



TCFD report – EET Group November 2020



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1. INTRODUCTION

EET Group (hereafter referred to as EET) is a value add technology distributor of ranges of OEM products and private label products. The core activities of the company are

1. Source
2. Stock
3. Sell
4. Ship

and as such EET is not involved in neither Design, Development, Production or physical Transportation which will be undertaken by subcontractors and vendors.

The increasing probability and impact of climate-related risks and opportunities does inevitably require a focused review of EET's governance, strategy, risk management and measurements in the climate-related area. These elements and considerations are described in the present document.

E&Y are our partners in the Environment, Social and Governance (hereafter called ESG) scoping and assessment (including climate-related topics). The role of E&Y is to bring macro trends, to suggest issues, to facilitate assessments, and to challenge our targets/mitigations/measurements.

2. GOVERNANCE

a. Description of Board's oversight of climate-related risks and opportunities

The EET Board reviews ESG topics (including climate-related) at every board meeting – twice a year the entire ESG annual report is reviewed for target setting and status on performance, rest of meetings will include discussion of highlights of current focus areas, experienced risks and mitigations.

Our owners (FSN) receive monthly reporting on ESG KPI's.

Selected members of the board participate in calls between FSN/E&Y/EET regarding ESG assessment and reporting (including Climate).

b. Description of Management's role in assessing and managing climate-related risks and opportunities

Twice a year the Management team (executive board of directors) are involved in prioritizing ESG matters, setting targets and defining actions to achieve the targets as well as follow up on performance.



The Management team also do the materiality assessment of ESG matters (including Climate). Latest version facilitated by E&Y in August 2019 (outcome shared later in this document).

Responsibility for ESG matters is anchored with a member of the Management team. It sits with the role of Director of HR & ESG. The ESG work includes definition of targets, identification of owner for each target in the organization, follow-up on measurements and agreed actions with the owners, reporting on ESG KPI's to the board, reporting on status of document/policy implementation, Formulation of policies (e.g. Code of Conduct, Anti-Corruption, Whistleblower, Quality, ESG) and strategies (e.g. ESG 2-pager and Climate scenario mapping), replies to customer questionnaires related to ESG, as well as overseeing vendor quality and ESG assurance.

If and when specific ad hoc issues occur (e.g. choice of server hosting partner and risk profile, fire incident at warehouse site, malware cyber-attack, etc.) the entire team is involved in discussions and review of risk profile, assessment of need for different targets and actions.

Identifying opportunities related to Climate rests with our Business Line (BL) function (also anchored with members of the Management team).

3. STRATEGY

a. Description of climate-related risks and opportunities identified in the short (2020-30), medium (2030) and long term (2030-)

Looking at the broad range of direct and indirect climate-related risks it is clear to us that the top 3 potential risks are related to

1. Disruption to supply chains where climate change (e.g. extreme weather) causes damages and/or delay of deliveries from suppliers and sub-suppliers;
2. Increased international regulation for (a) increased responsibility for online vendors in the WEEE directive on electronic waste and (b) climate friendly delivery (packaging and climate efficient deliveries); (c) increased level of reporting and transparency and
3. Changing customer preferences, increasing appetite for spare parts and repairs or products that allow for increased energy efficiency, or reduced waste e.g. modularity and recyclability.

It should not be ignored, though, that the risks do present business opportunities as well, e.g.

1. Differentiated product line on energy efficiency, modularity and recyclability



2. Governance and reporting “muscle” based on EET’s operating model with centralized management and corporate support combined with agile local implementation
3. The physical locations of EET premises (head office, warehouses, sales entities) are not directly subject to major climate related risks

A review of the climate-related risks and opportunities has resulted in an overview where we have listed the trends and the risks and opportunities they bring (see fig. 3.1). The color codes indicate observation of trend and impact and explore opportunities (orange), very limited risk and opportunities to seize (green) and considerable risk if scenarios materialize (red):

