lowered the significance of the location of production and consumption. The progress of globalization will increase the need for logistics services also in the future.

Key Stakeholders

The company's stakeholders are all parties affected by or interested in the company's operations. Good stakeholder cooperation is a key factor for successful business. ME Group wants to be aware of the expectations and concerns of stakeholders. The most important ME Group stakeholders are described in the figure.



Materiality Analysis

The corporate responsibility program is based on a materiality analysis, which has been used to identify the key areas of responsibility for ME Group's business and stakeholders. The materiality analysis was carried out in a workshop held on 17 June 2021, which was attended by the key people responsible for ME Group's responsibility: the president and CEO, the logistics manager, and the human resources manager.

The workshop reviewed the company's business, its impact on the environment and society, and assessed the company's operations from the perspective of all 17 UN sustainable development goals. In addition, there has been a dialogue on the company's corporate responsibility.

Sustainability Themes in ME Group

ME Group wants to be involved in creating a more sustainable future. ME Group's corporate responsibility program consists of three main themes:

- ▶ Efficient and high-quality transport and storage
- ▶ Committed, ambitious and responsible employees
- ▶ Responsible deliveries in cooperation with partners

The main themes are linked to sustainable development goals and indicators. A focal key indicator is the carbon footprint. With the carbon footprint calculation, ME Group has learned to identify the most significant sources of emissions and can now identify feasible measures with a real impact.

Efficient and high-quality transport and storage

We reduce the climate and environmental impact of our operations.

We develop the quality of our services and the efficiency of our operations.



Responsible Deliveries in cooperation with partners

We promote sustainability in our operations and value chain.

We are a flexible and reliable logistics partner.

Committed, ambitious and responsible employees

We improve employee wellbeing and maintain expertise.

We promote equality.










UN Sustainable Development Goals

The UN Agenda 2030 for Sustainable Development seeks global sustainable development from an environmental, economic, and human perspective, and the eradication of extreme poverty. Agenda 2030 includes 17 sustainable development goals and 169 sub-goals.

ME Group wants to be involved in promoting them and creating a more sustainable future. In connection with the corporate responsibility program, ME Group has identified sustainable development goals that are significant and that can be influenced through its own operations. The goals are connected to corporate responsibility themes and presented in the corporate responsibility program.

Corporate Responsibility Program

ME Group’s corporate responsibility program consists of themes and related sustainable development goals and indicators. A theme describes a significant issue or factor that is central to responsible business.

MAIN THEMES OF RESPONSIBILITY	DEFINITION	KEY INDICATORS	TARGET
Efficient and high-quality transport and storage <div>      </div>	We reduce the climate and environmental impact of our operations. We invest in optimizing transportation and energy efficiency in storage. We develop the quality of our services and the efficiency of our operations.	Carbon footprint (Scope 1,2 & 3) Route optimization Use of packaging materials Waste recycling / utilization %	To identify business area based carbon footprints
Committed, ambitious and responsible employees <div>    </div>	We improve employee wellbeing and maintain competences. We guarantee clean, safe and equal working conditions and modern IT-systems. We employ young people and students and provide comprehensive orientation.	Sickness absence % Accident frequency rate Employee turnover Number of seasonal employees Renewed employment contracts of seasonal employees	Accident frequency < 35 Sickness absences < 4 %
Responsible deliveries in cooperation with partners <div>  </div>	We promote sustainability in our operations and value chain. We are a flexible and reliable logistics operator, and we collaborate successfully with various partners.	Environmental criteria for suppliers Carbon footprint in the whole value chain	To identify and optimize the greenhouse gas emissions in the whole value chain To affect the emissions of the partners

