

SUSTAINABILITY REPORT 2022

*"If you stop getting better,
you stop being good"*

*- Hugo Jönsson,
the founder of Polykemi*

polykemi 

rondo  **scanfill** 

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pwc

Revisorns yttrande avseende 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 2022 och för att den är upprättad i enlighet med årsredovisningslagen.

Granskningens inriktning och omfattning

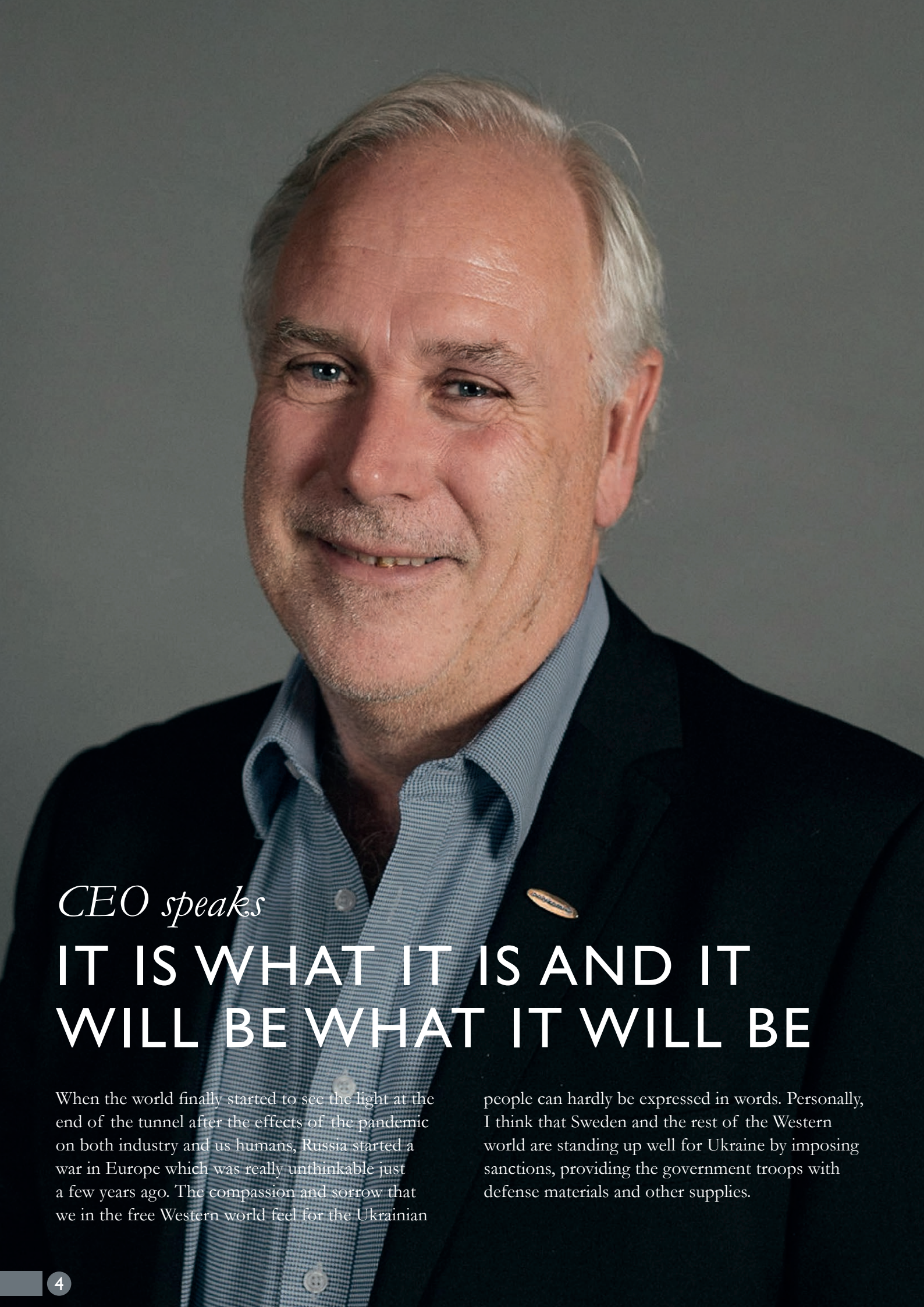
Vår granskning har skett enligt FARs rekommendation RevR 12 *Revisorns yttrande om den lagstadgade hållbarhetsrapporten*. Detta innebär att vår granskning av hållbarhetsrapporten har en annan inriktning och en väsentligt mindre omfattning jämfört med den inriktning och omfattning som en revision enligt 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 dag som framgår av min elektroniska underskrift
Öhrlings PricewaterhouseCoopers AB

Ann Rickard Nilsson
Auktoriserad revisor



CEO speaks

IT IS WHAT IT IS AND IT WILL BE WHAT IT WILL BE

When the world finally started to see the light at the end of the tunnel after the effects of the pandemic on both industry and us humans, Russia started a war in Europe which was really unthinkable just a few years ago. The compassion and sorrow that we in the free Western world feel for the Ukrainian

people can hardly be expressed in words. Personally, I think that Sweden and the rest of the Western world are standing up well for Ukraine by imposing sanctions, providing the government troops with defense materials and other supplies.

Another thing that was also almost completely unthinkable a few years ago was that we would experience high inflation (around 10%) in both Sweden, Europe and the United States. During the year, we have experienced that everything has become more expensive, which has not least affected the cost of our new factory in the United States, where we have constantly had to accept more expensive construction costs, installation costs, etc.

Another issue that has arisen during the year is the energy crisis that has affected both Sweden and the rest of Europe, where we can now see an energy shortage leading to a sharp increase in electricity costs. Part of this energy crisis is linked to the war in Ukraine, but for Sweden, it has been caused over several decades by the closure of electricity production facilities, primarily from nuclear power plants, which in turn have not been replaced by other energy sources. It is not only in Europe that there is a shortage of energy (electricity), but this is something we also suffer from in China. When we were about to start our new factory in Chongqing, China, the extreme heat suffered severely and the government decided to implement the "Power to the people" project, which meant that all the electricity supply to our new factory was shut down so that the population could stay at home and turn on their air conditioners.

A positive change during the year is that a lot of the delivery disruptions that we had on raw material deliveries in 2021 have more or less disappeared in 2022.

Another piece of good news is that the market's positive reception of Materialsmart® continues. During the year, we have expanded with additional LCA reports for Polykemi Kunshan and Scanfill, which will then also be incorporated into the Materialsmart® concept. Thus, we consolidate our position as one of the few (or only) suppliers that can report the CO₂ footprint of the products from our local production units, and of course the savings that can be made by choosing another polymer or some part of recycled material in the product.

Polykemi Group continues to grow internationally. As mentioned, during the year we have completed an additional factory in China (Chongqing) and a new factory in the USA (Gastonia, North Carolina). Both these investments are part of strategic initiative of the Polykemi Group to be a global supplier with local production on the three continents of Europe, Asia and North America. We see it as very important to be able to guarantee that our customers receive the same high quality materials regardless of which continent they have their own production on.

Once again, I can state that we have managed to handle the challenges in our business in an extremely good way during the past year. We are showing a tremendous amount of collective strength where we are constantly trying to find solutions in our daily work, both internally and together with customers and suppliers.

Trying to predict how the world situation will develop in the coming year has probably never been more difficult, but we still try. We expect a slightly lower volume next year and a budgeted result that will probably be slightly lower than last year, but still good enough to mean that we can continue to secure and develop Polykemi Group in the future.

A good source of quotes for the ending is from a Swedish movie called "The 100-Year-Old Man who Climbed out the Window and Disappeared" and his statement that: "It is what it is and it will be what it will be".



Ola Hugoson
CEO for Polykemi AB

IMPORTANT EVENTS DURING THE YEAR



OUR MATERIAL-SMART LIFE CYCLE ANALYSIS – NOW WITH THIRD-PARTY CERTIFICATION

In the autumn of 2021, Polykemi Group launched [materialsmart.info](https://www.materialsmart.info), a website based on a scientific study that helps our customers reduce their carbon footprint.

In order to further verify the objectivity of the study and the information that our specialists provide to our customers, we chose to have the study certified and validated by a third party.

The third-party certification was carried out by ESU-Services, the competence center for the LCA software Sima Pro in Switzerland, Germany, Austria and Lichtenstein. The excerpt below from their conclusions clearly validates Polykemi Group's methodology.

The goal and scope are appropriately defined. The methods used are scientifically and technically valid. The data used are appropriate and reasonable in view of the goal and scope of the study. The report is complete, clearly structured, and well-readable. Conclusions and recommendations are based on the results of the analyses and complies with the requirements of the ISO standards 14040 and 14044

reliability is important to us. Our customers and partners need to know that when they work with Polykemi Group, they can trust in what we say.

INVESTMENT FOR RECYCLED MATERIAL IN NEW PLASTIC COMPACTOR

At the beginning of the year we installed a new production line to process recycled materials. The new production line is a plastic compactor which can handle "difficult" recycled materials that have a diffuse shape.

The flow through the plastic compactor goes first through a mill and then on to rotating plates that press and twist the material together using frictional heat.

This compacts the material and, after granulation, forms 'compressed pellets'.

The plastic compactor enables us to handle a wider range of recycled materials available on the market while ensuring that we can offer our customers high quality recycled plastic materials.



POLYKEMI HELPS CUSTOMERS REDUCE THEIR CARBON FOOTPRINT

Based on the LCA analysis and our calculation tool that we use to analyze material choices, we have collaborated with our customers to guide them in making smarter material choices for their products.

One company that Polykemi has helped to reduce their carbon footprint is the Swedish family-owned company Separett. They have manufactured water-free toilets for more than 40 years and they focus strongly on sustainability, climate and the environment. By switching from ABS to POLYfill PP HBK1501515 white they save approximately 700 tonnes of CO₂ per year, which corresponds to emissions from close to 400 cars during the same period.

In addition to the savings made without compromising on function or quality, the chemical and UV resistance actually improved.

Another customer we have helped to reduce their carbon footprint is the Danish manufacturer EVBiler ApS. They manufacture and sell products for electric and hybrid cars, mobile and stationary charging stations and various related accessories.

EVBiler has a strong environmental profile and therefore wanted to change the material in one of its flexible holders for charging cables. The requirement was to keep the same strength of the material but with lower CO₂ emissions.

Our experts at Polykemi and Rondo Plast suggested a material change from ABS to recycled PP, which resulted in a saving of 4.25 kg of CO₂ per kilo of material, which was a saving of more than 80%.



POLYKEMI PRESENTS FULL ENVIRONMENTAL IMPACT

When sustainability is discussed, climate impact and CO₂ footprint are often mentioned, but this is not the whole picture. Polykemi has taken the next step and presented the latest developments in the Materialsmart® concept.

Over the past year, Polykemi has provided information on the importance of material selection when it comes to the climate impact of products. A major focus has been on the carbon footprint, but now Polykemi is broadening the perspective.

Climate impact is important and also the closest thing to talk about in relation to the Paris Agreement, to keep the increase of the global average temperature to a maximum of 1.5 degrees. However, climate impact is just one part of what is important and now we must also take a comprehensive approach to our consumption.

In our LCA analysis of the total impact of our materials, carried out in 2020-2021, not only the climate impact is included, but also the full environmental impact. The difference is that when analyzing the full environmental impact, a weighted result is given that, according to the EF 3.0 (Environmental Footprint 3.0) evaluation method,

contains a total of 18 different impact categories, of which climate impact (CO₂-e) is only one category.

