



**PROJECT
FUTURE
PROOF**

ANNUAL SUSTAINABILITY REPORT 2018

The title is surrounded by several white line-art icons: a globe, a cluster of three leaves, a sun partially obscured by a cloud, and several stars. Dashed white lines form a decorative path around these icons.

Doing Good Business

ERIKS

Dear reader,

Three years ago, we introduced our first comprehensive sustainability strategy at ERIKS, based on the United Nations Sustainable Development Goals. I am glad to say that we have made significant improvements and are still on track to achieve our 2020 goals.

This report is guided and informed by GRI reporting standards, a global benchmark in corporate sustainability reporting. Using these strict requirements reflects our ambition to be a responsible corporate citizen and play an active part of the societies we operate in. It also gives us the opportunity to benchmark our sustainability achievements and explain our initiatives on broader topics such as health and safety, employee development and labor conditions.

ERIKS operates in more than 18 countries with customers in 28 different industrial sectors. Our company motto 'Let's make industry work better' implies that we work together with all our stakeholders to improve these sectors in every way possible. To achieve this, we innovate and invest heavily in digitization, making use of new technology such as big data, 3D printing and the internet of things. This technology allows us to launch new 'Industry 4.0' services such as predictive maintenance, which enables us to predict when components will fail, resulting in fewer and more predictable downtime for our customers.

Making industry work better also means we strive for a more environmentally responsible industrial world, which pro-actively and effectively lowers its carbon footprint. Sustainability is therefore a key topic at ERIKS and an implicit part of the two key services we offer our OEM and MRO customers. The first of these services is co-engineering, a process that is about improving our customers' end-products, for example by making them more durable and energy efficient. The second is reducing the total cost of ownership (TCO) of industrial plants, which is realized by making processes more efficient.

In addition to making our customers' businesses more sustainable, we look at ways to reduce our own carbon footprint, which was achieved in all ERIKS regions in 2018. In the Netherlands, we even succeeded in being carbon neutral for the third year in a row, offsetting our remaining emissions by funding a hydro-electric project in India.

It goes without saying that the safety of our people is another non-negotiable subject for ERIKS. One of the leading principles in our safety strategy is accountability.

This simply means that we look after each other. In fact, I have authorized everyone in the company to stop any unsafe situation they may encounter through our safety campaign. Also, we have a team of dedicated 'Safety Champions' in place who promote a safer workplace in all countries we operate in. They work together intensively with clear and ambitious KPIs to improve their colleagues' safety. Although we have not yet reached our ultimate goal of zero accidents, we have made very significant improvements during the past few years. The number of Lost Time Incidents has significantly reduced since 2016 and we've seen the LTIR decrease by 49% since 2016 and this gets us close to our goal of 0 work related injuries.

For ERIKS, sustainability and taking care of our people are more important than short-term gains. We want future generations to have a bright future. In line with this notion, we have developed a long-term approach that looks beyond 2020 – based on in-depth consultations with a wide range of stakeholders to identify the areas where we can make the most difference.

Saving energy and not wasting resources is common sense. However, this is not where ERIKS can make the biggest impact. It is with product knowledge that we can make industry future proof – making better end-products and processes that last longer. This is supported by a persistent focus on digitization and innovation. I invite you to read some of the inspiring examples that are published in this report, which are the result of the relentless drive of our 7,500 colleagues worldwide to become more sustainable. I thank each of them for the hard work and dedication they give to our customers every day.

Let's make industry work better.

Simon Franken, CEO



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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 and polymer, engineered plastics, flow control, industrial and hydraulic hoses, gaskets, power transmission and tools, maintenance and 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 improve.

We strive to reduce the cost of ownership, making 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 products at a number of sites, and test and develop new products, at our laboratory in Deventer, Netherlands. Our digital office in Amsterdam focuses on innovation 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, it is the glue that holds us all together. The main principles within the corporate philosophy are:

- ▶ 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

OUR CUSTOMERS ARE BASED IN EIGHT MAIN GROUPS:

- Power Generation and Waste Water Recycling
- Food and Pharmaceuticals
- Machine and Equipment Construction
- Oil and Gas
- Petrochemicals and Refineries
- Primary Industry
- Transport, Aviation and Maritime
- Utility and HVAC

ERIKS' PROPOSITION TO THE CUSTOMER: Availability of the Products

- Flow Control
- Sealing and Polymer Technology
- Engineered Plastics
- Industrial and Hydraulic Hoses
- Gaskets
- Power Transmission
- Conveying Systems
- Tools, Maintenance and Safety

Technical Support and Know-How

- Customization and Co-engineering
- Associated Technical Services
- Increase Up-time / Problem-solving / TCO

Cost Saving and Ease of Doing Business

- Onsite, Integrated Solutions
- E-commerce and EDI
- Inventory Reduction (Big Data)
- Sensing and Predictive Maintenance

- FOUNDED 79 YEARS**
AGO in Alkmaar
- 7,621**
employees
- 10.2 YEARS**
average tenure
- OVER 300 BRANCHES**
in 18 countries
- 3.5 MILLION**
shipments per year

900,000 products available

Approx. €1.9 billion sales



1. Belgium	4. Czech Republic	7. Ireland	10. Poland	13. Spain	16. United Kingdom
2. Canada	5. France	8. Luxemborg	11. Singapore	14. Switzerland	17. USA
3. China	6. Germany	9. Malaysia	12. Slovakia	15. The Netherlands	

2018 SUSTAINABILITY HIGHLIGHTS

GOVERNANCE



1,263 employees trained in anti-bribery, corruption/gifts and hospitality in 2018 - 12% above our target



837 employees trained in trade compliance in 2018 - 28% above our target



164,000 customers screened

STRENGTHENING SOCIETY



49% decrease in Lost Time Incidents since 2016



430 safety visits by managers



10.2 years average tenure



42 employees in leadership programs



43,751 total training hours

INFLUENCING CHANGE



€9.4 MILLION environmental savings for customers - up 35% since 2017



New environmental savings online tool launched



260,000 kWh saved every year for Netherlands' largest water company

DRIVING EFFICIENCY



5% increase in Green Energy purchased



Zero energy from coal and fuel oil



14.3% decrease in Scope 1 and 2 emissions from 2016 baseline year



3 years - ERIKS Netherlands maintains carbon neutral status

UNDERSTANDING WHERE WE CAN ADD VALUE

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, analyze 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.

