

An aerial photograph of a dense forest, likely a coniferous forest, with a dirt path winding through it. The trees are lush green, and the path is a dark brown color. The image is used as a background for the report cover.

SmartRetur

Sustainability
Report 2023



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About us

- Smart Retur, founded in 2001, handles approximately 20 million pallets and serves more than 1,000 customers annually in Norway, Sweden, and Denmark. Headquarters are located in Oslo, Norway.
- The company provides physical handling and digital inventory management of pallets for B2B clients, including pick-up and delivery, sorting, repair, storage, trading of pallets, and end-of-life recycling for clients. Additionally, Smart Retur offers third-party logistics services for the last-mile delivery market.
- The service offering is founded on an efficiently run and distributed warehouse infrastructure and a digital platform that enables real-time overview and control by clients of the pallet inventory and flows.
- On January 1st, Smart Retur acquired Smart Wash, one of Denmark's leading companies within wash of plastic packaging.
- Smart Retur promotes a circular economy; simultaneously helping customers save costs while reducing their environmental impact.

Our ESG work

- Carbon footprint management
- Resource efficiency and waste
- Employee health and safety
- Supplier engagement
- Governance and ESG strategy

ESG highlights in 2023

- The total GHG emissions decreased with 14% from 2022 to 2023, while the energy consumption increased.
- Both the absenteeism and accident rate decreased from 2022 to 2023.
- Smartretur delivered 98,4% reusable wooden pallets in 2023.
- Significant progress was made on priority projects in 2023, and efforts will continue into 2024.



Introduction

Fostering a circular economy is at the heart of our business model. Over the past few years we worked to formalize our ESG work in line with international standards and regulation. We base our sustainability work on our existing material assessment, ensuring that our sustainability focus is aligned with Smart Retur's circumstances. We have identified focus material themes, selected with a view of the full value chain and reviewed on an annual basis. In 2024, we will conduct a double-materiality assessment in line with EU regulation (Corporate Sustainability Reporting Directive). The outcome of this assessment will be a key part our sustainability and strategy efforts for years to come.

Message from the CEO, Magnus Krook:

As we reflect on 2023, Smart Retur's commitment to sustainability and innovation in the logistics sector continues. Our journey began with a vision to revolutionize reverse logistics, and today, we lead the industry with our pioneering pallet management services and reverse logistics solutions. Our mission revolves around reducing environmental impact while enhancing efficiency, and creating supply chains that support a circular economy and minimizes waste.

This year, we have continued to build on our sustainable practices, from investing in fossil free transport alternatives to documenting our positive environmental impact. In 2024 we have four key focus areas

- Continue our engagement work with suppliers, and encourage the development of new, environmentally-friendly solutions
- Develop a Net-Zero transition plan
- Continue with our work to ensure workplace safety
- Ensure readiness with CSRD regulatory requirements

Our dedicated team, strategic partners, and innovative technologies remain at the heart of our work, driving us towards a greener and more resilient future. Together, we are not just helping to move goods; we work towards creating meaningful impact for a sustainable tomorrow.



Our key material ESG themes

	UPSTREAM	OPERATIONS	DOWNSTREAM
ENVIRONMENTAL	Carbon footprint management		
	Resource efficiency & waste		Resource efficiency & waste
	Resource Use		
SOCIAL		Employee health & safety	
GOVERNANCE		Corporate Governance	
	Supply chain control		
		Governance & ESG strategy	

Carbon footprint management

Companies should align carbon emission strategies with international climate goals. Logistics of pallets is the biggest contributor to Smart Retur’s climate impact.

Resource efficiency & waste management

Pallet provision and collection produce a large amount of waste due to pallets breaking or going out of use. Therefore, it is important to manage resources efficiently and treat waste correctly.

Employee health & safety

Alongside ensuring health and safety while working in our reparation facilities, employee satisfaction and wellbeing is an important driver of success.

Supply chain control

Smart Retur engages with a multitude of suppliers and business partners (incl. pallet providers, rented workforce, transportation, etc), which may pose human rights and environmental violation risks.

Governance & ESG strategy

Integrating ESG and sustainability knowledge and establishing best practices throughout the company, enables ESG and value creation to coincide.