		 Raw materials / Suppliers	 Production	 Marketing and management	 Customers / end-users	Sustainable disruption - 2030	Slow transition - 2030	Uncontrolled climate change - 2030
Physical	Acute risk	Extreme weather events (e.g cyclones or floods) causing damages to sub-suppliers and suppliers. Causing delay and cancellation for EET.	Supply chains for electronic equipment are particular exposed to climate risk (Surminski et al., 2018; UKCCRA, 2017) Increased extreme weather events, increased risk of damages to large shipments of products during transportation Social disruption with massive effect on social stability (EY, 2018)			Damages can occur	Damages to shipments	Social disruption with massive effects on social stability changing the world as we know it. Damages and cancellation of shipments due to extreme weather events can be felt on EET economic situation
	Chronic risk	Distortion of supply chain due to weather events, causing delay for EET.	Distortion of supply-chain and delivery of products due to weather events causing delay			Disruption can occur	Disruption to supply chain	Frequent disruption of supply chain with costs, e.g more logistics and follow up communication with customers
Transitional	Market		Supplier demands green vendors, creating a risk if EET does not deliver on green demands and loose to competing vendors Opportunity: for EET through continuing the ESG focus in terms of limiting climate impact.			Competition from other online retailers of electronics that meet customer preferences better decreases EET sales	?	?
	Policy		Regulation on packaging: - Plastic regulation: reduce, increase recyclability and restriction on use of plastic for packaging - New legislation on packaging in Germany, companies risks fines if EET does not adhere Opportunity for EET from their existing focus on reducing packaging, sustainable packaging and dialogue with suppliers	Regulation on climate risk reporting becomes mandatory , with added associated costs to EET. Opportunity for EET as EET has already established a focus on reporting through their ESG report	Potential future regulation on retailer responsibility in different geographies: e.g collecting, fees, end of life management and recycling of electronic products	Regulation on packaging, reporting, online-delivery and producer responsibility for online vendors affects EET with added costs.	Some regulation (e.g reporting and packaging)	?
	Technology		New logistics systems and low-carbon transport modes enable climate friendly delivery Development of climate friendly products		Increased recycling of sold electronics with positive effects on customer preferences and sales New recycling technology could decrease energy use for recycling , improving the climate impact, as electronic recycling today is very energy intensive			
	Reputation		Customers conscious of climate impact from online shopping and delivery , risk for customers to chose other online retailers, providing climate friendly delivery and recycleable packaging.	Changing customer preferences puts pressure on EET to use resources though e.g. marketing, sustainability reporting, labelling of products, potentially choose new suppliers, provide climate friendly delivery as for example informing customer that slower delivery is greener.	Changing customer preferences with risks and opportunities: - millennials are willing to pay more for climate friendly alternatives - Decreased demand by increased recycling and customer awareness of electronic waste problem opting to repair instead of buying new products - Opportunity: increasing demand for spare parts sold by EET following the same trend as previous point. - Opportunity: through increased sales of refurbished products and adding climate friendly products	Customers have decreased their demand, demands climate friendly delivery and transparency from EET throughout the value chain. Customer prefers climate friendly products. Opportunity: increased demand for refurbished products. Increase in demand for spare parts.	Opportunity: Increased demand for refurbished products. Increase in demand for spare parts.	

Fig 3.1 Physical and Transitional risks in the value chain



b. Description of the impact of climate-related risks and opportunities on EET's businesses, strategy and financial planning

Assessment of the risk and impact of various ESG related issues (including Climate) is done at regular intervals (adapted as needed). The model used is a combined probability/impact assessment on two dimensions: importance to stakeholders (owners, authorities, customers, suppliers, etc.) and importance to company (EET).

Looking at the risks and opportunities highlighted under section 3.a. we believe that we can mitigate the climate risks towards damages and delays in the supply chain by spreading our supplier dependency for key items either by having multiple actual or potential suppliers of these. Also we consider regulatory developments (e.g. EU Ecodesign Directive) and changing end-user requirements a source of business opportunity to explore.

Fig. 3.2 below shows the result of the latest assessment based on which our further ESG action plans and reporting are to be done. Green markers mark environmental aspects (here climate-related risks are predominant). Yellow markers mark social aspects. Blue markers mark Governance aspects.