To carry out the materiality assessment, a list of potential material topics was created by KPMG and our parent company SHV. The list categorizes and defines relevant sustainability topics and was based on the Global Reporting Initiative (GRI) Standards, a sector analysis, peer-review and a media search of all SHV content. In our assessment, we decided to give equal weight to the input of all the different stakeholders.

We connected with internal and external stakeholders to help us understand the areas that are of greatest importance to our business.

External		Internal	
23	Customers	6	Board Members
1	NGO	3	Group Staff
		5	Regional Directors
		7	Non-managers – Mid-managers

The outcome helped create a list of material topics to focus our activities and guide reporting. We review the issues annually, streamlining them further this year to ensure continual improvement in the clarity of our reporting. Since 2016, we have reported on our sustainability performance annually with our last report in 2017, which is available on our website.

MATERIAL ISSUES

- ▶ Health and safety
- ▶ Employee development, attraction and retention
- ▶ Labor conditions and business integrity
- ▶ Sustainable procurement practices
- ▶ Sustainable products and services
- ▶ Climate change and energy

We are currently reviewing our material issues, consulting with a wide range of internal and external stakeholders to carry out a detailed assessment of business relevant issues. The outcomes of the consultation will help us refine our sustainability strategy and develop a new set of goals to take us beyond 2020.

SUSTAINABILITY STRATEGY: PROJECT FUTURE PROOF



PROJECT FUTURE PROOF

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 impacts 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 are aiming to do more than simply supply industry. We take a precautionary approach, applying our 'cradle to grave' philosophy that looks at the whole life cycle of our products.

We have long had our own internal sustainability goals and objectives. Now our customers are beginning to think the same way. As an industry leader, we can use our expertise to change how industry behaves, performs and is perceived.

The overarching aim of our sustainability strategy is to make industry future proof.

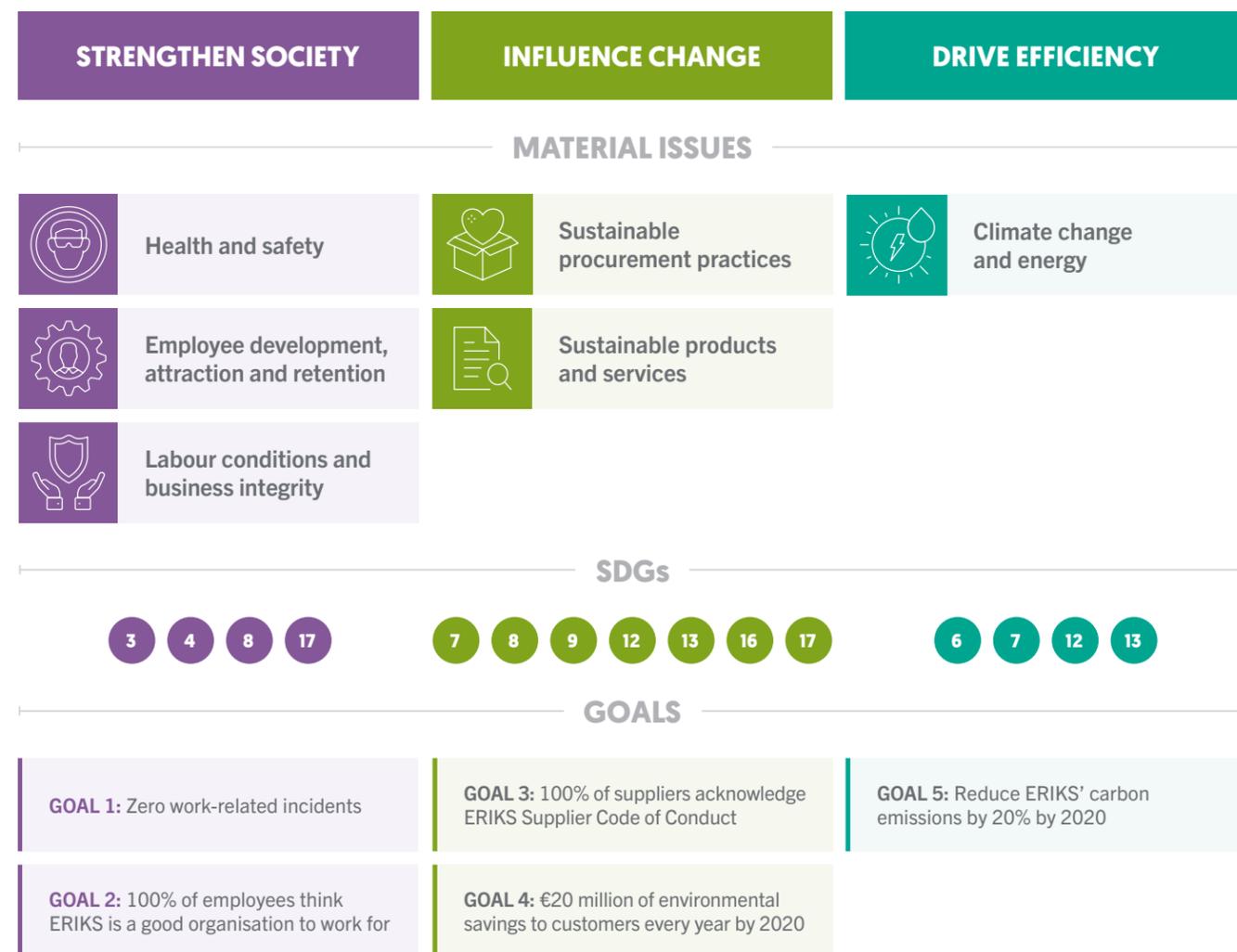
OUR THREE PILLARS AND FIVE GOALS

To deliver our promise of making industry future proof, we have set out three pillars of activity and five supporting 2020 goals that we report on annually. The relevant material issues and UN Sustainable Development Goals help guide the focus of each pillar.

The 17 Sustainable Development Goals (SDGs) were agreed in September 2015 by 193 UN member states.

