

”If you stop getting better,
you stop being good”

- Hugo Jönsson,
the founder of Polykemi

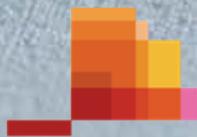
SUSTAINABILITY REPORT
2018

polykemi 

BRINGS OUT THE BEST IN PLASTICS

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pwc

Revisorns yttrande över den lagstadgade hållbarhetsrapporten

Till bolagsstämman i Polykemi AB, org.nr 556114-3461

Uppdrag och ansvarsfördelning

Det är styrelsen som har ansvaret för hållbarhetsrapporten för år 2018 och för att den är upprättad i enlighet med årsredovisningslagen.

Granskningens inriktning och omfattning

Vår granskning har skett enligt FARs rekommendation RevR 12 *Revisorns yttrande om den lagstadgade hållbarhetsrapporten*. Detta innebär att vår granskning av hållbarhetsrapporten har en annan inriktning och en väsentligt mindre omfattning jämfört med den inriktning och omfattning som en revision enligt International Standards on Auditing och god revisionssed i Sverige har. Vi anser att denna granskning ger oss tillräcklig grund för vårt uttalande

Uttalande

En hållbarhetsrapport har upprättats.

Ystad den 12 april 2019

Öhrlings PricewaterhouseCoopers AB

Sofia Götmar-Blomstedt
Auktoriserad revisor
Huvudansvarig revisor

Öhrlings PricewaterhouseCoopers AB

Ann Rickard Nilsson
Auktoriserad revisor



CEO speaks

POLYKEMI CELEBRATES 50 YEARS

When you turn 50, it's time to make a historical look back on where it all started. Everything begun with my father Hugo Jönssons and his colleague Roland Jonsson decided to start Polykemi on March 1, 1968. The business concept was to manufacture and sell customized plastic raw materials in the Scandinavian market, which is still an important market despite the fact that we now work all over the world and has production sites on three continents. Today, we can proudly say that we are a local company that delivers world-class products to all corners of the earth.

Polykemi's successful growth journey has also included some setbacks that we have recovered from. An example is the giant fire in 1975, which destroyed large parts of the production area.

Polykemi saw the benefits and possibilities of recycled plastic early on. The recycling business has been involved from the beginning, but became a separate subsidiary, Rondo Plast AB, in 1980 to separate the brand from Polykemi. Between 2006-2008 we took our environmentally adapted products one step further when we started another subsidiary, Scanfill AB, which produces environmentally friendly packaging materials.

So what happens in our surrounding world? One can say that the United States in some strange way isolates itself, while at the same time wanting a so-called "smoother" trade exchange with the outside world. It will probably be difficult if trade barriers and physical walls are built up according to plan. However, within Europe, the politics is hardly better with Brexit discussions and violent demonstrations in various cities around Europe.

The Polykemi Group with its various companies has performed very well during the past year, which

is very gratifying. The long-term approach and endurance that characterize our family business is a great strength for us, not least when it comes to believing in our ideas and taking advantage of the commitment and power that exists among all our employees.

The trends of our customers is continued increasing demand for plastic materials based on recycled materials or a more sustainable material solution. For many years, we have built up a product portfolio that matches up with this demand for sustainable materials. We also devote a lot of resources to further developing our ability to meet tomorrow's plastic material needs for our customers. With the investments that we are now making in both China (see "Important events during the year", page 6-7) and the US, we will strengthen our market position as a global supplier of materials based on recycled plastic material.

Polykemi Group has no separate sustainability organization, but the sustainability issues are governed as an integrated part of other business issues. All employees at Polykemi have a shared responsibility for how we act in relation to our customers, suppliers, employees and other stakeholders. The sustainability work is an important component to be able to meet the expectations of our customers and stakeholders as well as our own goals for continued profitable and sustainable growth.



Ola Hugoson
CEO for Polykemi AB



IMPORTANT EVENTS DURING THE YEAR

OPEN HOUSE AT POLYKEMI

On April 21 in Ystad, Polykemi arranged an open house for the public. We estimated that about 620 people visited Polykemi during this day. Visitors got to see our entire production process and since the production was running, they were able to see how the machines work to mix raw material with additives and produce plastic granules. Many of the visitors also took the opportunity to ask questions about plastic that we were happy to answer.

At the open house, we had an exhibition that described Polykemi's history. Visitors were also given the opportunity to see examples of products that Polykemi's customers produce with our material, for example details for cars (Volvo, VW, Audi, Porsche, Skoda), trucks (Scania), white goods

(washing machines, tumble dryers, refrigerators, freezers) and also furniture (Kinnarps).

INVESTMENT IN THREE NEW EXTRUDING LINES

Two new extruding lines have replaced two older existing models. A third new extruder enables compounding of more technically demanding materials. Investments have, as planned, led to improved efficiency and increased production capacity.

CONTINUED DEVELOPMENT OF THE FACTORY IN KUNSHAN

At the end of 2018, an expansion of our factory in China began and it is expected to be ready by the summer of 2019.

INVESTMENT TO RONDO IN KUNSHAN

A new shredder, new mixing system and also new laboratory equipment in the form of XRF and DSC. This investment now makes it possible for us to be able to buy recycled raw material, refine it and quality assure it.

CHANGE TO LED

Throughout the southern factory at Polykemi, we have replaced all lamps and luminaires with LED. With this investment we save approx. 300 000 kWh/year and besides this we got a better light which is perceived as positive and gives an improved working environment in the factory.

ENERGY GROUP IN CHINA

Liksom den vi haft i Sverige i många år har vi nu startat en tvärfunktionell energigrupp i Kina. Den har till uppgift att arbeta med handlingsplaner och verkställande av olika energibesparingsprojekt.

KNOWLEDGE DAY FOR SENIOR OPERATORS

We want to develop our leadership and the skills of our employees, so we carried out a knowledge day for all senior operators in our production.

DEVELOPMENT OF THE WORK ENVIRONMENT

During the year, we received a 50% work environment resource that will work more intensively with our work environment. We will build up a management system in accordance with ISO 45 000 and in connection with this work, various point efforts are made where we can see that we have improvements to do.

RONDO PLAST SUPPLIES RECYCLED MATERIALS TO VOLVO CARS

Rondo Plast supports Volvo Cars ambition to have at least 25% of the plastic in their cars being made from sustainable material by 2025. The Volvo Cars demonstrator vehicle that was revealed this summer exemplifies their commitment to this ambition, which is the most progressive by any premium automotive manufacturer.

Since the start of the project, Rondo Plast has been a vital partner who discussed and found

solutions with both injection moulding suppliers and Volvo Cars. Rondo sees excellent opportunities for the future of the business to participate in this ambitious initiative and to demonstrate Rondo Plast's broad knowledge in the industry.

The car originates from the existing XC60 model. Plastic parts corresponding to about 60 kg are replaced by recycled plastic in this project. As a compounder, we have been involved since the beginning of the development of the car. The sources of Rondo's recycled plastic materials derive from both industrial and consumer waste. The materials from Rondo in the demonstrator car are found in air ducts, the central console behind the radio and the display, the wheel arcs, and the loading floor support structure, but also for other applications.

Our material is often used in load-bearing and technical components which are covered by a surface material, Fredrik Holst continues. It is among these components that Volvo Cars has the best opportunity to achieve their ambitious goal, where at least 25% of the plastic in their cars will be recycled raw materials by 2025.

POLYKEMI NOMINATED FOR TWO AWARDS

We are proud to have been awarded the Ambassador of the Year 2018 by the City of Ystad. We are grateful and humble for the pleasant motivation:

“Where someone first didn't see the opportunities, there was a man who saw a potential and a future. With two just hands, a business was started which today puts Ystad on the map around the world. For half a century, three generations have had the same aspiration: to manufacture products better than anyone else in the world. Their goal is "Going for Gold" and today they are honored with a gold medal as Ambassador of the Year 2018.”

Polykemi has also started a collaboration with Samhall, which means that we were nominated for the employer of the year in the "Visa road" price. The prize celebrates driving spirits and employers who work to open the labor market for people with disabilities. The motivation reads: "Polykemi is a company that has opened doors for cooperation and sees opportunities and not obstacles”.



OUR SUSTAINABILITY WORK

The Polykemi Group this year publishes its eighth sustainability report. Our first three sustainability reports, 2011 - 2013 were written in accordance with GRI (Global Reporting Initiative) version G3.1. From the 2014 to the 2016 report, our sustainability reports have been published according to the version of GRI G4 (base level Core).

This year's sustainability report is prepared according to the new GRI Standards Core, which is described at <https://www.globalreporting.org/standards/>.

The report describes the Polykemi Group's work with sustainability issues and encompasses the 2018 calendar year unless otherwise indicated in the text. In accordance with GRI Standards, we have focused the report on the areas that have been identified as being most important in dialogues with interested parties and in materiality analyses. Just like last year, we have done another division of our substantial areas, whose aim shall be to clarify our most important sustainability areas (see Figure 6 on page 19).

This sustainability report encompasses the Group's European operation at the Polykemi, Rondo Plast and Scanfill companies, as well as our Chinese company, Polykemi Compounds Ltd. Accounting principles are the same for all companies throughout the entire group.

Some substantial changes, such as ownership, structure, company size etc., have not taken place during the accounting period. Neither has the Polykemi Group made any changes in business direction or in the products in 2018. No changes have been made to delimitations in this report compared

to the previous year's sustainability report.

The Polykemi Group has no separate sustainability organisation, but rather the sustainability issues are governed as an integrated part of other community business issues. The overall strategic focus is established at the Group level and is governed by the Group's policies, for example, work environment policy, environmental policy and our values (more info in Framework & Management of sustainability aspects, Figure 8 on page 21).

ENVIRONMENT AND CSR WORK ENVIRONMENTAL WORK IN SWEDEN

Polykemi, Rondo and Scanfill are environmentally certified according to ISO 14000 (all companies are certified according to the new standard, ISO 14001:2015). Overall, the certification governs our entire environmental work, and we conduct a number of projects in order continually to improve and to reduce our impact on the environment. Each year, Polykemi compiles an environmental report, where all targets and results within the field of environment are presented.

ENVIRONMENTAL WORK IN CHINA (POLYKEMI COMPOUNDS LTD)

The environmental work in China continues, and in 2014, we were certified with the help of the DNV certification body in accordance with ISO 14001. The ISO 14001 environmental management system forms the basis for our systematic continued work in developing targets and action plans within the field of environment for Chinese operation. Even our Chinese company has been certified according to the new environmental standard, ISO 14001:2015



LAWS AND GUIDELINES WITHIN ENVIRONMENT AND CHEMICALS

Polykemi engages an external consultant (RSM) in order to evaluate/ensure legal requirements and compliance. Furthermore, we are connected with the Notisum law monitoring system in Sweden, and with Envitool in China, both of which ensure that we always have access to the current legislation. During the past year (2018), Polykemi has not committed any violations of environmental legislation or local directives.

Polykemi always works based on the definition of the precautionary principle. Practically, this means that we always take measures when there is a risk of damage to the environment or human health, which is described in our environmental management routines.