Our materiality assessment has been conducted using the SASB materiality framework, analysing our exposure to ESG topics in our own operations, as well as in upstream and downstream activities. The outcome of this analysis has laid the foundation of our sustainability work and strategies until now.

In 2024 we will re-do our materiality analysis by conducting a double materiality analysis in line with the European Sustainability Reporting Standards. Our key material ESG themes will subsequently be updated, and lay a new foundation for our sustainability focus going forward.

ESG progress in 2023

Priority project

Description of project

1

Supplier Engagement

In 2023 we conducted a client engagement program to formalize our supplier engagement approach, by implementing a supplier code of conduct and a procurement policy.

In 2023, we also launched an EPD-tool solution allowing us to have a full overview a pallets GHG emissions throughout the value chain.

Finally, we are exploring the costs and potential emission savings by acquiring plastic pallets sourced from recycled plastic into our inventory.

2

Carbon Reduction Plan

In 2023 we continued our work towards setting a carbon reduction plan. As first step, we expanded on our scope 3 calculations by incorporating more granular data. We also set carbon reduction targets.

In 2024 targets will be reassessed according to a total roadmap and explore how are targets match up against a science-based reduction methodology.

3

Workplace Safety

In 2023 we implemented a workplace safety monitoring system. We identified processes and responsibilities and implemented health & safety policies. We have also implemented clear definitions for workplace incidents, absences, near-misses and others, to ensure that we monitor actionable data.

4

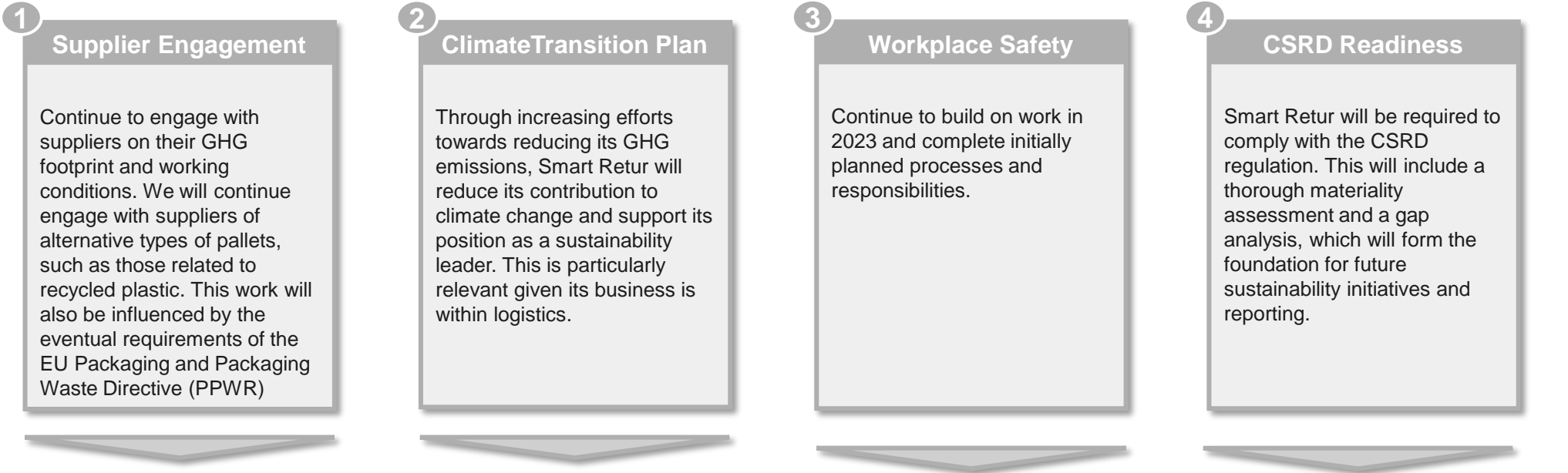
Responsible Sourcing Roll-Out

In 2023 we conducted a review of responsible sourcing alternatives, and the extent to which we can track the origins of input materials. Smart Retur Norge continue to report everything that goes through our system from and to the Norwegian market, as well as reporting everything we buy of new wood (reusable one non-reusable) as a part of the "producer responsibility".

