

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

*- Hugo Jönsson,  
the founder of Polykemi*

**polykemi** 

BRINGS OUT THE BEST IN PLASTICS

**Sustainability report 2016**

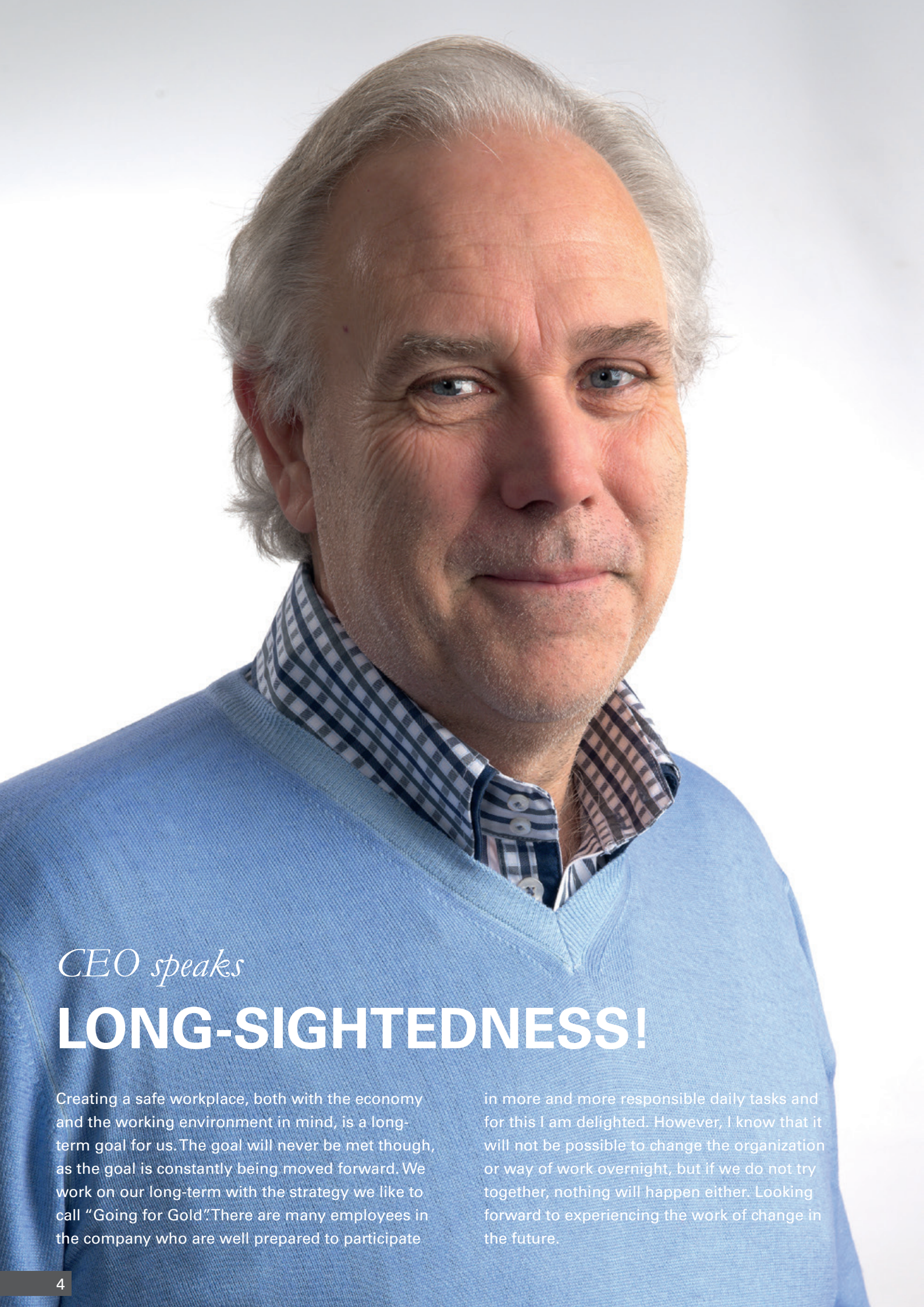
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*CEO speaks*

## LONG-SIGHTEDNESS!

Creating a safe workplace, both with the economy and the working environment in mind, is a long-term goal for us. The goal will never be met though, as the goal is constantly being moved forward. We work on our long-term with the strategy we like to call "Going for Gold". There are many employees in the company who are well prepared to participate

in more and more responsible daily tasks and for this I am delighted. However, I know that it will not be possible to change the organization or way of work overnight, but if we do not try together, nothing will happen either. Looking forward to experiencing the work of change in the future.



*”... if we do not try together, nothing will happen either.”*

We find that Polykemi Group with its various companies has performed very well during the year. We are convinced that the efforts to offer customers environmentally and sustainably better material alternatives are a major success factor for us.

During the year we have completed a new development department, the new development department consists of two parts; an external and an internal part. The focus of the new internal development department is to create new materials and start new development projects. With this effort, we are prepared to ensure successful development work and provide Polykemis technical team with the opportunity to continue to focus on development and innovation.

In China, we continue our sustainability efforts by focusing on environmental improvements. During the year we have invested in a new central vacuum pump system, which increases our environmental performance through reduced water supply and no spill to drain. In the newly built factory, we have also invested in a more efficient cooling system for our process water.

At the end of the year we decided that an energy survey will be carried out that will cover our entire operations in Ystad. Working on improvements in

energy efficiency has been done for many years but there are always things that can be better, and Polykemi's 25-year-old slogan is well suited for long-term thinking; if you stop getting better, you stop being good!

As the demand for recycled materials goes up, it has also creates a shortage of good quality raw materials. Here, the entire plastic industry faces a task to review the entire chain of life and the handling of it, in order to achieve an environmental and sustainable development in this area.

We see sustainability as an integral part of our business activity. Polykemi Group should be a company its employees can feel proud of. Sustainability is a key component for meeting our stakeholders' expectations and achieving our own goals of profitable growth.



**Ola Hugoson**  
CEO for Polykemi AB



# OUR SUSTAINABILITY EFFORT

Polykemi Group publishes its sixth Sustainability Account this year. Our first three Sustainability Accounts, 2011 - 2013, were written in accordance with GRI (Global Accounting Initiative), Version G3.1. From 2014 (also applies to Sustainability Account 2015), our Sustainability Accounts were published, correspond to the latest GRI G4 framework version and meet assessment criteria for the base-level Core.

The Account describes Polykemi Group's sustainability work and covers 2016 calendar year, as is otherwise noted in the text. In accordance with G4 version, we are focused on accounting

in the areas identified as the most important in the stakeholder analysis and the most important aspects analysis.

This Sustainability Account covers Polykemi Group with its subsidiaries Rondo Plast, Scanfill, Polykemi Inc and our Chinese company Polykemi Compounds Ltd. The accounting principles are still the same for the whole group. Some significant changes, such as in the ownership, structure, company size, etc., have taken place during the accounting period.

The Polykemi Group has no separate sustainability organization, but sustainability issues are governed



as an integral part of other business issues. The overall strategic focus is set at Group level and is regulated through the Group's management systems, such as the working environment policy, quality/environmental policy and our values.

Polykemi has always been based on the precautions principle definition. In practice, this means that we are always taking action when there is a risk of damage to the environment or human health, which has been proved by our environmental management practices.

