

TO: Stakeholders of Island Plastic Bags, Inc.

FROM: Adrian Hong, President

SUBJECT: 2021 Sustainability Report (1/1/21 – 12/31/21)

Island Plastic Bags, Inc. (IPB) remains committed to its sustainability policy. Minimizing our impact on the environment helps us reduce costs and differentiate the company from its competitors. Treating our customers, employees, and vendors well helps us retain them. This report details our progress on sustainability and is broken down into the following topics:

- Material Usage
- Green House Gas Emissions (GHG)
- Safety

Material Usage. The company’s sustainability goal around material usage is to increase use of recycled, reusable, and renewable materials in the products we sell. The following table shows the pounds of plastic bags sold that are manufactured from recycled and virgin resin:

Material	2021 (LBS)	%
Post-industrial Recycled Resin	1,111,000	58.8%
Virgin Resin	<u>778,000</u>	<u>41.2%</u>
Total	1,889,000	100%

The company’s experiment of using post-industrial, high density recycled resin in non-food applications was a success. As a result, we reduced the use of virgin resin by approximately 65,000 lbs. in 2021. Our goal for next year is to reduce the use of virgin resin in the company’s high density, non-food applications by another 15,000 lbs.

We continue to recycle plastic scraps from the manufacturing process onsite to save money and reduce waste. The company decided against making the amount we recycle a key performance metric in our sustainability goals as we thought it could create a perverse incentive (i.e. give the company an incentive to recycle more than what is needed).

The company has brought in a line of paper bags to replace plastic takeout bags. This has allowed us to help our customers comply with Bill 40 (Ordinance No. 19-30) and remove approximately 1,700,000 plastic takeout bags from circulation in 2021. The paper bags have a minimum 40% post-consumer content and are fully recyclable.

During the pandemic, the company created a new brand of compostable cutlery, Ohanaware. Ohanaware allows us to help our customers comply with Bill 40 (Ordinance No. 19-30) on Oahu and Bill 52 (Ordinance 5084) on Maui, Lanai, and Molokai. It has also helped to remove approximately 7,811,000 pieces of plastic cutlery from circulation in 2021. Ohanaware cutlery

are compostable and free of any petroleum-based products. The cutlery is made primarily of CPLA.

As part of our launch of Ohanaware, the company worked with the Department of Environmental Services to create a voluntary certification program for Bill 40 (Ordinance No. 19-30) on Oahu. We felt that this would help customers, end users, distributors, and manufacturers better comply with the ordinance. There continues to be a lot of confusion about what is and what is not allowed under Bill 40. As the voluntary certification program evolves, we hope it will solve that problem.

PFAS (per- and polyfluoroalkyl substances) are a new issue for Island Plastic Bags as the company has never sold paper products for food packaging before. PFAS can be found in the following products we use every day:

- Household Products
- Food Packaging
- Personal Care Products
- Fire Extinguishing Foam

PFAS are a group of manufactured chemicals that can persist for a very long time, which is why they are known colloquially as forever chemicals. These chemicals can bioaccumulate in humans and animals. Scientific studies have linked exposure of high levels of PFAS to health problems in both humans and animals.

To help our customers comply with Bill 40, Island Plastic Bags brought in bagasse hinge trays for sale. After researching the growing concern over what PFAS chemicals could be doing to the environment and human health, the company has decided to eliminate the use of PFAS from all its bagasse containers by the end of 2022.

For more information about PFAS, please visit the following link: <https://www.epa.gov/pfas/our-current-understanding-human-health-and-environmental-risks-pfas>.

Green House Gas Emissions (GHG). The company's sustainability goals around greenhouse gas emissions are as follows:

- Begin the process of electrifying our fleet in 2022
- Source 100% of electricity used from renewable sources by 2045

The following are the company's Scope 1 emissions:

SCOPE 1 (DIRECT EMISSIONS INCLUDING VEHICLES)	
Fuel	2021
Gasoline (Kg CO2)	29,195
Propane (Kg CO2)	<u>2,969</u>
Total (Kg CO2)	32,164

The company's fleet consists of one gasoline-powered flatbed, one gasoline-powered cargo van, two hybrid passenger vehicles, and one gasoline-powered passenger vehicle. The cargo van and flatbed are aging and need to be replaced. This is an opportunity to replace these gas-powered vehicles with electric vehicles. The constraint to this is the lack of any vehicles, let alone electric ones, for purchase. The company is hoping that the semiconductor shortage ends soon, and the company can replace one or both vehicles with electric vehicles. That should significantly bring down our greenhouse gas emissions given we have ample renewable electricity generated by our photovoltaic systems to power the electric vehicles.

The following are the company's Scope 2 emissions:

SCOPE 2 (INDIRECT EMISSIONS - ELECTRICITY)	
Source	2021
Electricity Used (kwh)	317,990
Electricity Generated (kwh)	<u>(169,105)</u>
Net kwh Used (kwh)	<u>148,885</u>
Emission (Kg CO2)	114,435

The electricity used comes from the local utility, Hawaii Electric Company (HECO). The electricity we generate on premises comes from three photovoltaic systems (PV) on our roofs. The PV systems allow us to offset the power pulled from the utility reducing the overall greenhouse gas impact of our electricity usage.

The combination of our PV systems and HECO's efforts to add more renewable energy to their grid will allow us to use 100% renewable energy by 2045.

We are currently not able to calculate the company's Scope 3 emissions.

Safety. Employee safety was a big focus of Island Plastic Bags in 2021. The company rolled out a new safety handbook. It put all our safety policies in one place for our employees to review and sign off on. The handbook covers lockout procedures, accident prevention, machine guarding, hazard communications, and safety inspections. The handbook is in English and Mandarin for our non-native English speakers. In addition, the company used several all-hands meetings to verbally go over important sections of the handbook in both English and Mandarin.

Per company policy, the president performed a safety and cleanliness audit of the facility every quarter. Issues noted during the audit were brought up with all employees at the next all-hands meeting. In addition, the president reported to employees the number and types of injuries that have occurred during the year and the mitigation measures that have been put in place to stop them.

In 2021, Island Plastic Bags had two workplace related injuries that caused a total of nine days away from work. The goal for 2022 is to have no workplace injuries.