ESG priority projects for 2024

Priority project

Description of project



Actions for 2024

- Execution of policies governing supplier relationships
- Engage with suppliers on their CO2 footprint
- Engage with suppliers to ensure consistently decent working conditions in the supply chain

- Assess Inventory and available methodologies
- Assess decarbonization levers and associated costs and risks
- Develop reduction plan and roadmap

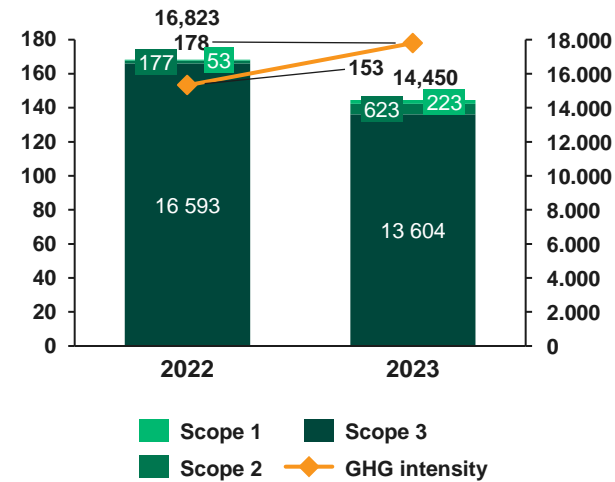
- Finalise and execute policies, processes and responsibilities for monitoring employee health and safety
- Implement continuous and frequent risk assessments to identify and mitigate potential incidents

- Conduct Materiality Assessment
- Conduct ESRS disclosure Gap analysis
- Begin collection of relevant datapoints

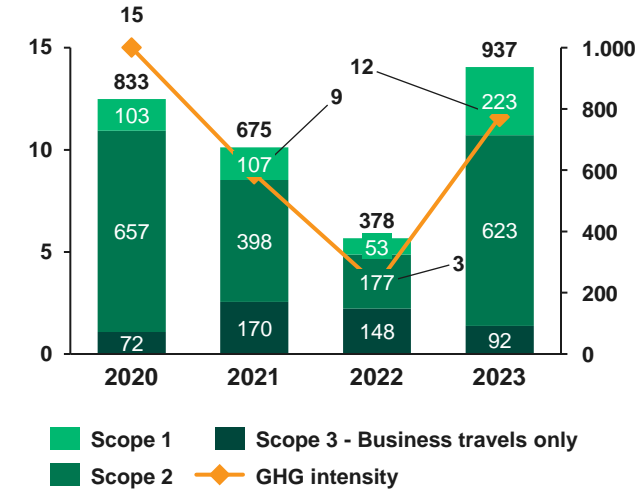
Climate change

- Smart Retur is engaged in route optimisation to drive logistical efficiency within the value chain. The company has also started experimenting with electric trucks for the delivery and collection of pallets. Smart Retur aims to further explore the integration of electric trucks and less fossil intensive fuel, such as HVO in the upcoming year.
- Smart Retur maintains close relationships with logistics partners and makes use of its proprietary software system to keep track of customer pallet flow. This avoids unnecessary transportation by logistics partners and thereby reduces the impact of services provided.
- Smart Retur's digital software system and ESG go hand-in-hand. A carbon emissions tracking system, also to be used by logistics partners, helps to keep track of associated emissions.
- Smart Retur is exploring options for setting ambitious carbon reduction targets over time. This is expected to be planned and formalised in the coming year.
- Smart Retur's total GHG emissions were 14,450 tCO₂e in 2023 and Scope 3 accounted for 94% of the total emissions. Upstream and downstream transportation the main contributors of Scope 3. Total GHG emissions decreased by 14% from 2022 to 2023. The overall reduction is due to a decrease in emissions from Scope 3 categories, purchased goods and services and capital goods. Scope 1 and 2 increased mainly due to the acquisition of Smart Wash. The GHG intensity increased due to reduction in net revenue from 2022 to 2023.
- The large increase in energy consumption from 2022 to 2023 is mainly due to the acquisition of Smart Wash. The reduction of renewable energy consumption is influenced by the large increase in total consumption. Smart Retur aims to reduce its Scope 1 and 2 carbon footprint by transitioning from gas to district heating and increase the use of renewable electricity.
- In 2023, we launched an EPD (Environmental Product Declaration) - tool solution allowing us to have a full overview a pallets GHG emissions throughout the value chain. This will increase the granularity of scope 3 reporting of our clients, and further highlight the environmental benefit of choosing Smart Retur's solution.