#### PRECAUTIONS PRINCIPLE .....

*"Anyone who carries out or plans to carry out some activity, or aims to implement some protective measures, should observe the limitations and take any other protective measures required to prevent, hinder or counteract the operations or measures that can cause damage or harm to the human health or environment. For the same purpose, our business activity uses the best available technologies. These precautions must be taken as soon as there is any reason to believe that an activity or measure may cause damage or harm to the human health or environment."*

# POLYKEMI GROUP

## KEY FIGURES



BRINGS OUT THE BEST IN PLASTICS

	2016	2015
Turn-over (mSEK)	829	742
Result (mSEK)	71	57
Equity ratio (%)	52	55
Employees*	196	188

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



BRINGS OUT THE BEST IN PLASTIC RECYCLING

	2016	2015
Turn-over (mSEK)	158	134
Result (mSEK)	2	1
Equity ratio (%)	76	78

### Polykemi Compounds Ltd (Kunchan, Kina)

	2016	2015
Turn-over (mSEK)	136	108
Result (mSEK)	30	18
Equity ratio (%)	86	87
Employees	67	62



BRINGS OUT THE BEST IN PACKAGING

	2016	2015
Turn-over (mSEK)	28	20
Result (mSEK)	2	-2
Equity ratio (%)	61	66

### Polykemi Inc.

	2016	2015
Turn-over (mSEK)	4,8	0,3
Result (mSEK)	0	0
Equity ratio (%)	2	8

### SUBSIDIARIES

Denmark, Germany and Czechia

	2016	2015
Employees	12	10



# ABOUT POLYKEMI GROUP

## Polykemi background

Since the company start in spring 1968, the basic idea has always been the same: manufacturing customized plastic compounds and trying to do this better than anyone else has in the world. Scandinavia was originally selected as the main market, and even today, Scandinavia remains an important market for us, despite the fact that we are now operating in most of the European countries and worldwide.

Our strong point is to always be one step ahead and offer a customized product with unique and creative solutions, so that no one else can compete with us on the same terms. This includes our proven skills of color matching, multiple reinforcing agents and fibers in a wide variety of polymers, and our stated ambition to work closely together with our customers, where security, frequent personal contacts, high competence and problem solving skills are our guiding principles.

Polykemi is an innovative knowledge company that meets the market demands for end products of the absolute highest world class.

## Family-owned business

Polykemi is a family owned business with over 200 employees. At the head office in Ystad, all company-wide functions are concentrated, such as sales, technical support, purchasing, administrative support, research and development.

The Polykemi Group comprises Polykemi AB parent company, a wholly owned subsidiary Rondo Plast AB, Scanfill AB and an independent subsidiary Polykemi Compounds in Kunshan, China, where there are sales, purchasing and production departments. In addition, there are also our own subsidiaries and sales offices in Denmark, Germany, Czech Republic and the USA.

## The Board

The corporate management's reviews, in which sustainability work is included, are being held four times a year, and can be regarded as a tool that enhances communication between the owners, the Board and the employees. Having an open corporate culture where ideas and suggestions are communicated in the company is something that has always been encouraged and we strive to live our values in this area. In 2016, a union representative has participated the Board meetings. The Board members are presented in Fig. 1

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

Figure 1



A world map in shades of blue with several white circular markers indicating global locations. The markers are concentrated in North America, Europe, and parts of Asia.

# MARKET OVERVIEW

## Polykemi AB

Polykemi AB produces and sells customized plastic compounds to the customers in more than 25 countries worldwide. Although we encounter many cultural differences in our daily work, still the way business develops is very similar. The market for use of plastic products in Europe and other parts of the world is constantly growing, and the players in this market know each other fairly well.

As an independent compounds maker, we buy our plastic raw materials, fillers, additives and color pigments directly from the world major manufacturers. We manufacture and supply traditional plastic compounds according to the customers' requirements, so that they in turn can be of benefit to us and provide the final product feedback. The majority of existing industrial segments are automotive, white goods, construction materials, electronics, household good, medicines and others.

We are constantly trying to improve ourselves and become better at what we are doing, and we try to live up to our ambition "Polykemi - a World Class Compounder."

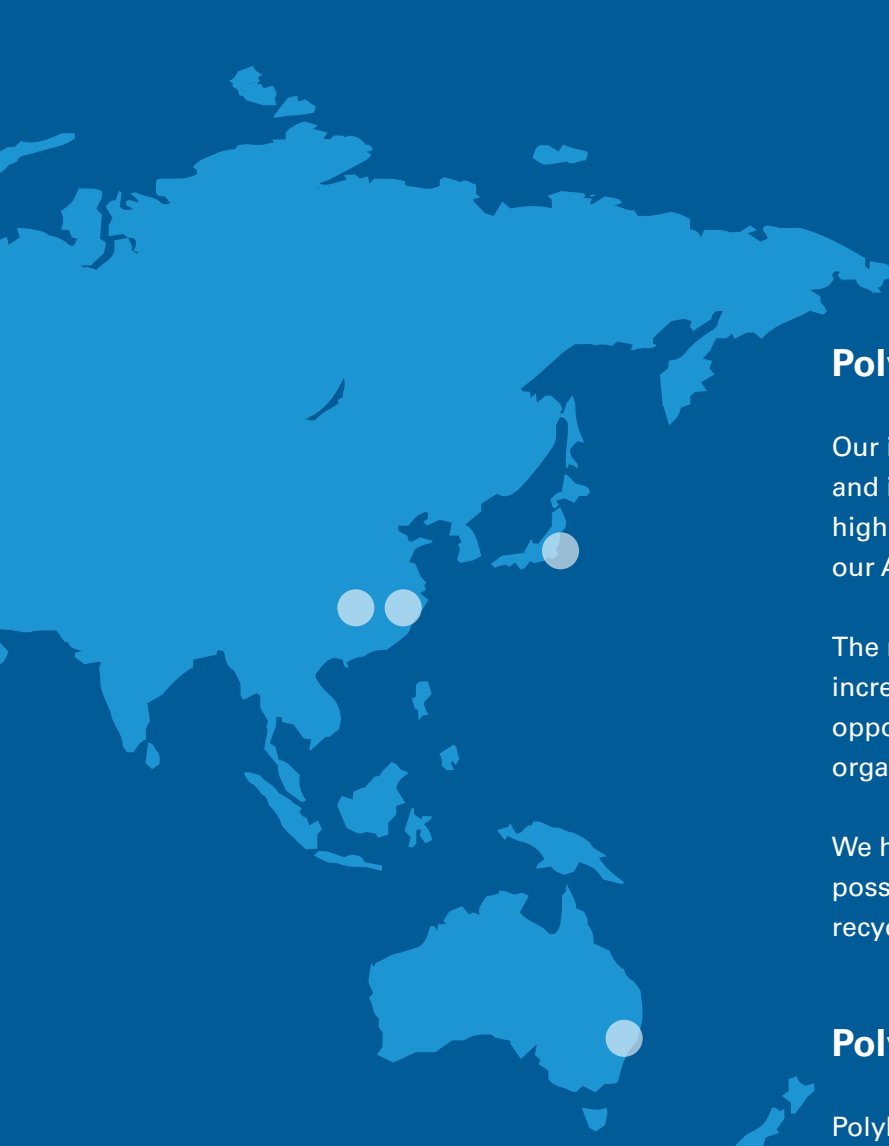
## Rondo Plast AB

Rondo's overall business concept is to offer quality assured and recycled plastic raw materials.