In the case of fossil and mechanically recycled plastic materials, climate impact correlates with environmental impact. If you choose a material with a lower climate impact, you get a more favorable result also for the environmental impact.

DIFFERENT RAW MATERIALS GIVE DIFFERENT RESULTS

The same correlation cannot be demonstrated for materials coming from some other sources. One example is bio-based raw material, where the production itself has a major impact on other categories. Using a bio-based raw material to achieve climate savings can then, according to our analysis, mean a greater impact on the environment in general.

However, different biological sources have different impacts on the climate and the environment, so it is a complex issue. It is why it's important that when the use of bio-based raw materials increases, the perspective is also raised to avoid something that seems good in the short term but may have negative consequences in the longer term.



NEW FACTORY IN CHINA

The new 9,300 m² manufacturing unit in Chongqing is now complete and has started producing and supplying plastic compounds based on both virgin and recycled plastic raw materials by the end of Q3 2022.

Chongqing is one of the most growing regions in the country, with major universities and centers for both manufacturing and research. Many of our customers and their subcontractors are located in the area and now we can provide them with even better service.

In the new plant, Polykemi has initially installed two compounding lines and they mostly produce compounds based on PP, PA6, PA66, PC and PC/ABS.

Based on the mix of material types and the predicted order volumes, we expect the capacity of the two machine lines to be between 4,500 and 5,000 tonnes per year



NEW FACTORY IN THE USA

The investment in the Gastonia plant outside Charlotte, North Carolina, is the largest single investment in our company's history and enables optimum conditions for further growth on the North American continent.

This means that we now have our own production on three continents. We will produce the same customized plastic compounds based on both virgin and recycled plastic raw materials in North America that it currently supplies in Asia and Europe, and can guarantee customers the same high quality delivered from all of our global factories.

The plant is about 50 000 square feet (5000 m²), it's expandable up to 100 000 square feet (10 000 m²) and will initially be equipped with two production lines

Unfortunately, during the year we have had several delays in our renovation and extension of the new factory, so the planned start has now been postponed to January 2023.

OUR SUSTAINABILITY WORK

The Polykemi Group this year publishes its 12th 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 2022 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. As in last year's report, published on April 17 2022, we have done another division of our substantial areas, whose aim shall be to clarify our most important sustainability areas (see Figure 7 on page 21).

This sustainability report covers the Group's operation at the Polykemi, Rondo Plast and Scanfill companies, as well as Polykemi Compounds Ltd. in China and Polykemi Inc. in the USA. The term "Polykemi Group Sweden/SE" in the report includes Polykemi, Rondo Plast and Scanfill. Unless otherwise stated, the reported results apply to the entire Polykemi Group. The accounting principles are the same for all companies in the entire Group.

Any 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 2022.

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 12 on page 27).

ENVIRONMENT AND CSR WORK SWEDEN AND USA

Polykemi, Rondo, Scanfill and Polykemi Inc. (USA) are environmentally certified according to ISO 14000:2015. Our new production site in the US (Gastonia) will be certified in 2023 once the factory and operations are up and running. The environmental management system governs all our environmental work, and we conduct a number of projects in order continually to improve and to reduce our impact on the environment. Every year, Polykemi Group compiles an environmental report, in which all priority environmental aspects, goals, improvements and results in the environmental area are presented.

CHINA (POLYKEMI COMPOUNDS LTD)

The environmental work in China continues and we have been certified in accordance with the ISO 14001 environmental standard at the Kunshan factory since 2014. We will start working in 2023 on the ISO 14001 certification of our new production unit in Chongqing. The ISO 14001:2015 environmental management system forms the basis for our systematic continued work in developing goals, action plans and improvements within the field of environment for Chinese operation.

LAWS AND GUIDELINES WITHIN ENVIRONMENT AND CHEMICALS

Polykemi Group uses an external consultant (Ramboll) to carry out audits of our operations, thereby ensuring that we comply with all legal requirements. 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 in



Figure 1

the country in question. During the past year (2022), Polykemi Group has not committed any violations of environmental legislation or local directives. Polykemi Group 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 chemical ordinance, REACH, came into force on 1 June 2007. REACH contains among other things rules for registration of substances, prohibitions or other restrictions of substances, requirements for permits for particularly dangerous substances and rules for informing customers. A company that manufacture, import or sell goods or chemical products in EU/EES are obliged to follow these rules.

The REACH regulation also contains rules for users of chemical products. All substances are covered by REACH and so consequently, most companies within the EU are affected by the regulation. In order to fulfil the requirements of the regulation are all companies affected forced to identify and handle the risks connected to the substances that you manufacture, import or sell within the EU. Everyone who uses chemicals in our line of business must comply with these regulations.

All chemicals handled by Polykemi Group must be in accordance to the demands on MSDS, and that can contain information on 16 different areas. All MSDS is on our management system for chemical handling, Eco Online, and is accessible for all employees. Eco Online also has system support against the REACH legislation and its various lists such as the authorisation list, the restriction list and the candidate list. In China, we have the same chemical management system (Eco Online) which ensures that we have access to up-to-date MSDS data for all chemicals we use in our operations.

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 2 on page 13. 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.

During the year we have involved ourselves in activities connected to the 17 global sustainability goals. Locally, we have participated in a network arranged by the local business unit in Ystad Municipality and "Tillväxt Syd", called "a smorgasbord for new businesses".

The goal with the network is to create a basis for a sustainable industry by displaying areas with competitiveness, economic gain, new business, competence provision and working in line with UN global sustainability goals.

During the year, Polykemi has also been represented in a film series called "[Global Thinkers](#)", together with two other companies involved in the network.

In this Sustainability Report we have chosen to link the GRI indicators to the Global Goals, see GRI index page 52-55. The goals that Polykemi Group has the greatest opportunity to influence are goal no. 8, 9, 12, 13, and 14. These goals can also be linked to existing activities and goals within the Polykemi Group.

EU TAXONOMY REGULATION

The Polykemi Group recognizes that the EU taxonomy framework is evolving and that our reporting will evolve as more targets are adopted and more guidance and practices are established. We are also aware that the EU is considering introducing additional technical review criteria. Currently, none of the Polykemi Group's products or services are associated with economic activities covered by the EU Taxonomy Regulation.

OUR VALUE CHAIN

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
	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 fiberglass	Used as reinforcements in plastic compounds			
Raw materials	Elements	Manufacture of additives, pigments, etc.	Used to add specific properties and color the plastic	<ul style="list-style-type: none"> Material selection (CO₂ impact) Product range Transport Resource-efficient production Sustainable and recyclable products 	<ul style="list-style-type: none"> Material selection (CO₂ impact) Product range Resource-efficient production Sustainable and recyclable products 	<ul style="list-style-type: none"> Material selection (CO₂ impact) Sustainable and recyclable products. Reduce plastic into nature and water (microplastics)
	<ul style="list-style-type: none"> Access to raw materials Service conditions Impact on nature, emissions etc. 	<ul style="list-style-type: none"> Product quality Transports Service conditions Energi & resursanvändning 	<ul style="list-style-type: none"> Efficient use of resources Profitability Product quality Service conditions Expertise & values Community involvement 			
Important issues	Supplier selection Selection of raw materials Cooperation with our suppliers	Supplier selection Selection of raw materials Cooperation with our suppliers	<ul style="list-style-type: none"> Environment & quality management system (ISO 9001 and ISO 14001) Product development Responsible market behavior (values) Systematic handling with work environment Cooperation & community involvement 	<ul style="list-style-type: none"> Materialsmart.info Product development Marketing Technology training together with customers Customer Interaction 	Same as above	Same as above
Our approach	Recycled material	Processing of recycled material (sorting, grinding, mixing etc.)	Manufacture of custom plastic materials (granules)	Same as above	Same as above	Same as above
Rondo Plast						

Figure 2

OWNING STRUCTURE POLYKEMI HOLDING GROUP

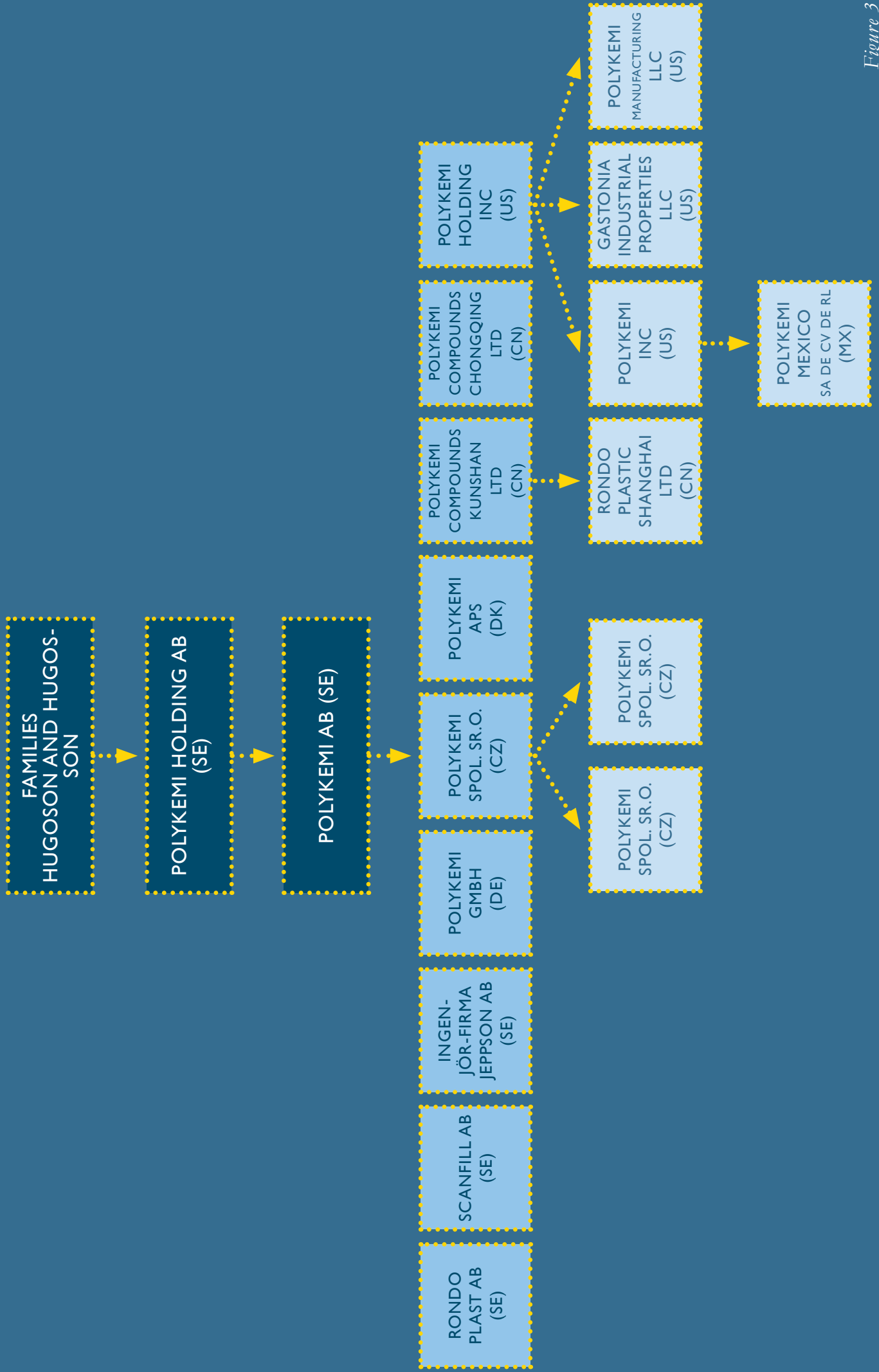


Figure 3

POLYKEMI GROUP

KEY FIGURES



BRINGS OUT THE BEST IN PLASTICS

	2022	2021
Turnover (mSEK)	1358	1180
Result (mSEK)	75,1	146
Equity ratio (%)	58	65
Employees*	228	231

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

POLYKEMI COMPOUNDS LTD (KUNCHAN, CHINA)

	2022	2021
Turnover (mSEK)	189	182
Result (mSEK)	20,3	16
Equity ratio (%)	85	75
Employees	73	82

POLYKEMI INC.