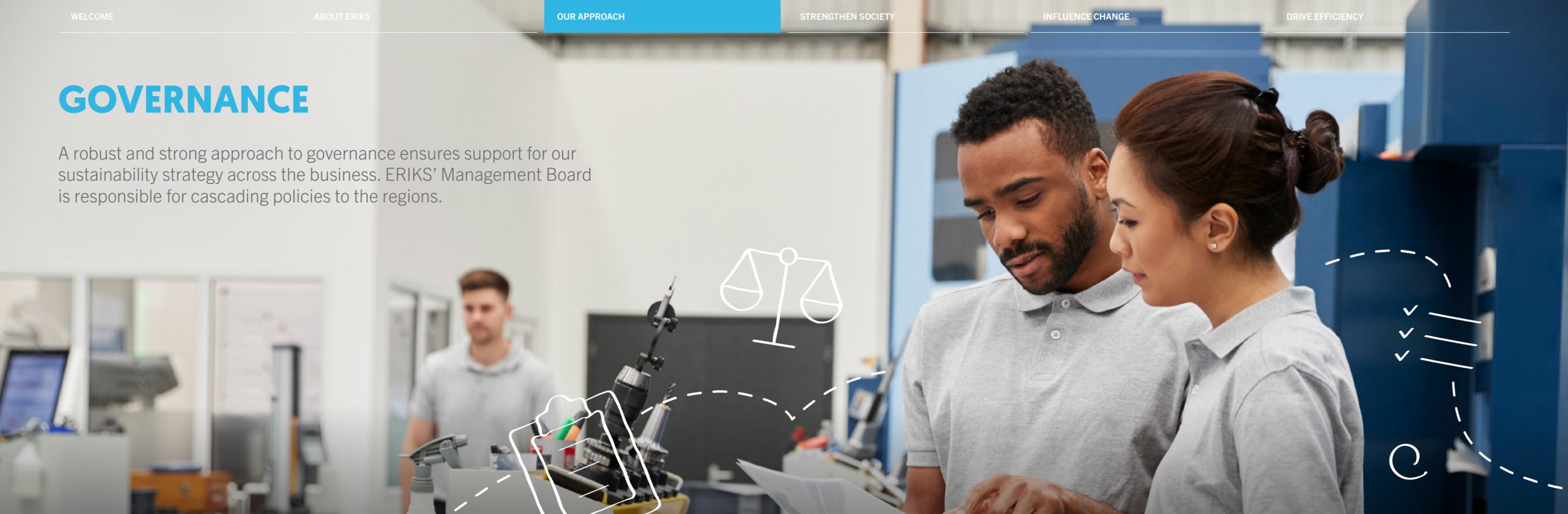
They provide an opportunity for businesses to create value, not only for the businesses themselves, but also for society. Addressing all nations and peoples, the goals have established a common set of wide-ranging issues to help all sectors and organizations work together. ERIKS linked its strategy and targets with the global goals for the first time in 2016. As we update our sustainability strategy, we will be revisiting the goals to understand how we can collaborate and contribute towards the solution of global issues.

MAKING INDUSTRY FUTURE PROOF



GOVERNANCE

A robust and strong approach to governance ensures support for our sustainability strategy across the business. ERIKS' Management Board is responsible for cascading policies to the regions.



As part of our commitment to sustainability, the Chief Human Resources Officer (CHRO) has special responsibility for our strategy. The Sustainability Manager reports directly to the CHRO 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 drives local initiatives.

We ensure that our Champions can 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 region, 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, 12 champions and ambassadors from across our global organisation form the Group Sustainability Committee. This committee holds a virtual meeting every month and meets up in person twice a year.

“My love of nature and the outdoors motivated me to get involved as a Sustainability Champion. I like to do whatever I can to help reduce our impact on the environment, both through our business and personally. Sustainability is a high priority for the ERIKS Board and the messages they disseminate through the business help to keep it front of mind for employees. It’s great when colleagues come to me independently with ideas on how we can make business better.”

Spencer Savoie, Sustainability Champion, ERIKS North America.



ENSURING BUSINESS INTEGRITY

We work hard to ensure high standards of integrity across our business. 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 of 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 the Internal Authorisation Matrix.

We have established a dedicated confidential service available to employees with any concerns regarding behaviour and conduct. In 2018, we received 26 reports via our dedicated ‘Speak Up’ line. The majority of cases were about labor 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 then 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 2018, we trained 1,263 employees, exceeding our target of 1,131. For 2019, we have set a higher target of 1,777 ensuring that we increase training provided year-on-year. Training is aimed at managers and team-leaders to ensure they set a good example for others.

1,263 Employees Trained

on anti-bribery, corruption/gifts and hospitality in 2018



12% ABOVE OUR TARGET



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 the customer is and what the item will 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's intranet.

In 2018, we trained 837 employees in trade compliance, exceeding our target of 651. The training was delivered using both eLearning modules and classroom training courses for management. The classroom module content was revised and updated in 2018.

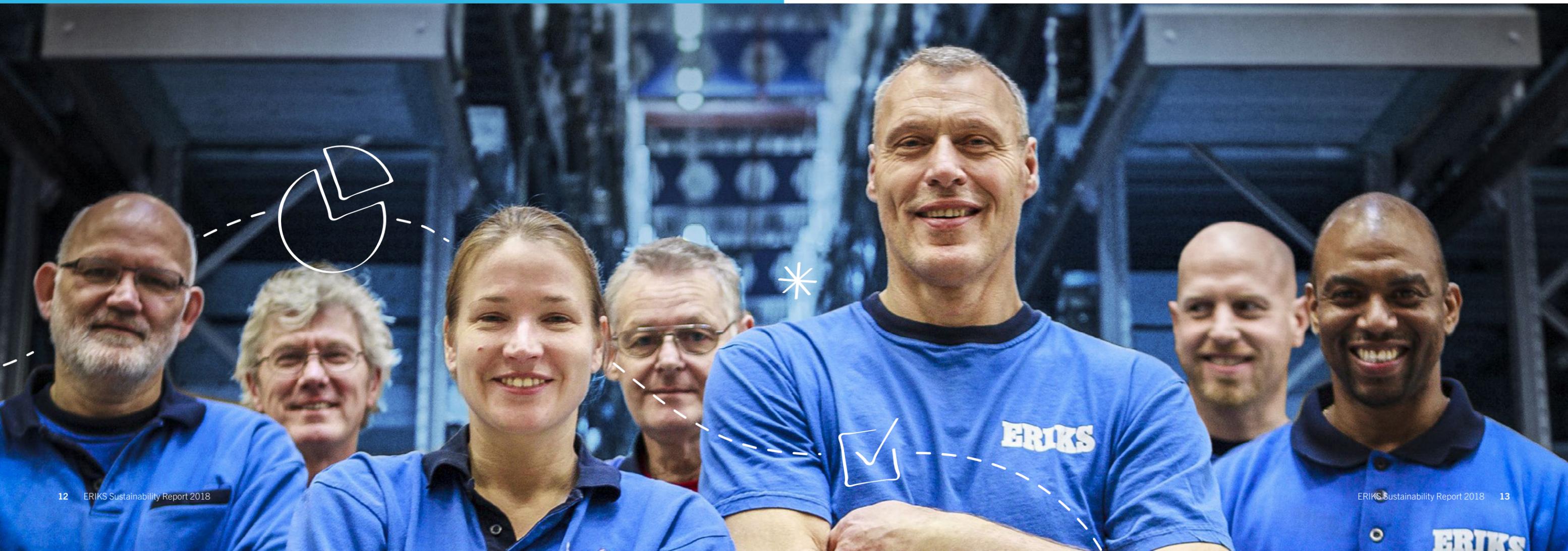
Before an export order to a new customer is cleared, we perform a third-party check in our Compliance Link system that checks if a person, company or destination is on a

sanctions list. As the status of existing customers may change, there is also a day after screening. In 2018, we screened 164,000 customers.