Rondo Plast offers its customers a complete standard range of compounds based on recycled plastic, and besides that, there is a possibility to tailor the recycled plastics solutions according to the customer requirements. In addition to a strong home market in Sweden, the company customers are located mainly in Northern Europe.

The environmental awareness and its obvious desire to recycle plastic has been around since 1980, when Rondo Plastic was founded. In recent years, the use of recycled plastic in injection molding plastic articles has increased significantly around the world, which we find very pleasing. The trend is a clear evidence of the fact that the use of recycled plastic materials will increase in the future.





## Scanfill AB

Scanfill was founded in 2008, and is now a unique producer of environmentally friendly plastic compounds for the packaging industry worldwide.

By using packaging material from Scanfill instead of the traditional plastic material, the load on our environment and the world around us has noticeably reduced. The reason for this is that Scanfill plastic compounds consist of more than 50% chalk, a non-oil-based material. This means that the consumption of freshwater and greenhouse gas emissions in the production of the plastic is halved compared to traditional plastic materials used in the packaging industry.

Scanfill and its materials have attracted great attention around the world and we predict a bright future for them.

## Polykemi Compounds (Kunshan) Co.

Our independent subsidiary was founded in 2005, and is now a successful and reputable maker of high quality and customized plastic compounds for our Asian customers.

The need for customized plastic compounds is increasing in Asia, and we believe we have excellent opportunities to continue to develop and grow organically in line with this.

We have also begun work to investigate the possibilities of producing materials based on the recycled materials in China.

## Polykemi Inc.

Polykemi, Inc. was founded in Delaware 2013 as an extended arm from the Swedish Polykemi Group. The mission of the US subsidiary is to act as a bridge between our injection molding customers in the US market and the combined know-how of the Polykemi Group.

The vision for Polykemi, Inc. is to become a solution-oriented player to the American plastic industry through our production partner Omni Plastics LLC in Evansville, Indiana, by implementing our global know-how in the needs of new materials produced in the United States.

## Polykemi Group

Within different companies, we sometimes have different ways of treating different markets, but what is common is that we will continue to work in the professional, service-oriented, flexible and innovative way, as we are doing today in order to continue to be as successful in the future. We believe that our slogan "He who stops being better stops being good" is summing up this message in a good way.





polykemi 

# ANALYSIS OF STAKEHOLDERS

At Polykemi, we strive for long-term relationships and good cooperation with our stakeholders. This applies to groups and organizations that are affected by its activities. Our stakeholders' priorities must be guided by our business practices.

Polykemi regularly interacts with our stakeholders through a variety of forums, such as customer meetings, customer surveys, network participation and dialogs with various authorities. Our local presence in Sweden (Ystad) and China (Kunshan) means that we have an ongoing dialog with stakeholders at the local level.

## Dialog with stakeholders

The dialog with stakeholders is based on a representative and relevant selection of our stakeholders. When we account for the results, we are differentiating between the internal or external stakeholders (see Fig. 2 where we show our stakeholders) for our different companies. We have also conducted a weighting analysis of our various stakeholders and then we used an assessment model based on influence and stake size.

The interviews consisted of three parts: material aspects analysis, open issues and risk assessment. The risk assessment section of the stakeholder analysis is linked to the new requirement element of the new quality standard ISO 9001: 2015. The interviews with the participating stakeholders' responds were assessed by scoring different areas between 1 and 6, with 6 being the highest (most important) and 1 - the lowest (least important) for each area. Assessment at 1-6 is totally subjective and based on the vision and knowledge that the stakeholder has. It was then followed by open

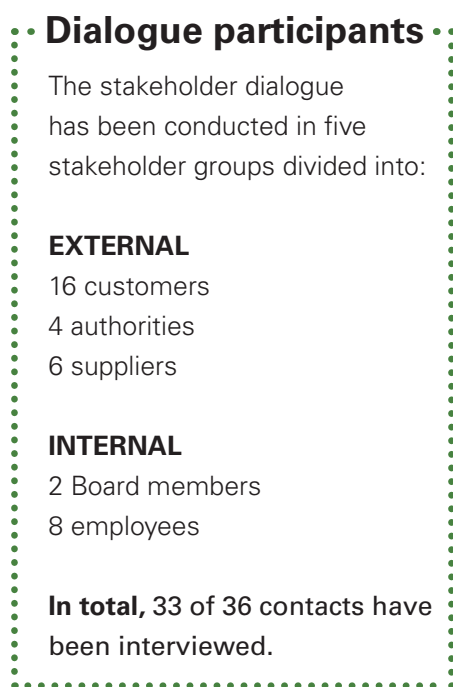


Figure 2

questions for each area, to which the stakeholders themselves could answer.

Some of our sustainability aspects can have an impact even beyond our legal framework, including our customers and suppliers.

## Important aspects analysis

Polykemi's important aspects analysis is based on the results of stakeholder dialogues conducted in 2016. For the most of our stakeholders, sustainability is largely about the whole business, and the aim is to have a high minimum level in all areas.

Some stakeholders commented on the difficulty of selecting only a few areas that should be prioritized. We want to point out that all areas are important



for Polykemi, and our ambition is to continue to develop as a sustainable company with a high base level in all areas. The priority aims are to identify what we need to develop and work on more in order to be able to meet the demands and expectations of our stakeholders.

The selected 15 areas of sustainability and its counterpart in GRI G4 are presented in Fig. 4, page 15. This also describes the impact of the different sustainability areas beyond the framework of Polykemi.

## Priority areas

All areas are perceived as very important. The most important are development of production/technology, anti-corruption measures, use of recycled/renewable resources, expertise and human resources, spills and waste, energy use, supplier relations, environmental and health hazardous chemicals, work environment and our values.

Polykemi perceives use of recycled/renewable raw materials and development of production/technology as of primary importance.

The improvement suggestions forwarded during the stakeholders' dialogs are partly based on the assessment of practical observations, both from the point of assessment of material aspects analysis and of what has been contained in the open questions. The areas that they proposed to be improved were working environment, equality and diversity, environment and health hazardous chemicals, waste and spills.

## Risk assessment

Risk assessment includes how the stakeholders perceive future risks (including changes in legislation) within the five year period in the working environment, energy, chemicals, skills/human resources, waste/spills, transportation, development of production/technology, oil and ownership. The ownership is deemed to present a lower risk for both internal and external stakeholders; the biggest difference in the responses concerned chemicals and production/technology development where the external stakeholders gave a higher risk than the internal stakeholders. The "higher" risk assessments were in energy, chemicals, transportation and oil.

## What we do with the results

By actively investigating and measuring what our stakeholders think and feel about us, we get a basis for the improvement and development of our business and its governing tools, such as an environmental and quality management system ISO 14001 and ISO 9001. Using facts, we can initiate and implement measures that help constantly develop and improve our business.