ADDITIVES

The EU's new chemical ordinance, REACH, came into force on 1 June 2007. It contains many different sections that come into effect afterwards. The first part, information in the material safety data sheets, began in 2007. The next part, preregistration, was implemented in 2008. Up until December 2008, we preregistered in REACH all of the monomers from which we build up the types of plastic that we recycle. We are what is known as a downstream user, therefore we have certain obligations inter alia with regard to a substance's area of use. All of our Material Safety Data Sheets (MSDS) are prepared

in accordance with the new requirements set out for MSDS that shall contain information about 16 different areas. All MSDS are found in a chemical handling system called ECO Online, and this is available to all co-workers. We have introduced the same chemical handling system in China as well.

OUR VALUE CHAIN

In our sustainability work, we work to reduce the impact on our own operations. We are also dependent on other actors to increase the sustainability of the value chain. We exert influence both backwards and forwards in our value chain. How Polykemi Group works with our value chain is presented in figure 1 on page 10. We have illustrated our impact and our influence as well as what important issues and what approach we have for the different parts of the value chain.

UN GLOBAL SUSTAINABILITY GOALS

The 17 global sustainability goals (see picture above) are indicative of the countries' commitment to establishing a clear plan for the work that is necessary up to 2030, in order for the development to be sustainable in the long term. The rapidly growing awareness that it's necessary to transition against a more sustainable resource utilization will place entirely new demands on the industry. The goals that Polykemi Group has the greatest opportunity to influence are goals 8, 9, 12, 13 and 14. These are goals that can be linked to already existing activities and goals within the Polykemi Group.

OUR VALUE CHAIN	RAW MATERIAL	PROCESSING (1:STEP) OUR SUPPLIERS	COMPOUNDING OUR BUSINESS	INJECTION MOLDING OUR CUSTOMERS	MANUFACTURE OF COMPOSITE PRODUCT	CONSUMER
Impact/influence Polykemi Group	Limited influence	Influence	Control	Influence	Limited influence	Limited influence
Polykemi, Scanfill	Crude oil	Manufacture of plastics such as PP, PE, ABS, PC etc.	Manufacture of custom plastic materials (granules)	Manufacturing (injection molding) of details	Composition of various components (different materials)	Use of the end product
	Mineral extraction	Processing of the minerals talc, chalk and fibreglass	Used as reinforcements in plastic compounds			
	Elements	Manufacture of additives, pigments, etc.	Used to add specific properties and color the plastic			
Important issues (Polykemi, Scanfill)	• Access to raw materials • Service conditions • Impact on nature, emissions etc.	• Product quality • Transports • Service conditions • Energi & resursanvändning	• Efficient use of resources • Profitability • Product quality • Service conditions • Expertise & values • Community involvement	• Product range • Transport • Resource-efficient production • Customer satisfaction • Service	• Product range • Resource-efficient production • Sustainable and recyclable products	• Sustainable and recyclable products. • Reduce plastic into nature and water (microplastics)
	Supplier selection Selection of raw materials Cooperation with our suppliers	Supplier selection Selection of raw materials Cooperation with our suppliers	• Environment & quality management system (ISO 9001 and ISO 14001) • Product development • Responsible market behavior (values) • Systematic handling with work environment • Cooperation & community involvement	• Product development • Marketing • Technology training together with customers • Customer Interaction	• Product development • Marketing • Technology training together with end customers • Customer collaboration (end customers)	• Product development • Marketing • Contributing to information about plastics
Rondo Plast	Recycled material	Processing of recycled material (sorting, grinding, mixing etc.)	Manufacture of custom plastic materials (granules)			

Figure 1

POLYKEMI GROUP

KEY FIGURES



BRINGS OUT THE BEST IN PLASTICS

	2018	2017
Turnover (mSEK)	1 025	1 014
Result (mSEK)	57	67
Equity ratio (%)	47	48
Employees*	224	190

(*All employees are employed by Polykemi, but with different placements.)

POLYKEMI COMPOUNDS LTD (KUNCHAN, CHINA)

	2018	2017
Turnover (mSEK)	158	158
Result (mSEK)	15	17
Equity ratio (%)	88	90
Employees	79	81

POLYKEMI INC.

	2018	2017
Turnover (mSEK)	49	18
Result (mSEK)	3	1
Equity ratio (%)	10	10



BRINGS OUT THE BEST IN PLASTIC RECYCLING

	2018	2017
Turnover (mSEK)	185	173
Result (mSEK)	5,2	4
Equity ratio (%)	80	73



BRINGS OUT THE BEST IN PACKAGING

	2018	2017
Turnover (mSEK)	44	34
Result (mSEK)	2,9	2
Equity ratio (%)	93	90

SUBSIDIARIES

Denmark, Germany and Czechia

	2018	2017
Employees	11	10

ABOUT POLYKEMI GROUP

POLYKEMI BACKGROUND

Ever since the company was founded in the spring of 1968, the basic concept has been the same: to manufacture customised plastic compounds and to strive to do it better than anyone else in the world. From the very beginning, Scandinavia was chosen as the principal market, and even today Scandinavia continues to be an important market, even though we currently work in most European countries and around the world.

Our strength lies in continually being one step ahead and in being able to offer customised product ranges with solutions so unique and creative that no one else can compare with us on like terms. This involves inter alia our documented skill in colour adaptation, multiple fortifiers and fibres in a large quantity of various polymers, and our express ambition to co-operate closely with our customers where security, close personal contacts, a high level of skill and problem-solving abilities are our guiding principles.

Polykemi is an innovative knowledge-based company that satisfies the market's demand for absolutely world-class end products.

FAMILY-OWNED COMPANY

Polykemi is a family-owned company with 313 employees. The main office is located on Bronsgatan 8, Ystad, Sweden, and houses all of the company's main functions, such as sales, technical customer support, purchasing, administrative support functions, as well as research and development.

The Polykemi Group also includes the parent company, Polykemi AB, as well as the wholly-

owned subsidiaries of Rondo Plast AB, Scanfill AB, an independent subsidiary Polykemi Compounds in Kunshan, China, which is engaged in sales, purchasing and production. In addition, there are also our own subsidiaries and sales offices in Denmark, Germany, the Czech Republic and the United States. The companies that make up the Polykemi Group are further presented in Figure 2 on page 13.

BOARD AND MANAGEMENT

It is the responsibility of the board and management to ensure that the work within the fields of environment, work environment, monitoring of ethical guidelines, social responsibility and sustainable economic development complies with the regulations, strategies and goals established. This responsibility also involves presenting the sustainability report in accordance with GRI in connection with the annual financial statement. The members of the board are presented in Figure 3 on page 13. In 2018, the Board of Directors consisted of 100% men. There has also been a union representative present at the board meetings.

With regard to issues within the field of sustainability, these are repeatedly addressed at the management meetings. A review of the company administration, in which sustainability work is included, is held four times per year and serves as a tool in reinforcing communication between owners, the board and employees. Coming up with ideas and suggestions is encouraged at all meetings and in the day-to-day development throughout all parts of the operation. The governance of our sustainability work is presented in Figure 4 on page 13.

POLYKEMI GROUP



Figure 2

THE BOARD CONSISTS OF

INTERNAL

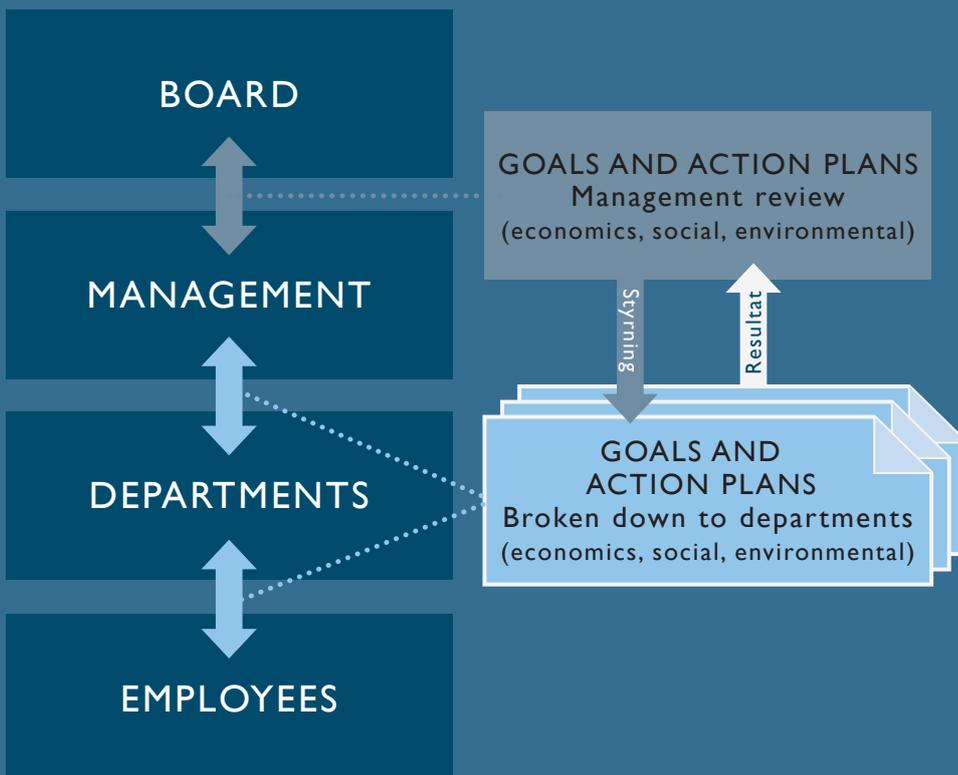
Ola Hugoson	b. 1957
Lars Hugosson	b. 1962
Magnus Lindahl	b. 1968
Mattias Persson	b. 1968
Stefan Andersson	b. 1957
Peter Åkesson	b. 1969

EXTERNAL

Magnus Bolmstrand	b. 1946
<i>(external chairman of the board)</i>	
Dan Jeppsson	b. 1954
Torbjörn Wistrand	b. 1948
Göran Engström	b. 1949

Figure 3

MANAGEMENT OF SUSTAINABILITY WORK



The CEO of Polykemi has overall responsibility for managing the daily business. The company's CEO, who is also a board member and owner, reports directly to the Board of Polykemi, which also determines the company's strategies in the field of sustainability. Sustainability issues are reported and followed up in management through action plans of environment, economics, HR and communication. The various action plans are subsequently implemented in the organization by department managers.

Figure 4



MARKET OVERVIEW

POLYKEMI AB

Polykemi AB produces and sells customised plastic compounds to customers in more than 25 different countries all over the world. In spite of us encountering many different cultural differences in our day-to-day work, the way of doing business is very similar. The market for plastic use in Europe and in other parts the world is subject to constant growth, and those involved in this market know each other rather well.

As an independent compound producer, we purchase our plastic raw material, fillers, additives and colour pigments directly from the world's major manufacturers. We manufacture and then deliver plastic compounds according to the wishes and demands of our customers, so that they in turn can injection-mould and deliver parts to the end consumer. The most common industrial segments are within the automotive industry, household appliances, construction, electronics, household, medicine and more.

We are always trying to develop and improve what we do, as well as to live up to our ambition "Polykemi - a World Class Compounder".

RONDO PLAST AB

Rondo Plast works with recycling, upgrading and refining recycled plastic raw materials or plastic items.

Rondo Plast offers customers a complete standard programme of compounds based on recycled plastic, in addition to this, there is an opportunity to customise recycled plastic material solutions according to the customer's wishes.

In addition to the strong domestic market in Sweden, customers are mainly located in northern Europe.

Environmental awareness, as well as what we consider to be the obvious desire to recycle plastic, has been with us ever since 1980 when Rondo Plast was founded. In recent years, the use of recycled plastic injection moulded plastic items has increased substantially around the world, which fact pleases us. The trend is clear that the use of recycled plastic will increase in the future.