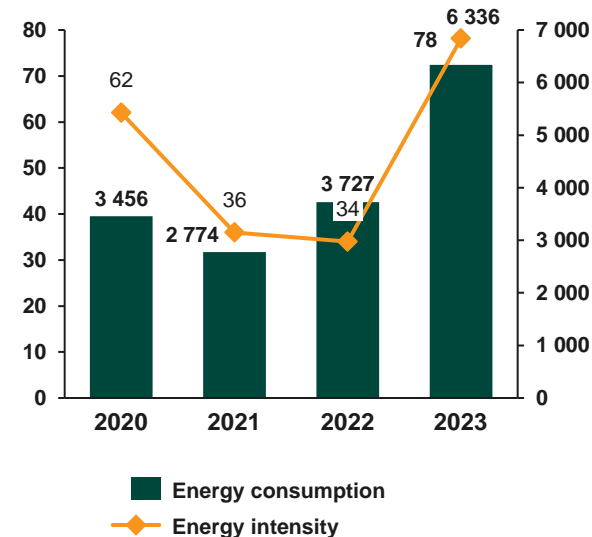
Absolute GHG emissions (tCO₂e) & GHG intensity (tCO₂e/EURm)



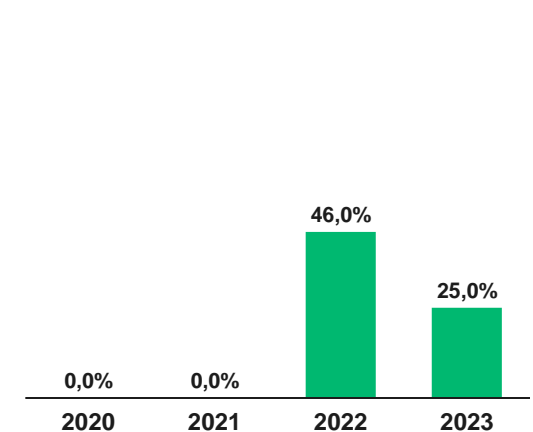
Absolute GHG emissions (tCO₂e) & GHG intensity (tCO₂e/EURm)



Energy consumption (MWh) & Energy intensity (MWh/EURm)



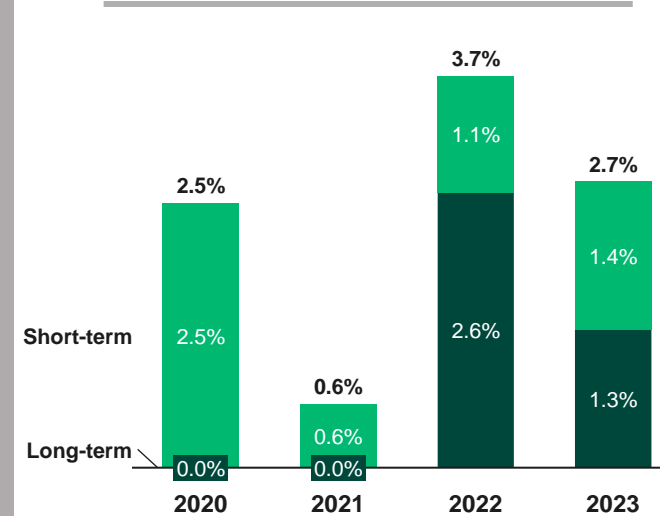
Renewable energy consumption (%)