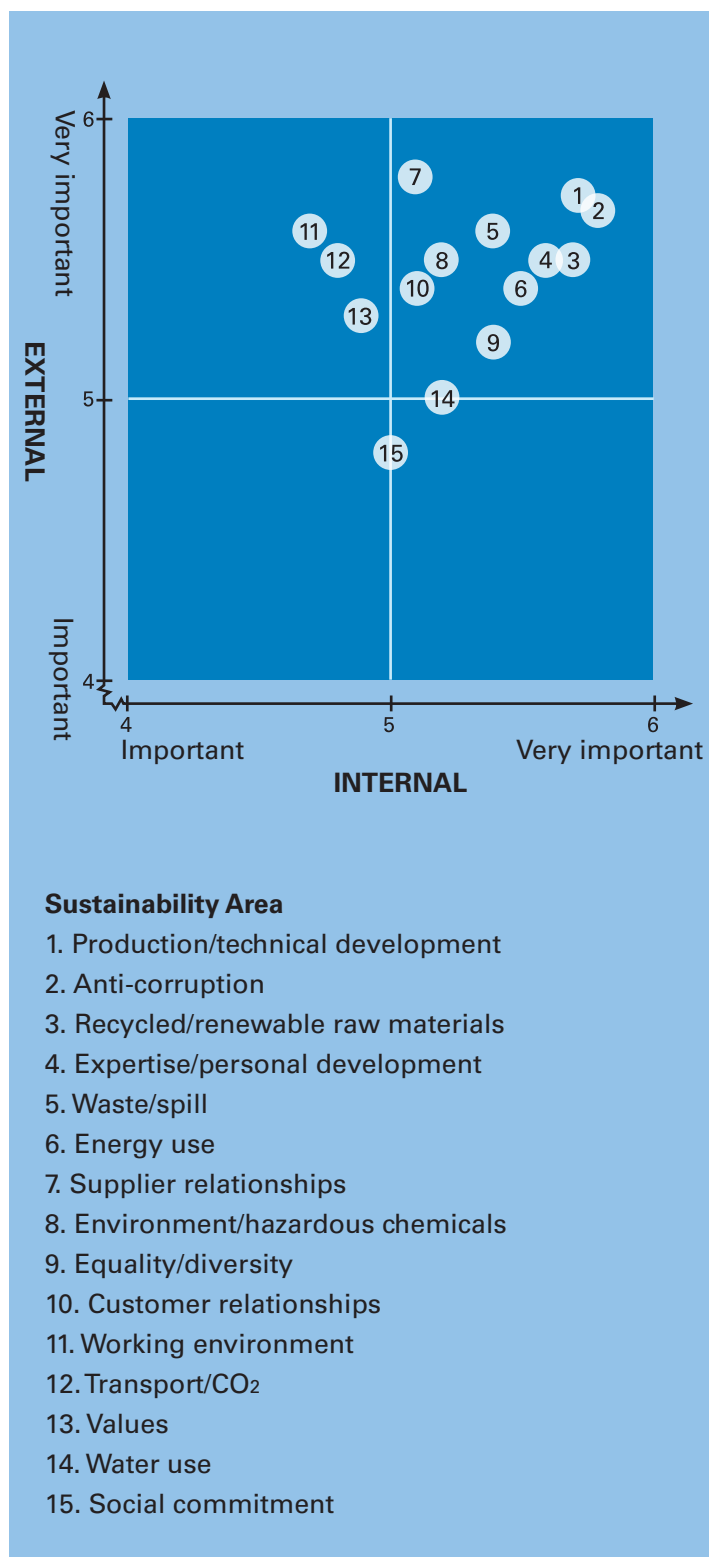


Figure 3

Sustainability Area	Sustainability aspect in GRI G4	Impact beyond Polykemis legal limits
1. Production/technical development	Reduced environmental impact of products and services.	Our customers have access to more efficient and environmentally better materials.
2. Anti-corruption	Anti-corruption, ethics.	In particular, our suppliers/customers can be affected by our position against corruption.
3. Recycled/renewable raw materials	Material usage linked to our products and services.	Suppliers who can deliver recycled plastic raw materials benefit from increased demand for these commodities.
4. Expertise/personal development	Employment, health, safety and education.	---
5. Waste/spill	Waste related to the use of products.	Reduced waste in the manufacturing process leads to less plastic waste going to incineration (converted into energy in heat plants).
6. Energy use	Energy and reduction of energy consumption.	Increased demands on our machine/extruder suppliers to deliver energy-efficient equipment.
7. Supplier relationships	Evaluation of suppliers. - Environment - working conditions	Increased environmental requirements and requirements of the Code of Conduct affect the working conditions of our suppliers.
8. Environment/hazardous chemicals	Reduced impact/handling of products/chemicals.	The municipality and the environment are positively affected when reducing the use of chemicals.
9. Equality/diversity	Diversity and equal opportunities for all employees. Equal compensation for women and men.	---
10. Customer relationships	Products and services.	---
11. Working environment	Safety and working environment, linked to work-related illnesses or injuries.	Working with improvements in the field of work environment leads to a different standardization within this manufacturing sector, even with our competitors.
12. Transport/CO2	Emission and impact on CO2.	Increased demands on environmentally better transport solutions (lower emissions on trucks, among other things) make transport companies invest in new, better vehicles.
13. Values	Anti-corruption, diversity and equal opportunities for all employees.	All our stakeholders are affected by our work with our value bases.
14. Water use	Water and reduction of water consumption.	The municipality is affected by our water consumption through reduced consumption.
15. Social commitment	Stakeholder dialogue.	All our stakeholders are influenced by our work with different community engagements.

Figure 4





# EMPLOYEES

The employees at Polykemi in all levels and areas is the power that enables us to achieve our ambitious goals. Corporate responsibility means, therefore, an ability to create the very best opportunities for our employees to succeed in fulfilling their tasks. We pursue our basic tasks, including by creating secure jobs, clear responsibilities and taking part in decision-making, good practice and the ability to influence and develop within the company.

## Laws and guidelines

Polykemi is obviously following the agreements and legislation in the work area. Health and safety issues are being handled and are in line with the EU legislation. In the area, there are also several other governing policy documents:

- **Personnel vision**
- **Work environment policy**
- **Equality and diversity**
  - Equal opportunities policy
  - Policy against harassment
- **Code of Conduct**
- **Global Compact**

More information on them is presented below in this chapter.

All employees (except those in China) are covered by the collective agreements, for both public employees and the officials. This means that all privacy issues and negotiations of the company are based on the collective agreement guidelines. The collective agreement does not imply any notification period for the important changes in business, but the company is engaged in discussions with the

relevant trades and informs of any change in the law on collective decisions at work. All employees have been trained in the various policy documents. All new employees receive a welcome folder with complete documentation and training on the company policy issues. In China, there is a trade union federation, ACFTU, which in turn supervises ten underlying trade union federations. No other trade unions are allowed in China. ACFTU can sign collective agreements, but can do so only with major multinational companies.

No fines, penalties or legal actions have been ever taken against us or we have ever been convicted. This applies to anticompetitive behavior, offenses, violation of laws and regulations that have to do with the current provision of fraud products or services, discrimination at the workplace, corruption and the like.

## Personnel vision

The company's work on issues in such areas as organization, teamwork, leadership, conditions, issues, environment and education is guided by our personnel vision.