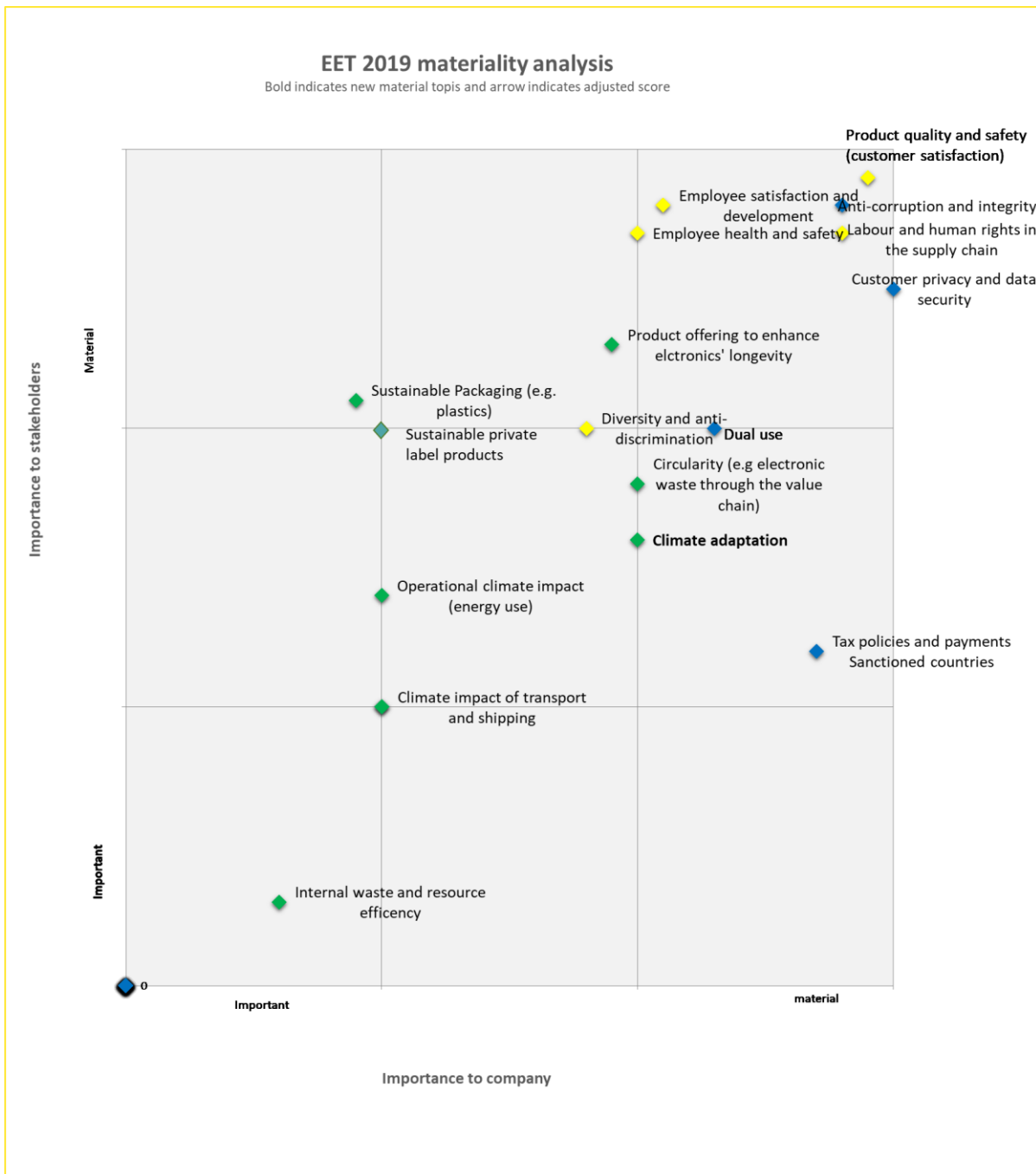


Fig. 3.2 Materiality analysis 2019

c. Description of the resilience of EET’s strategy at the different climate-related scenarios (incl. 2c or lower scenario)

The overall strategy of EET is reviewed at regular intervals, and we are convinced that it takes into consideration elements that are considered probable and impactful to the company and its stakeholders on the short term horizon (2020-30).



EET feels prepared to meet new opportunities and risks as identified above. A big part of the EET business model (the parts element of the business) is based on repair and maintenance which will only to increase its relevance as this becomes regulated or more popular as part of strategies to reduce environmental impacts.