	2022	2021
Turnover (mSEK)	100	70
Result (mSEK)	7,2	6,5
Equity ratio (%)	70	59



BRINGS OUT THE BEST IN PLASTIC RECYCLING

	2022	2021
Turnover (mSEK)	244	189
Result (mSEK)	18,9	19
Equity ratio (%)	79	80



BRINGS OUT THE BEST IN PACKAGING

	2022	2021
Turnover (mSEK)	70	58
Result (mSEK)	8,7	4,5
Equity ratio (%)	92	92

SUBSIDIARIES

Denmark, Germany and Czechia

	2022	2021
Employees	11	11

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 reinforcements and fibres in a large quantity of various polymers, and our 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 Group is a family-owned company with 301 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 includes the parent company, Polykemi AB, as well as Rondo Plast AB and Scanfill

AB, which are also located in Ystad. In China, we now have two companies and production units, and on the other side of the Pacific Ocean in the USA we have been around since 2013, but now also have our own factory. In addition, there are also our own subsidiaries and sales offices in Denmark, Germany and the Czech Republic. The companies that make up the Polykemi Group are further presented in Figure 3 on page 14.

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 4 on page 17. In 2022, 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. The management's review, which includes the reporting of sustainability work, is held four times a year and the sustainability report, which is compiled once a year (sustainability data according to GRI Standards Core), is an accounting tool that strengthens communication between owners, the board and employees. The governance of our sustainability work is presented in Figure 5 on page 17.

THE BOARD CONSISTS OF

INTERNAL

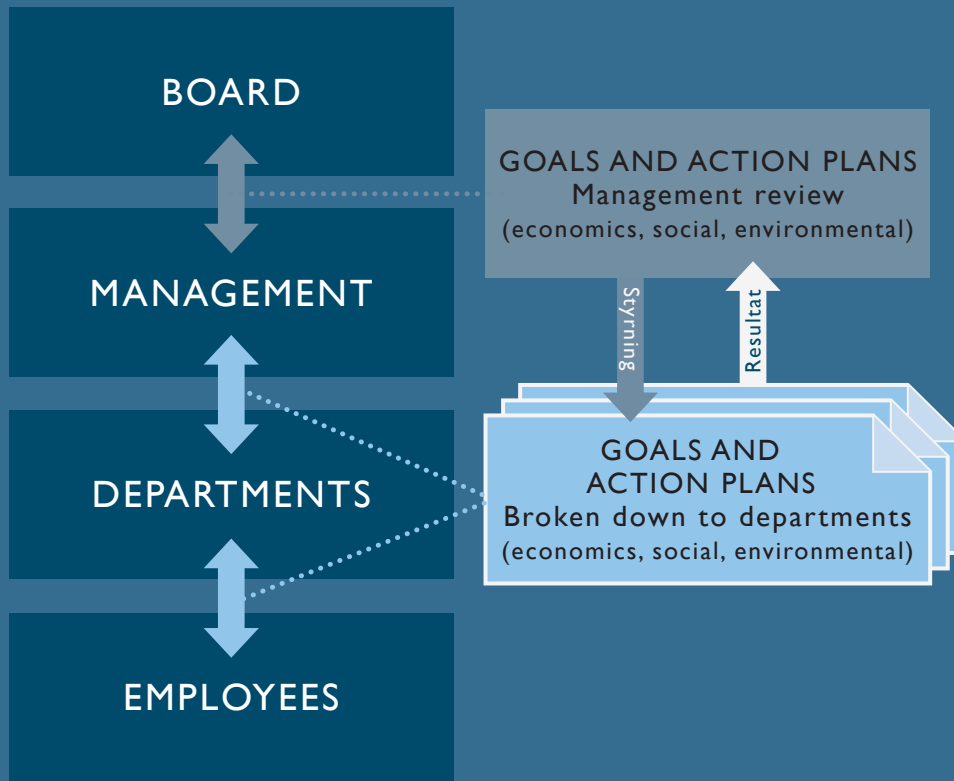
Ola Hugoson b. 1957
 Lars Hugosson b. 1962
 Nermin Sazic b. 1972
 (Union representative)

EXTERNAL

Torbjörn Wistrand b. 1948
 (external chairman of the board)
 Erik Haegerstrand b. 1959

Figure 4

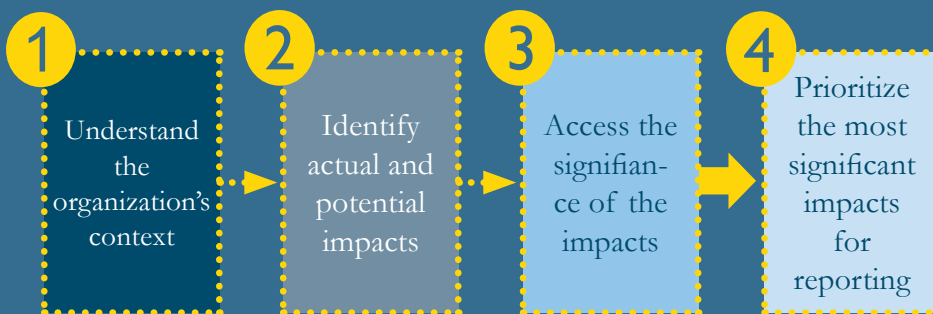
MANAGEMENT OF SUSTAINABILITY WORK



The CEOs of Polykemi Group has overall responsibility for managing the daily business. The CEOs of the companies, who is also board members and owners, reports directly to the Board of Polykemi Group, which also determines the companies' 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 5

THE 4 STEP MODEL



OWN PRODUCT SUSTAINABLE PLASTIC

- Energy consumption
- Transports shipment
- Recycled plastic material
- Renewable plastic material
- Product development
- Waste material

RESPONSIBLE BUSINESS

- Customer relations
- Supplier relations
- Polykemi values
- Code of Conduct

ATTRACTIVE EMPLOYER

- Health and Safety
- Competence and Leadership
- Equality and diversity

COMMUNITY ENGAGEMENT

- Social commitment

Figure 6

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 constantly trying to develop ourselves, get better at what we do and continue to be where our customers are, to be a local producer and global supplier.

SCANFILL AB

Scanfill was founded in 2008 and is an innovative knowledge company that delivers environmentally friendly packaging material. Our products meet the markets requirements in terms of sustainability and the environment. We care about the earth's resources, consciously working to ensure that our products have as little impact on our climate as possible.

Scanfill produces environmentally friendly packaging material and we have two specializations regarding material selection; Scanfoil and Scanfill Foil.

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 significantly in the future.

Scanfoil is our traditional packaging materials based on PP, PE, PS or PET. Scanfill Foil is our second concept, half filled with minerals. Both of our approaches are climate smart and we focus on choosing the right plastic in the right place.

All our materials can be made from recycled raw materials or customized towards more high-tech material choices for more demanding products. Our materials are approved for food contact and are 100% recyclable.

POLYKEMI INC. (USA)

We have had an American-registered sales company since 2013, Polykemi Inc. There is since a few years back an established cooperation between two American companies (Celanese and Trivalance Technologies) that can produce material locally in the US for Polykemi. During the recent year, Polykemi have started with several projects in the US and a large part of these material are based on recycled materials. Our assessment is that business will continue to develop further on the American market during the coming years.

The American partners in Evansville, Indiana, US, is certified on accordance to the quality standard for ISO 9001 but is still not certified in accordance to environmental standard ISO 14001.

As we presented under "Important events during the year", we will start our own manufacturing unit in Gastonia outside Charlotte, North Carolina, which is expected to be completed in January 2023. The new factory in the US means that we will have our own manufacturing on three continents. We can guarantee the same high quality of both virgin and recycled raw materials, as well as the same color of the material supplied from all our factories.

Polykemi Inc. will produce the same materials (both recycled and virgin) in the US as Polykemi already does in Europe and Asia. In addition, delivery to US customers will be directly from the North Carolina plant, saving time, costs and the environment.

When our business is up and running, we will certify the new facility in Gastonia according to both ISO 9001 and ISO 14001. These certifications, in turn, lay the groundwork for us to gather more sustainability data about our manufacturing operations in the US.

POLYKEMI COMPOUNDS LTD KINA (KUNSHAN & CHONGQING)

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.

We see the same trend in China as we see in Europe, that the interest from our customers to use recycled plastic is constantly increasing. Therefore, we have invested in equipment (mill, mixing system and metal check) to upgrade recycled plastic raw material as well as quality control via XRF and DSC. We have also strengthened the purchasing department to be able to increase activity to find the right sources of raw materials for recycled plastic.

The investment in refining and compounding materials is progressing in our Chinese factories and we see great potential for strong growth in the future.

As presented under "Important events during the year", we have built an additional factory in China (Chongqing), which is the center of many car manufacturers in China.

The general 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 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 "If you stop getting better, you stop being good" succinctly summarises this message.

STAKEHOLDER ANALYSIS

At Polykemi Group, 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 Group 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 Chongqing) and also in the future in the USA (Gastonia, North Carolina), afford us a continual dialogue with stakeholders even at the local level.

COMMUNICATION WITH STAKEHOLDERS

Polykemi Group 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 Group. 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 7 on page 21, 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.

SUSTAINABILITY - MATERIALITY

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.

In 2017, we developed a framework in which we categorized our main aspects into four sustainability areas for Polykemi Group. The purpose and goal of the framework was to provide a clearer overview and connection between GRI and our business.

This work resulted in the following 4 main aspects:

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

To identify the material sustainability areas of Polykemi Group, we have used the so-called 4 step model described in GRI 3 (see figure 6 on page 17). We have also used the previous four main aspects (see above) for our work on developing our material sustainability areas. Below is a brief summary of the work on identifying our material sustainability areas according to this model.

1) In the first step, we have started from our vision called Golden Globe, which extends from 2021-2031. In this vision document, there are forecasts and goals that include the overall parts of the Polykemi Group in terms of business plan, volume growth, number of employees, which markets we will be in and other sales strategy regarding which products we will sell and market. In our vision Golden Globe we clearly state that we will be a local producer and global supplier and this is also something that we have considered in this step. By developing the dialog with the stakeholders that we have today, we will be able to ensure the continued development and sustainable growth of our business.