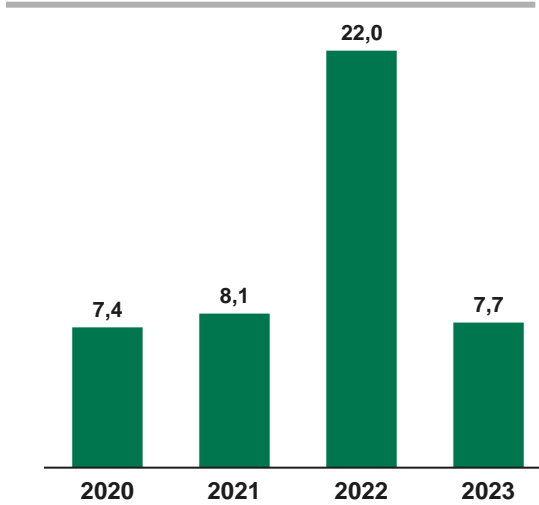
Employee health and safety

- Smart Retur is aware of the importance of supporting and maintaining employee health & safety in the workplace. A third-party software, 'Simployer', is used for reporting on health & safety within the organization.
- A Risk Inventory & Evaluation is in place; appropriate follow-up action is taken if required.
- In 2023, Smart Retur conducted a review of current procedures and responsibilities in place for monitoring and reporting of incidents to ensure best practice is followed across all (including newly acquired) locations.
- Smart Retur has various initiatives in place to ensure the wellbeing of employees, such as free fitness, osteopath and massage therapist services.
- Smart Retur has mandatory development training for all employees working in our operation.
- There was a decrease in the absenteeism from 2022 to 2023. Numbers include both FTEs and contracted labour. The accident rate had an outlier in 2022, accidents in 2023 are more in line with previous years. Improved daily safety routines on tools introduced in 2023 as a consequence of 2022 results .
- The employee turnover rate has been quite stable on 25% while the share of female employees has gone down from 8% in 2022 to 4% in 2023. However, it is worth noting that that numbers between our facilities and administration areas differ considerable. Share of female employees in administration roles in 2023 was 27,8%.

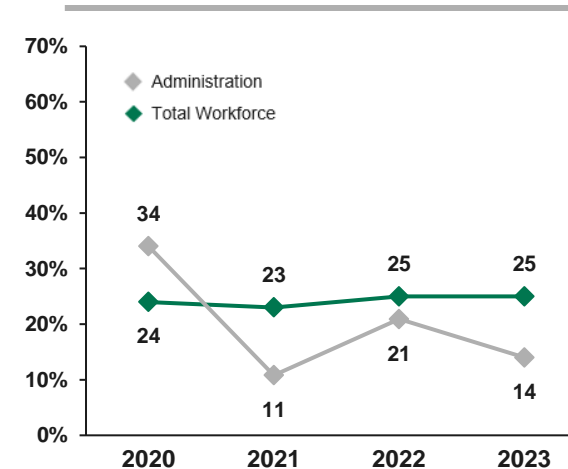
Absenteeism rate (%)



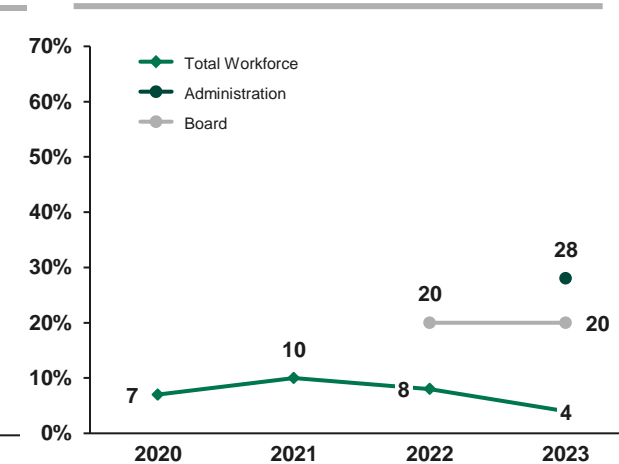
Accident rate (# accidents / 1,000 FTEs)



Employee turnover (%)



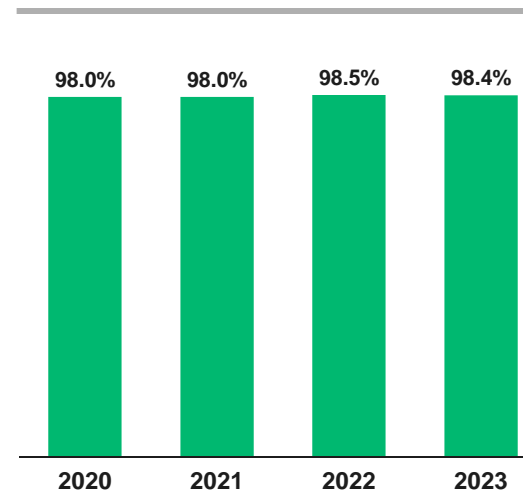
Gender diversity in total workforce (%)



