

ISLAND PLASTIC BAGS, INC.
Sustainability Report
December 31, 2023

About Island Plastic Bags, Inc. (IPB): IPB is a C corporation, founded in 1992, that operates in the State of Hawaii. It is located at 99-1330 Koaha Place, Aiea, HI 96701. The company is a locally and minority-owned manufacturing company. It produces high density and low density polyethylene bags. In addition, it sells compostable cutlery, paper bags, and Colgate-Palmolive products, which is complementary to its line of plastic bags. IPB’s mission is provide quality, sustainable, and disposable products to its customers.

The company serves customers in industries such as foodservice, hospitality, janitorial/sanitation, medical, and government. What separates Island Plastic Bags from competitors is the commitment to sustainability. IPB feels that sustainability is its responsibility and good business.

This annual report details IPB’s progress towards its sustainability goals and has been reviewed and approved by the company’s board of directors. It covers the period from January 1st, 2023 to December 31st, 2023 as well as the operations of Island Plastic Bags, Inc. This report is published publicly on IPB’s website and is distributed through the company’s newsletter.

If you would like to provide feedback on IPB’s ESG performance and the contents covered in this report, please send questions or comments to ahong@islandplasticbags.com.

Materiality. IPB performs an annual assessment of what sustainability topics are material. It does so by considering what is significant to the company’s long-term operations and its relationship with stakeholders. Stakeholders include customers, vendors, employees, owners, and the community IPB operates in. The following are the material topics identified in this assessment for 2023:

- Material Usage
- Greenhouse Gas Emissions (GHG)
- Employee Safety
- Water Usage
- Cybersecurity
- Diversity

Diversity is a new, material topic. IPB’s Minority Business Certification allows it to obtain contracts with large corporations committed to purchasing a certain amount or percentage of their overall spend on small, minority-owned businesses. As a result, the company felt it was important to report on the diversity of Island Plastic Bags, Inc.

Use of Estimates. IPB uses estimates to calculate its GHG emissions. These estimates are known as emission factors. Emission factors allow IPB to convert the gallons of gasoline, diesel, and propane used into the kilograms of CO₂ emitted. The following are the emission factors used to create the data for this report and the source of the emission factors:

Source	Description	2022 Emission Factor	2023 Emission Factor
EPA Emissions Factor Hub Table 2	Convert a gallon of diesel to kg of CO ₂	10.21	10.21
EPA Emissions Factor Hub Table 2	Convert a gallon of gasoline to kg of CO ₂	8.78	8.78
EPA Emissions Factor Hub Table 2	Convert gallon of propane (LPG) to kg of CO ₂	5.68	5.68
EPA Emissions Factor Hub Table 5	Convert gallon of propane (LPG) to grams of CH ₄	.45	.45

EPA Emissions Factor Hub Table 5	Convert gallon of propane (LPG) to grams of N ₂ O	.64	.64
EPA Emissions Factor Hub Table 6	Convert MWh of electricity pulled from HECO to lbs. of CO ₂	1,653	1,633.10
EPA Emissions Factor Hub Table 6	Convert MWh of electricity pulled from HECO to lbs. of CH ₄	.178	.176
EPA Emissions Factor Hub Table 6	Convert MWh of electricity pulled from HECO to lbs. of N ₂ O	.027	.027
EPA Emissions Factor Hub Table 11	Convert CH ₄ to CO ₂ e (GWP of CH ₄)	25	25
EPA Emissions Factor Hub Table 11	Convert N ₂ O to CO ₂ e (GWP of N ₂ O)	298	298
EPA Emissions Factor Hub Table 12	Convert R-410A to CO ₂ e (GWP of R-410A)	2,088	2,088
EPA Emissions Factor Hub Table 3	Convert miles driven of 2015 passenger vehicle to grams of CH ₄	NA	.0068
EPA Emissions Factor Hub Table 3	Convert miles driven of 2015 passenger vehicle to grams of N ₂ O	NA	.0042
EPA Emissions Factor Hub Table 3	Convert miles driven of 2014 passenger vehicle to grams of CH ₄	NA	.0071
EPA Emissions Factor Hub Table 3	Convert miles driven of 2014 passenger vehicle to grams of N ₂ O	NA	.0046
EPA Emissions Factor Hub Table 3	Convert miles driven of 2007 cargo van to grams of CH ₄	NA	.0103
EPA Emissions Factor Hub Table 3	Convert miles driven of 2007 cargo van to grams of N ₂ O	NA	.0061
EPA Emissions Factor Hub Table 4	Convert miles driven of 2022 flatbed truck to grams of CH ₄	NA	.0095*
EPA Emissions Factor Hub Table 4	Convert miles driven of 2022 flatbed truck to grams of N ₂ O	NA	.0431*