The vision consists of five points (see Fig. 5 on page 18), which makes it clear that we want to be perceived as an attractive employer, both for our employees and for our surroundings and job. The vision has been developed in the course of a dialog with all employees, at a number of workshops where they had an opportunity to be acquainted and exchange views on their vision content. The changes and actions we undertake should always be in harmony with the personnel vision.



## Training

The possibility of training and personal development are very important issues. For Polykemi, education is not only about classroom teaching, but, above all, it is about the ability to learn at work, from the colleagues, and an opportunity to try new tasks. Training and development are planned at our performance appraisals annually, to be held between the employees and their line managers.

In 2016, our employees participated in 2,500 training hours, which is approximately 9.5 hours per one employee. Training hours are distributed between sexes, each woman has received on average 10 hours of training and every man has received on average 9 hours of training. During the past year, all employees (100%) have undergone a performance appraisal.

## Importance of leadership

In order to achieve accountability and participation among employees that the company believes necessary to achieve good results, a positive leadership is required. Managers and leaders within the company's employees can create a good basis for all our employees to feel that they have an opportunity to achieve both personal objectives and common goals.

In 2016, we have taken a further step in our business development: "Going For Gold", where practical leadership training occurs through taking great responsibility of leading a project team and the operational actions. A good work order will be an important part of our continuous improvement efforts today and in the future.

## Working environment

We have supplemented with further investments (more silos and more extruder lines that have been connected to the central) to our material handling center. There we use two robots automatically to handle materials and blends in our production.

In addition to the above, we have implemented the following major actions:

- All managers and managers have undergone training in the new law that concerns with organizational and social work environment. The training focuses on preventive environment work in

## 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 at a later stage.

### 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

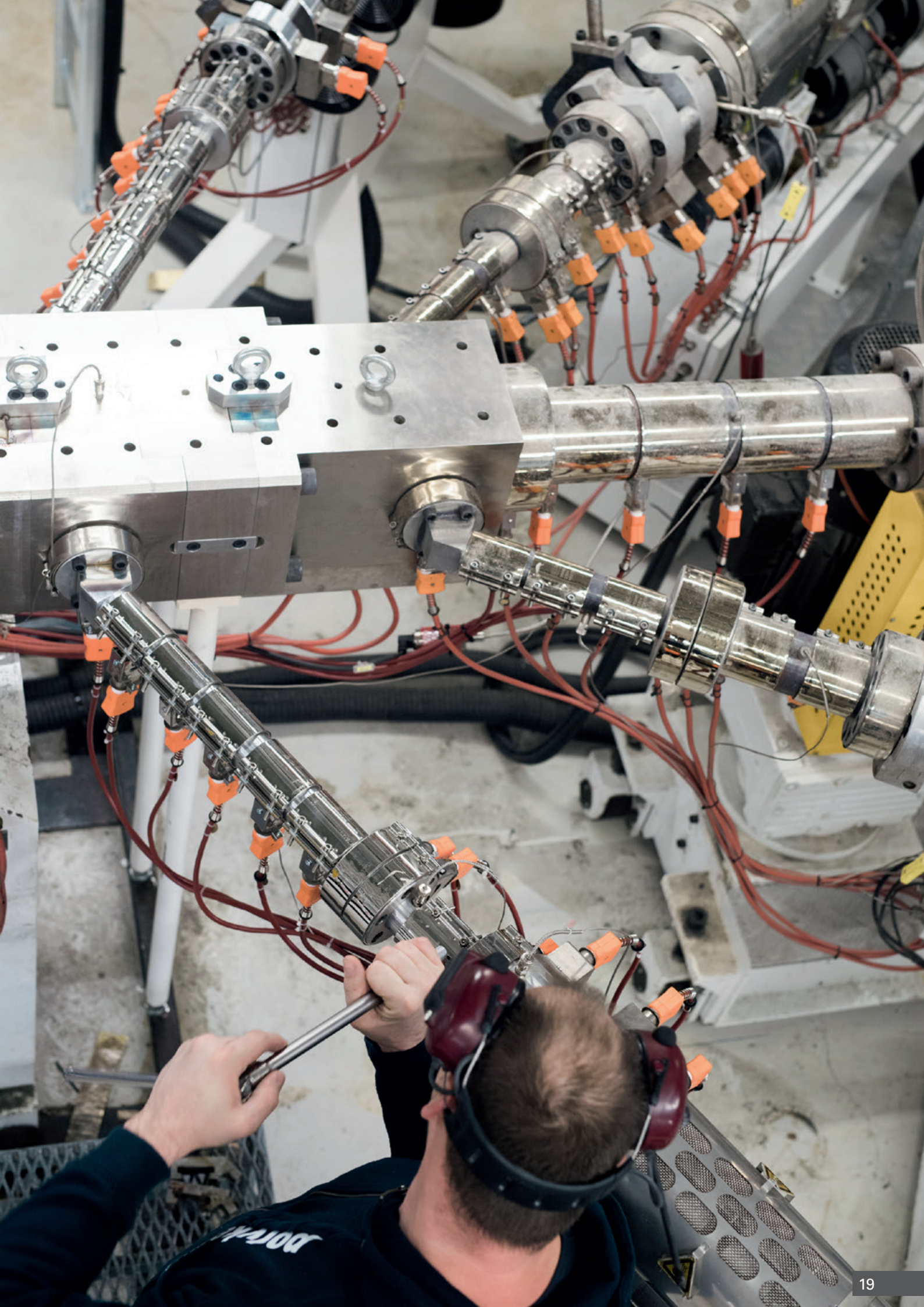
- Be clear, direct and honest. You will receive the same in return.
- Dare to speak up. Say it openly and constructively.
- Give both praise and criticism. Both are essential for success.
- Allow to reconsider. Those who are listening and want to improve can also reassess.

Figure 5

the psychosocial area and addresses such as social interaction, cooperation and social support from managers and colleagues.

- Reconstruction of the ventilation systems for five extruder lines, with improved ventilation technology and an optimized process solution. This ensures a better quality of indoor air.







# Organization and employees Polykemi Group

Figures 6-9 apply to the entire Polykemi Group. Figure 10 only applies to Polykemi Group in Sweden.