Efficient and high-quality transport and storage



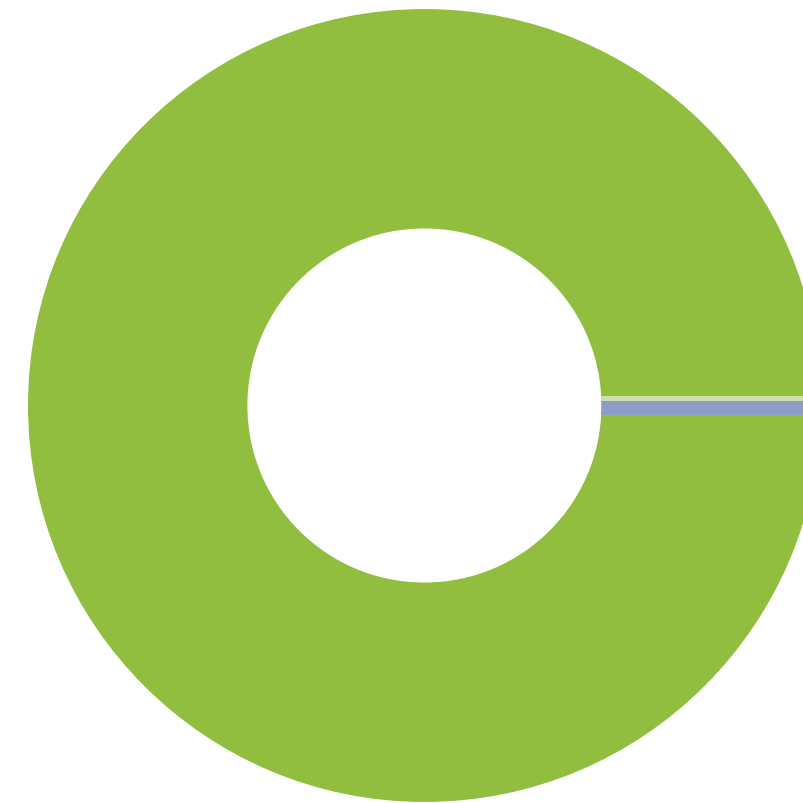
The prerequisite for a high-quality service is seamless co-operation between deliveries, storage and distribution. ME Group is committed to developing its operations in relation to the environment and to avoid causing environmental harm. All ME Group's operations aim to identify and act in ways to reduce environmental impact. The company's environmental policy has been communicated to all its locations.

ME Group procures logistics services from various operators, and transports are made by ship, road and air. The share of flights in transport was minimal in 2021.

Carbon footprint

The company calculated its carbon footprint for 2021. Clonet Oy performed the carbon footprint calculation using the OpenCO2.net carbon footprint platform. In addition to its own operations and energy consumption (Scope 1 and 2), emissions from procurement and supply chain (Scope 3) were included in the calculation. ME Group's 2021 carbon footprint is 29,910 tonnes CO₂-equivalent (CO₂e) (2020: 31,229 tonnes CO₂e), and is divided as follows:

- ▶ Own operations (Scope 1) 39 t CO₂e (0.1%).
- ▶ Purchased energy (Scope 2) 487 t CO₂e (1.6%).
- ▶ Procurement and supply chain (Scope 3) 29,383 t CO₂e (98.3%).



Scope 1 (0.1%)
Scope 2 (1.6%)
Scope 3 (98.3%)

In total

31,229 t CO₂e

2020

29,910 t CO₂e

2021



The largest portion of emissions is caused by purchased goods (69%). Deliveries and distribution were the second biggest category with a share of 23%. Overall ME Group's carbon footprint in 2021 was 4% smaller than in 2020. 9% of ME Group's 2021 carbon footprint has been offset (2020: 4%). For example, ME Group's main distributors have offset most of their emissions for 2021 deliveries.

The emissions from imported transport in Italy and Austria were offset during 1.4-31.12.2021. In the future, ME Group aims to switch to more environment-friendly electricity and efforts will be made to find lower-emission modes of transport to reduce the use of fossil fuels.

ME Group's warehouses are modern and environmentally friendly. In the context of remedial measures, energy-efficient solutions such as LED luminaires have been introduced in the warehouses. For example, in 2021, it was decided to invest in a new and modern warehouse in Rauma. The essential parts of the company's responsible operations are centralized storage, energy efficiency of buildings and efficient distribution.