837 employees trained in trade compliance



164,000 customers screened in 2018



STRENGTHEN SOCIETY

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 strengthen society.

We understand that the safety, wellbeing and development of our workforce are the foundation of our success.

We are committed to being a responsible business and playing our part in tackling the issues that society faces. One aspect of that commitment is to uphold the principles of the United Nations Global Compact, which calls on businesses to adopt sustainable and socially responsible policies.



HEALTH AND SAFETY

The safety of our employees is much more important than making profit. We are absolutely committed to making sure our employees go home safely at the end of each day.

The nature of our business, as well as our diverse range of operations, inevitably creates health and safety risks. Our overarching aim is to eliminate those risks. To help us do this, we have a robust health and safety management structure. Each region (North America, UKI, APAC and Continental Europe) has a dedicated Health and Safety, Environment and Quality (HSEQ) Manager, and each country has dedicated HSEQ professionals, with larger locations also having a safety representative available.

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

GOAL 1: ZERO WORK RELATED INJURIES

49% DECREASE in Lost Time Incidents since 2016

46% LTIR DECREASE to 0.6 in every 200k hours worked



740
Near misses reported



37
Lost time Incidents



430
Safety visits by managers

We are on a journey to become a safer place to work. Our aim is zero accidents, and the statistics prove we are making real progress.

With around 7,500 employees to inform and involve, effective safety education is a gradual process. In 2018, we saw great improvement, but 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 their 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.

There has been a 49% reduction in Lost Time Incidents across ERIKS worldwide since 2016, with the figure decreasing from 72 in 2016 to just 37 in 2018. The Lost Time Incident Rate (LTIR) decreased from 1.1 to just 0.6 in every 200,000 hours worked (equivalent to 100 employees working one year).

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 2018, we launched two new campaigns to drive continual improvement and address issues that can impede our journey to zero accidents. The 'Speaking Up for Safety' campaign was delivered at all locations.

The 'Speaking-Up for Safety' campaign encourages employees to intervene if they see unsafe behaviour. It aims to overcome any personal or cultural barriers that prevent people from speaking up in situations where they witness unsafe behaviors. The campaign aims to embed personal responsibility for safety throughout the company's structure. 'Learning for Life' is our safety training program that ensures all employees understand safety behaviour and have the skills they need to be safe.

"Our Speaking Up for Safety Campaign is about making it acceptable to tell your colleague, your supervisor, or your team leader that they are doing something wrong, working in an unsafe manner or putting themselves or others at risk."

As part of our overall management system, ERIKS has developed a specific health and safety element that has been drafted in accordance with ISO 45001 requirements. Our web-based application, Intelx, 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 2018, we reported 740 near miss events, demonstrating the attentiveness of our employees to safety issues. Reporting a near miss helps to prevent future accidents across our business.

AT ERIKS UK SAFETY PAYS...FOR CHARITY

Our 'Safety Pays' initiative encourages and promotes safe behaviour through charity donations. Our UK sites can earn £75 for every month without accidents and a further £25 if at least ten Safety Report Cards are received in that month. The Safety Pays pot is banked every three months and can be donated right away to the site's chosen charity. However, if an accident occurs within the three-month period, the Safety Pays pot returns to zero.

Across the UK sites, if a Lost Time Incident occurs, a 'FIRST ALERT' text is sent to all mobiles and details of the incident are uploaded on the intranet.

If a site stays 'FIRST ALERT' free for a year, their chosen local charity will receive a bonus value in addition to the Safety Pays donations. In 2018, 12 sites received the 'FIRST ALERT' bonus and all 22 sites made charitable donations.

To promote the scheme, each site manager includes a Safety Pays update in their briefings and a league table is issued monthly to encourage sites to compete on safety performance.

"The 'Safety Pays' initiative is a great way for us to donate to our local charities. Everyone wins, we are encouraged to create a safer work environment at the same time as being able to help those causes that are important to us."



WELLBEING

At ERIKS, we believe in the ancient creed of 'mens sana in corpore sano': a healthy mind in a healthy body. Each year, we put this philosophy into practice by supporting our employees to participate in sports and fitness related activities, often linked to charitable causes.

For example, at the Sacramento district of ERIKS North America, a weight loss competition became the kick-off for company-organized obstacle races, trail runs, bike rides and other events. These trail runs and a variety of fitness classes are now held every week for employees. In 2018, employees took part in a 100-mile bike ride and the Spartan Obstacle Stadium Race in San Francisco. The team helped raise money for the Sacramento Children's Home Crisis Nursery.

In the Netherlands, ERIKS teams took part once again in the 10-mile 'Dam tot Damloop', the nation's biggest running event from Amsterdam to Zaandam with over 50,000 people taking part. Luuk Klaassen, Key Account Manager in Alkmaar, organized ERIKS teams for the first time in 1998 and has organized every year since. Luuk has also run the event, missing only one year in the last 21 years following medical advice (leaving him very disappointed). Thanks to Luuk, the race has become ERIKS' biggest sporting event with 100 runners taking part in 2018.

"I really enjoy organising the ERIKS teams for the Dam tot Damloop. Back in 1998 we had three teams and that has now grown to ten teams with 100 runners. We have runners from all ERIKS Netherlands locations and even once had runners from ERIKS UK. Friends and family also participate, for example a husband together with his wife or a father with his son. The race is a great social event, we have a lot of fun taking part. I hope to reach 25 years before handing over the organizing baton."

Luuk Klaassen, Key Account Manager, ERIKS Netherlands, Alkmaar

ERIKS Netherlands sponsors the teams providing a branded running kit for every ERIKS runner.



ERIKS Netherlands employees also competed in the Alkmaar city night run and the Amsterdam-based Johan Cruyff 14km run, held in memory of the legendary Dutch soccer star. At Bielefeld, Germany, an ERIKS team took part in a 5km fun run.