* Emission factors from medium and heavy duty vehicles for 2022 vehicles are not listed in the EPA Emissions Factor Hub. The closest years available were used (2007 – 2020) in the calculations of emissions.

Once the lbs. of CO₂ emitted from pulling power from Hawaiian Electric Company (HECO) are known, they are converted to kilograms of CO₂ through the conversion rate of .453592 kilograms to a pound.

IPB also estimates the pounds of plastic sold that are manufactured from recycled and virgin resin. Plastic bags often contain additives such as color concentrates, slip, and anti-block to give the bags certain attributes (ex. color) or make them easier to process. These additives can make up anywhere from .6% - 11% of the bags. The amount of color concentrates and other additives needed change dramatically from item to item and even between batches of resin. There is no way to know the exact amount of additives

used for each item. As a result, each item is estimated to be manufactured with either 100% virgin resin or 100% recycled resin.

When recycled, high density resin is available, it is used to manufacture high density bags. The amount of recycled resin used during the year is subtracted from the total pounds of plastic sold to come up with the totals for virgin and recycled resin used in these bags.

Organizational Boundary. IPB uses the operational control consolidation approach to determine which emissions it is responsible for.

Compliance with Laws and Regulations. Part of IPB's sustainability policy is to comply with all environmental, labor, and other laws in the State of Hawaii. As of December 31, 2023, the company was not party to any civil or criminal litigation nor was it fined for non-compliance with laws in the state.

Material Usage. The company's sustainability goal around material usage is to increase use of recycled, reusable, and renewable materials in the products it sells. The following table shows the pounds of plastic bags sold that are manufactured from recycled and virgin resin (rounded to the nearest thousand):

<u>Material</u>	<u>2022 (LBS)</u>	<u>% of Total</u>	<u>2023 (LBS)</u>	<u>% of Total</u>	<u>Var %</u>
Recycled Resin	1,487,000	65.7%	1,502,000	63.5%	1%
Virgin Resin	775,000	34.3%	865,000	36.5%	11.6%
Total	2,262,000	100%	2,367,000	100%	4.6%

The 4.6% increase in the pounds of plastic sold was due to continuing improvement in the overall economy in Hawaii until the Maui Wildfires occurred. It will take tourism in Maui years to recover from the loss of Lahaina. The lack of activity in Maui will depress overall sales of plastic bags in 2024, as many of IPB's end consumers rely on tourism.

The company noticed that several of its distributors were buying more high density trash liners and less low density trash liners in 2023. Anecdotal evidence suggests that customers want to see inside the trash bags and are opting for the translucent, high density bags over our grey, low density trash liners. It could also be a move to control costs as high density trash liners use less material than low density trash liners.

This trend is partially responsible for the 11.6% increase in the pounds of plastic bags sold that are manufactured with virgin resin. High density trash liners are usually manufactured with virgin resin while low density trash liners are usually manufactured with recycled resin. It is difficult to add a lot of recycled material to high density trash liners because they are usually manufactured so thin that variances in the recycled plastic can cause the bags to fail. It is also difficult to source high density, post-industrial recycled resin. The positive in switching to high density trash liners is less plastic being used per bag.