2) In this step, we have identified our actual and

KEY STAKEHOLDERS	DIALOGUE SESSIONS	PRIORITISED AREAS
Customer	Customer visits of salesman/ technician Market research	Code of Conduct Social commitment Customer relationships
Owner	Annual meeting	Code of Conduct Recycled raw materials/techniques Waste/spill
Board	Board meeting	Code of Conduct Recycled raw materials/techniques Waste/spill
Co-worker	Performance reviews Department meeting Shift meetings	Code of Conduct Customer relationships Social commitment
Supplier	Supplier visits Procurement process/ contract	Recycled materials Supplier relationships Social commitment
Local community	Municipality Contacts Association Contacts	Social commitment Expertise Recycled raw materials/techniques
Authorities	Authority visits	Social commitment Expertise Recycled raw materials/techniques

Figure 7

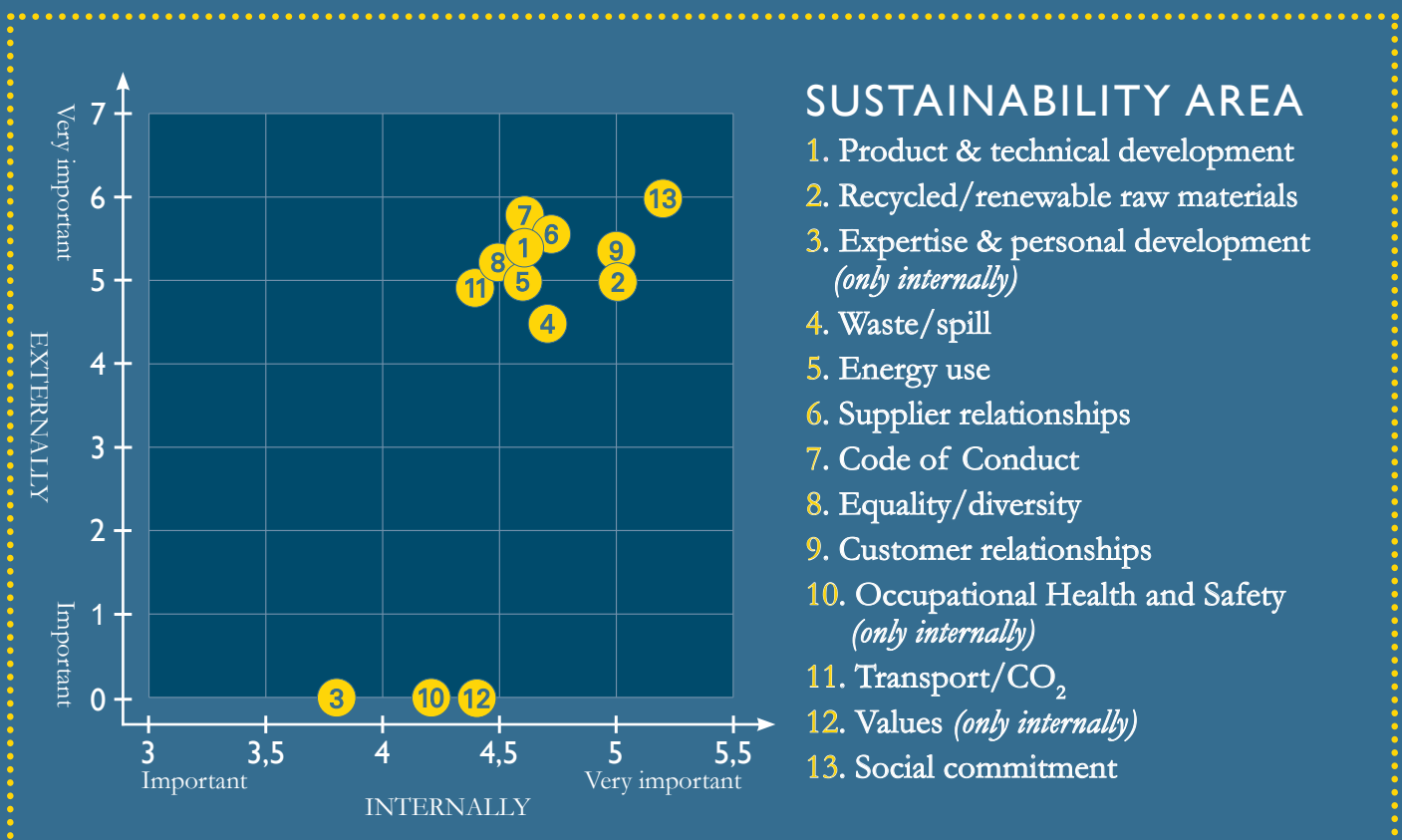


Figure 8



polykemi

BRINGS OUT THE BEST IN PLA

www.polykemi

51%

fewer tons of rejected material at our factories in China.

potential impacts on the economy, environment and people, including impacts on their human rights, across the organization's activities and business relationships. These impacts include negative and positive impacts, short-term and long-term impacts, and intended and unintended impacts.

When we engage with our stakeholders and ask questions related to our materiality analysis, we use an external company to manage this dialog. We consider it extremely important that we get a fair picture of our stakeholders and that they should not feel influenced by a person working at Polykemi. The compilation of the responses and results from the stakeholders are compiled anonymously, which allows us to obtain information that may not have been revealed otherwise.

An important part of the contact with stakeholders is now also that we have two new production sites (Gastonia, USA and Chongqing, China) in the Polykemi Group, which makes us an even more global company operating in more markets.

NEGATIVE IMPACTS

We have analyzed possible negative effects that our business can lead to, but in our analysis we cannot find any direct negative effects that our business contributes to. Since we are a plastic industry and when heating plastic, a plastic odor can sometimes arise that some may perceive as disturbing, but with the right technology and process management, there is very little plastic odor. We always strive to have an open dialog with the local community in which we operate and if people in our vicinity have questions, it is always good to contact us.

POSITIVE IMPACTS

Through our concept of Materialsmart®, which is an integrated part of our business model, we contribute to a more sustainable future by helping our customers to find a plastic material with as low a CO₂ impact as possible, but which still meets the criteria that exist in the area of use for the final part. Today, the share of recycled material used in our production is about 25% and we see a great potential for this share to increase significantly in the coming years. Our business requires energy to heat and melt our plastic and in Sweden we always buy green electricity that comes 100% from water and sun. In our other countries (USA and China) we

work actively to find suppliers of electricity that can guarantee as low a CO₂ impact as possible.

3) In this step we will use the following elements to assess the severity of an actual or potential negative impact based on the following characteristics:

- Scale: how serious the impact is.
- Extent: how widespread is the impact
- Irremediable nature: how difficult it is to counteract or repair the damage caused.

As previously described, we have not been able to analyze any direct negative effects of our activities except for plastic odor, which according to the above assessment criteria is a very low impact.

When it comes to the assessment of the positive effects of the Materialsmart® concept, the probability that this will contribute to lower CO₂ on plastic materials that we put on the market is very high. Similarly, the probability is very high that we will increase the proportion of recycled material and thereby be part of the circular system to be able to utilize the plastic from both consumers and industry.

4) In this step, we have determined which material topics and impacts we are prioritizing for our sustainability reporting. We have used our 4 main areas to prioritize our topics and impacts:

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

For a topic to be prioritized in the list, we have set the following criteria:

- Comply with Polykemi Group's business ethics and our business plan.
- Contribute to the Global Goals (2030).
- Contribute to the achievement of the Paris Agreement (not exceeding the 1.5 degree target).
- Comply with and reinforce our values, Code of Conduct and our policies.

The topics that have been prioritized have also been discussed in the management team, the board of directors and with external sustainability experts to assess these topics.

At the end of 2020, we conducted a stakeholder analysis that forms the basis for the sustainability work for 2021-2022. The results of this stakeholder analysis have been discussed and processed in various forums, including the board, management group and various working groups.

At the end of 2022, we have started work on a new stakeholder analysis that will be completed in early 2023, this stakeholder analysis will in turn form the basis for the sustainability work for 2023 - 2024.

PRIORITISED AREAS

The stakeholder analysis, which was carried out at the end of 2020, was conducted with telephone interviews and includes a total of 46 stakeholders distributed as follows:

- 16 employees
- 5 owners/board
- 15 customers
- 8 suppliers
- 2 government contacts

The questions from the stakeholder analysis cover the areas in Figure 8 on page 21. The questions are valuation questions that are answered with 1 = very bad to 6 = very good and supplemented open questions. The employees and owners/board have answered all questions while other stakeholders have answered selected questions.

Compared to the last stakeholder analysis conducted in 2018, the perception from external stakeholders has improved for own product, responsible business, attractive employer and social engagement, which remain at the highest level. Internal stakeholder views have improved for attractive employer. It's unchanged for own product and responsible business, and decreased slightly for social engagement.

Based on the description of the most prominent areas, a very positive picture is given, both externally and internally. Internally, we are perceived as a family-owned company with short decision-making paths, commitment and a long-term view in terms of personnel and investments. It is felt that all employees are well looked after and cared for.

Externally, we are perceived as innovative, flexible and constantly developing. Other things that are highlighted externally are that we develop products

that have high product quality, are customer-focused and have a high level of technical expertise and support.

Essential or highest ranked for employees is recycled plastic/renewable raw materials, for owners/management it is social engagement, for customers and suppliers it is the Code of Conduct, for government it is social engagement that is top ranked. Internally and externally, social commitment is the highest ranked. An interesting comparison is between customers and suppliers as they have the same ranking; Code of Conduct, product and technical development, customer and supplier relationship, see figure 9 on page 25.

RISK ASSESSMENT

All stakeholders have responded to the risk questions and rated the areas from 1 = very low risk to 6 = very high risk. The risk assessment we carry out as part of the stakeholder analysis covers the following areas:

- Work environment
- Energy use
- Chemicals
- Competence/staff development
- Waste/spill
- Transport
- Product/technical development
- Oil availability
- Increased tax on plastic products
- Ownership

Ownership is assessed as the lowest risk by both internal and external stakeholders. The biggest difference in assessment is in chemicals and product/technical development where external stakeholders indicate a higher risk than internal stakeholders. Our external stakeholders indicate the highest risk for increased taxes on plastic products. The results of the risk assessment are presented in figure 10 on page 25.

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 COMPARISON - HIGHEST RANKED