In Switzerland, a range of activities take place every year. In winter, employees can get involved in the annual winter day tour which includes skiing, snowboarding, sledging and hiking. And in the summer, soccer, beach volleyball and badminton events are held. In addition, employees are given discounts for local yoga classes.



ERIKS France employees, Cyril Pinier and Olivier Lebrun, participated in both the Maastricht and Barcelona Iron Man triathlons where they swam 3.8 km, cycled 180 km and finally ran a marathon.



EMPLOYEE DEVELOPMENT, ATTRACTION AND RETENTION

Attracting and retaining talented employees is a high priority for ERIKS. We understand that we are in an increasingly competitive employment market and to attract the best, 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, that is why we launched our Global Employee Survey on Sustainability in 2016. We now run this survey bi-annually with the most recent survey results being distributed in 2019.



43,751

Total training hours



17%

Employee turnover rate



10.2

Years average tenure

GOAL 2: 100% OF EMPLOYEES THINK ERIKS IS A GOOD ORGANISATION TO WORK FOR

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 company long term. In 2019, we will also be asking employees directly about their experiences working for ERIKS via a company-wide survey.

We do all that we can to attract high-quality employees to the company 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 professional career.

ELEVATE: 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 international program takes about 12 months to complete and involves 12 participants. It 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.



RISE: We want to support our employees in developing their own personal power and authenticity, especially early in their career to help extend their potential in the company. The RISE program helps employees by encouraging them to explore different behaviours, undertake self-reflection and break old habits.

The program uses a variety of training methods including a week-long intensive 'boot camp', video conferencing and an online training portal. Two RISE programs were held in 2018 with 30 employees participating in total.

Being Part of ERIKS: In 2018, we held four 'Being Part of ERIKS' sessions at different regional locations. The program targets new and existing leaders and helps to create a single culture throughout the business. The sessions explore what our business stands for and how we all have a part to play in creating and maintaining a consistent culture. We observe how we look, behave, feel and deliver internationally.

EMPLOYEE AWARDS 2018

The ERIKS Employee Awards, launched in the UK and Ireland in 2017, are an employee recognition program with a twist. They are employee rather than management led, with colleagues nominating the people they think deserve to be recognised for their work. Whether it's for doing something small and helpful, or going above and beyond to solve a problem or resolve a crisis, employees can nominate absolutely anyone.

The Innovation Award was won by Alan Ranson, on-site manager at AkzoNobel. Alan established the first digital branch at ERIKS designing and creating an operating process to ensure all procedures could be managed digitally and now the only source of paper on the site is supplier delivery notes. The new process enhances productivity, reduces waste and the need for resources such as paper and ink.

The Apprentice of the Year Award was won by Stephen Robert, from the ERIKS Sealing and Polymer business unit. Stephen was nominated by his manager who felt that he displayed maturity beyond his years and had contributed to increased manufacturing on the site. Stephen stepped up quickly to learn the operation of a complex manufacturing process allowing the continuation of a project that had been developing for over two years.



SUPPORTING OUR LOCAL COMMUNITIES

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

Every year, ERIKS Belgium chooses three charities to support that are nominated by employees. For the first time in 2018, a Charity Week was organised as a focus for fundraising activities. The week was held in September and included a range of activities from boxing sessions to selling boxes of waffles. Over €2,000 was raised by our employees and this amount was match funded by ERIKS, doubling their fundraising efforts. In addition, employees continued to support one of their 2017 charities, Moeders voor Moeders, by donating washing and cleaning products, demonstrating how links with our chosen charities continue year-on-year.

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.

A total of 248 food bundles were made by the 48 ERIKS employees taking part, and an additional two bundles for every employee participating were contributed by ERIKS, bringing the total to 344 bundles.

INFLUENCE CHANGE



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. This is the foundation of our approach.



SUSTAINABLE PRODUCTS AND SERVICES

Reducing the total cost of ownership (TCO) is a key challenge for industries. In 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 a faster time to market.

We see a great opportunity to use our products and services to ensure 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.

GOAL 3: €20M OF ENVIRONMENTAL SAVINGS TO CUSTOMERS EVERY YEAR BY 2020

The greatest positive impact our products and services have is the prevention of environmental 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 €20 million savings in environmental costs, predominantly energy and water disposal costs.

To understand the savings we deliver to customers, we need to measure them. Therefore 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 all regions as IT systems are upgraded. The environmental savings tool will be part of our Customer Gateway platform that will provide a central hub where we can learn from activities worldwide.

€9.4 million environmental savings for customers

up 35% since 2017



PUMP KNOWLEDGE SAVES WATER COMPANY 260,000 KWH ANNUALLY

At ERIKS, our skills and knowledge can help clients reduce energy consumption and costs. For example, we applied our pump know-how to help one of the Netherlands' largest water companies save 260,000 kWh every year, equivalent to the energy consumption of around 40 households and preventing 91,000 kg of CO₂ emissions.



260,000 kWh

saved every year for Netherlands' largest water company



The company purifies and distributes 5.4 million m³ of water every year using a combination of reactor pumps and clean water pumps. By using the latest technology, regulating speeds and implementing optimal system design, ERIKS was able to optimise efficiency and reduce energy consumption.

With the customer's agreement, four new easy-to-install foundation pumps were supplied to replace the existing pumps and reduce electricity consumption by as much as 200,000 kWh per year. But that is not all, a post-implementation audit of the new pumps showed a further 60,000 kWh could be saved by shifting the pumps' switching points and reducing the pressure in the network.

MAKING SOLAR SMARTER

Solar panels provide 100% clean energy, but they require space. Solar systems on the market are heavy and feature expensive hydraulic or pneumatic cylinders. There are many places where they simply will not fit. Up for a challenge, a Swiss university decided to design a lighter, simpler, cheaper, space-saving solar panel that they could use on the facade of one of their buildings. And they were to be smarter, too! The university invited ERIKS Swiss subsidiary to collaborate.

The panels needed to be more flexible, more efficient and without any bulky mechanical elements. ERIKS was up to the task. It started with the design and finding the right material. We then used 'mould tool manufacturing' to create the first prototype parts, which had to withstand intensive tests before we could install the first solar panels on the university building facades. We used a range of solar tracking and building-integrated photovoltaic applications and technologies to align the panels to the best angles to catch the sunlight.

We came up with an ingenious elastomeric part that proved to be a crucial element of the new flexible solar panel. Our new elastomeric actuator is flexible, lightweight and resilient to external shocks and harsh outdoor conditions. It is also cheap and easy to produce.