Another contributing factor to the increase in the use of virgin resin was the acquisition of a distributor's high density trash liner business.

IPB will continue to monitor the trend of moving to high density trash liners, and its effect on the company's inventory, sales, labor requirements, and sustainability goals. The company's target

for 2024 is to keep the percentage of plastic bags sold, manufactured with recycled resin, to 60% or more of total plastic bags sold.

Onsite Recycling

IPB continues to recycle plastic scraps from its manufacturing process onsite to save money and reduce waste. The company decided against making the amount it recycles a key performance metric as it could create a perverse incentive (i.e. give the company an incentive to recycle more than what is needed).

Paper Bags

The company sells a line of paper bags that have a minimum 40% post-consumer content in them. The paper bags are fully recyclable. The following table shows the pounds of paper bags sold (rounded to the nearest thousand):

<u>Material</u>	<u>2022 (LBS)</u>	<u>2023 (LBS)</u>	<u>Var %</u>
Paper Bags	129,000	133,000	3.1%

Sales of paper bags remained stable in 2023 compared to the prior year, which was the company's goal. IPB's target for 2024 is to increase the pounds of paper bags sold by 10% in 2024. The company feels this is realistic as many importers of paper bags are going to be hit with significant antidumping duties because of Novolex's petition to the Department of Commerce and the United States International Trade Commission. Being able to hold prices will give IPB the ability to increase its market share in Hawaii.

Compostable Cutlery

The company's Ohanaware brand of compostable cutlery is sold to institutional customers like foodservice distributors and to stores such as Foodland, 7-11 Hawaii, The Waianae Store, etc. The following table shows the pounds of compostable cutlery sold (rounded to the nearest thousand):

<u>Material</u>	<u>2022 (LBS)</u>	<u>2023 (LBS)</u>	<u>Var %</u>
PLA Cutlery	153,000	137,000	(10.5%)

Sales of compostable cutlery in 2023 were hit by the Maui Wildfires, the loss of business from the Department of Education, and depressed retail sales. The company's target for 2024 is to keep the pounds of compostable cutlery sold the same as in 2023.

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

- Begin the process of electrifying our fleet
- 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)			
<u>Source</u>	<u>2022</u>	<u>2023</u>	<u>Var %</u>
Mobile Combustion (kg CO ₂ e)	34,141	31,485	(7.8%)
Fugitive Emissions (kg CO ₂ e)	<u>58,715</u>	<u>0</u>	(100%)
Total (kg CO ₂ e)	92,856	31,485	(66.1%)

Emissions for 2022 include CO₂ emissions from mobile combustion of diesel, gasoline, and propane. The 2022 emissions also include CH₄ and N₂O emissions from propane. Emissions for 2022 do not include CH₄ and N₂O emissions from the mobile combustion of diesel or gasoline as IPB did not have a system in place at the time to track the miles driven by the company's vehicles. A tracking system was put in place for 2023, and emissions for 2023 include CH₄ and N₂O emissions from the mobile combustion of diesel and gasoline.

Scope 1 emissions declined 66.1% year over year because the company avoided any refrigerant leaks in 2023. The quarterly maintenance Heide & Cook performs on the chiller has made it possible to catch issues sooner. IPB's target for 2024 is to have another year of no fugitive emissions.

Unfortunately, it will be some time before IPB will be able to significantly reduce mobile combustion emissions. The company ordered an electric powered van in April 2022 to replace IPB's aging, gasoline-powered cargo van. However, when it arrived in January 2023 a year later, Cutter Ford refused to sell the van at the agreed upon price and in all likelihood sold the vehicle at a higher price to another customer. The company decided not to wait another year for a new vehicle and instead continue to use the gasoline-powered cargo van for the foreseeable future.