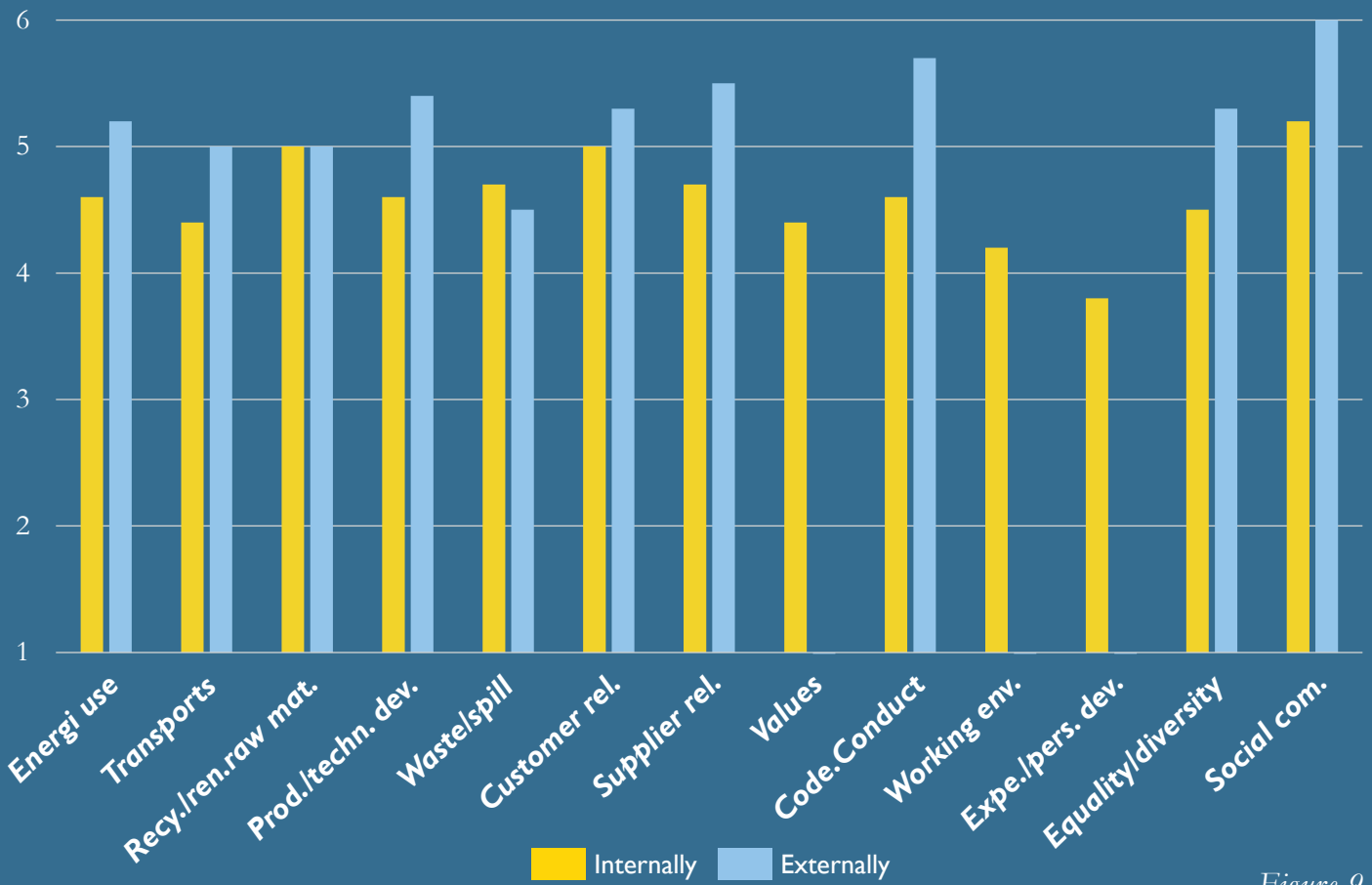


Figure 9

RISK COMPARISON

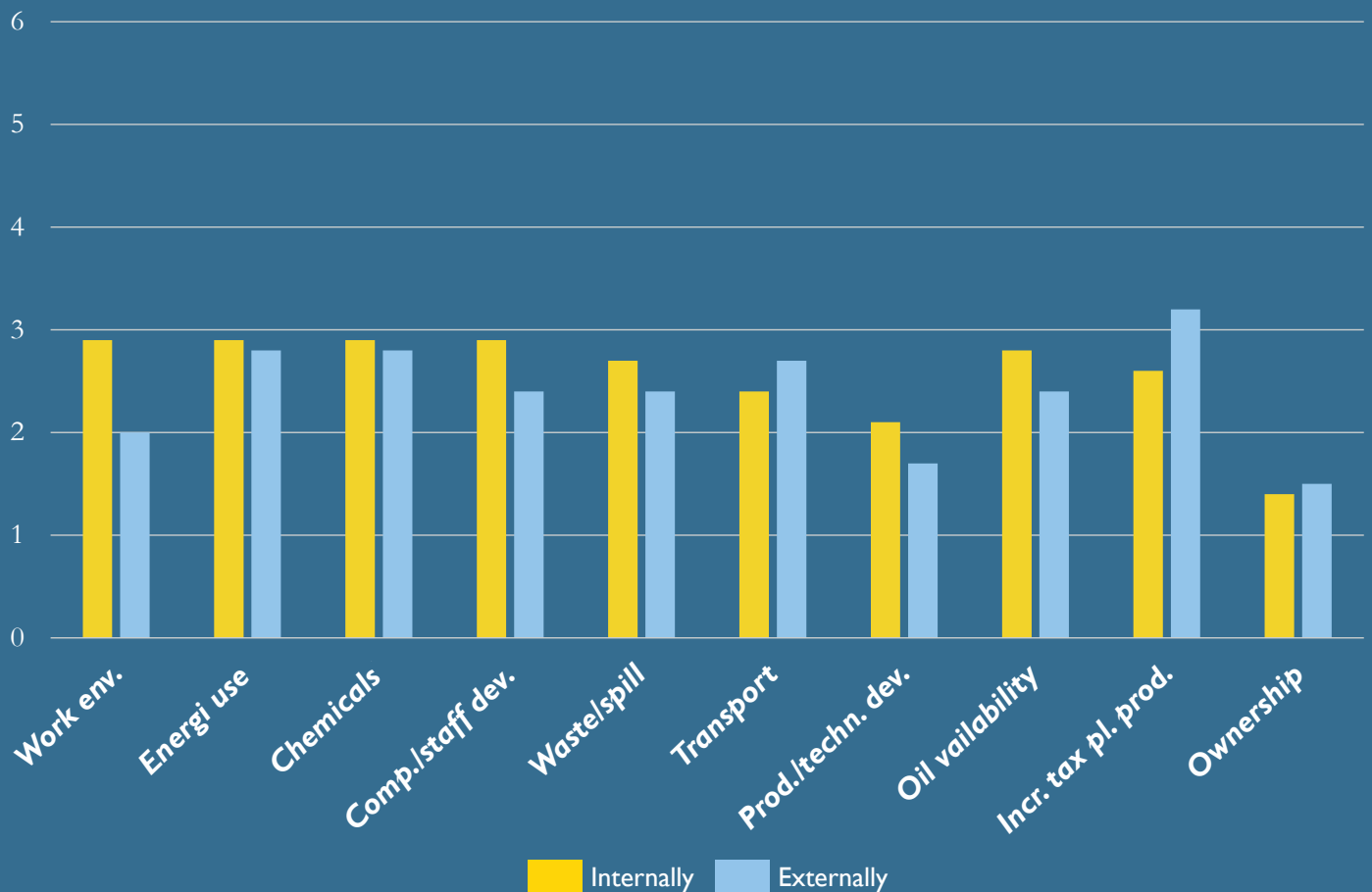


Figure 10

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 impact)
- Recycled/renewable raw materials (LCA - CO₂ impact)
- Product development
- 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 Group 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 Group'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 2022*	GOALS 2023*
 OWN PRODUCT SUSTAINABLE PLASTIC	Energy use	Polykemi Group SE Suppliers SE	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	0,405 MWh/ produced ton
	Transports	Polykemi Group SE Suppliers SE Community SE	Environmental policy Environmental action program 2018 - 2020	305-3 Other indirect GHG emissions - Scope 3	Reduction of CO ₂ by 15% up to 2020. (base year 2015)	Reduction of CO ₂ by 40% up to 2030. (base year 2020)
	Recycled/renewable raw materials Production/technical development	Suppliers SE Polykemi Group SE Customers SE	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 > 21,4 % Biomaterials > 2 tons/year	Share of recycled material > 25% Biomaterials > 200 ton/year (2024)
	Waste/spill	Polykemi Group SE Suppliers SE	Environmental policy Environmental action program 2018 - 2020	306-2 Waste by type and disposal method	Production waste < 2,50 %	Production waste < 2,3%
 RESPONSIBLE BUSINESS	Financial results	Owners - Polykemi	Board, Owners, management	201-1 Direct economic value generated and distributed	Profit > 9,7 %	Profit > 9,4%
	Customer and suppliers relationships	Polykemi Group 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	96% approved suppliers 0 st	> 90% approved suppliers 0 st
	Values, anti-corruption	Polykemi Group 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 Group SE Suppliers SE Society SE	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)
 ATTRACTIVE EMPLOYER	Working environment	Co-workers SE	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 5,5 %	Sick leave < 3,1%
	Expertise/personal development	Polykemi Group SE	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 Group	Equality Policy	405-1 Diversity of governance bodies and employees	Target number missing	Target number missing
 COMMUNITY INVOLVEMENT	Social commitment	Polykemi Group	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.

OUR OWN PRODUCT – SUSTAINABLE PLASTIC



The main product that we purchase, 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:

- Materialsmart® - CO₂ impact of materials according to Scope 3 (based on Polykemi LCA report)
- Energy use
- Transports (CO₂ impact)
- Recycled/renewable raw materials
- Product development
- Production/process technology development
- Waste/spill

RECYCLED PLASTIC RAW MATERIALS

The increased focus on the global environmental situation has in many ways changed the perspectives of producers and consumers. The modified view has entailed, for example, 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 40 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.

The goal for Polykemi Group is to increase the proportion of recycled plastic raw material in our production. The goal (2022) for Polykemi Group Sweden is to use at least 25% of recycled material in our production.

RENEWABLE/BIO-BASED MATERIALS - ISCC PLUS CERTIFICATION

We have noticed an increased demand for Bio-based materials from our customers and this also requires an ISCC plus certification of us as a company and business. Polykemi Group Sweden has therefore taken a decision to initiate a certification process (3rd party certification via DNV) in early 2023.

BACKGROUND TO ISCC PLUS CERTIFICATION

Certification to the ISCC PLUS standard provides recognition for recycled and bio-based materials that may be waste from other production processes,

but can now be used as raw materials in a variety of applications from packaging to textiles. ISCC PLUS certification provides traceability along the value chain and verifies that companies meet critical environmental and social standards in this emerging field.

Today, a number of fossil-free material alternatives are also available on the market. These fall under the category of biomaterials. The raw material for the production of biomaterials can be e.g. starch from corn, sugar or cellulose and is called biomass. Thanks to new methods and a more sustainable approach, technologies have been developed to produce the gas from renewable raw materials such as tall oil, recycled vegetable oil, forestry and food industry residues.

To ensure that the materials are produced under sustainable conditions, ISCC PLUS certification is required. This guarantees that as much fossil-free (bio-based) plastic raw material is added to the incoming plastic raw material as is present in our outgoing finished plastic compounds. The principle is called mass balance and works in the same way as when you, for example, sign an electricity contract with renewable energy.

ISCC PLUS certification is based on six fundamental principles relating to ecological, social, economic and legal requirements. In addition to nature protection, the protection of workers' rights or the payment of fair wages, for example, are relevant to passing the audit.

The areas covered by the certification are:

- Conservation of natural areas characterized by high biodiversity or which can store a lot of carbon (High Conservation Value = HCV).
- Application of 'good' agricultural practices, such as maintaining soil fertility or preserving water quality and reducing the use of pesticides.
- Safe working conditions are maintained, e.g. by training employees and providing appropriate protective clothing.
- Compliance with human rights and labor laws and ensuring responsible working conditions that promote health.
- Compliance with applicable laws and regulations.
- Adherence to good governance practices.