## Managers

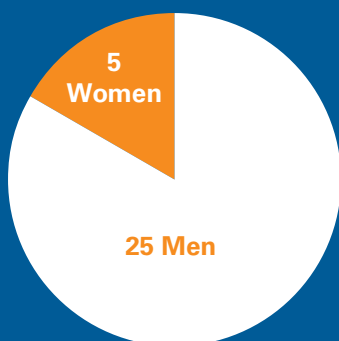


Figure 6

## Employees

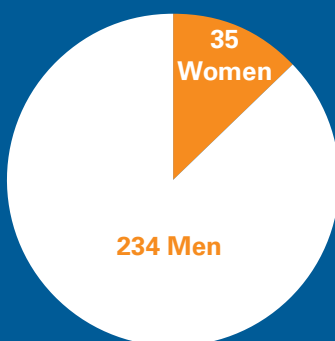


Figure 7

## Employees

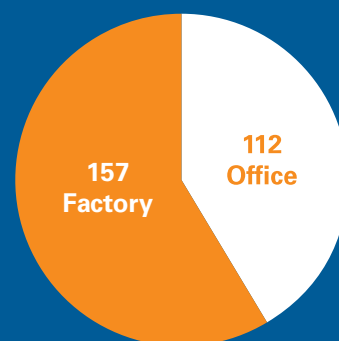


Figure 8

## Employees by region

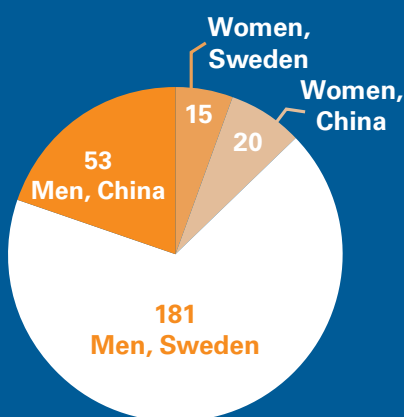


Figure 9

## Age and gender distribution 2016

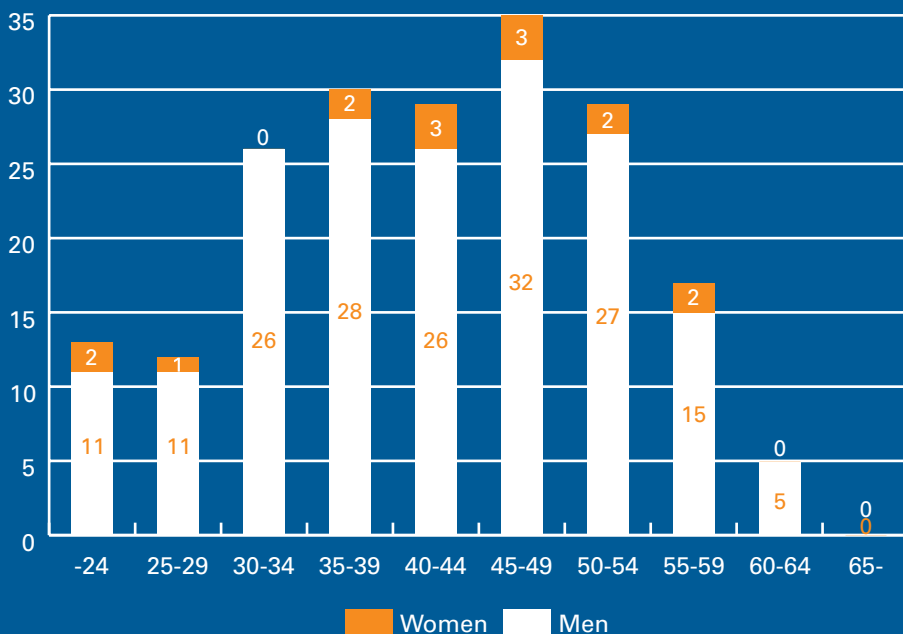


Figure 10

## Sick leave Activities Sweden 2016

Sick leave, short-term	2,4 %
Sick leave, long-term	1,3 %
Sick leave, total	3,7 %
Workplace accidents with sick leave (number/100 pers)	1 st
Injury rehabilitation	2 st

Figure 11

## Sick leave Activities China 2016

Sick leave, short-term	2,1 %
Sick leave, long-term	0,4 %
Sick leave, total	2,5 %
Workplace accidents with sick leave (number/100 pers)	0 st
Injury rehabilitation	0 st

Figure 12

Health and safety issues have been at the center of attention this year at our plant in Kunshan, China. Among other things, there have been "production safety controls" revisions arranged by the Chinese authorities. All revisions have produced the approved results.

### **Sick leave and occupational injuries**

Polykemi is working on the preventive measures against sicknesses and injuries. This is done in close cooperation with occupational therapists and wellness consultants.

Continuous implementation of training during working hours for employees who have incipient problems with back, neck and shoulders. Sick leave is discussed between employees and their line managers in order to be able to plan for the support and activities, to avoid long-term absences.

Sports and exercises have been in many ways a major issue for Polykemi. In 2006, the company opened a fitness and weight training facility named the Building project. Both employees and their families and friends use the facility.

### **Security Committees**

The security committee is responsible for the overall work on the working environment at the company; there are members who are developing goals and action plans for the various activities to be undertaken. We have security committees in both Sweden and China, consisting of: technical director, working environment specialists, production director, personnel director, department heads, and security representatives from various departments. In total, 12 units (4.0% of the staff) are working in security committees.

## **Equality and diversity**

The guiding role in our efforts to achieve positive diversity with greater openness is played by our equal opportunities policy and the policy against harassment.

### **Equal opportunities policy**

We believe in business that is based on openness and diversity. These both factors create a positive working environment and a greater opportunity for the company to achieve success in various areas.

It should not be an obstacle to work in our working environment based on gender. No one should be discriminated based on gender, age, religion, sexual orientation or ethnic or national background. We say no to all forms of discrimination. We do this by working actively on daily operations, management, directors and employees, and at the same time, we take responsibility to be aware and deal with discriminatory behavior. For 2016, no cases of discrimination have been reported.

### **Policy against harassment**

The employees at Polykemi AB should have a safe working environment where all members are treated with respect. One of the company's values is respect, which is about treating other people as you want to be treated, and showing respect for other people at all times. This includes not to be subjected to any kind of discrimination.

Polykemi AB does not accept that any employee exposes the employees to bullying, sexual harassment or sex discrimination. The implication is that if a person is guilty of harassment he or she may be subjected to a disciplinary action under the labor law system.

CEO is responsible for this policy. Responsible for this policy and measures implementation under the Action Plan is every person with personnel management duties, using the HR manager support.

### **Organization and employees**

On January 1, 2016, the number of employees throughout the Group was 269. See Figure 6-12 on page 20 for more information.

Polykemi is continuously conducting a salary survey in order to be able to see that the annual salary for the record is in line with the person responsibility and authority.

In Sweden, the corresponding average women's salary is 88% of men's average salary, and in China, the average women's salary is 56% of men's average salary. We are working to achieve a more equal pay order, and this is something we need to focus more on in the future.

We practice individual salaries and will soon introduce a model to facilitate the performance evaluation in relation to job requirements.





## Code of Conduct

Polykemi has The Code of Conduct since 2012 (see Fig.13, page 23), which applies to all employees in Polykemi Group. It has been written by the management team, which together with the Board is also responsible for its implementation for all employees. This is followed up in the management reviews. The Code of Conduct is also included in the introductory program for all new employees.

### Workshop on sustainable business development

On various occasions, we have implemented training programs and workshops concerned with CSR initiatives linked to a sustainable business development and our Code of Conduct. The training programs have been conducted in Sweden and China at different groups and departments.

At these workshops, we have clarified the different concepts and then discussed our core values linked to the company's sustainability efforts. Discussions were held on how the individual employee can contribute to the further development of sustainability initiatives. A special focus was laid on implementation of the company's Code of Conduct,

and all participants had an opportunity to discuss the Code's various components based on their own work situation. The workshop also addressed the situation with bribery and corruption, and bribery cases were discussed in the groups.

The result of the employees' discussions were that Polykemi's sustainability efforts need to be extended over the entire value chain, both backwards in the supply chain and forwards to the customers and consumers. The results have also showed that high ethical principles and non-corruption are very important for the way we conduct our business.