The following are the company's Scope 2 emissions:

SCOPE 2 (INDIRECT EMISSIONS - ELECTRICITY)			
<u>Source</u>	<u>2022</u>	<u>2023</u>	<u>Var %</u>
Electricity (MWh)	401.66	345.72	(13.9%)
Location-based Emissions (kg CO ₂ e)	303,434	258,046	(15%)
Market-based Emissions (kg CO ₂ e)	303,434	258,046	(15%)

The electricity used by Island Plastic Bags comes from two sources: Hawaii Electric Company (HECO) and two photovoltaic systems (PV) it owns and one PV system it leases. The emissions noted above are related to the power pulled from HECO. For various reasons, a portion of the power generated by the PV systems is sent back into HECO's grid. The company calculates and tracks the emissions that are avoided by sending the utility emissions free energy. Emissions

avoided by sending solar power to HECO was 110,561 kg. of CO₂e and 87,309 kg. of CO₂e for 2022 and 2023, respectively.

Scope 2 emissions are lower because of the company purchasing and distributing more and manufacturing less of its product mix. IPB expects the mix of distributed and manufactured products to stabilize in 2024. Scope 2 emissions were also lower because the emissions factors for HECO were lower in 2023.

The company predicts that IPB will use 100% renewable energy by 2045 because of its PV systems and HECO's efforts to add more renewable energy to the electricity grid.

IPB is currently not able to calculate the company's Scope 3 emissions.

Safety. Employee safety continues to be a priority for IPB. The company continues to have "All Hands Meetings" to stress different safety topics covered in the safety handbook and to review findings from the quarterly safety and cleanliness audits performed by the president. IPB also provided forklift training to refresh the skills of its production and warehouse workers. The following are the company safety metrics:

<u>Description</u>	<u>2022</u>	<u>2023</u>	<u>Var %</u>
# of Injuries with Days Away from Work	1	0	(100%)
# of Days Away from Work	47	0	(100%)
# of Days Lost X (1,000/total hours worked)	2.11	0	(100%)
Accident frequency rate (total number of lost time injury events x [1,000,000/total hours worked])*	44.87	0	(100%)

*Metric was added in 2023. The accident frequency rate was also calculated for 2022 for comparability purposes.

The 47 days away from work in 2022 was the result of an employee passing out, while at the mouth of a 40' container, and hitting his head on the concrete floor. IPB conducted interviews with the employee, the other employees in the vicinity, and the doctor and nurse at the hospital where the employee was admitted to determine the cause of the injury. The result of the interviews led IPB to believe that the workplace environment was not the proximate cause of the injury. None of the interviews identified anything in the workplace that had caused the injury. As a result of this conclusion, no corrective actions were taken at the company.

The president reports to employees on an annual basis the number and types of injuries that have occurred during the year, and the mitigation measures that have been put in place to avoid them. The goal for 2024 is to have no workplace injuries.

Health Insurance

As part of the company’s commitment to a healthy and safe workforce, the company provides medical insurance and dental insurance without charge to all its employees. As of year-end 2023, 91.7% of the company’s workforce was on its medical insurance plan and 100% of IPB’s employees were on its dental insurance plan. The company also has a safe harbor 401K plan that employees can contribute to after meeting eligibility requirements. As of year-end 2023, 83.3% of employees participate in the company’s 401K plan.

Water Usage. The company’s sustainability goal for water usage is to comply with any mandatory water usage reduction targets issued by the Board of Water Supply. IPB understands it is going to take a community wide effort to address the long-term impacts of the Navy fuel spill at Red Hill and is ready to do its part. The following is IPB’s water usage in gallons:

<u>Description</u>	<u>2022 (GAL)</u>	<u>2023 (GAL)</u>	<u>Var %</u>
Water	86,000	86,000	0%

The two biggest sources of water usage at IPB are its recycling operations and extruding operations. To avoid waste in the company’s manufacturing operations, it recycles all scrap and defects on premises. The scrap is fed into the recycling machine which grinds down, melts, extrudes, cools with water, and pelletizes it for reuse. The company uses water in its extruding operations to cool the plastic tubing that eventually becomes plastic bags. This allows the plastic bags to be manufactured at a much faster rate.