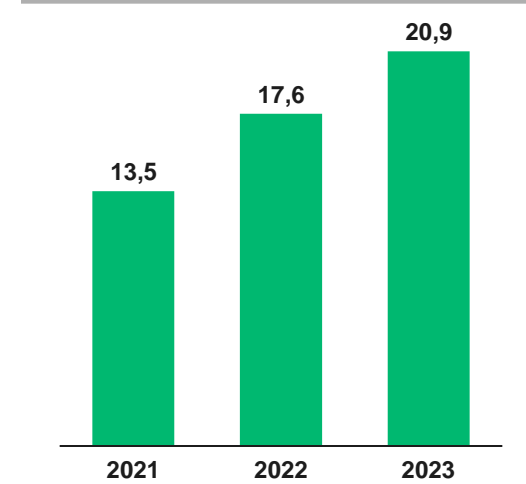
Material efficiency

- Smart Retur's delivers a closed-loop cycle on wooden pallets, with a reported re-use rate of 99%. It's automated vision inspection system ('IVISYS') detects whether a repair is needed – removing guesswork and other irregularities out of the process.
- In order to ensure this re-use rate, Smart Retur repair approximately 30% of all pallets, a total of almost 5,4 million pallets yearly.
- Pallets are used till the end of their useful life then recycled by certified partners. Wood leftovers are made available to the energy industry. In 2023, Smart Retur conducted a pilot project on creating chipboards.
- Smart Retur offers plastic pallets that have a longer lifespan and ease of recyclability than wooden pallets. The strategy is to over time integrate more plastic pallets into the system, while still maintaining the use of wooden pallets.
- Smart Retur is currently working on projects with construction companies to help reduce wood waste. The ambition is to make closed-loop solutions a standard within the entire construction industry.
- Smart Retur reused 98.4% of their 21 million wooden pallets sold in 2023.
- 100% of Smart Retur's waste were recycled in 2023. Their total waste decreased by 10% from 2022 to 2023, while the waste intensity decreased by 21%.

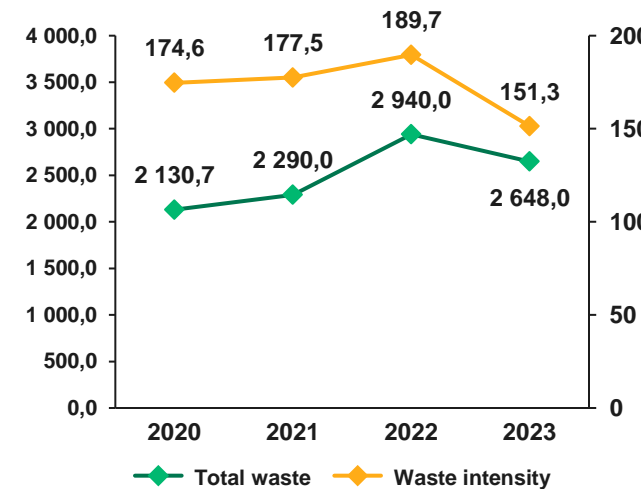
Reusable load carriers returned (%)



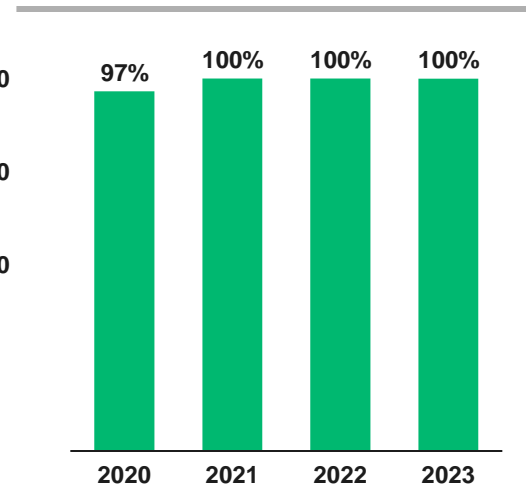
Reusable load carriers returned (millions)