POLYKEMI COMPOUNDS (KUNSHAN) CO.

Our independent subsidiary was founded in 2005 and today it is a successful and reputed compounder for high-quality and customised plastic compounds for customers in Asia.

In order to meet the increased demand for our material, we have expanded with new sales office and warehouse in Chungking (Sichuan province) during the year. The first step in establishing the manufacturing of material based on recycled material in China has been taken during the year with an investment to Rondo in China (Kunshan) of shredder, mixing systems and laboratory equipment in the form of XRF and DSC. With this investment, it now makes it possible for us to be able to buy recycled raw material, refine it and quality assure it.

The need for customised plastic compounds continues to increase in Asia, and we feel that we have a very good opportunity to continue to develop and grow organically as this progresses.

POLYKEMI INC.

We have had an American-registered sales company since 2013, Polykemi Inc. Cooperation has also been established with an American company (Omni Plastics, located in Evansville), which can manufacture/produce material locally for us in North America. In the past year, we have begun with a few deliveries both to North America and Mexico, and we estimate that business will improve very positively in the upcoming years.

We will also investigate the possibility of manufacturing/producing material based on recycled plastic in North America.

POLYKEMI GROUP

Different companies, we sometimes have different ways of handling different markets, but that which is common is that we will continue to work in the professional, service-minded, flexible and innovative manner that we do today and will continue to be successful in the future. We think our slogan of “whatever stops getting better, stops being good” succinctly summarises this message.

SCANFILL AB

Scanfill was founded in 2008 and is a unique producer of environmentally-customised plastic compounds the packaging industry around the world.

By using a packaging material from Scanfill, instead of traditional plastic material, the impact on our natural surroundings and on the environment is substantially reduced. The reason for this is that plastic compounds from Scanfill consists of more than 50% chalk, a non-oil-based commodity. This means that the consumption of fresh water and emissions of greenhouse gases during the manufacturing of the plastic is cut in half as compared with traditional plastic materials used in the packaging industry.

Scanfill and its material has garnered a great amount of attention around the world, and we see a bright future for these materials.

STAKEHOLDER ANALYSIS

At Polykemi, we strive for long-term relations and good cooperation with our stakeholders. This applies to groups and organisations that are affected or influenced by the company's operation. The priorities of our stakeholders shall be the guiding principles for how we conduct business.

Polykemi regularly cooperates with our stakeholders through a number of various forums, for example customer meetings, customer surveys, networking and dialogues with various official agencies. Our local attachments in Sweden (Ystad), and various sales offices in Europe and in China (Kunshan and Chungking) afford us a continual dialogue with stakeholders even at the local level.

COMMUNICATION WITH STAKEHOLDERS

Polykemi is not only run by a board, shareholders and management, but is also run by the insights we get by listening to our stakeholders. We need to know and to understand what our customers, co-workers, suppliers and the outside world in general expects of a company like Polykemi. Every day, we meet our stakeholders in various contexts. Understanding the expectations of our operation is a requirement for being able to be successful in the long-term and to contribute to sustainable development. That is why our ambition is always to hold a dialogue with our key stakeholders.

In Figure 5, there is a summary with examples of more formalised dialogues held on a regular basis with our key stakeholders. In addition to these continual dialogues, we have held focused dialogues with stakeholders with regard to sustainability.

We have also undertaken a weighing of our various stakeholders and we have employed an assessment model based on influence and interests.

Who is covered by being Polykemi's key stakeholders has been discussed by management during various dialogues and forums.

SUSTAINABILITY - ESSENTIALITY

Based on the Polykemi Group's long-term success and experience from dialogues held with stakeholders in previous years, as well as the GRI Standards, work began with the new framework for identifying the most important sustainability aspects.

This work resulted in an initial prioritisation, which was presented in the 2014 annual financial statement, in which we had 15 sustainability areas.

During last year (2018), we have put forth a new framework in which we categorised our aspects in four sustainability areas. The purpose and goal of the new framework was to provide a better overview and connection between GRI and our business operation. Polykemi's materiality analysis is based on the results from the dialogues with stakeholders that were held in 2016. For most of our stakeholders, sustainability largely pertains to an entirety and in having a high minimum level within all areas.

At the end of the year (2018), we conducted a new stakeholder analysis that will form the basis for the sustainability work in 2019 - 2020. The result of this stakeholder analysis (2018) will be discussed in various forums; everything from board,

KEY STAKEHOLDERS	DIALOGUE SESSIONS
Customer	Customer visits of salesman/technician Market research
Owner	Annual meeting
Board	Board meeting
Co-worker	Performance reviews Department meeting Shift meetings
Supplier	Supplier visits Procurement process/ contract
Local community	Municipality Contacts Association Contacts
Authorities	Authority visits

Figure 5





management group and various work groups. When this work is completed and compiled, stakeholder analysis results will be presented in the different parts of the framework that consists of the four areas:

- OWN PRODUCT – SUSTAINABLE PLASTIC
- ATTRACTIVE EMPLOYER
- RESPONSIBLE BUSINESS
- COMMUNITY INVOLVEMENT

PRIORITISED AREAS

All areas are considered to be very important. The most important aspects within each area of production/technical development, anti-corruption, the use of recycled/renewable raw material, skills and personal development, refuse and waste, energy consumption, supplier relations, chemicals that are environmentally hazardous and hazardous to health, working environments and values. All prioritised areas are presented in Figure 6.

Polykemi is perceived to be the most prominent company within the use of recycled/renewable raw materials and production/technical development.

Suggestions for improvements that come about during dialogues with stakeholders form both an assessment based on concrete viewpoints, and from a point-scoring assessment in the materiality analysis and that which has been indicated in the open questions. The aspects for which improvements are suggested are within the fields of work environment, equality and diversity, environmentally hazardous and health-hazardous chemicals, as well as reducing waste.

Some stakeholders commented on the difficulty in only selecting a few areas that should be prioritised. We would like to point out to all areas are important to Polykemi. Our ambition is to continue to improve as a sustainable company with a high basic level within all areas. The prioritisation is only meant to identify that with which we need to work extra in order to satisfy the requirements and expectations of our stakeholders.

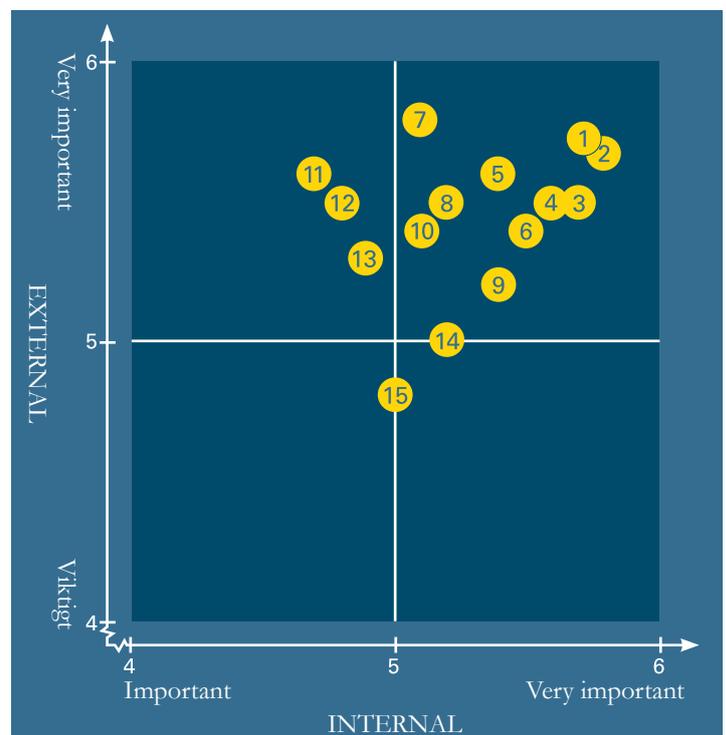
RISK ASSESSMENT

Risk assessment involves how stakeholders feel about future risks (including changes in legislation) within a five-year period in the fields of work environment, energy consumption, chemicals, skills/personal development, refuse/waste, transport, products/technical development, oil and ownership. Ownership is considered to be a lower risk by both internal and external stakeholders, the greatest

difference was found in answers concerning chemicals and products/technical development, where external stakeholders indicate a higher risk than do internal stakeholders. The “higher” risk assessment concerns energy consumption, chemicals, transport and oil.

WHAT WE DO WITH THE RESULT

By means of actively examining and gauging what our stakeholders feel and think about us, we get the basic information needed to improve and to develop our operation and its governing tools, such as the ISO 14001 and ISO 9001 environmental and quality control systems. With the help of such information, we can initiate and carry out measures whose aims are constantly to improve and develop our business operation.



SUSTAINABILITY AREA

1. Production/technical development
2. Anti-corruption
3. Recycled/renewable raw materials
4. Expertise/personal development
5. Waste/spill
6. Energy use
7. Supplier relationships
8. Environment/hazardous chemicals
9. Equality/diversity
10. Customer relationships
11. Working environment
12. Transport/CO₂
13. Values
14. Water use
15. Social commitment

Figure 6

SUSTAINABILITY ASPECTS/AREAS

The result of dialogues with stakeholders, in connection with our sustainability work, has resulted in a framework consisting of four areas. Within these four areas, we have prioritised a series of aspects.

On the following pages, we describe more specifically how we control and monitor our four prioritised areas.



OWN PRODUCT – SUSTAINABLE PLASTIC

The business operation within our various companies in the Polykemi Group is based on plastic, and that is our very core operation. Many people take it for granted that we as a company must take a great amount of responsibility for our core operation, and we now do this by addressing it as its own area.

Prioritised aspects within the area are:

- Energy use
- Transports (CO₂)
- Recycled/renewable raw materials
- Production/technical development
- Waste/spill



ATTRACTIVE EMPLOYER

In order for a company to develop, we need skilled co-workers and furthermore we need to attract and recruit new ones. Generating confidence, a sense of well-being and pride among Polykemi co-workers makes them good ambassadors.

Prioritised aspects within the area are:

- Working environment
- Expertise/personal development
- Equality/diversity



RESPONSIBLE BUSINESS

Responsible business is about confidence and can be associated with our values.

Prioritised aspects within the area are:

- Financial results
- Customer and suppliers relationships
- Values, anti-corruption



COMMUNITY INVOLVEMENT

Polykemi's owners and management have always had a big heart in being a local company that can act both locally and globally.