The newly installed solar panel system at the university building offers above-average electricity production and adjustable daylight control for the interior. The panels also have the benefit of shading the building, helping to protect against excessive heat in the summer, reducing air conditioning and ventilation costs. The panels can also be adjusted by people inside the building to ensure that their view is not impeded.



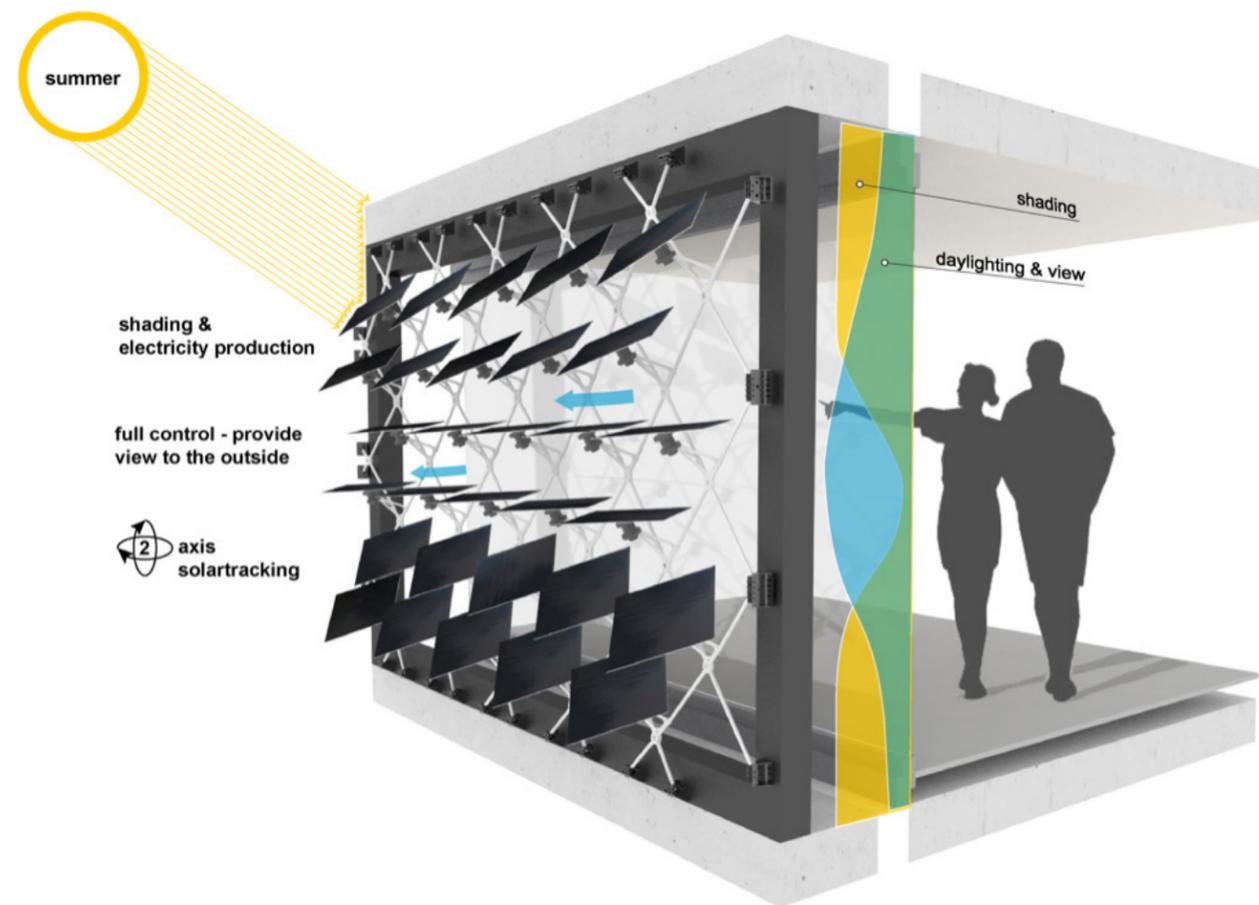
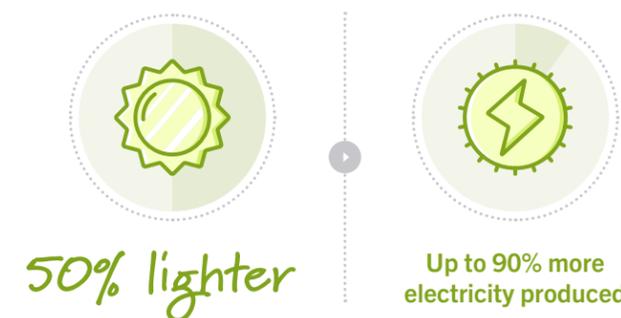
The system is equipped with a self-learning robotic unit to optimize the panel orientation throughout the day and also to adjust to seasonal changes. The prototypes are generating test data so that we can determine their energy production and efficiency compared to other systems.

"I am very proud to be involved in the development of something new and innovative – from a new idea to the manufacturing of a functional prototype. It is very inspiring to create new technology and see our product being tested by being exposed to severe environmental influences."

Ivano Boldo, Senior Application Engineer of ERIKS in Switzerland.

Making solar panels small and flexible to fit any structures opens many new installation possibilities for a range of users, large and small, urban and rural.

New flexible solar panels: 50% lighter; up to 90% more electricity produced, robotic self-learning system to optimize panels orientation.



ERIKS HELPS INDUSTRY RESPOND TO EUROPE'S ENERGY EFFICIENCY DIRECTIVE

The European Energy Efficiency Directive (EED) has been officially in force since 2015 and applies to companies with at least 250 employees and an annual turnover of €50 million. The Directive requires governments to reduce energy consumption by 1.5% and states that, by 2020, 14% of all electricity must be generated sustainably.

In Europe, ERIKS has been helping companies respond to the legislation. Although business is not legally obliged to make energy savings, governments are dependent on business to achieve the EED goals. Many companies, such as refineries and the chemical industry are entering binding agreements with governments to help reduce CO₂ emissions.

“Whereas in the past the focus of companies was primarily on cost savings, in recent years they have increasingly looked at the environmental aspects of their business operations. Previously the energy story came mainly from us. Now customers are increasingly coming to us with questions about energy saving. This has been reinforced by the EED, particularly in energy-intensive industries such as refineries and the chemical industry.”