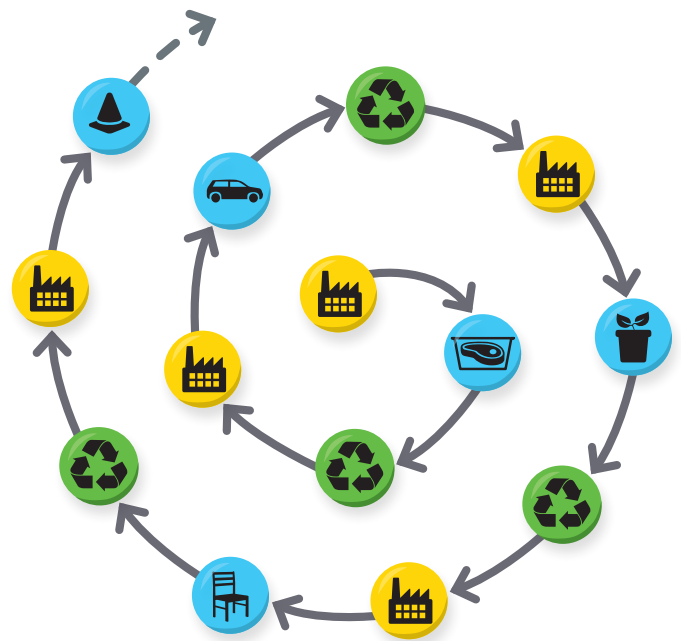


Figure 13

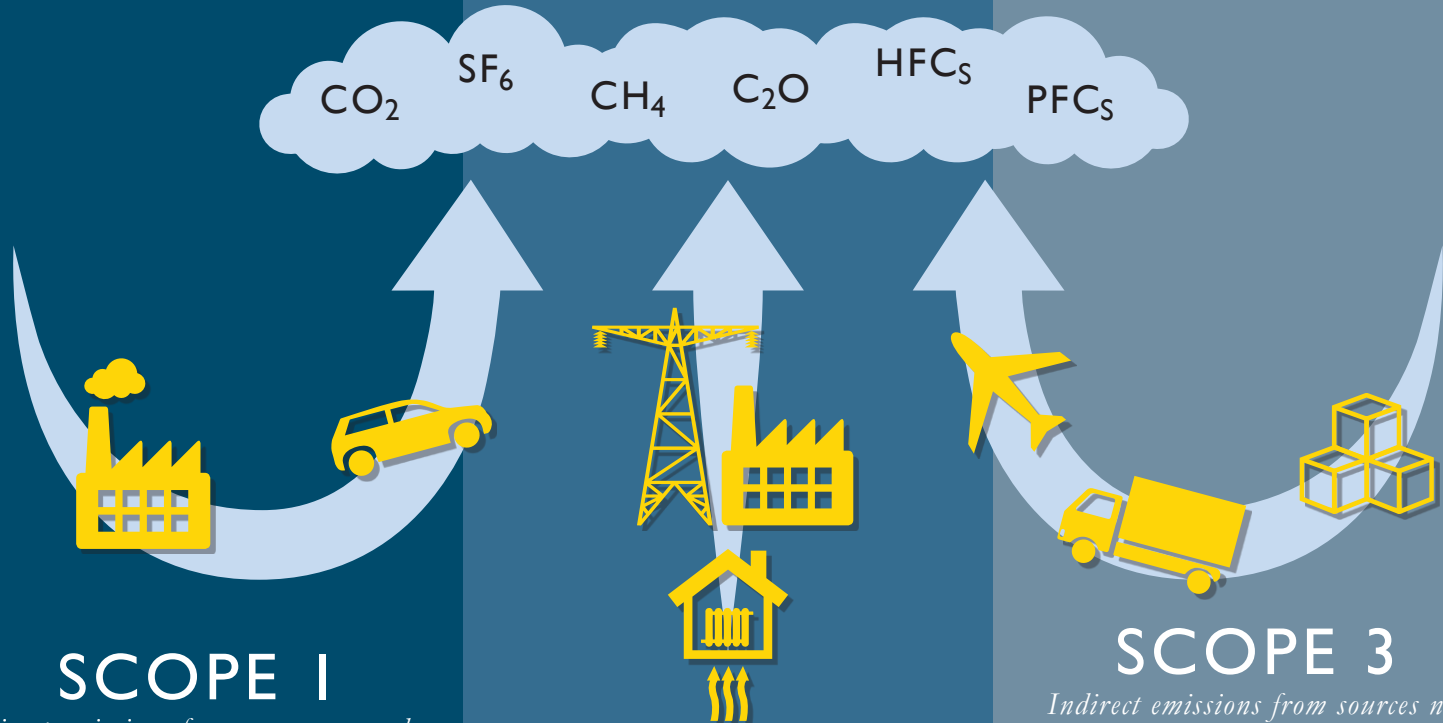
SPIRAL ECONOMY

We have a concept that we call Spiral Economy (see Figure 13) where we create valuable raw materials from waste materials. By creating cooperations between different industries and reusing our resources, we see opportunities for a sustainable future.

The plastic that once was a juice bottle, dairy packaging or toothpaste tube is not waste. It is a valuable raw material that can be used in a completely new way. Plastic packaging can be recycled up to seven times before it will lose those mechanical properties needed for it to be used in a product; at which point it is better to convert it into energy.

Recycled plastic reduces carbon dioxide emissions by at least 70-90 % when compared to new oil based plastics. A major advantage of distributing recycled plastic to different segments or industries, through the spiral economy concept, is that the demand for recycled material will be much higher. The demand gets higher when compared with materials that must stay in the same sector to maintain a closed cycle where restrictions can easily be found through legislation or demand.

Do you see plastic waste as a danger to the climate? Please don't! It is a valuable raw material that helps us create a sustainable future. A shampoo bottle can become part of a car, or a toothpaste tube can become a part of a designer chair.



SCOPE 1

Indirect emissions from sources owned or controlled by the organization.

ENERGY USE IN THE ORGANIZATION	2022	2021
Direct energy use: Gasol Sweden (ton)	0,5	0,4
CO ₂ -e Gasol Sweden (ton)	1,6	1,3

Figure 14

COMPANY CARS	2022	2021
Total CO ₂ -e (ton) Sweden	19,1	18,1
Number of cars Sweden Fossil fuel	15 st	19 st
Number of cars Sweden, El/electric hybrid	28 st	24 st
Total CO ₂ -e (ton) China	17,6	30,4
Number of cars China Fossil fuel	5 st	5 st
Number of cars China, El/electric hybrid	0 st	0 st

Figure 15

SCOPE 2

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

ELECTRICITY CONSUMPTION	2022	2021
Total energy use Sweden (MWh)	22 290	22 816
Total CO ₂ -e emissions Sweden (ton)	557	570
Energy use per ton produced Sweden (MWh)	0,43	0,42
CO ₂ emissions per ton produced Sweden	0,01	0,01
Total energy use China (MWh)	3 566	3 806
Total CO ₂ -e emissions China (ton)	2 548	2 720
Energy use per ton produced China (MWh)	0,41	0,42
CO ₂ -e emissions per ton produced China	0,38	0,38
District heating Sweden (MWh)	563	454

Figure 16

SCOPE 3

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

CO ₂ EMISSIONS DURING TRANSPORT	2022	2021
Deliveries (ton)	3 009	3 108

Figure 17

FLIGHTS (TON)	2022	2021
Total CO ₂ -e emission	25,8	9,8
CO ₂ -e emission Europe	15,8	6,4
CO ₂ -e emission Asia/USA	10,0	3,4

Figure 18

MATERIAL USE	2022	2021
Total material use Sweden (ton)	51 532	52 827
CO ₂ -e emissions Sweden (ton)	128	131
Average emissions kg CO ₂ -e/kg material produced Sweden	2,659	2,760
Recycled material Sweden (ton)	14 670	10 940
Recycled material Sweden (%)	26,6%	21,4%
Total material use China (ton)	6 703	7 154
CO ₂ -e emissions China (ton)	21 626	20 585
Average emissions kg CO ₂ -e/kg material produced China	3,266	3,005
Recycled material China (ton)	375	528
Recycled material China (%)	8,14%	10,7%

Figure 19



MATERIAL-SMART LCA SIMULATION TOOL FOR THE CO₂ FOOTPRINT OF MATERIALS

Between 60 and 80 percent of a product's carbon footprint comes from the material it is made from. Therefore, the manufacturer has a responsibility to make the right choice of materials for the right product, including function, weight and carbon footprint.

As we have mentioned under "important events during the year", we have continued to work and develop the concept that we call Materialsmart®. We now see that this work provides direct new business by helping our customers to make material-smart solutions based on the CO₂ footprint of the material.

This gives the customer correct and necessary conditions to be able to calculate their own climate impact on a produced part. The next step is to conduct an LCA mapping at our new production units in the US (Gastonia) and in China (Chongqing), this data will then be incorporated into the Material smart concept.

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 Group can face even the most demanding of challenges. Polykemi Group constitutes a flexible alternative to the major players on the market. See Figure 28 on page 37 for more information on our 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 Group 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 around 60 different 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 and inspecting plastic raw materials.

Another important parameter is to ensure that we get the same test results at our different laboratories in Sweden, China and the USA. We have therefore invested heavily in acquiring the same test equipment (brands/models) for our different test methods, this allows us to build a standardized way of working and more easily update on various changes in eg. ISO standards. In addition to solid competence training of staff, we also make global test comparisons between our various laboratories in Sweden, China and the USA.

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 CONSUMPTION

To reduce CO₂ emissions and to keep our energy costs down, it is important that we as a company both work to make our operations more energy

efficient and choose 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 is purchased by Polykemi Group Sweden comes 100% from renewable energy sources such as solar energy and wave energy. The company has a cross-functional energy group with representatives from environment and quality, maintenance (electricity) and production (the same organizational model is also available in our factory in China). The energy group works to execute the goals and action plans put forth to reduce the company's energy consumption.

In late 2021, Polykemi Group Sweden chose to join a energy efficiency network called NUDGE (contributing to a digitalization and green transition). The project, which is an EU-funded project, builds on previous experience and will work with four energy networks where a total of 40 companies will be supported in energy-saving measures in processes such as heating, cooling and ventilation. The project's activities will run until August 2023.

Polykemi Group Sweden is covered by the Act (2014:266) on energy mapping for large companies, this means that we must implement and report the following elements to the Energy Agency:

- Overall energy mapping.
- Detailed energy mapping (at least every 4 years).
- Follow-up energy reporting/energy efficiency improvements (every year).

Polykemi Group Sweden has conducted an overall energy audit in 2021 and we have conducted a detailed energy audit at the end of 2022 (report coming in January 2023). We have hired a certified consulting company to carry out both energy audits.

We have a number of projects within the Polykemi Group with the ambition to lower and optimize our usage of our electricity. One of the most interesting projects we have initiated is that we use process data from existing system and coordinates this data with the aim of lowering our energy consumption. By measuring the consumption online (Siemens Desigo

System) and both control and measure the extruders SME (Specific Mechanical Energy, see Figure 21 on page 33), we can optimize the electricity consumption and add the right amount of energy needed to melt the plastics during the compounding process.

In 2022, we have also started a digitization project (POLYdig) that automatically reads in the present (online) different types of process data (incl. SME and energy consumption). This data can be used both by operators and for later analysis of historical data in order to optimize our process. At present, 3 extruder lines are connected (Polykemi Sweden) via this system, but the plan is to expand this both in Sweden but also at our other production units in China and the USA.

Other measures to reduce energy use are presented in Figure 20 on page 33.

HEAT ENERGY IN OUR PROCESS WATER

In 2021, we commissioned a new cooling water system (geocool) for Polykemi in Ystad, Sweden. We will use cooling water from the bedrock as a refrigerant via a heat exchanger to cool down our process water in production. The water taken from the bedrock is pumped directly back into the ground, so there is no consumption of groundwater, it is just used as a refrigerant in the heat exchanger.

In addition to the above cooling system, we also heat exchange our process water so that we can heat parts of our own office buildings with the waste heat and energy that comes from our own process water.

TRANSPORTS

A considerable environmental aspect for Polykemi Group is our transports. Transport of various kinds have a major impact on CO₂ emissions in the world. Today, we make considerable use of truck 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

ENERGY EFFICIENCY AREA – PROCESS/EXTRUDERS – COOLING/HEATING CONTROL (POLYKEMI GROUP SWEDEN)

MEASURES	SAVINGS (KWH/YEAR)	INVESTMENT (SEK)	REPAYMENT	PLANED IMPLEMENTATION (YEAR)
Digitization project.	(Gives us measurement data for future savings)	750 000	5 years	Started 2022. 3 extruder lines from the beginning.
Management SME (Specific Mechanical Energy)	1 500 MWh	200 000	1 year	Finished 2021. Savings about 2% of total.
Using heat energy from "Öster" to heating "Väster"	Calculations perhaps up to 2,000 MWh	Large pipe costs	10 years	Decided after the next energy mapping.
Ventilation improvements extruders in "Väster". Heat recovery from extract air fans.	Ongoing project.	Maximum 500 000	5 years	Project started in 2022, will be completed in 2023.