Prioritised aspects within the area are:

- Social commitment, sponsoring of associations etc.
- Local investments

FRAMEWORK & MANAGEMENT OF SUSTAINABILITY ASPECTS

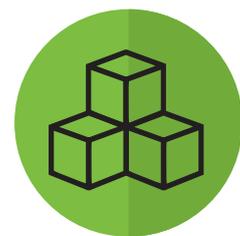
COMPARTMENT	PRIORITIZED ASPECTS	LIMITATIONS	GOVERNING	INDICATOR	RESULTS 2018*	GOALS 2020*
 <p>OWN PRODUCT SUSTAINABLE PLASTIC</p>	Energy use	Polykemi Suppliers	Environmental policy Environmental action program 2018 - 2020	302-1 Energy consumption within the organization 305-2 Energy indirect GHG emissions - Scope 2	0,418 MWh/ produced ton	0,420 MWh/ produced ton
	Transports	Polykemi Suppliers Community	Environmental policy Environmental action program 2018 - 2020	305-3 Other indirect GHG emissions - Scope 3	Reduction of CO ₂ by 10% up to 2020. (base year 2015)	Reduction of CO ₂ by 10% up to 2020. (base year 2015)
	Recycled/renewable raw materials Production/technical development	Suppliers Polykemi Customers	Environmental policy Environmental action program 2018 - 2020	301-1 Materials used by weight or volume 301-2 Recycled input materials used	Share of recycled material > 26.2% Biomaterials > 18 tons/year	Share of recycled material > 25% Biomaterials > 200 ton/year
	Waste/spill	Polykemi Suppliers	Environmental policy Environmental action program 2018 - 2020	306-2 Waste by type and disposal method	Production waste < 2,88 %	Production waste < 2,75%
 <p>RESPONSIBLE BUSINESS</p>	Financial results	Owners - Polykemi	Board, Owners, management	201-1 Direct economic value generated and distributed	Profit > 5,7 %	Profit > 7%
	Customer and suppliers relationships	Polykemi Customers Suppliers	PRPP Policy (Supplier's approval)	414-1 New suppliers that were screened using social criteria 417-3 Incidents of non-compliance concerning marketing communications	95% approved suppliers 0 st	> 90% approved suppliers 0 st
	Values, anti-corruption	Polykemi Suppliers Customers	Code of Conduct FN Global Compact	205-2 Communication and training about anti-corruption policies and procedures 102-16 Values, principles, standards, and norms of behavior	100% implementation of training in the Code of Conduct	100% implementation of training in the Code of Conduct
	Local investments	Polykemi Suppliers Society	Purchasing Policy Code of Conduct	204-1 Proportion of purchases by local suppliers	40% of local purchases (office material, other consumption goods)	>30% of local purchases (office material, other consumption goods)
 <p>ATTRACTIVE EMPLOYER</p>	Working environment	Co-workers	Work environmental policy Code of Conduct Personnel vision	403-1 Occupational health and safety management system 403-2 Sick leave, injuries and accidents	Sick leave 4,1 %	Sick leave < 2,0%
	Expertise/personal development	Polykemi	Performance reviews Competence Tool	404-1 Average hours of training per year per employee	100% completed goals and development talks	100% completed goals and development talks
	Equality/diversity	Polykemi	Equality Policy	405-1 Diversity of governance bodies and employees	Target number missing	Target number missing
 <p>COMMUNITY INVOLVEMENT</p>	Social commitment	Polykemi	Sponsorship	Share of sponsorship initiatives with CSR link	Target number missing	Target number missing

Some of our sustainability aspects can have an impact even outside our legal framework with for example our customers and suppliers.

* Results and goals refer mainly to Sweden, some results for China are reported in other ways in the report.

Figure 8

OUR OWN PRODUCT – SUSTAINABLE PLASTIC



The main product that we purchase in, refine (compound) and sell is plastic. When it comes to our own product (plastic), it is important to point out that the material is not hazardous to the environment, either on its own or in compounds. The reason why it is considered to be an important area is that our main operation is completely based on plastic and that in our environmental management system, we assessed our product to be a considerable environmental aspect based on the fact that plastic polymers are derived from crude oil, which is a finite resource that cannot be reproduced.

To our own product – sustainable plastic – we have associated the following prioritised aspects:

- Recycled/renewable material – Production/technical product development
- Energy use
- Transport (CO₂)
- Waste/spill

RECYCLED PLASTIC RAW MATERIALS

The increased focus on the global environmental situation has in many ways change the perspectives of producers and consumers. This along with a substantially increased competitive situation has changed the view on raw materials. The modified view has entailed inter alia a substantially increased interest in recycled plastic raw materials. It has also entailed a change with regard to the requirements on recycled plastic raw materials.

Today, recycled plastic raw materials are used more and more often in highly qualified applications, which places more stringent demands than ever on recycled plastic raw materials. For more demanding applications, having a major environmental benefit and an attractive level pricing is not enough. Superior technical know-how is crucial in ensuring

that the commodity has the sufficient, necessary and essential product quality.

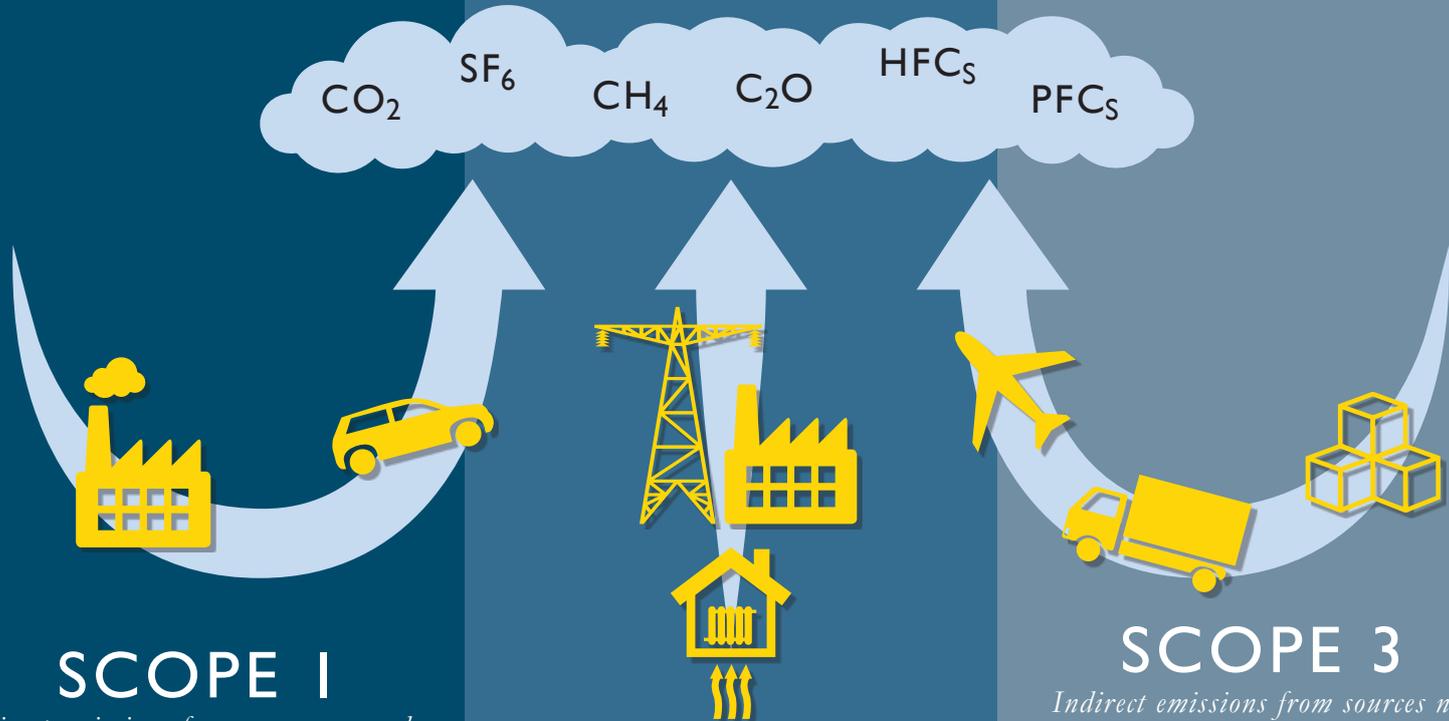
With environment, expertise, quality and history, Rondo has a unique advantage and more than 30 years of experience in upgrading and refining recycled plastic raw materials. Our parent company, Polykemi AB, for more than 40 years has, in many regards generated world-leading skills within the field of technical compounding.

Our specific method focuses on our three most important customer values: Environment, Quality and Cost. The company's goal is to increase the proportion of recycled plastic raw materials in our manufacturing. Our goal (2019) is for us to use at least a 26% proportion of recycled material in our production.

One question we often receive is how great are the environmental advantages of using recycled raw materials over new raw materials. Here is a small example: with regard to an unfilled polypropylene, the use of one tonne of recycled plastic entails a reduction in CO₂ emissions equivalent to more than 7000 km of driving a medium-sized car that releases 140 g of CO₂ per kilometre. The example shows that we can affect the environment through better-thought-out choices!

One sign of a changed approach to the environment and recycled plastic raw material among producers is Volvo's new ambition to have at least 25% of the plastic made of sustainable material by 2025. It is the most progressive ambition so far by any premium car manufacturer. Rondo Plast was a central partner since the start of the project, which discussed and presented solutions with both injection moulders and Volvo Cars. Read more on page 7.





SCOPE 1

Indirect emissions from sources owned or controlled by the organization.

ENERGY USE IN THE ORGANIZATION	2018	2017
Direct energy use: Gasol Sweden (ton)	0,43	0,38
CO ₂ Gasol Sweden (ton)	1,4	1,2

Figure 9

COMPANY CARS	2018	2017
Total CO ₂ (ton) Sweden	61,3	56,9
Number of cars Sweden Fossil fuel	36 st	33 st
Number of cars Sweden, El/electric hybrid	5 st	4 st
Total CO ₂ (ton) China	42	-
Number of cars China Fossil fuel	5 st	-
Number of cars China, El/electric hybrid	0 st	-

Figure 10

SCOPE 2

Direct emissions that come from electricity generation, heat or steam purchased by the organization.

ELECTRICITY CONSUMPTION	2018	2017
Total energy use Sweden (MWh)	23 591	22 650
Total CO ₂ emissions Sweden (ton)	577	566
Energy use per ton produced Sweden (MWh)	0,41	0,41
CO ₂ emissions per ton produced Sweden	0,01	0,01
Total energy use China (MWh)	3 587	3 637
Total CO ₂ emissions China (ton)	2 554	2 590
Energy use per ton produced China (MWh)	0,53	0,53
CO ₂ emissions per ton produced China	0,38	0,38
District heating Sweden (MWh)	517	493

Figure 11

SCOPE 3

Indirect emissions from sources not owned or directly controlled by the organization but related to it.

CO ₂ EMISSIONS DURING TRANSPORT	2018	2017
Inbound raw material (ton)	5 816	5 726
Deliveries (ton)	2 847	2 467
Internal transport Sweden	2 ton	2 ton

Figure 12

FLIGHTS (TON)	2018	2017
Total CO ₂ emission	53,5	55,8
CO ₂ emission Europe	27	28
CO ₂ emission Asia/USA	26,5	27,75

Figure 13

MATERIAL USE	2018	2017
Total material use Sweden (ton)	56 543	54 816
CO ₂ emissions Sweden (ton)	67 037	64 990
Recycled material Sweden (ton)	14 927	14 197
CO ₂ emission Recycled material Sweden (ton)	5 522	5 253
Recycled material Sweden (%)	26,2%	25,9%
Total material use China (ton)	6 570	6 824
CO ₂ emissions China (ton)	10 512	10 918
Recycled material China (ton)	209	205
CO ₂ emissions Recycled material China (ton)	77	76
Recycled material China (%)	3,18%	3%

Figure 14

RENEWABLE MATERIALS

Polykemi's subsidiary, Scanfill, launched a bio-based packaging material in 2015 which is made of 100% oil-free material. The material consists half of non-oil-based polymers (polyethylene from sugar cane) and the other half is made of a mineral with a relatively low impact on the environment. The material is now commercially available and is being sold to a number of clients; we are working constantly to make deals with other customers who are interested in bio-based materials.