Peter Laan, Health, Safety Environment and Quality Director, ERIKS Netherlands

ERIKS has been working with companies to help them formulate their energy efficiency goals and then work out how to achieve them. For example, in the Netherlands 70% of total industry energy demand is from electric motors. ERIKS has worked with TATA Steel to help increase their energy efficiency by upgrading their electric engines to a minimum of class IE3 engines, and in some cases the highly efficient IE4. In the case of large consumers, small savings across large numbers of engines can amount to millions of Euros. ERIKS monitors the energy consumption of TATA Steel on a monthly basis and looks at where the consumption within their processes can be further reduced, including the use of sustainable energy.

Companies that invest in energy-efficient technologies and sustainable energy are eligible for an Energy Investment Allowance (EIA). Up to 55% of the investment costs can be deducted from the taxable profit, leading to an average tax benefit of 13.5%.

We believe it is important that we have everything in order at home before we start advising our customers on energy efficiency. As a result, ERIKS Netherlands has introduced an Energy Management System at all its locations, which is certified according to ISO 50001.

ERIKS Netherlands have maintained CO₂ neutral certification for the past three years.



ERIKS/MAAGTECHNIC HELPS CLIENT REDUCE EMISSIONS FROM 600 VEHICLE FLEET

ERIKS/Maagtechnic, in Switzerland, worked with a public sector service provider, to reduce CO₂ emissions from its 600-vehicle fleet. The fleet includes a range of different vehicle types that run regularly, sometimes for 24 hours a day.

We recommended using a new kind of engine oil that helps to reduce fuel consumption and also improve maintenance intervals of vehicles. The new oil also lasts longer, reducing consumption. We agreed to trial the oil with the customer and analyse the results. Over a two-year period, we found that our client's 600 vehicles consumed 25,037 litres less fuel by switching to the new oil, equal to a 65-ton reduction in CO₂ emissions and financial savings of over €47,000.



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.

GOAL 4: 100% OF SUPPLIERS ACKNOWLEDGE ERIKS' SUPPLIER CODE OF CONDUCT

In 2016, we issued a new Supplier Code of Conduct and we expect all our suppliers to meet these standards.

Due to the nature of our business and our 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.

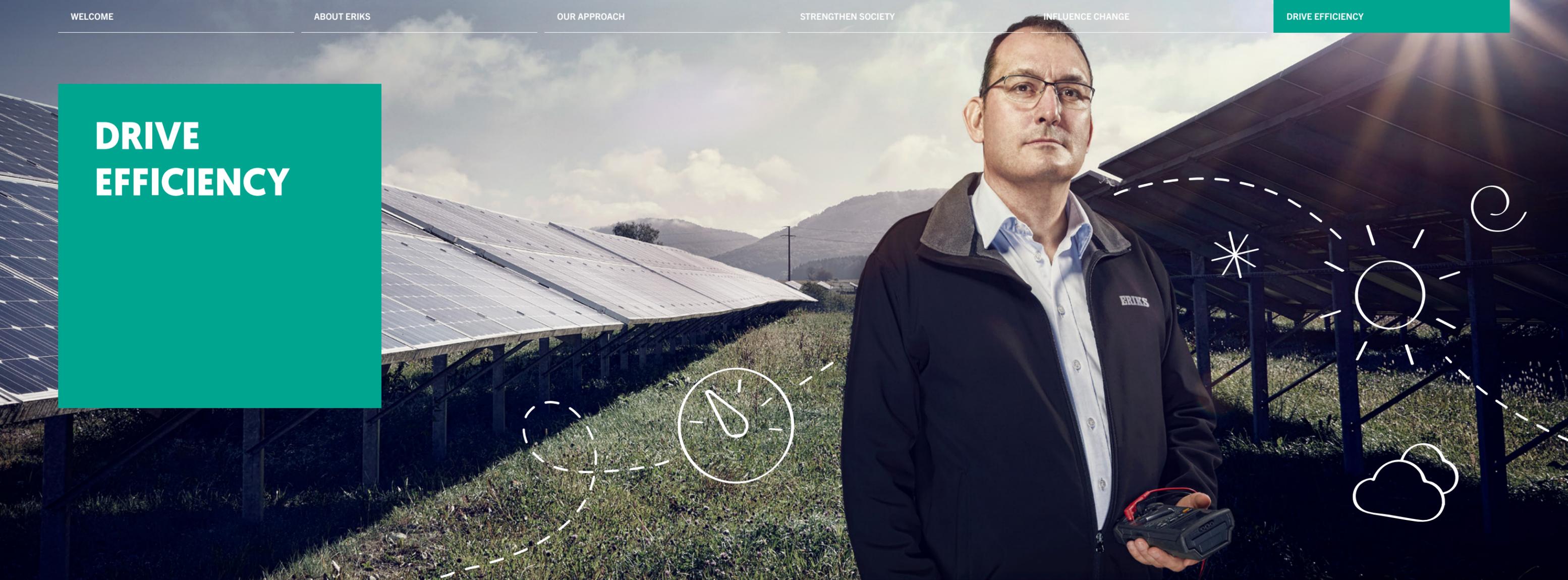
We also designed an assessment questionnaire for new suppliers. This includes sustainability questions as a first step towards ensuring we are adding the right partners to our supply chain.

In 2018, as part of our continuous drive to improve our procurement process, we began sending out the questionnaire to our main suppliers.

PROCUREMENT EFFICIENCY IN THE SHIPBUILDING INDUSTRY

ERIKS has been working alongside some of the biggest shipbuilding and maritime organisations in the Netherlands on a procurement efficiency program. We have helped to develop and test a new online self-assessment tool for key suppliers in the industry that will also provide long-term training.

DRIVE EFFICIENCY



Working smarter and more efficiently means that we can do more with less in a world of constrained resources. 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.

GOAL 5: REDUCE ERIKS CARBON EMISSIONS BY 20% BY 2020

Energy consumption and emissions are an inevitable part of our business operations. We need to do all that is possible to reduce them either to zero, or as close to zero as practically possible.

Everyone at ERIKS is responsible for reducing our energy consumption and emissions. Our Sustainability Champions – supported by Facilities Management – are there to lead the way with initiatives and advice, as well as data collection and reporting to show the effectiveness of our efforts. You can find out more about our Sustainability Champions on page 10 of this report.



5% increase in green energy purchased



Zero energy from coal and fuel oil



6% decrease in total direct emissions since 2017



14.3% decrease in Scope 1 and 2 emissions from 2016 baseline year

EMISSIONS BY SCOPE (in tonne CO₂-eq*)



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. However, between 2017 and 2018, we did see a 12% increase in our Scope 2 emissions that was compensated by the 6% decrease in our scope 1 emissions. Overall emissions have reduced by 14.3% against our 2016 baseline year, with a 2% reduction between 2017 and 2018.