## Global Compact

The Global Compact (GC) was presented at the United Nations 'Millennium Summit' in 2000. GC provides a direction and tools for companies and organizations to positively influence the areas of human rights, working conditions, the environment and corruption in their business areas. Polykemi is not connected to the Global Compact, but supports the ten principles and has incorporated them into its Code of Conduct and policy (see Fig. 14, page 23)

## 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.

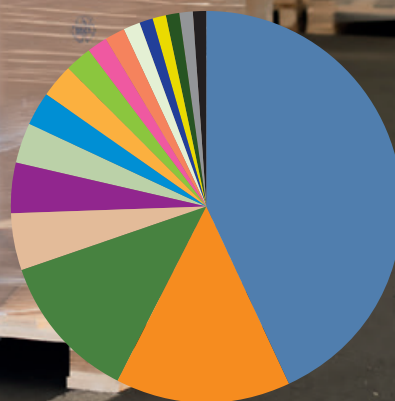
Figure 13

Figure 14





### Omsättning/land



- |             |         |          |             |
|-------------|---------|----------|-------------|
| Sweden      | Germany | Czechia  | Switzerland |
| Denmark     | Poland  | Hungary  | Belgium     |
| Netherlands | Finland | Estonia  | Iran        |
| Italy       | Norway  | Portugal | Lithuania   |
| France      |         |          |             |

Figure 15

# SUPPLIERS AND CUSTOMERS

## Suppliers

Polykemi has a supplier standard, which we have set for our suppliers' performance regarding, among other things, the products quality, safety, environment, chemicals, the Code of Conduct and human rights. The supplier standard has been designed to reflect the UN Global Compact ten principles.

The procurement department is responsible for implementing the supplier standards. The follow-up is made with supplier assessments, questionnaires, site visits and, in some cases, revisions. In 2016, work to implement supplier standards was continued both in Swedish as well as in Chinese operations.

The suppliers had approved all major global commodity suppliers and more than 90% of the total supply base by 2016 in accordance with the above standard. In 2016, 95% of new suppliers agreed to sign our supplier standards. We will try to continually improve and monitor our suppliers' performance.

## Local suppliers

Polykemi has an explicit focus on the different ways to support its local suppliers and traders. We know the importance of helping each other in various situations as much as you can for people living in a small city. We know that what we do for the local suppliers now can strengthen the vibrant commercial and business city Ystad. Therefore, Polykemi has chosen that in the situations where the conditions are principally the same, it should buy from the Ystad suppliers. This does not apply to raw materials used for production, but concerns those products and services that support production and marketing certain products and what is needed in our offices and by our administration. Of these purchases, 36% are purchases from the local suppliers.

## Customers

Polykemi seeks long-term relationships with the customers built on credibility and responsiveness. We can see a clearly defined link between the customer satisfaction and profitability - for both Polykemi and the customer. Therefore, regular visits to our clients is a great tool for us, helping to understand our customers' requirements, development, needs and preferences better, and to monitor our own performance. We believe it is also important that, as far as possible, we offer our customers to pay a visit to Polykemi. Annually, a respective agent is appointed who presents a subsidiary market report.

### Customer surveys

We also practice customer surveys in order to find out what our customers think about us. Their positive views about us is that we are very flexible and conduct a personal dialog with the customer. We also have technical support that helps our customers when it comes to fine-tuning of new materials, injection patterns or other projects.

Some customers sometimes feel that we have too high prices compared to our competitors. Some customers question our wide product range and think we should focus on a small number of materials for promoting these materials better future.

Using the reports, we can investigate and initiate general improvements for Polykemi, Rondo or Scanfill as a whole, for a specific market or for a specific customer.

The reports are submitted to the CEO and are further discussed together with the manager and the subsidiary or agent who propose decisions on any improvements and measures.



# ENVIRONMENTAL WORK

## Environmental work in Sweden

Polykemi and Rondo have had an environmental certification according to ISO 14000 since 1998. The certification provides an overall control throughout our environmental work, and we are implementing a number of different projects aimed to continuously develop the company and reduce our environmental impact. Every year, Polykemi and Rondo present an environmental report, in which all environmental objectives are recognized, external complaints and internal/external audit results are included.

## Environmental work in China

Environmental work in China continues, and under year 2014 certification, we are using the DNV certification body according to ISO 14001. ISO 14001 is the basis for systematic work for development of the goals and action plans in the environmental field for our Chinese operations.

## Environmental laws and policies

Polykemi uses an external RSM agent to evaluate legal requirements and compliance. Furthermore, we are connected to the law-monitoring system - Notisum in Sweden and Envitool in China, both of which ensure that we always have access to current legislation. Polykemi has never been guilty of any violation of environmental laws or local regulations.

## Environmental and CSR networks

Since 2001, Polykemi has participated in various environmental networks and CSR network. The networks provide the opportunity to discuss and develop environmental and sustainability issues with other companies as well as gain knowledge and tools for the environment and CSR work.

## Significant environmental aspects

The term 'environmental aspects' refers to business, products and services aspects that may affect the environment.

### Our own production

In terms of its own production, it is important to point out that the material is not hazardous to the environment, either in itself or in manufacture. The reason it is classified as a significant environmental aspect is that plastic polymers derived from crude oil are a limited resource that cannot be reproduced.

To reduce the hazardous impact is one of the company's goals of increasing the proportion of recycled plastic raw materials in manufacture. Our goal (2016) is that we should use at least 27% of recycled materials in our production.

### Spill and waste

All hazardous waste is recovered or disposed of, and we have agreements with Sysav AB that takes care of waste.

### Electricity consumption

By 2016, we have joined an energy efficiency network through cooperation with the county administrative board and the energy authority. The purpose and goal of this network is to make an energy survey that will be the basis for making energy efficiency in its operations. The goal is to make energy savings between 10-20% within the next three years. During Q1 2017, ÅF (Ångpanneföreningen) will conduct a comprehensive energy survey on our Swedish operations (Polykemi, Rondo Plast and Scanfill).





Material use	2016	2015
Total material use	53 657	41 838
Recycled material (ton)	13 789	10 124
Recycled material in % of material use	25,70%	24,20%
Recycled material (%) China	1,90%	Not reported

Figure 16

Carbon dioxide emissions during transport (ton)*	2016	2015
Incoming raw materials	6 101 ton	5 375 ton
Deliveries	2 527 ton	5 282 ton
Internal transports Rondo and Polykemi	2 ton	2 ton

\*Only results for Polykemi (not Polykemi China) Figure 20

Total waste weight	2016	2015
Burnable waste Sweden	832 ton	738 ton
Burnable waste China	19 ton	32 ton
<b>Recycled types Sweden</b>		
Cardboard	259 ton	221 ton
Plastic package	143 ton	156 ton
Metal	44 ton	28 ton
Electronics	0,5 ton	0,4 ton
Recycled types China (total calculation)	167 ton	127 ton

Figure 17

Hazardous waste (By selection)	2016	2015
Waste oils	1,7 ton	1,8 ton
Oil products fixed	0,3 ton	0,3 ton
From oil separator	57,0 ton	19,3 ton
Paint waste	0,5 ton	0,8 ton