Figure 20

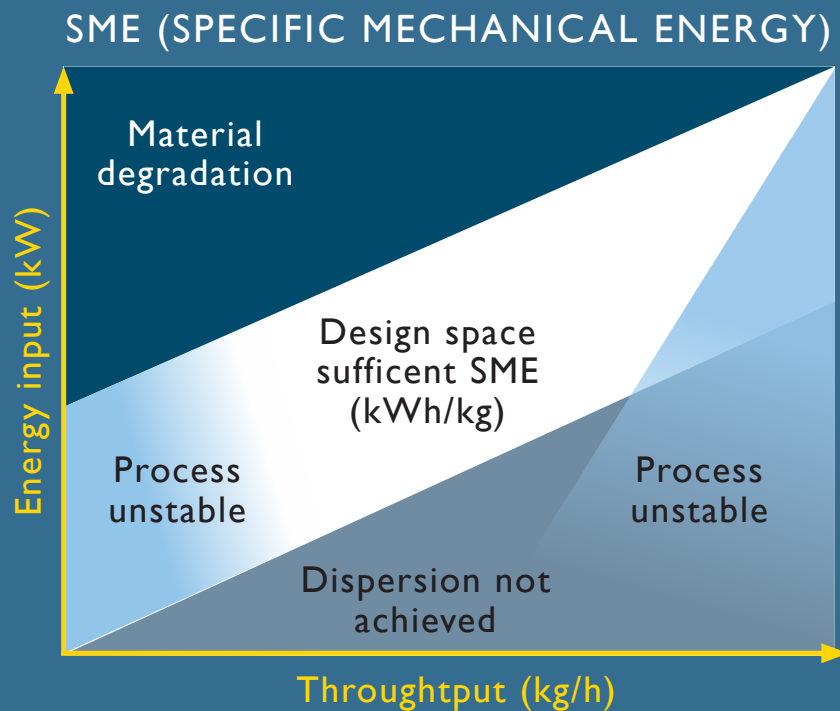


Figure 21

34%

more tonnes of recycled materials were used in our factory in Sweden.



the Czech Republic and concession warehouses at a number of customer locations.

In 2022, 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 2022, 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.

We also report the CO₂ emissions concerning our business trips. This is presented in Figure 15 and 18 in page 30.

WASTE AND REFUSE

Plastic lumps

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. We take care of our own waste in the same way in both Sweden and China.

Plastic bags

Another major waste fraction is our empty plastic bags (25kg bags) in which we receive our raw material. These plastic bags are collected and compressed (a total of approx. 52 tonnes during the year) into larger plastic bales. These plastic bales can then be processed by a special machine (Ereman) that we have at the Rondo plant. Ereman transforms (tears or melts down) these plastic bags so that we get a regranulated material which we can in turn use as our own produced recycled input material during the compounding at Polykemi Group.

Waste water - water treatment

In our flushing system, we handle filter cleaning, water drainage from sweeper and process water from vacuum pumps. From this facility, we have connected an internal filter cleaning which ensures that we can purify all water that passes through this flushing facility. After this filter cleaning, the

water passes through an oil separation plant before being discharged into the municipal wastewater. We regularly verify that we meet the requirements for municipal wastewater by sampling the outgoing water.

Other Waste

All other waste (including hazardous waste) is handled by our contractor Stena Metall. Follow-up of our waste fractions is presented in Figure 24-25 on page 36. In China, we have a hazardous waste collection system and there is a certified and approved company that takes care of this waste.

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 Group 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.

TOTAL WASTE WEIGHT	2022	2021
Burnable waste Sweden (ton)	1 009	930
Burnable waste China (ton)	46	43,8
ÅTERVUNNA TYPER SVERIGE		
Cardboard (ton)	232	238
Plastic package (ton)	100	125
Metal (ton)	59	61
Electronics (ton)	1,1	1,4

Figure 22

USED PACKAGING MATERIAL	2022	2021
Plastic material Sweden (ton)	30	171
Plastic material China (ton)	36	34
Cardboard/paper Sweden (ton)	520	560
Cardboard/paper China (ton)	23	19
Metal Sweden (ton)	0,4	1
Pallet China (ton)	195	238

Figure 23

HAZARDOUS WASTE CHINA (by selection)	2022	2021
Waste oils (ton)	1,8	2,5
Oil products fixed (ton)	0,1	0,2
Packaging plastic waste (ton)	80	48,7
Dust waste (ton)	13,8	18,1
Avfall, aktivt kol (ton)	6,3	6,5

Figure 24

HAZARDOUS WASTE SWEDEN (by selection)	2022	2021
Waste oils (ton)	2,6	2,0
Oil products fixed (ton)	0,3	0,4
From oil separator (ton)	10	14
Paint waste (ton)	0,1	0,2

Figure 25

COMPLAINED MATERIAL*	2022	2021
Sweden (ton)	121	149
Sweden (%)	0,22	0,29
China (ton)	18,6	38,3
China (%)	0,37	0,69

Figure 26

WATER USE	2022	2021
Polykemi (m ³) <i>Municipal water</i>	25 883	31 877
Rondo and Scanfill (m ³) <i>Municipal water</i>	27 097	19 784
China (m ³)	9 924	9 817
China (drinking water, m ³)	360	255
Total water use (m ³)	63 264	61 733
Recirculation (m ³)	8 688 37 times	10 718 27 times
Recirculation (%) China	52	55

Figure 27

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

OUR COMPOUNDING PROCESS

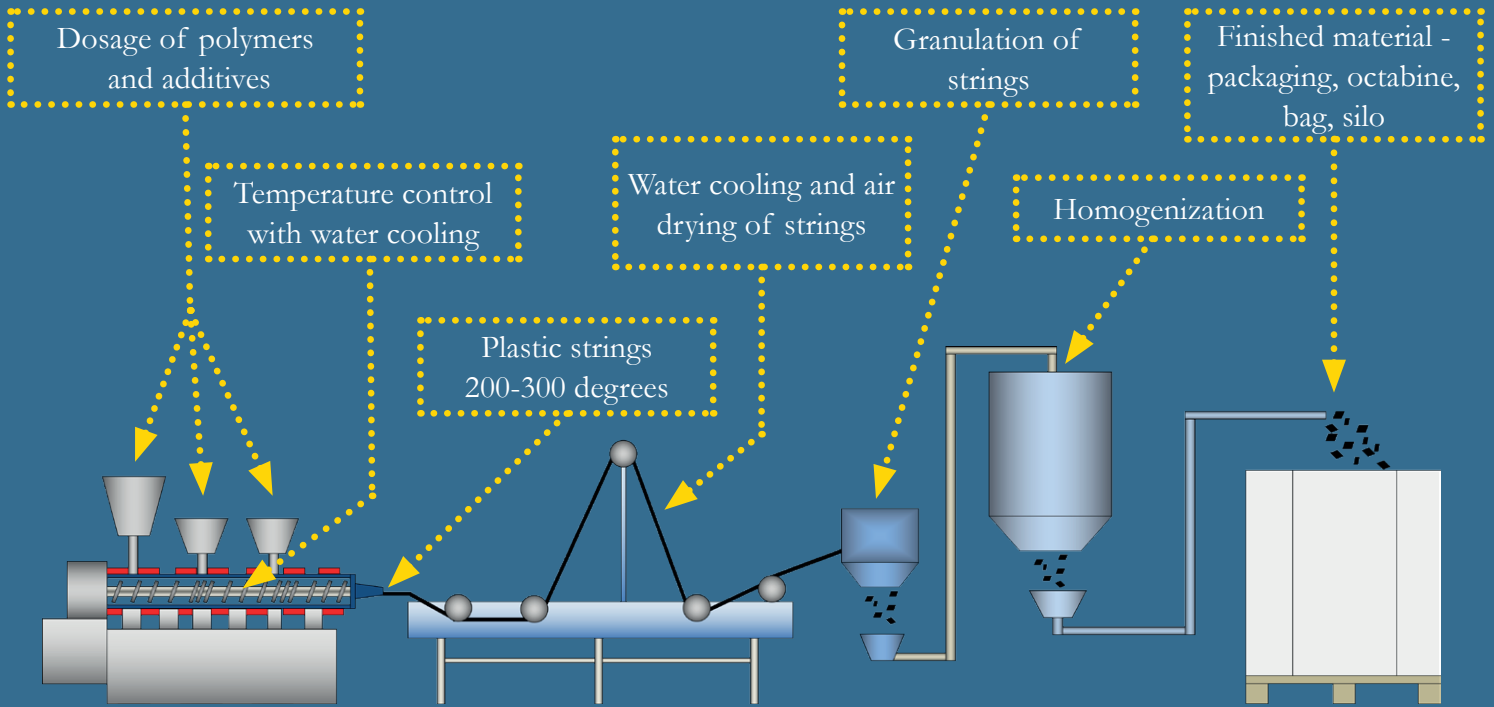


Figure 28

SUPPLIER CHAIN FOR RAW MATERIAL

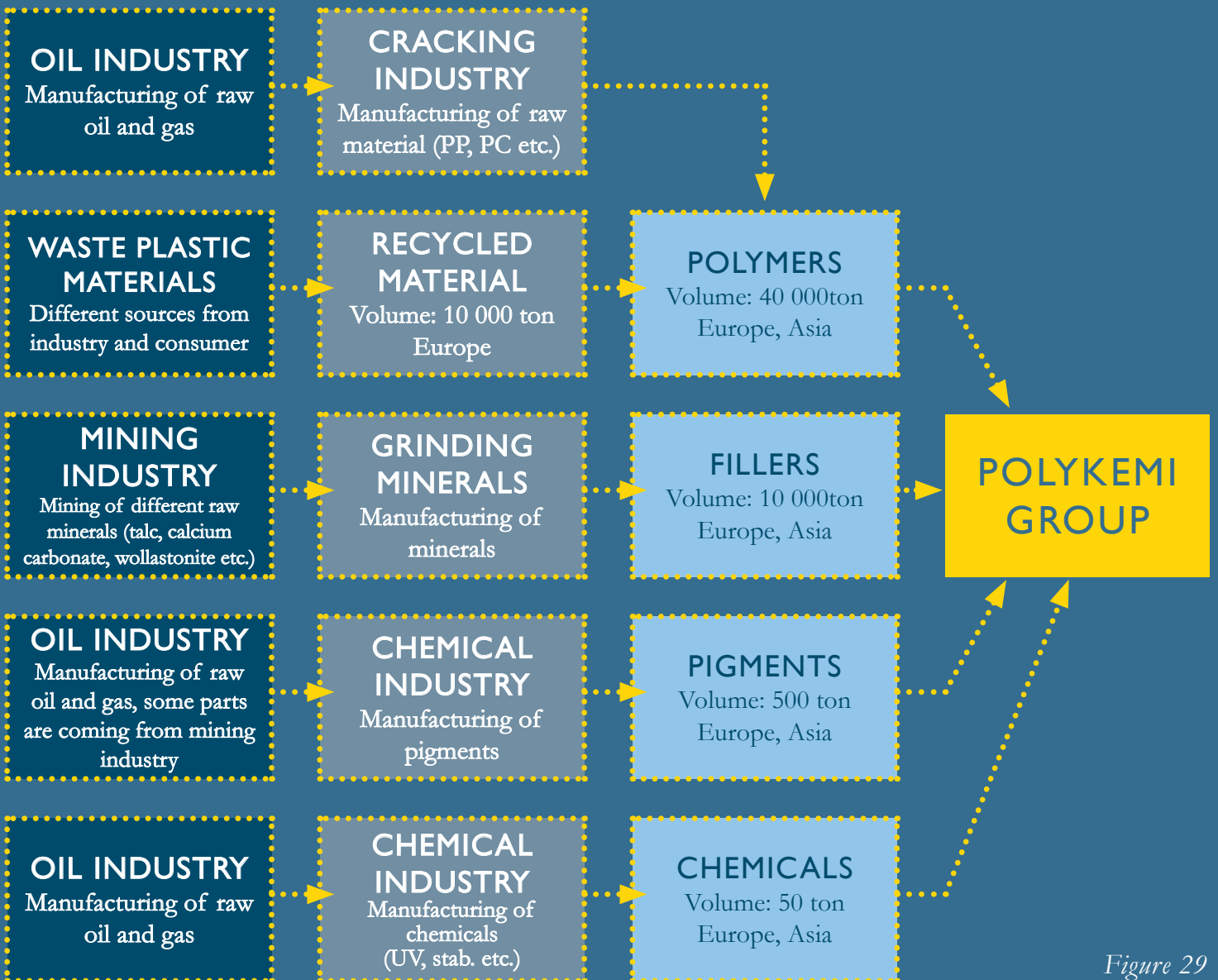


Figure 29



42%

*reduction in CO₂-e
(tonnes) for company
cars at our factories
in China.*



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 Group's overall goals and strategies state that the company should have a business model for growth and be perceived by our customers as a local producer and a global supplier.