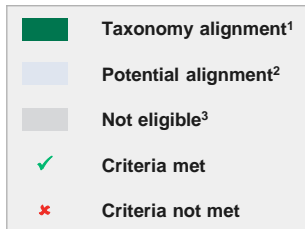
Total waste (Tonnes) and waste intensity (waste/pallets sold)



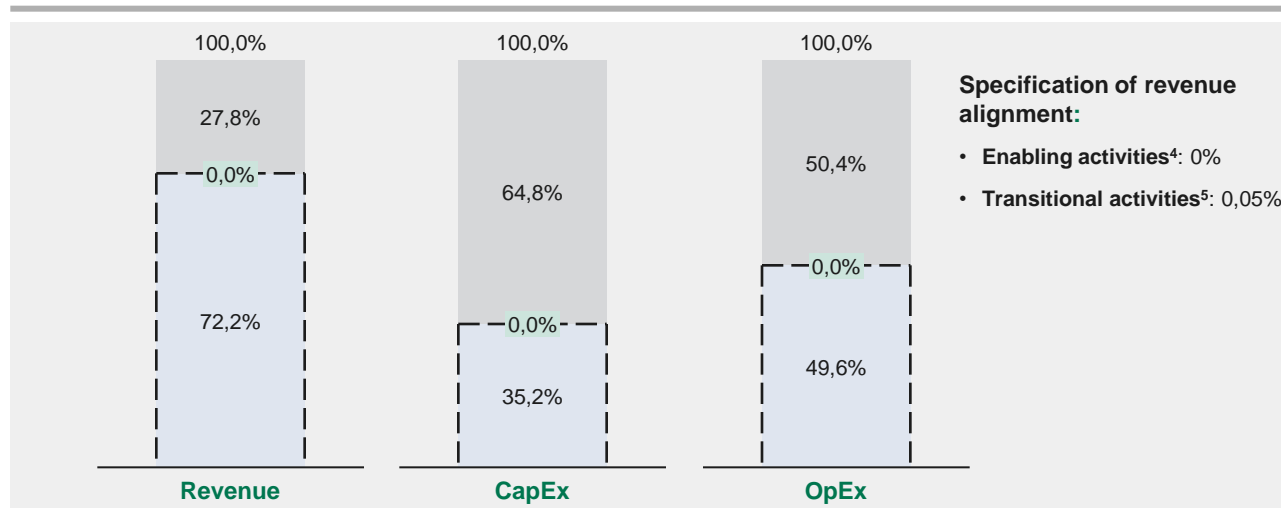
Recycled waste (%)



EU Taxonomy



Result of taxonomy assessment









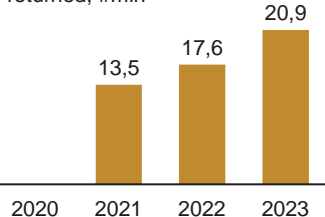
Taxonomy-eligible activities

Business activity	Taxonomy objective	Technical screening criteria	Minimum safeguards
5.1 Repair, refurbishment and remanufacturing	Circular economy	✓	✓
5.4. Sale of second-hand goods	Circular economy	✓	✓
6.6. Freight transport services by road	Climate change mitigation	✓	✓

1. **Taxonomy alignment** refers to taxonomy-eligible activities that meet the technical screening criteria and the minimum safeguards set by the EU Taxonomy.
 2. **Potential taxonomy alignment** refers to taxonomy-eligible activities that do not yet meet the technical screening criteria and/or the minimum safeguards set by the EU Taxonomy.
 3. **Not eligible** refers to economic activities not covered by the EU Taxonomy. 4. **Enabling activities** are activities that directly enable others to make a substantial contribution to an environmental objective under the EU Taxonomy. 5. **Transitional activities** are activities for which low-carbon alternatives are not yet available. These can be aligned under the EU Taxonomy if they have GHG emission levels that correspond to the best performance in the sector or industry.
 Source: Company data, EU Taxonomy Regulation, Position Green analysis