In 2018, we changed the profile of our energy sources, reducing energy generated from coal and fuel oil to zero, while increasing the use of cleaner natural gas by 11%. We also reduced our petrol consumption by 13%, diesel by 6% and propane by 34%.

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.

NAVIGATING TO OUR 2020 TARGET

In 2018, we appointed independent company Sustainalyze to review our carbon emissions. The review helped us understand the challenges and opportunities associated with our 2020 carbon reduction target.

The independent review looked across our global operations to identify good practice and where we need to increase our efforts. The review found that many of the easy savings have now been achieved and that we will need to work harder to achieve the 2020 target as our business grows. The analysis has given us a clear roadmap for each region, establishing a set of actions to ensure that we meet our global target.

Over half of our carbon emissions are attributed to transport, making it an important focus for our reduction activities. We will need to counteract an increase in vehicle numbers with increasing fuel efficiency and the use of electric vehicles and pool cars. In addition, we will look at reducing the need for travel by encouraging virtual meetings.

We will also look for opportunities to improve our data quality in 2019. We recognise that improving our data capture and reporting will also help to promote best practice and benchmarking within our business.

ERIKS NORTH AMERICA CUTS CO₂ EMISSIONS AND COSTS

In 2018, ERIKS North America upgraded the lighting at its Poca WV site. The entire site's lighting was upgraded to LED technology, including the removal of 200W HID lamps as the lighting output from the LED would more than compensate for the HID fixtures. The upgrade is anticipated to reduce energy use by over 79%, saving nearly \$10,000 every year and delivering a return on investment under three years. The reduction equates to 103 metric tons of CO₂ emissions.

In addition, the site also managed to tackle their waste by recycling cardboard that made up 80% of the waste stream at each location. By contracting a local recycling company to separate and remove the cardboard, the site reduced CO₂ emissions by over 500 metric tons and costs by over \$17,000 annually.

The Baton Rouge, LA site also benefited from cutting cardboard that made up 60% of its waste stream. A local company was contracted to separate and recycle the cardboard, cutting emissions by 135 metric tons and saving nearly \$7,000 annually.



RECYCLING AT ERIKS GOODALL COLLINGWOOD, CANADA

Sustainability Champion, Spencer Savoie, has been in the role for over two years and made data quality and monitoring a central part of his role. Spencer ensures data across all environmental parameters is captured, analysed and reported monthly. Reporting directly to the Management Team, the robust data ensures the production team can identify any challenges or opportunities quickly, allowing management to respond effectively.

The ERIKS Goodall team has evaluated all areas of rubber hose production, minimizing their impact and improving the process. The team uses resources wisely ensuring that almost all raw rubber is used by recycling. Cure tape is used multiple times and at the end of its life, it is repurposed and used as strapping for the hosing during distribution. Where resources cannot be reused on site, such as cardboard and gear oil, they ensure they are collected and recycled.

"Sustainability is front of mind for our employees and we all take responsibility for improving the way we do things. For example, recently a colleague came to me asking why we were still using halogens to shine into the testing tanks, we quickly changed to the more efficient LEDs."

Spencer Savoie, Sustainability Champion, ERIKS North America.

ERIKS NORTH AMERICA FINDS NEW USE FOR OLD MOBILES

At ERIKS North America, Alicia Licause, IT Specialist, ensures that any cell phones no longer in use are returned for trade-in and recycling. As well as reducing harmful waste and increasing resource efficiency, the initiative has returned over \$20,000 to the company since it started in 2017. A build-up of old and damaged phones on her desk encouraged Alicia to find an environmentally responsible way of disposing of them that also brought financial benefits to the company.

"We were all encouraged to think about the small changes that could have an impact on our business. By reusing and recycling equipment we can reduce costs and also minimize the amount of waste we produce. If we all look for ways of reducing our impact, together we can have a big effect on our sustainability."

Alicia Licause, IT Specialist and mobile phone plan manager, ERIKS North America





ERIKS NETHERLANDS CELEBRATES THREE YEARS OF CARBON NEUTRAL OPERATIONS

ERIKS Netherlands has maintained its carbon neutral certification for the last three 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 amount of remaining emissions are neutralised by supporting renewable energy projects. In 2018, we supported a small hydro project in Himachal Pradesh state on the Malana River, India. The project uses 'run of the river' power with minimal impact on the local environment. Supporting the project offsets our emissions by reducing the amount of fossil-fuel generated electricity the village would otherwise be using.

ERIKS Netherlands continues to lead the industry as a carbon neutral company, demonstrating our ability to achieve €20 million of environmental savings for customers. Our Netherlands business uses an ISO 50001 certified energy management system to monitor and control consumption, helping to show progress towards reduction targets and also encouraging further improvements.

“Our proven energy management expertise gives our customers confidence in our ability to help them reach their own energy-saving targets. Combined with the comprehensive and specialist knowledge of potential energy-saving measures – from more efficient electric motors to special gaskets – ERIKS is able to help customers become more sustainable through our Total Cost of Ownership approach, saving them resources and reducing costs.”

André Lucchesi, Group Sustainability Manager

SWITZERLAND ECODRIVER CHALLENGE

ERIKS/Maagtechnic's Sustainability Team worked with their strategic lubricants partner to challenge all employees with company cars to become 'EcoDrivers.' The challenge started in July 2018 and ran until December. The most fuel-efficient employee could win a month upgrade to a hybrid sports car. All employees with a business vehicle automatically participated in the challenge.

The Sustainability Team wanted to show employees that clever driving takes little effort but can reduce fuel consumption significantly. Participants were asked to save as much fuel as possible over the six-month period by implementing clever driving techniques such as using cruise control and changing gears early. To ensure that the challenge took into account the different route profiles of participants, each employee's fuel efficiency was calculated as a percentage relative to their consumption in the first six months in 2018.

The initiative had a great response from employees and reduced the overall fuel consumption by 3% for every 100 km, equivalent to 1.5 metric tons of CO₂. Severin Offner was nominated as our leading 'EcoDriver' and received a Roadster Hybrid car to drive for the entire month of April 2019.

ECODRIVER TIPS

- ▶ Limit the use of air conditioning
- ▶ Use cruise control
- ▶ Switch off heated seats
- ▶ Switch gears early and drive in high gear
- ▶ Let yourself roll in the engaged gear at junctions
- ▶ Switch off the engine if standing for more than 5 to 10 seconds



GET INVOLVED

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