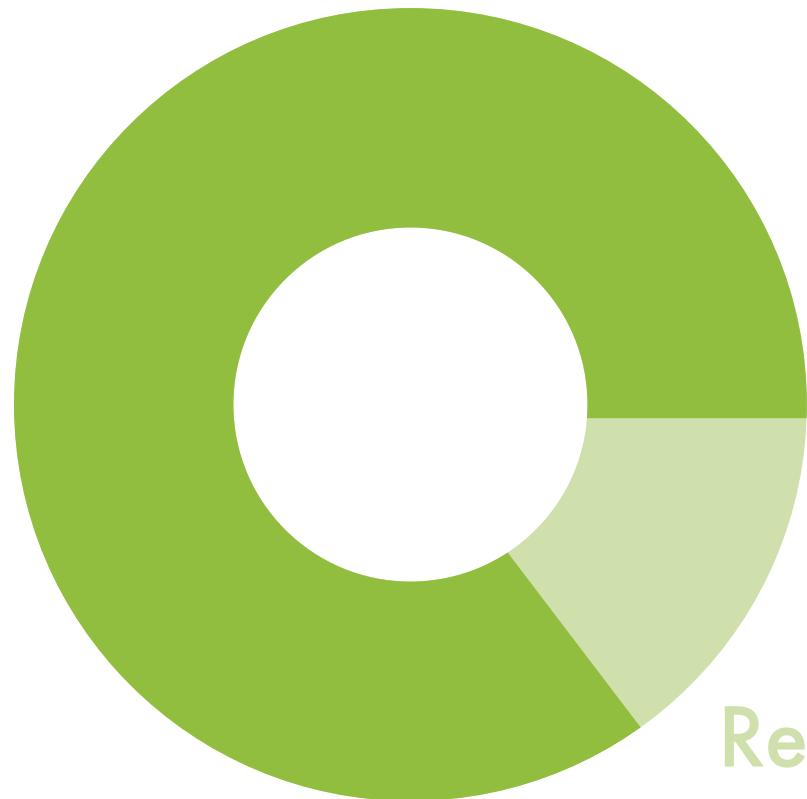
Our provisions service includes food and equipment purchasing and delivery services for cargo ships. The amount of food waste is reduced through continuous

development work. During 2021, the energy-efficiency of refrigeration equipment in Rauma was improved. Whenever possible domestic and sustainable food alternatives are favored. The company uses the WWF fish guide to select sustainable alternatives.

In 2021 the electricity consumption in properties owned or leased by the company in Finland was in 2,807 MWh (2020: 2,756 MWh). Heat consumption was 2,590 MWh (2020: 2,554 MWh) and 168 MWh of non-renewable fuels were used in the company's own vehicles during the year (2020: 133 MWh).

Use of packaging materials

In 2021 ME Group started to measure the usage of packaging materials in their warehouses. The total annual consumption of packaging materials was 78,675 kg (76% plastic, 20% cardboard, 4% packing sticker). The aim is to find means to reduce the usage of packaging materials and to utilize materials made from recycled raw materials to reduce their environmental impact. All the ME Group's packaging materials ends up being reused, recycled or recovered.



**401.2 tonnes
of waste
generated**

Recycled (78%)
Recovered as energy (22%)

Waste recycling

ME Group targets sustainable use of resources and material efficiency. We are reducing waste across our businesses and supply chains. Continuous monitoring of our progress in the waste management keeps us on track and enables us to set challenging goals. Our ambition is to increase reuse and recycling by applying the principles of a circular economy.

In 2021, ME Group's operations generated in total 401.2 tonnes of waste, of which 313.5 tonnes (78%) was recycled and 87.7 tonnes (22%) was recovered as energy. ME Group's waste consists mainly of recyclable cardboard and plastic from the packaging materials and mixed municipal solid waste.



Committed, ambitious and responsible employees

Employee well-being and competences are key factors for success. ME Group promotes good employee health by providing its employees with preventive and statutory occupational health care and medical care through an occupational health provider.

Clean and organized workspaces and warehouses ensure safe work and good working conditions. Up-to-date systems improve both comfort and performance at work.

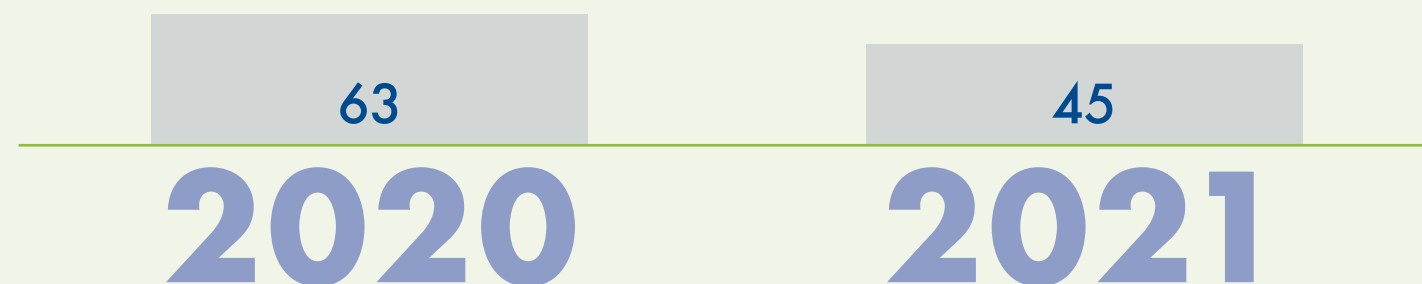
During 2020 and 2021 the COVID-19 pandemic affected sickness related absences, which increased due to the pandemic. The absence rate in 2021 was 4.6%. The increase caused by the effect of the Covid-19 pandemic is approximately 1%.