In 2018, we continued with a Danish project concerning an evaluation of using mussel shells as a mineral replacement in plastics. Together with other interested parties in the field, Polykemi will produce various polymers containing ground mussel shells in order to test and evaluate this possible resource.

PRODUCTION & TECHNICAL PRODUCT DEVELOPMENT

Our product development department is driven by an immense curiosity with an attitude that nothing is impossible. With a well-equipped development department and other staff members with a passion for the job, Polykemi can face even the most demanding of challenges. Polykemi constitutes a flexible alternative to the major players on the market. See Figure 24 on page 29 for more information on Polykemi's compounding process.

Without the inertia found in major organisations, the development department can quickly start a project for a customer, no matter whether it pertains to white goods, household appliances, vehicles or some other end product. In dialogue with the customer, we offer creative and unique solutions that are not restricted to a static product range.

LABORATORY – COLOUR ADAPTATION FOR PLASTIC

Polykemi feels that one of the fundamental pillars behind giving our customers high-quality compounds is that we have a well-developed laboratory. At present, the laboratory can conduct a large number of tests in order to ensure that the compound for the customer has the desired properties.

The work of the laboratory is conducted by well-trained workers with specialist knowledge in the

fields of polymers, additives and pigments, and have at their disposal access to a large selection of speciality instruments for testing or inspecting plastic raw materials.

One of the absolute strengths is that we can adapt the colour of all of our compounds as our customers wish. The laboratory is covered by a matching department whose task is to contribute with specialist expertise within the field of pigment – nuance – tolerance development. The matching department serves customers by producing desired colour samples in various compounds in our formulations.

ENERGY USE

In order to reduce emissions of CO₂, it is important that we as a company both work at reducing energy consumption and in choosing energy from sustainable sources. We only use electricity and district heating as energy sources to feed our premises and our other business operations. The lion's share of our energy consumption is found in supplying our extruder lines with electricity. The electricity that we purchase in comes 100% from renewable energy sources such as hydroelectric power, wind power, tidal power, solar energy and wave energy. The company has a cross-functional energy group with representatives from environment and quality, maintenance (electricity) and production. The energy group works to execute the goals/action plans put forth to reduce the company's energy consumption.

In 2017, we joined an energy efficiency network operated by the County Council in Scania. The purpose of the network is to strengthen the competitiveness of companies and their trademarks by increasing skills in energy-efficiency measures. During the network meetings, the companies receive qualified advice from an energy expert, as well as an opportunity to exchange experiences with other companies in the network. More information is available at <https://kfsk.se/energikontoretskane/natverk/natverk-for-energieffektivisering-i-sma-och-medelstora-foretag/natverk-skane-2/>.

The network and its various corporate meetings will continue until 2020, when a compilation and evaluation will be made by these energy networks that exist throughout the country.

Even if Polykemi, as a company, is not subject to the new legal requirements to perform an energy audit, Polykemi's management decided that we would implement a complete energy audit of our entire Swedish operation. A certified consultancy firm has performed an energy audit during 2017. The completed energy audit will form the basis for various energy efficiency measures/investments for 2018 - 2020, as presented in Figure 15 on page 27.

Throughout the southern factory at Polykemi we have also replaced all lightbulbs and luminaires for LED. With this investment we save approx. 300 000 kWh/year and besides that, we have a better light which is perceived as positive and gives an improved working environment in the factory. See page 7 for more info.

Other measures to reduce energy consumption are presented in Figure 17 on page 27.

HEAT ENERGY IN OUR PROCESS WATER

The production makes use of a cooling system in the form of a cooling tower for the recycling of process water, which entails both a smaller quantity of water being consumed and that the water is recirculated in our pools and that the heat is used to heat up premises and offices.

TRANSPORTS

A considerable environmental aspect for Polykemi is our transports. Transport of various kinds have a major impact on CO₂ emissions in the world. At present, we make considerable use of lorry transports for delivery of the company's raw materials and finished materials.

In order to reduce the impact on the environment, our transport and logistics department works to optimise transportation to our customers. This is done by means of a consolidated shipment of materials, as well as warehousing at the subsidiary in the Czech Republic and concession warehouses at a number of customer locations.

In 2018, the company did a follow-up on the CO₂ emissions of our transports with respect to the transportation of the company's raw materials and finished materials. As a requirement for 2018, our expeditors shall apply European standard EN16258 (c- emissions calculation) in order to calculate their CO₂ emissions.

Transportations in China is done both with trucks and by boat (via river); however, in the current situation we have no information to report with regard to CO₂ emissions for Chinese transports.

In previous sustainability reports, we have not reported any summary of last year (2017), we started to report summaries of our business trips by car and by air and we continued to summarize CO₂ emissions concerning our business trips in 2018, which are presented in Figures 10 and 13 on page 24.

WASTE AND REFUSE

The largest fraction of waste occurring in our production consists of plastic lumps. We take care of these ourselves and sort them out according to material in order then to be able to grind these clumps in their own shredders into smaller plastic particles/bits. The ground material then becomes a new input plastic commodity that we can use again in our production.

At the end of 2018, we invested in a new shredder in the China factory and this now enables us to handle our own waste of plastic lumps here as well as we do in Sweden. In China we also have a collection system of hazardous waste and there is a certified and approved company that takes care of this waste.

All the other refuse (including hazardous waste) is processed by our contractor, Stena Metall. Follow-up on our waste fractions is presented in Figure 20-21 on page 28.

PROJECT FOR REDUCING PLASTIC WASTE IN OUR SEAS

Sometimes we can read in the media that plastic is one of the greatest environmental threats. The seas are littered with discarded plastic containers, fish die of microscopic plastic particles and what are known as ghost nets float around in large islands killing fish. As a company within the plastic industry, we find it is important that we take our responsibility with regard to this plastic waste found in our oceans. Even if Polykemi is not causing this plastic waste to occur in its own business operation, we want to reinforce our will and ambition to take part in an international effort to reduce the amount of plastic waste. That is why we have joined Operation Clean Sweep during the year (<https://opcleansweep.org/>), it is a global body dedicated to the reduction of plastic waste in our seas.

ENERGY EFFICIENCY AREA – PROCESS/EXTRUDERS – COOLING/HEATING CONTROL

MEASURES	SAVINGS (KWH/YEAR)	INVESTMENT (SEK)	REPAYMENT	PLANED IMPLEMENTATION (YEAR)
Insulation mats for 6 extruders	Ca. 50 000/ extruder	500 000	1,5 year	2019
Insulation mats for 6 extruders	Ca. 50 000/ extruder	500 000	1,5 year	2020
Development of online measurement on more extruders	-----	250 000	----	2018 - 2020
Education energy management and LCC analyzes	-----	100 000	----	2018 - 2020
Development of more efficient heat/cooling control	Estimated to a total of 200 000	250 000 (change of heat control on older extruders)	----	2018 - 2020
The cooling water's waste heat to district heating plants	3 300 000 (used heat)	3 300 000	----	2020: Cooperation with Ystad municipality & district heating plants
Total	950 000	1 850 000		

Figure 15

ENERGY EFFICIENCY AREA – LIGHTING (BYTE TO LED)

AREA/PLACE	SAVINGS (KWH/YEAR)	INVESTMENT (SEK)	REPAYMENT	PLANED IMPLEMENTATION (YEAR)
Southern factory (East+West)	220 000	800 000	3,5 year	2018 (finished)
Northern part	517 000	1 200 000	2 year	2019 - 2020
Total	737 000	2 000 000		

Figure 16

MEASURES TO REDUCE ENERGY USE

AREA	MEASURE
Extruder engine speed	Engine speed optimization for different materials/processes.
Peripheral equipment (fans, lights, mixers)	Will be automated to be able to shut down when the process closes.
Measurement of electricity consumption	Install electric meters on all lines for improvement, follow-up and action.
Power quality analysis	Install filters at the sites and thus get better electrical quality and performance.
Insulation of heat band on extruder	Installera värmesköldar på våra extrudrar.

Figure 17

TOTAL WASTE WEIGHT	2018	2017
Burnable waste Sweden (ton)	1 108	947
Burnable waste China (ton)	22	30
RECYCLED TYPES SWEDEN		
Cardboard (ton)	272	268
Plastic package (ton)	165	162
Metal (ton)	81	57
Electronics (ton)	0,8	2,8

Figure 18

USED PACKAGING MATERIAL	2018	2017
Plastic material Sweden (ton)	119	114
Plastic material China (ton)	94,6	-
Cardboard/paper Sweden (ton)	488	476
Cardboard/paper China (ton)	20	-
Metal Sweden (ton)	1,2	1,2
Pallet China (ton)	154	-

Figure 19

HAZARDOUS WASTE CHINA (by selection)	2018	2017
Waste oils (ton)	2,7	-
Oil products fixed (ton)	0,46	-
Packaging plastic waste (ton)	14	-
Dust waste (ton)	7,9	-
Avfall, aktivt kol (ton)	9,75	-

Figure 20

HAZARDOUS WASTE SWEDEN (by selection)	2018	2017
Waste oils (ton)	2,7	1,8
Oil products fixed (ton)	0,26	0,25
From oil separator (ton)	22	30
Paint waste (ton)	2,1	2,1

Figure 21

COMPLAINED MATERIAL*	2018	2017
Sweden (ton)	150	209
Sweden (%)	0,32	0,38
China (ton)	11,3	-
China (%)	0,17	-

Figure 22

WATER USE	2018	2017
Polykemi (m ³) <i>Municipal water</i>	30 506	28 712
Rondo and Scanfill (m ³) <i>Municipal water</i>	14 316	13 947
Herrestad (m ³)	270 005	285 345
China (drinking water, m ³)	363	694
Total water use (m ³)	314 827	328 698
Recirculation (m ³)	8 447 33 ggr	13 554 21 ggr
Recirculation (%)	59,5	79,1

Figure 23

Collection data is done using either internal computer systems or by means of external data collection.