SDG contribution based on Impact Management Project's five dimension of impact

Business activity / Impact	Relevant SDG & Impact KPI	WHAT 	WHO 	HOW MUCH 	CONTRIBUTION 	RISK 								
<p>Generate closed-loop packaging solutions through wooden pallets recycling</p>	 <p>12.3: Substantially reduce waste generation</p> <p>KPI: Reusable load carriers returned, #mln</p>  <table border="1"> <thead> <tr> <th>Year</th> <th>Value (#mln)</th> </tr> </thead> <tbody> <tr> <td>2020</td> <td>13,5</td> </tr> <tr> <td>2021</td> <td>17,6</td> </tr> <tr> <td>2022</td> <td>20,9</td> </tr> </tbody> </table>	Year	Value (#mln)	2020	13,5	2021	17,6	2022	20,9	<p>Smart Retur provides physical handling and digital inventory management of wooden pallets for B2B clients, including pick-up and delivery, repair, storage, trading of wooden pallets and end-of-life recycling for their clients. The company delivers a circular cycle on (wooden) pallets that saves the environment a lot of unnecessary felling and resource use. The company is also exploring options within the sustainable plastic pallet space.</p>	<p>Positive impact is experienced downstream by customers as well as upstream in the value chain.</p> <p>Customers benefit from transparent reverse logistics and reduced embodied emissions, where packaging can be returned to Smart Retur – driving efficiency and reducing client's environmental footprints.</p> <p>Society also benefits from reduced waste ending up in landfills. Biodiversity benefits include reduced demand for wood per pallet, reducing deforestation contribution risk.</p>	<p>Smart Retur currently has a 98.4% recycling rate and is looking increase this further as it grows.</p> <p>In 2023, Smart Retur sold approximately 21 million used pallets to customers within the Nordic region – displacing demand that would otherwise exist for new wooden pallets.</p>	<p>Smart Retur provides wooden pallets, that have an average life-time of pallets 12-18 months until repair work is needed, and repair is provided by Smart Retur on used pallets – increasing their lifespan and reducing raw material usage.</p> <p>Smart Retur is a leader in the Nordic reused/recycled pallet space with very few peers providing similar services. Their contribution in relation to the above is high.</p>	<p>Risks include:</p> <ul style="list-style-type: none"> Reused wood pallets may have a higher chance of breakage/ damage than new pallets, potentially resulting in clients with damaged goods purchasing additional replacement pallets (causing more emissions and material use)
Year	Value (#mln)													
2020	13,5													
2021	17,6													
2022	20,9													

ESG KPI overview

KPI	Unit	2020	2021	2022	2023
ENVIRONMENTAL					
Scope 1	tCO ₂ e	103	107	53	223
Scope 2	tCO ₂ e	658	398	178	623
Scope 3	tCO ₂ e	-	10,271	13,406	13,603
Total GHG emissions	tCO ₂ e	833	10,946	16,823	14,449
GHG intensity	tCO ₂ e / mEUR	No Data*	143	153	178
Energy consumption	MWh	3,456	2,774	3,727	6,336
Energy intensity	MWh / mEUR	62	36	34	78
Share of renewable energy	%	0%	0%	46%	25%
SOCIAL					
Total number of FTEs	#	135	123	142	123
Share of female FTEs	%	7%	10%	8%	4%
Employee turnover	%	24%	23%	25%	25%
Accident rate	# of accidents per 1,000 FTEs	8	10	42	8
Short-term absenteeism rate	%	2.5%	0.6%	1.1%	1.4%
Long-term absenteeism rate	%	0.0%	0.0%	2.6%	1.3%
Total absenteeism rate	%	2.5%	0.6%	3.7%	2.8%
ADDITIONAL KPIs					
Total waste	Tonnes	2,131	2,290	2,940	2,648
Recycled waste	% of total waste	97%	100%	100%	100%
Waste intensity	Waste / pallets sold	206.9	189.3	219.4	151.3
Reusable load carriers returned	# mln	-	13.5	17.6	20.9

* Scope 3 numbers not available for 2020

Reporting parameters

Legal name	Smart Retur Norge AS
Org. nr	894 511 192
NACE sector code	H52.1 - Warehousing and storage
Location of headquarter	Fugleåsen 10, 1405 Langhus, Norway
Nature of ownership	Majority owned by Norvestor
Reporting period	January 1, 2023 – December 31, 2023
Contact person	Stine Alvestad, stine@smartretur.no