ME Group aims to promote work ability and reduce sickness related absences by using an early care model and diverse measures to support employees' return to work. The target for the absence rate is less than 4%.

ME Group invests in ergonomics training, work ability and anticipation, together with occupational health care. Through these investments the sickness absence rate is relatively low. In 2021 ME Group invested in employee' competences and work ability by recruiting a coordinator to support supervisors in the effective orientation process and continuous development of the working methods.

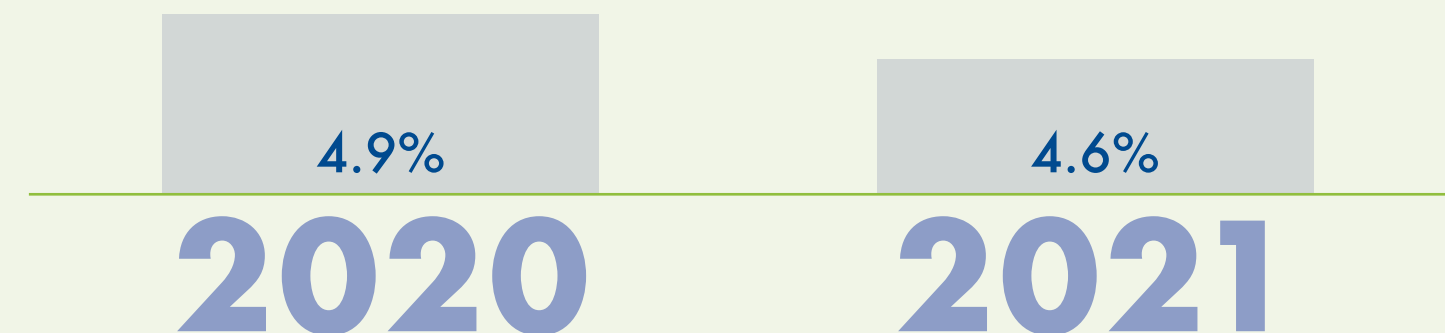
At ME Group, everyone has an equal opportunity to work and advance their own careers. The company wants to promote staff diversity.