POLYKEMI'S COMPOUNDING PROCESS

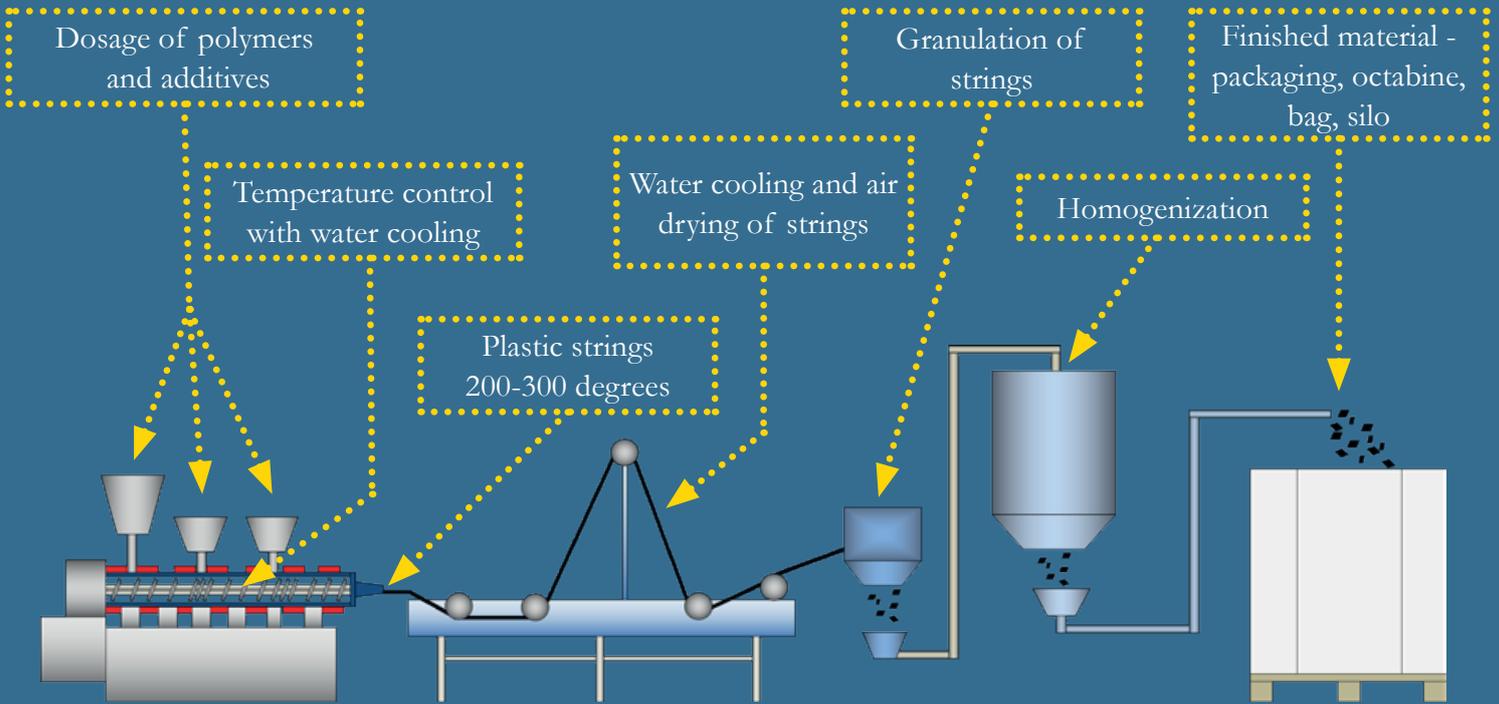


Figure 24

SUPPLIER CHAIN FOR RAW MATERIAL

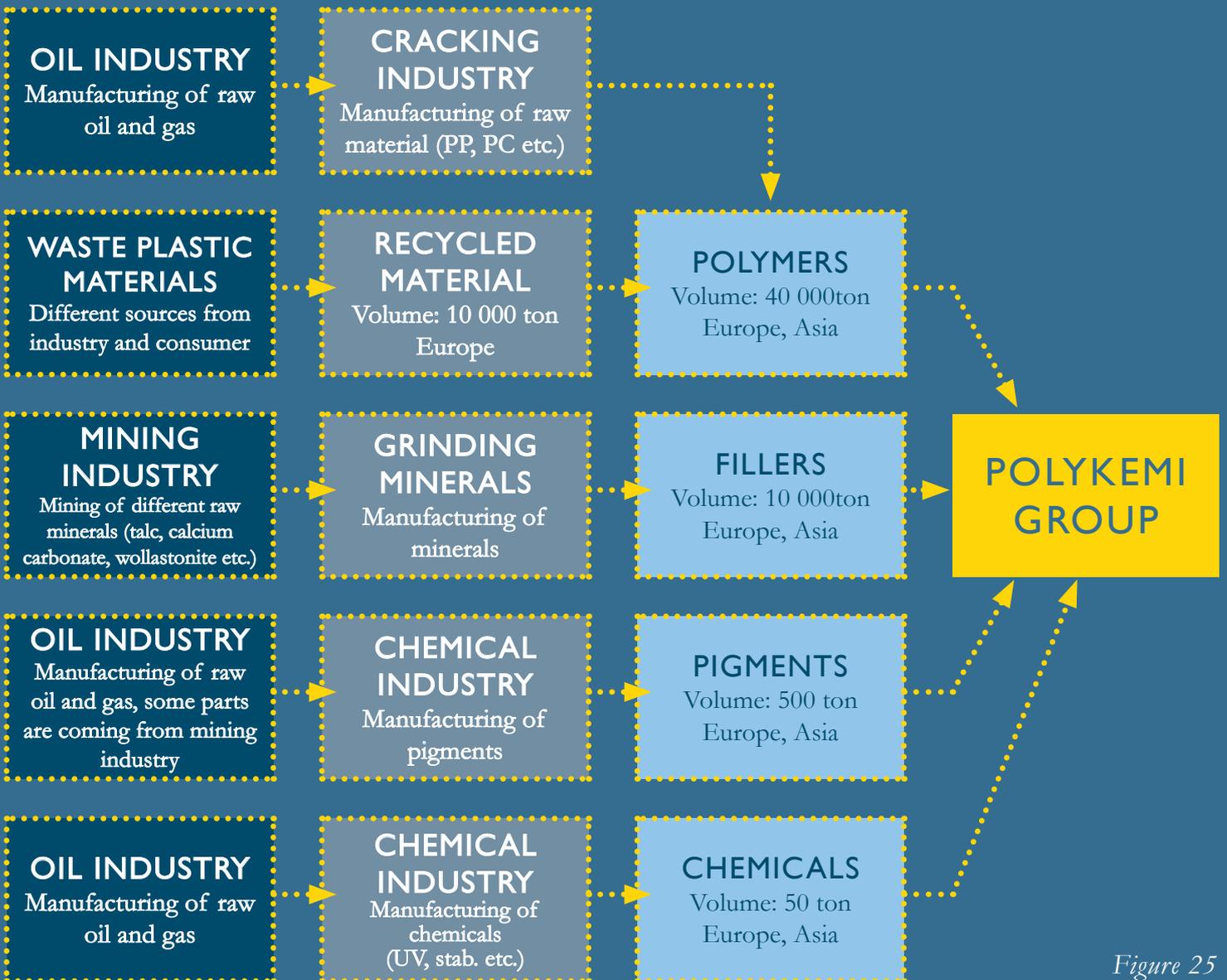
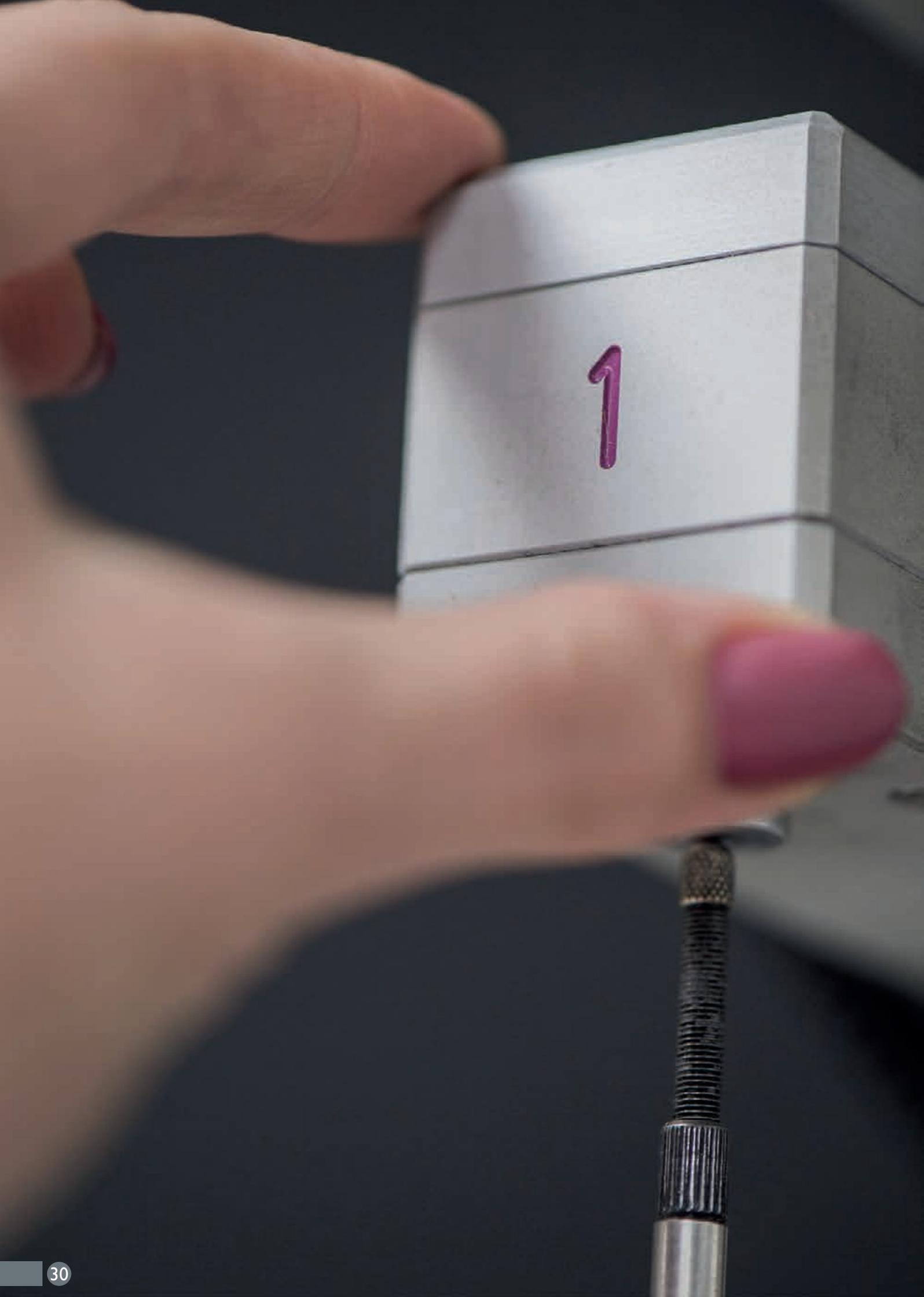


Figure 25





RESPONSIBLE BUSINESS

FINANCIAL RESULTS

For us, it goes without saying that our trademark should stand for sound values, and our financial responsibility is a prerequisite in order for us to be able to take responsibility for our part of the development of the community.

Polykemi's overall goals and strategies set out that the company is to have a business concept for growth and be regarded as a "World Class Compounder" by our customers. Our sustainability work must be integrated with the economic goals that the Board of Directors has established for the business operation, as both aspects affect each other – everything is connected.

Polykemi's financial goals are to be able to demonstrate:

- Turn-over
- Profit
- Equity ratio

Achieving economic goals also has other aspects regarding the opportunities to contribute to sustainable development. A solid economic basis is a requirement in order to be able to be a stable business partner for suppliers and customers. Economic success is also a vital factor in order to be able to be an attractive employer. This gives us the possibility for our co-workers to improve, which in turn gives us the possibility to attract the right staff. We must attain our economic goals in order to be able to invest in an a sustainable working procedure; at the same time, we need to work toward sustainability in order to be able to attain our economic goals in the long run.

CUSTOMER RELATIONS

Polykemi strives toward long-term customer relations based on credibility and attentiveness. We see clear connections between satisfied customers and profitability – both for Polykemi and for the customer. Regularly visiting our customers serves as a good tool for us in better understanding our customers' conditions, development, needs and wishes, as well as following up on our own performance. We feel that it is also important as much as possible to invite customers to visit Polykemi. Each year, the respective agent and subsidiary prepares a market report.

We also conduct customer surveys to find out what our customers think about us. The positive opinions about us or that we are very flexible and that we hold personal dialogue with the customer. We also have a technical customer support that helps us out at our customers' locations with regard to fine-tuning new materials, injection moulding or other projects.