Figure 18

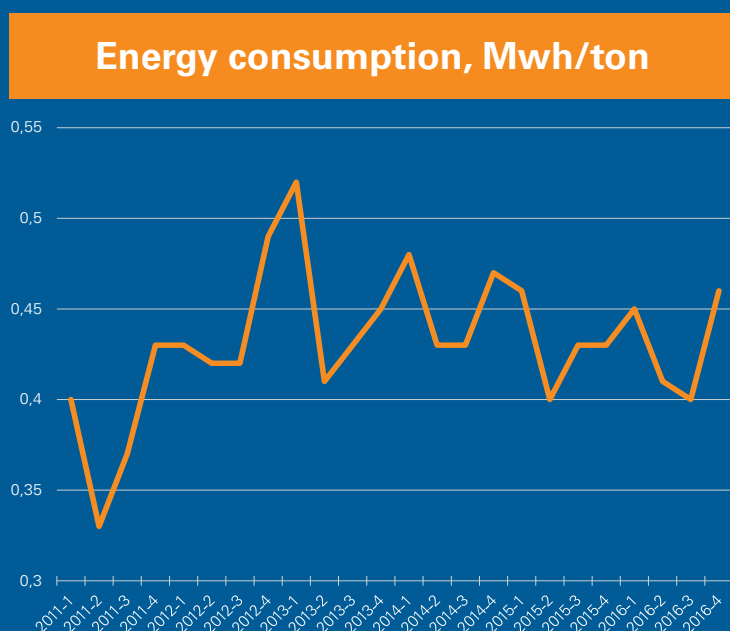


Figure 19

Water use	2016	2015
Polykemi	20 714 m3	17 132 m3
Rondo and Scanfill	13 449 m3	10 093 m3
Herrestad	211 472 m3	221 674 m3
Kina	332 m3 (drinking water)	1 548 m3
Total water use	245 967 m3	250 447 m3

Figure 21

Energy use	2016	2015
Direct energy use: Gasol	0,18 ton	0,26 ton
Indirect energy use	22 613 MWh	19 832 MWh
District heating	450 MWh	353 MWh

Figure 22

Measures to reduce energy use	
Area	Measure
Extruder speed	Speed optimization for different materials/processes.
Peripheral equipment - Fans - Lamps - Mixers	Must be automated to shut down when the process closes.
Measurement of electricity consumption	Install electric meters on all lines to improve 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	Install heat shields on our extruders.

Figure 23

The company has a cross-functional energy group with representatives from environmental and quality, maintenance (electricity) and production departments. These works are focused on reducing the company's energy consumption. Some of the important measures will come, see Fig. 23 on page 28.

In recent years, the company has saved 3.4 million SEK and 3,400 kilowatt hours. The energy goals are always in focus and are constantly prioritized.

We only use electricity and central heating for heating buildings and our businesses. Main part of our electricity consumption is in providing our extrusion lines with electric energy. The electricity we purchase comes 100% from the renewable energy sources, such as hydro, wind, tidal, solar and wave energies. The information about our electricity consumption is based on data from our electricity supplier Skånska Energi.

### **Water consumption**

The production uses a large amount of water to cool the produced plastic mass. The majority of water used is a reused water. The production uses a cooling system in the form of a cooling tower for reuse of the process water, which means both that less water is consumed and is recirculated in our tanks, and that energy is used to heat buildings.

In addition, there is also a certain amount of water from a municipal water source outside Stora Herrestad, with whom Polykemi and Ystad Municipalities collaborate. Polykemi then sends water to the municipal district heating system.

Water supply outside Stora Herrestad serves as a reserve source for Ystad Municipality, but for water supply to function, it must be continuously used. Therefore, Polykemi has an agreement with Ystad Municipality to use a certain amount of water from the water source.

### **Auxiliary chemicals**

The new EU chemicals regulation, REACH, entered into force on 1 June 2007. It contains many parts that will come into effect later. The first part, information in safety data sheet, began in 2007. The next part, pre-registration, was carried out in 2008.

Until December 2008, we pre-registered in REACH all the monomers that build up the types of plastic we recycle. We are known as a downstream user and therefore we have certain obligations, including in case of a substance use. All our Material Data Sheet (MSDS) are made in accordance with the new MSDS requirements that will contain information in 16 different areas.

Handling chemicals is a risk factor in production. This handling requires continuous training for our employees in the production that comes into contact with chemicals.

All employees in Sweden, who hold a managerial position, have been trained in our ECO Online chemical management system. The system handles both risk assessments and ensures that we have a current safety data on all chemicals that we are handling. In 2014, we introduced ECO Online in China, which means that we also have access to the Chinese Material Safety Data Sheets for our business in China.

### **Transportation**

A significant environmental aspect of the company is transportation. Shipments of various kinds have a big impact on CO emissions. The company currently uses large trucks for delivery of the company's raw and finished materials.

To reduce the environmental impact, our shipping and transportation department strives to optimize shipments to our customers. This is done by groupage traffic materials and by inventory at the subsidiary in the Czech Republic and concession stocks of a number of customers. Other environmental aspects that we are constantly trying to improve are business travels and travel to and from work.

Since 2009, the company has carried out a follow-up of CO emissions in our transport regarding shipments of the company's raw materials and ready-made materials. By 2016, we have begun introducing requirements (through new agreements) on our major transport suppliers to report their CO<sub>2</sub> emissions to our transportation services. This reporting will be based on the European Standard EN16258 (CO<sub>2</sub> emission calculation).



# SOCIAL RESPONSIBILITY

## 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
- IK Pandora fotboll
- Öja FF
- Hammenhögs IF
- Charlo, soccer girls
- GK Splitt
- Marsvinsholms Theater
- Solvatten Projektet
- Hope - cooperation between Karolinska Institutet (KI), Entrepreneurs for Good and Childhood Cancer Foundation.

## **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.



# DEFINITIONS AND EXPLANATIONS

**CSR** Corporate Social Responsibility – the company social responsibility.

## **Compounding - Extrusion**

The process we are using to produce our plastic raw materials.

## **Environmental aspect**

Elements of the organization's activities, products or services that interact with the environment.

## **Environmental Code**

Laws affecting our environment and our work with the environment in one place.

## **Environmental costs**

Costs that can be attributed to the measures aimed to prevent, reduce the environmental impact caused by the organization activities.

## **Environmental investments**

Investments to prevent or reduce the impact of the organization activities.

**Global Compact** UNO corporate responsibility initiative. Participating organizations are committed to support ten basic principles of human rights, labor, environment and anti-corruption.

**GRI** Global Accounting Initiative - has established voluntary comprehensive guidelines for the companies and organizations to report their sustainable development activities

**ISO 9001** Standard Requirements for the Quality Management System.

**ISO 14001** Standard Requirements for Environmental Management System OHSAS 18001 Standard Requirements for health and safety in the workplace.

**ISO 26000** Standard Guidance on Social Responsibility.

## **Sustainable Development**

Development that meets present needs without compromising the ability of future generations to meet their own needs.

**REACH** The EU chemicals legislation aiming at a safer handling of chemicals.

## **The Code of Conduct**

Guidelines for our company employees. Complemented with policies in the respective areas.

**Transparency** Openness about decisions and activities that have impact on the society, economics and environment.

**WSP Sverige AB** Organization that helps the region's businesses. The main focus is on the environmental issues and, more recently, CSR issues.

## **Auxiliary chemicals**

Chemical substances that are added to our compounds.

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