During the recycling process, water evaporates and is also discharged as surface water back into the environment. The recycling machine is designed to ensure that only water is discharged and that there is no discharge of any plastic. Water is also discharged during the turning on, turning off, and cleaning of the extruder’s chiller. As only water is moving through the chiller, only water is discharged as surface water back into the environment.

The company will continue to monitor the Navy fuel spill and has plans to address mandatory water usage reduction targets put out by the Board of Water Supply.

Cybersecurity. The company’s sustainability goals around cybersecurity are to have no data breaches and no money lost to cybercrime. To achieve this goal, IPB performed a risk assessment of potential cyber threats to the company and found the following threats to be the highest risks in need of addressing:

1. Ransomware Attacks
2. Wire Transfer Fraud / Credit Card Fraud caused by spear phishing, business email compromise, or social engineering
3. Data Breach

Cyber criminals are using ransomware attacks much more frequently and are targeting small businesses as well as large ones. Having all the company's data encrypted would cripple its operations. Given the high probability of attack and the consequences of losing the data forever, ransomware attacks are the highest cyber threat to IPB.

To mitigate the risk of a ransomware-attack the company has taken the following measures:

1. Installed a firewall that provides content filtering, malware protection, and intrusion prevention
2. Licensed email software that quarantines malicious links, tests attachments, and filters out phishing and social engineering emails
3. Licensed software that controls which applications are installed and uninstalled as well as isolate applications and control their interactions with other software, which helps prevent malware from being installed and spreading
4. Installed antivirus software on the company's computers
5. Patched software regularly
6. Licensed a proactively managed endpoint detection and response (EDR) system for security threats from viruses, malware, ransomware, etc. Protection includes 24/7 threat operations team to detect, analyze, respond, and report security incidents.
7. Trained employees on cybersecurity threats
8. Licensed a cloud service that performs daily offsite backups of the data on our server

Cyber criminals often also target small businesses with spear phishing emails or emails that come from compromised email accounts encouraging employees to wire money or make credit card purchases. To mitigate the risk of making a fraudulent wire transfer or credit card purchase, IPB requires a multi-channel authentication approach to confirm any changes to wire transfers or credit payments and to set up any new wire transfers or credit card payments.

IPB believes it is at a lower risk for data breaches when compared to larger companies. The company has less data worth stealing. However, while the probability of a data breach is lower, the liability incurred by such an attack could be enormous.

The same procedures and software that mitigate the risk of a ransomware attack, partially mitigate the risk of a data breach. However, the programs do not prevent data breaches where employees misuse data or inappropriately send information.

To prevent those types of data breaches, the company has restricted access to sensitive data unless there is a business need that requires that information to be disclosed. In addition to those measures, IPB has also encrypted its server. If it is stolen, there is no easy way to pull data from it.

IPB has a contingency plan in place should a data breach occur. It is reviewed, along with all the other contingency plans, on an annual basis.

The company experienced no data breaches nor lost any money that it is aware of, because of cybercrime. The target for next year is to also have no data breaches nor lose any money because of cybercrime.

Diversity. The diversity of the company's ownership and employees is important to IPB's owners and customers. The owners believe a diversity of experiences leads to better decision-making and a more prosperous business. Certain customers contract with the company because it is a certified minority owned business. The company uses Western Regional Minority Supplier Development Council (WRMSDC) for its certification and Island Plastic Bags' certification number is WR03414.

In addition to renewing its certification with the WRMSDC, the company performed a voluntary survey on March 31, 2023 to measure the diversity of its workforce. Out of twelve employees, eleven identified their ethnicity as Asian and one identified their ethnicity as Pacific Islander. Ten of the company's employees identified as male and two identified as female. Seven listed their primary language as English, two listed their primary language as Mandarin, and five listed their primary language as Cantonese. The reason that adds up to more than twelve is because one employee listed all three as their primary language.

The company's target for 2024 is to continue to retain its minority business certification and to continue to track the diversity in its workforce.