Some customers find that our pricing is too high compared to the competition. Some customers question our wide product range and feel that we should focus on a smaller number of materials in order to develop these materials better as time goes on.

With the help of the reports, we can investigate and initiate improvements in general for Polykemi, Rondo or Scanfill as a whole, for a specific market or a specific customer. The report is submitted to the Managing Director, and together with the salesman in charge and the subsidiary or agent, a decision is made concerning any improvements or measures.

SUPPLIER RELATIONS

Polykemi has a supplier standard where we make demands of our suppliers' performance with regard to quality, product safety, environment, chemicals, codes of conduct and human rights. The supplier standard is produced in order to mirror the 10 principles set out in the UN Global Compact.

Those responsible for implementing the supplier standard are those working in the purchasing department. Follow-up is conducted using supplier assessments, questionnaires, site visits and even audits in certain cases.

All major global raw materials suppliers and more than 90% of the total supplier base in 2018 were approved suppliers according to the aforementioned standard. In 2018, 95% of the new suppliers also signed on to our supplier standard. No essential major changes have been made in our supply chain/organisation in 2018.

We will continue the work involved in constantly improving and monitoring the performance of our suppliers. More information about our supply chain can be found in Figure 25 on page 29, and more information about our entire value chain is found in Figure 1 on page 10.

LOCAL SUPPLIERS

Polykemi has an express focus in various manners on supporting local suppliers and dealers. We know the importance of having those in a small town help each other in those situations where one can. We do this because local suppliers know that we can strengthen the vibrant business and industrial town that Ystad is. That is why Polykemi chooses to deal with suppliers from Ystad in those situations where the conditions are essentially equal. However, this does not apply to production raw materials, but to products and services that support the production, as well as certain marketing products and that which is needed at our offices and for our administration. Of these purchases, 35% correspond to purchases from local suppliers.

VALUES, ANTICORRUPTION

Since 2012, Polykemi has had a Code of Conduct (see Figure 26 page 33), that applies to all co-workers within the Polykemi group. It is produced

by the management, and along with the Board of Directors they are responsible for implementing this among all employees. This is followed up during an management review. The Code of Conduct is also addressed in the introduction programme for all new employees.

WORKSHOP IN SUSTAINABLE BUSINESS DEVELOPMENT

On a number of different occasions, we have conducted education and workshops with regard to CSR work associated with sustainable business development, as well as our Code of Conduct. The education have been conducted both in Sweden and China and with different groups and departments.

That these workshops, the various concepts are clarified and then our core values associated with the company's sustainability work are discussed. Discussions are held with regard to how the individual employee can contribute to improving the sustainability work as time goes on. There was a particular focus on implementing the company's Code of Conduct, where all participants had an opportunity to discuss the various parts of the Code of Conduct based on their own work situations. The workshop will also address situations concerning bribery and corruption, as discussed in the groups.

The result of the employee discussions was that Polykemi's sustainability work needs to extend over the entire value chain, both backward in the supply chain and forward toward customers and consumers. The result also showed that a high level of ethics and non-corruption are important principles behind how we are to conduct our operation.

GLOBAL COMPACT

Global Compact (GC) was presented at the UN "Millennium Summit" in 2000. The GC provides a guideline and a tool for companies and organisations in the exercise of their operations to be able positively to influence the area of human rights, working conditions, environment and corruption. Polykemi has not signed onto the Global Compact, but it stands behind the 10 principles and has incorporated them into the code of conduct, as well as into our policy (see Figure 27, page 33). Neither is Polykemi connected to any political organisation.

CODE OF CONDUCT

Our Code of Conduct is the basis for all company actions, Polykemi companies and employers should in all circumstances act on the Code.

COLLEAGUES

Polykemi respects and supports the UN Convention on Human Rights and encourages its businesses and employees to promote compliance with the Convention.

All of the company's work should be conducted in a safe and healthy working environment to be maintained in accordance with applicable laws and regulations. Child labor or work, carried out by force or threat of force, is not accepted by the company according to ILO Convention C138 and C182. All employees should be treated with respect and dignity. No employee should be subjected to physical, sexual, psychological or verbal abuse.

All employees should be treated equally. No job applicant or employee should be subjected to discrimination or harassment based on gender, race, religion, lifestyle, background or origin.

All employees should have working hours that are paid for consistently with applicable law, regulations and collective agreements.

Freedom of association and right to collective bargaining and agreements shall be respected throughout the company, in accordance with applicable law, regulations and ILO Convention.

ENVIRONMENT

Polykemi has been certified according to the environmental standard ISO 14000 since 1998, meaning that we are committed to work for a positive development in the environmental field and actively minimizing or, where necessary, completely removing the risks to the environment from our operations. The company will follow its environmental policy and operate in compliance with all applicable environmental laws and regulations.

Chemicals and other materials that are considered hazardous to people or the environment should be handled, moved, stored, reused and disposed of

safely. Hazardous substances should be minimized or replaced by less hazardous alternative substances. Waste and all types of emissions to air, water and soil shall be minimized and monitored.

Use of natural resources should be continuously reduced through systematic improvement and more efficient production processes.

BUSINESS PRINCIPLES

Polykemi must maintain high standard of business ethics, to respect local laws and not take advantage of actual or incorporated corruption, bribery, fraud or extortion.

Polykemi shall not enter into transactions in which gifts, payments or other benefits can be awarded to affect any party.

UN GLOBAL COMPACT

The ten guiding principles of the Global Compact member companies and organizations:

HUMAN RIGHTS

1. Support and respect for the protection of international human rights within their sphere of influence.
2. Not being involved in human rights violations.

WORKING CONDITIONS

- 3 Uphold the freedom of association and right to collective bargaining.
4. Eliminate all forms of forced labor
5. Abolition of child labor.
6. Do not discriminate in employment and occupation.

ENVIRONMENT

7. Support a precautionary approach to the environmental challenges.
8. Take initiatives to promote greater environmental responsibility.
9. Encourage the development and diffusion of environmentally friendly technologies.

CORRUPTION

10. Work against all forms of corruption, including extortion and bribery.

Figure 26

Figure 27



ATTRACTIVE EMPLOYER



Polykemi's co-workers, within all levels and areas, form the driving force that allows us to reach our set goals. The company's responsibility therefore involves creating the very best opportunities for co-workers to succeed in their tasks. We do this fundamentally by means of creating secure employment, clear divisions of responsibilities and decisions, good information and opportunities to make a difference and to develop within the company.

PERSONNEL VISION

The company's work on issues involving organisation, teamwork, leadership, issues concerning conditions, working environment and education, is governed by our personnel vision.

The vision consists of five points (see Figure 28 on page 36) that clarify that we want to be considered an attractive employer, both by our employees and by the outside world, as well as by those seeking employment from us. The vision is developed in dialogue with all co-workers, where everyone during a number of seminars has had the opportunity to acquaint himself with and offer viewpoints on the content within that vision. The changes and the measures we implement shall always resonate with the staff vision.

EDUCATION

The opportunities for education and personal development are very important parts. For Polykemi, education does not only involve classroom instruction, but rather above all it is about the opportunity to learn more on the job, via colleagues, and the opportunities to try new tasks. Education and development are planned at our goal and performance reviews, which are held each year between the employees and their immediate supervisors. All employees (100%) during the past year have undertaken a goal and performance review. Education hours distributed among our co-workers are presented in Figure 29 on page 37.

EXPERTISE/PERSONAL DEVELOPMENT

In 2018, we continued with the implementation of an IT system called Confidence Tool in Sweden. It's is an IT tool that affords us better monitoring/verification of all of our employees' skills both in terms of the current situation and from a development perspective. Here on in, this tool will be able to support and develop the following processes:

- Introduction and education of new employees
- Goal and performance review
- Skills assessment/development
- Educations

SIGNIFICANCE OF LEADERSHIP

In order to achieve a responsibility and participation among the co-workers that the company finds necessary in order to achieve good results, positive leadership is required. Managers and supervisors within the company are those co-workers that can generate a good basis to allow all of our co-workers to feel that they have an opportunity to reach both personal goals and common goals.

In 2018, we have taken a further step in our business development program called "Going for Gold", where we conducted a Knowledge Day for senior operators. This was a part of developing our leadership and the competence of our leaders and employees in our production.

WORK ENVIRONMENT

We are always working actively to improve our work environment, and this pertains both to the physical and to the psychosocial working environment. What follows are a few things that we have undertaken during the year in order to improve and to ensure a good working environment.

- More resources for developing the work environment. During the year we received a 50% work environment resource that will work more

intensively with our systematic work environment improvement system. We will build up a management system in accordance with ISO 45 000 and in connection with this work - various selective measures are made where we can see that we have improvements to do.

- Continued refurbishment of the ventilation system for some extra lines with improved ventilation technology and an optimised process solution. This provides a better air quality for the indoor air.

Work environment issues have been the focus this year at our factory in Kunshan, China. Inter alia, production safety controls have been carried out by the Chinese authorities. All audits have had very good results.

SICK LEAVE AND OCCUPATIONAL INJURIES

Polykemi works to prevent the need for sick leave and occupational injuries. This is done in close cooperation with the occupational health services, physiotherapists and preventive healthcare consultants.

Training is conducted on an ongoing basis during working hours to those co-workers that have incipient problems with their backs, necks and shoulders. Sick leave is quickly addressed in a discussion between employees and their immediate supervisors in order to plan for what support or activities a co-worker needs in order not to end up spending a protracted amount of time on sick leave. See Figure 34-35 on page 38 for more information about sick leave.

Sport and fitness exercise have in many ways been an important issue for Polykemi. Since 2006, the company's exercise and strength training facility in our premises, named Byggeriet, has been available for all employees at Polykemi Group.

SAFETY COMMITTEES

The safety committee is responsible for the overall work concerning the work environment at the company; it is they that produce the goals and action plans for the various activities that are to be implemented. We have safety committees both in Sweden and in China they consist of: Technical manager, work environment technician, production manager, staff manager, department manager and

PERSONNEL VISION

1. Professionalism

- Focus on customers. We are there for the customers and must satisfy their needs.
- Targeting. See your role in the big picture, we are working towards common goals.
- Cost consciousness. Do your work as if you owned the business.

2. Responsibility

- Take responsibility for your workplace, tasks and yourself.
- Dare to try new ways, but learn from mistakes. Delegate as much as possible.
- Keep your promises. A seemingly small mistake can have major consequences later.

3. Respect

- Have respect for your colleagues. Accept that others sometimes do better.
- Follow the decision. Then you can demonstrate respect for the wholeness and strategy.
- Listen to others. Assume that all people mean well and want to develop Polykemi.

4. Interactivity

- Be friendly towards customers, insiders and suppliers.
- See the general picture. Think about the needs and wishes the surrounding people have.
- Be involved and influence others. Your thoughts are important. Make your voice heard.

5. Honesty

- Be clear, direct and honest. You will receive the same in return.
- Dare to speak up. Say it openly and constructively.
- Give both praise and criticism. Both are essential for success.
- Allow to reconsider. Those who are listening and want to improve can also reassess.

Figure 28

safety representatives from various departments In total there are 12 (4.7% of the labour force) people working on the safety committees.