Accident frequency rate

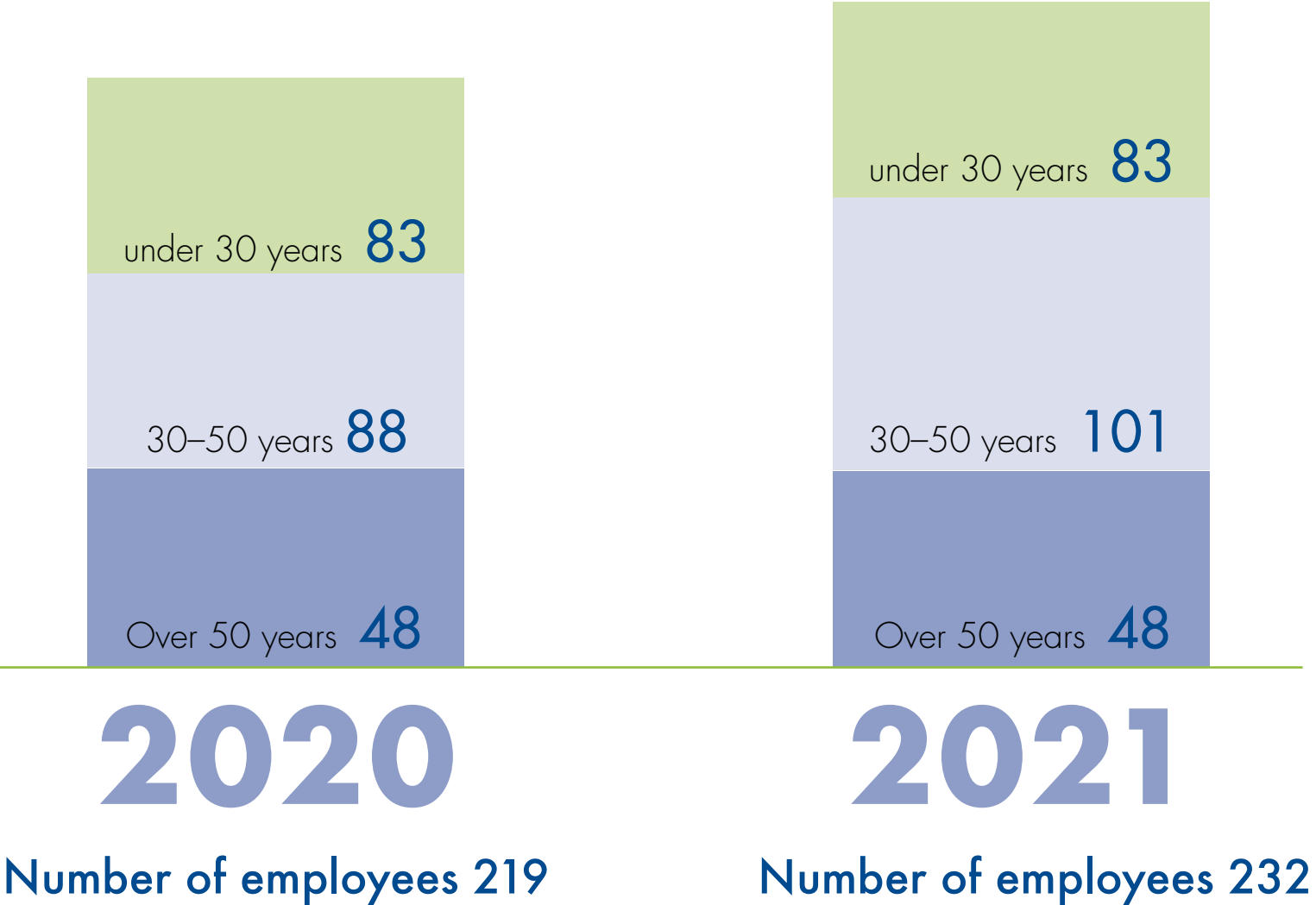


Accident frequency rate (Number of all occupational accidents per one million working hours. Working hours are calculated by Insurance company using statistic of average working hours)

Sickness related absence



Age distribution of staff in ME Group



The distribution of staff in ME Group (Figures include permanent, fixed term and casual employment contracts)

The gender distribution of our personnel

2021



149

(134 / 2020)

Men



83

(85 / 2020)

Women

Employee turnover in 2021 was 9.6% (women 7.7%, men 10.7%). These figures relate to permanent employees not seasonal workers.

The staff turnover at ME Group is relatively high due to the nature of the business. The high seasons are during holiday periods: in Summer, Easter, and Christmas Season. Therefore, the need for labor is seasonal, and there is an emphasis on the employment of seasonal workers.

Seasonal employees mainly consist of young people and students, and the company is committed to providing a positive work experience at the beginning of their careers. In 2021 ME Group offered 50 seasonal jobs to people in the early stages of their careers. The amount of renewed employment contracts of seasonal employees in 2021 was 53.

ME Group is committed to continuously improving occupational safety. Our goal is to think and act safely, which will make all occupational accidents avoidable. Our efforts in the area of occupational safety are also aimed at preventing and minimizing accidents, occupational diseases, and other hazards from work and the working environment. In 2021 the accident frequency rate was 45 (63). Typical causes for accidents are cuts, sharp objects, trips and slips. The target for the accident frequency rate is less than 35.

Responsible deliveries in cooperation with partners

For ME Group the successful cooperation with various partners is central to business development. The company has good customer relationships. Trust and effective cooperation are based on an active and continuous dialogue with customers.

ME Group is committed to the customer code of conducts and other responsibility principles and want to ensure that all suppliers are also committed to the same requirements. For example, ME Group supplies products to customers, who are members of Amfori business association. The Amfori BSCI Code of Conduct sets out 11 core labour rights, which participants and their business partners commit to implementing within their supply chains in a step-by-step development approach. The Code of Conduct include requirements in the following areas:

- ▶ The Rights of Freedom of Association and Collective Bargaining
- ▶ Fair Remuneration
- ▶ Occupational Health and Safety
- ▶ Special Protection for Young Workers
- ▶ No Bonded Labour
- ▶ Ethical Business Behaviour
- ▶ No Discrimination
- ▶ Decent Working Hours
- ▶ No Child Labour
- ▶ No Precarious Employment
- ▶ Protection of the Environment

In addition to the calculation of the carbon footprint of its own operation, ME Groups also calculates and follows up the emissions from procurement and supply chain. In the future ME Group can also provide the information and promote the sustainability for the whole value chain.