4. RISK MANAGEMENT

a. Description of EET's processes for identifying and assessing climate-related risks

Identification and assessment of climate-related risks is done in the framework of ESG work. Occasionally E&Y is invited in to facilitate and advice on the process. See further under sections 3a and 3b of this report.

b. Description of EET's processes for managing climate related risks

As with other work related to risk areas we follow a process along the lines of:

- i. Identify (management, FSN, E&Y, employees in contact with stakeholders)
- ii. Asses (management, FSN, E&Y)
- iii. Set targets (management, FSN)
- iv. Brainstorm actions (operational management, employees in relevant functions)
- v. Prioritize actions (operational management, employees in relevant functions)
- vi. Implement prioritized actions (operational management, employees in relevant functions)
- vii. Measure performance (operational management, employees in relevant functions)
- viii. Reporting and overview (management, FSN)

c. Description of how the above are integrated into EET's overall risk management

As described above, the climate-related risks are an integrated part of the overall ESG risk assessment and mitigation which in turn forms part of the overall EET strategy work. Climate-related issues thus form part of both strategic analysis of business climate, setting of targets and objectives as well as generation of viable alternative strategies to reach these.



5. METRICS AND TARGETS

a. Metrics used by EET to assess climate-related risks and opportunities

We have till now focused on the following areas within climate-related topics:

- i. Energy efficiency
- ii. Waste reduction and separation
- iii. Transport and shipping solutions (combined shipments)
- iv. Packaging material (reducing plastics in our purchased products and using recycled materials ourselves)
- v. Product offering targeting sustainability (refurbished products, products aimed at driving energy efficiency, supporting sustainable energy sources, active partner in right-to-repair supply chains)
- vi. Measure the carbon footprint of our operations addressing the scope 1-3 of greenhouse gases (see section b of this chapter).

b. Description of Scope 1-2-3 greenhouse gas (GHG) emissions and the related risks

In the area of carbon footprint and greenhouse gas (GHG) report on:

Scope 1: Emissions from operations that are owned or controlled by the reporting company

- Direct emissions from combustion in owned, leased or controlled boilers, furnaces, vehicles, etc. – for EET this is related to company cars and will be reported in terms of diesel and petrol consumption

Scope 2: Emissions from the generation of purchased or acquired electricity, steam, heating, or cooling consumed by the reporting company.

- Indirect emissions from use of purchased electricity, steam, heating or cooling – for EET this is related to electricity, district heating and cooling and will be reported in terms of unit use
- Indirect emissions from purchase of renewable energy – for EET this is related to availability of energy attribute certificates and guarantees of origin and will be reported as the share of purchased energy covered by guarantees

Scope 3: All indirect emissions (not included in scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions. The relevance of each category for the business is evaluated prior to reporting. For EET it makes sense to look at:



- Indirect emissions upstream from waste generated in operations – we report on efforts to increase cyclability of products as well as packaging and on efforts to improve end-of-life management of goods sold
- Indirect emissions upstream from transportation of goods purchased – we report on efforts to reduce incoming transportation relative to level of business
- Indirect emissions downstream from transportation of goods sold – we report on efforts to reduce outgoing transportation relative to level of business. This is by far the biggest source of CO2 footprint of EET.
- Indirect emissions upstream from business travel – we report on business related travel (air, train, car) and the related climate impact

We register, measure and report on these issues in a cloud platform tool (CEMAsys) as of 2020. For the relevant material issues there are actions and targets set.

c. Description of targets set by EET to manage climate-related risks and opportunities and performance against these

The years 2019 and 2020 mark the starting point for our GHG measurements.

CO2 footprint of total year 2019 is available for our 3 locations in Denmark (where the central warehouse and therefore also largest part of transportation of goods is happening).

During 2020 we have added the bigger of our country entities including those with local warehouse and transportation (Finland, Norway, Sweden, Poland, Spain, UK and France).

As per December 2020 our measurements amount to the following for the 1-3Q of 2020:

- Scope 1 emissions:
 - 79,2 tCO2e (company cars and energy consumption)
- Scope 2 emissions:
 - 76,4 tCO2e (electricity and district heating and energy consumption)
- Scope 3 emissions:
 - 4,910 tCO2e (goods transportation and air travel)

Due to covid-19 travel data for 2020 are not at a usual level. As we analysed measures of transportation impact we also adjusted some errors in the 2019 numbers.



For further information and details on our work with GHG's and related ESG areas please see our full ESG report (available on our website).

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