LAWS AND GUIDELINES

Polykemi naturally abides by all contracts and by all labour legislation. Work environment issues are addressed, and they satisfy EU legislation. In this field, there are also several other governing policy documents:

EDUCATED HOURS IN AVERAGE	2018
Women	19 h
Men	16 h
White collar workers	20 h
Blue collar workers	17 h
All employees	19 h
All employees in total	5 800 h

Figure 29



ORGANIZATION AND EMPLOYEES POLYKEMI GROUP

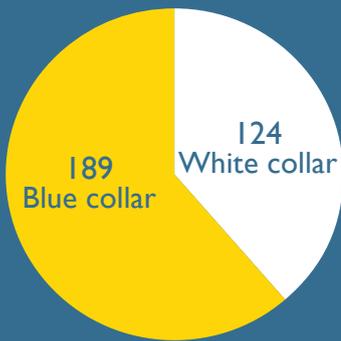


Figure 30

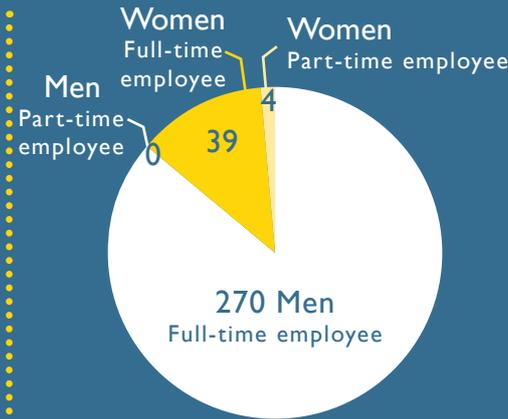


Figure 31

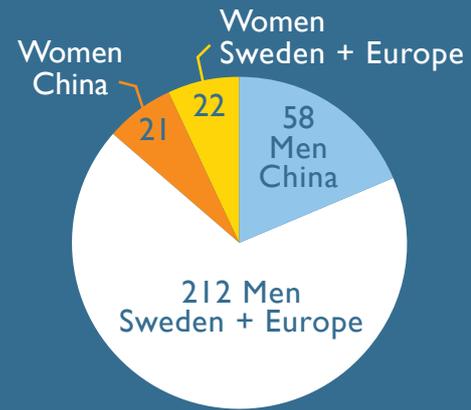


Figure 32

Total number of employees = 100 %

AGE AND GENDER DISTRIBUTION 2018

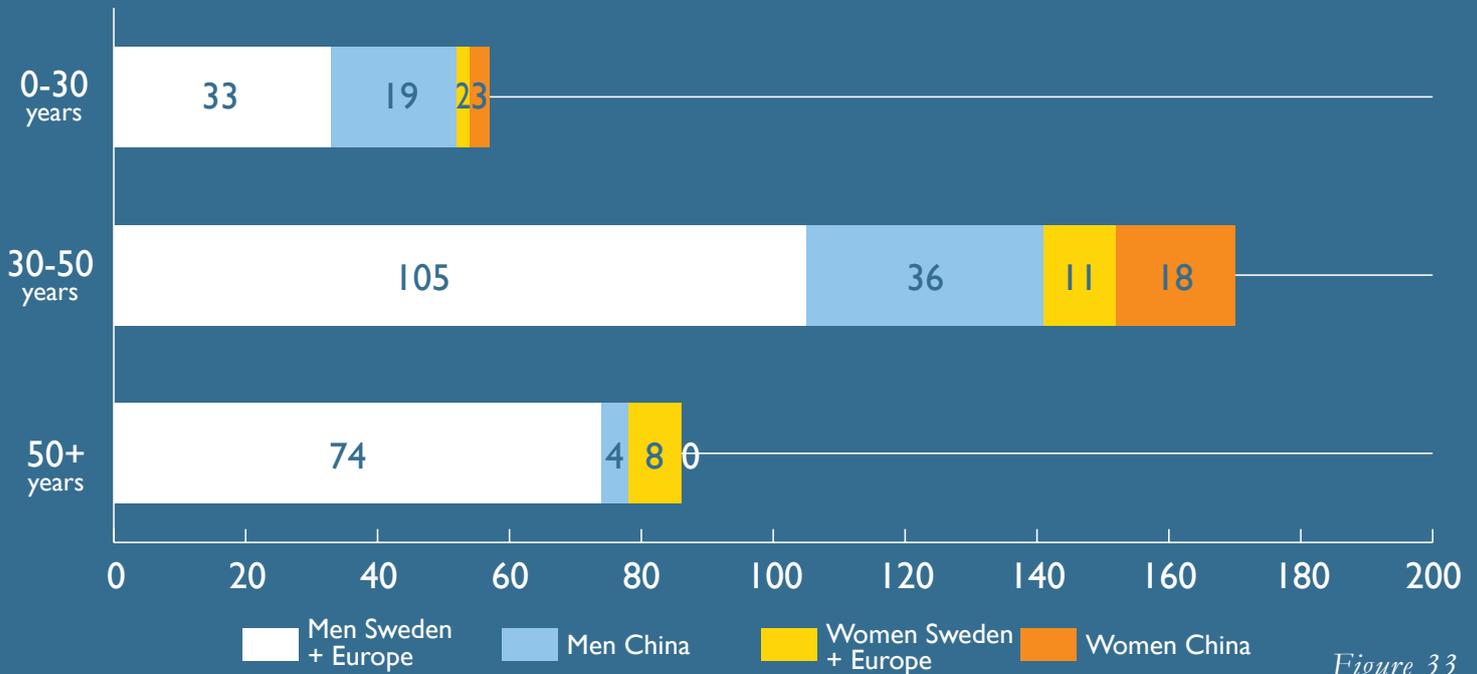


Figure 33

SICK LEAVE ACTIVITIES SWEDEN 2018

Sick leave, short-term	2,8 %
Sick leave, long-term	1,3 %
Sick leave, total	4,1 %
Workplace accidents with sick leave (number/100 pers)	3 st
Injury rehabilitation	0 st

Figure 34

SICK LEAVE ACTIVITIES CHINA 2018

Sick leave, short-term	0,72 %
Sick leave, long-term	0 %
Sick leave, total	0,72 %
Workplace accidents with sick leave (number/100 pers)	1 st
Injury rehabilitation	0 st

Figure 35

- **Personnel vision**
- **Work environment policy**
- **Equality and diversity**
 - Equal-opportunities policy
 - Policy against harassment
- **Code of conduct: Rules of behaviour**
- **Global Compact**

All co-workers within the Polykemi Group (except in China) are covered by collective agreements, both collective agreement employees and salaried personnel. This means that the companies base all issues concerning conditions and negotiations on the guidelines set out in the collective agreement. For more important changes in the operation, no period of notice is stated in the collective agreement; however, the company initiates discussions with the relevant union and provides notice of any changes in accordance with the Employment (Co-determination in the Workplace) Act. All co-workers have been trained with regard to the various policy documents. All the employees receive a welcome binder with complete documentation and a course concerning policy issues.

In China, there is a professional central organisation, ACFTU, which in turn has ten subordinate trade associations. No other unions are allowed in China. ACFTU can sign collective agreements, but it only does this with major multinational companies.

No fines, sanctions or other legal measures have been taken against us with regard to anti-competitive activities, violations or breaches of laws or directives having to do with the provision of products or services, fraud, discrimination at the workplace or anything similar. No incidents have occurred with regard to corruption. We have not violated any provision regarding the labelling of products, nor the social or economic fields or within marketing communication.

EQUALITY AND DIVERSITY

Crucial to our striving to attain a positive diversity with a great degree of openness is our policy document for equal opportunities, as well as our policy against harassment.

EQUAL-OPPORTUNITIES POLICY

We believe in a business operation based on openness and diversity. This creates a positive

working climate and greater opportunities for the company to achieve successes within various fields.

There shall be no obstacle against working in our work environment on the basis of sex. Neither shall there be any discrimination on the basis of sex, age, creed, sexual proclivity or ethnic and national background. We reject all forms of discrimination. We do this through active work in our everyday operation, where the corporate administration, supervisors and co-workers together take responsibility for noticing and for dealing with discriminatory behaviour. In 2017, no cases of discrimination reported.

POLICY AGAINST HARASSMENT

Co-workers within Polykemi AB shall have a safe working environment where everyone is treated with respect. One of the company's values is respect, which is about treating other people in the way one wishes to be treated, and on all occasions showing respect for one's co-workers. This entails not needing to be subjected to any type of workplace bullying.

Polykemi AB does not tolerate any employee subjecting his work colleagues to bullying, sexual harassment or harassment on the basis of sex. This means that someone having bullied another person at work may be subjected to disciplinary measures within the framework of the legal system.

The Managing Director is responsible for the policy. Every person in a supervisory capacity is responsible for the implementation of the policy and for carrying out measures according to the action plan, with the support of the human resources manager.

ORGANISATION AND EMPLOYEES

On 1 January 2018, number of employees amounted to 303 co-workers within the entire Group. See Figure 30-35 on page 38 for more information.

Polykemi constantly conducts payroll surveys prior to the annual payroll review to ensure that salaries are in phase with responsibilities and authorisations. We apply individual pay structures, and within the proximate future, we will introduce a model to facilitate the work of evaluating performance in relation to the requirements of the position.



COMMUNITY INVOLVEMENT

GLOBAL AND LOCAL

CSR and sustainability are very much about how a company, through its activities, can affect social conditions in the community at large, and even on the international level. Our company has an opportunity to influence the situation both in and around our community, and partly also to influence all our stakeholders in any way, both on the local and global scale.

COMMUNITY

Polykemi Group plays an active role in a public debate in Ystad. Through various forums, we discussed the most important entrepreneurial and social issues with other business owners and municipal and parliamentary representatives. For Polykemi it is important to participate in the debate in order both to influence and to create an open dialog with our key stakeholders - in the municipality. We also cooperate with a school where we can offer internships, and we can help to inform the students about different career options. There will be school classes in the form of field trips in order to be able to see our work progress.

AMBIENT ENVIRONMENT

By ambient environment we refer to companies or individuals living or staying close to our operations. Because our manufacturing activities are ongoing around the clock, it is primarily three things that can be affected by us: transportation by trucks, noise and plastic smell. To minimize the damage to our environment, we have a single access road to Polykemi for trucks. As noise and plastic smell are concerned, there are various controlling programs (internal procedures), which ensure that we are acting within the given rules and restrictions.

INVOLVEMENT IN THE LOCAL COMMUNITY, SWEDEN

A commitment to the community is one of the driving forces for Polykemi and its owner. We have a large voluntary involvement in the local clubs and culture. Examples of such involvement and financial donations in sport:

- YIF Handboll
- Österlen FF
- SoGK Charlo Soccer
- Ystad Volleyball Club
- Österlens Equestrian Club
- Doctors without borders
- Star for life
- The Music Help (Musikhjälpen, Radiohjälpen)
- Ocean Clean Up

INVOLVEMENT IN THE LOCAL COMMUNITY, CHINA

At our factory in Kunshan, China, we are engaged in the local community. In China, there is a Hukou system for preventing uncontrolled migration to cities among other things. In Hukou, you are entitled to social benefits, but only in the area you are registered in, which is usually your local community. This, in its turn, means that migrant workers' children do not have the right to education in the area where their parents work and live. As a solution to this problem, there are, therefore, private schools for such children. In addition, one of the problems is that the fees are high and the education cycle is often not at the same level as at the state schools. Since February 2012, we have been involved in Xinkunskolan project to arrange a nearby private school for migrants' children. As a part of this project, we sponsor student's education and help with teaching English in the absence of English teacher at school. Our staff conducts English classes twice a week in the sixth grade.



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*(Other information missing / not available)



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