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 Group'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 Group strives toward long-term customer relations based on credibility and attentiveness. We see clear connections between satisfied customers and profitability – both for Polykemi Group 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 Group. 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.

With the help of the reports, we can investigate and initiate improvements in general for Polykemi Group as a whole, for a specific market or a specific customer.

The reports are submitted to the CEO and management team/board of directors who, together with the sales department and subsidiaries or agents, decide on different strategies and possible improvements and actions for our different markets.

SUPPLIER RELATIONS

Polykemi Group 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 94% of the total supplier base in 2022 were approved suppliers according to the aforementioned standard. In 2022, 98% of the new suppliers also signed on to our supplier standard. No essential major changes have been made in our supply chain or organisation in 2022.

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 29 on page 37, and more information about our entire value chain is found in Figure 2 on page 13.

LOCAL SUPPLIERS

Polykemi Group has an express focus in various manners on supporting local suppliers on all our production units. In situations where conditions are basically equal, Polykemi Group chooses to work with local suppliers to protect the local community.

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, 40% correspond to purchases from local suppliers.

VALUES, ANTICORRUPTION

A new updated Code of Conduct for Polykemi Group has been developed during the year. The new Code of Conduct has been supplemented with an update on the new legal requirement for Whistle Blowers. The new Code of Conduct is available on our website and applies to all employees of 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 Group'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 Group 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 31, page 41). Neither is Polykemi Group connected to any political organisation.

CODE OF CONDUCT

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

COLLEAGUES

Polykemi Group 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 Group 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 Group 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 Group 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 30

Figure 31



100%

*conducted performance
and development reviews
with employees.*

ATTRACTIVE EMPLOYER



Polykemi Group'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 32 on page 45) 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 Group, 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 33 on page 45.

EXPERTISE/PERSONAL DEVELOPMENT

In 2022, we continued with the implementation and development of an IT system called Confidence Tool. This is an IT tool that allows us to better monitor, control and develop the skills of our employees, both from a current and a development perspective.

This tool supports and develops 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.

During 2022 we have continued with education for senior operators. We know that we need to develop our leadership and the competence of our leaders and employees in our production.

New leadership program

As part of our internal Golden Globe development work, we have continued to implement our leadership programs for all department managers, senior operators and pool coordinators. To achieve the vision and goals of the future Polykemi Group, we need to also develop the leaders of the future.

What is the goal with the leadership training program?

The leadership training program aim to contribute to a sustainable workplace with common goals and a shared vision about the future. We would like for the training to create an open dialogue, engage in commitment, participation and fun. We believe that if we can achieve this we will also get better results.

What is the agenda of the program?

For the leadership program, we have used an external company. The one-year program is structured around three themes: "Leading myself", "Leading others", and "Communication in leadership":

- **Leading myself:** Development of a good leadership at Polykemi Group. We create a consensus on how the leadership at Polykemi Group should be and what company values to lead from. Polykemi Group also works with how to develop self-leadership and awareness on how your own behaviour affects others. In order to lead others you need to be able to lead yourself.
- **Leading others:** Development of cooperation on work groups and organisations. We create understanding for how groups works and what prerequisites there needs to be in order to create efficient groups and good cooperation's. We also work with how you as a leader can work active with creating a good cooperation within your own group and between groups.
- **Communication in leadership:** Development of a leaders ability to communicate and give feedback. We work with methods that enables us to delegate,

involve and provide continues feedback to co-workers. We also work with handling attentions and difficult situations in the everyday life.

Sustainable development

Another focus is to translate theories and knowledge into practice. This is conducted through hands-on training and using case-stories from everyday situations to train on. A lot of good framework is already existing in the organization, for example the long-term work with Golden Globe, the view of leadership and employeeship, the internal work philosophy, the staff vision and the values. The idea is that everything we do should be taken advantage of and connected to each other. We try to support each other into finding an efficient and good way forward and to be perceived as a world-class company.

How do we know that it works?

After completing the programme, a follow-up event is being held with the groups where we follow up on how the learning has worked, a sort of guarantee to make sure that they have had use for the training. An evaluation of the programme is also conducted, where we link goals and expectations to achieved results.

As an example, the results from the stakeholder analysis in 2020 showed that the comparison between manager and employee is largely the same perception of how we work with competence and leadership (3.9 and 4.0).

OCCUPATIONAL HEALTH AND SAFETY

We are constantly working to improve our working environment, both physically and psycho-socially. Since 2021 we are certified according to ISO 45001 for Polykemi Group Sweden, i.e. Polykemi, Rondo and Scanfill.

The management system for work environment is on our intranet and is available to all employees. The system is built with a process approach with integration to ISO 9001/ISO14001 where it should be easy to find different routine descriptions and processes for different aspects of our health and safety work.

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 Group.

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 32

EDUCATED HOURS IN AVERAGE	2022
Women	20 h
Men	14 h
White collar workers	14 h
Blue collar workers	14 h
All employees	15 h
All employees in total	4 262 h

Figure 33

PRIORITY AREA OF OCCUPATIONAL HEALTH AND SAFETY	TARGET AREA/ NUMBERS	RESULTS 2022
Reduce lifting in production	<170 kg/h	179 kg/h
Improving indoor air quality in production	VOC measurement <0,13 ppm	0,13 ppm
Leadership	Job satisfaction (survey) >3,7	4,1
Chemical management in production	Reduce exposure/handling time	Develop target figures in 2023

Figure 34



17%

*increased turnover
(SEK million) for the
entire Polykemi Group.*

2021 compared to 2022.

The priority areas for Polykemi Group Sweden are presented in Figure 34 on page 45.

We are continuously working on an investment program to improve the air quality in our production premises where different types of air filters are installed on the extruder ventilation. The investment program also includes measures for general air and ventilation in our premises.

Various types of work environment issues at our factory in China (Kunshan) are always given high priority both by us and by local authorities. Among other things, audits called "production safety controls" have been carried out by the Chinese authorities. All audits have received a well-approved result from the authorities. In a step to reduce lifting for the operators, next year (2023) we will invest in an automated robot for handling 25kg bags at our factory in China (Kunshan), just as we have in Sweden.

SICK LEAVE & OCCUPATIONAL INJURIES

Polykemi Group 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 39-40 on page 49 for more information about sick leave.

Sport and fitness exercise have in many ways been an important issue for Polykemi Group. 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 safety representatives from various departments. In total there are 12 (4 % of the labour force) people working on the safety committees.

LAWS AND GUIDELINES

Polykemi Group naturally abides by all contracts and by all labour legislation. Health and safety issues are managed and comply both local legislation (in Sweden, China and the US) and EU legislation. 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: Rules of behaviour**
- **Global Compact**

All co-workers within the Polykemi Group (except 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 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 regarding 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 2022, no cases of discrimination reported.

POLICY AGAINST HARASSMENT

Co-workers within Polykemi Group 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 Group 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.

WHISTLEBLOWER FUNCTION

A new whistleblowing law came into force at the end of 2021, allowing people to report misconduct both in the workplace and to an authority. A wide range of people will be able to use the whistleblowing system and be protected from retaliation. In addition to employees, volunteers, interns, consultants and shareholders will be included in the protected group of people. Polykemi Group has via its Code of Conduct described how we handle the whistleblower function, this also includes various reporting channels that employees can use.

ORGANISATION AND EMPLOYEES

On 1 January 2022, number of employees amounted to 301 co-workers within the entire Group. See Figure 35-38 on page 49 for more information.

Polykemi Group 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.

AFTER WORK ACTIVITIES

Socializing outside of work with your colleagues is an important part of creating a community and social belonging, simply having fun together both at and outside of work!

Every year, several different activities are organized for our Polykemi employees, during the past year (2022) we have had the following activities:

- Kick off with barbecue to start the fall.
- Padel tournament.
- AW at Saluhallen to celebrate the Valborg weekend.
- Art Club - Raffle of artwork.
- Halloween After Work.
- Thanksgiving - Polykemi USA team.
- Christmas table together with respective.

ORGANIZATION AND EMPLOYEES POLYKEMI GROUP

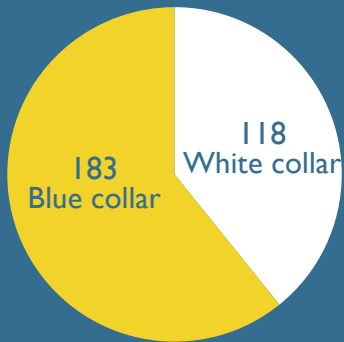


Figure 35

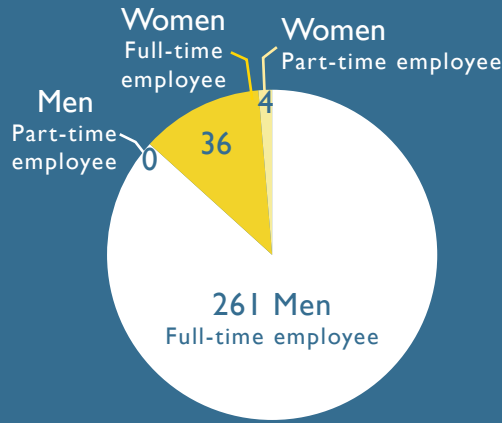


Figure 36

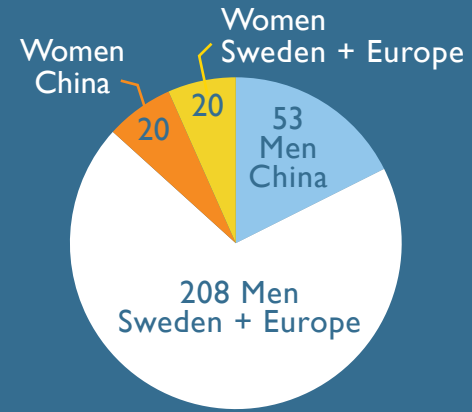


Figure 37

Total number of employees = 100 %

AGE AND GENDER DISTRIBUTION 2022

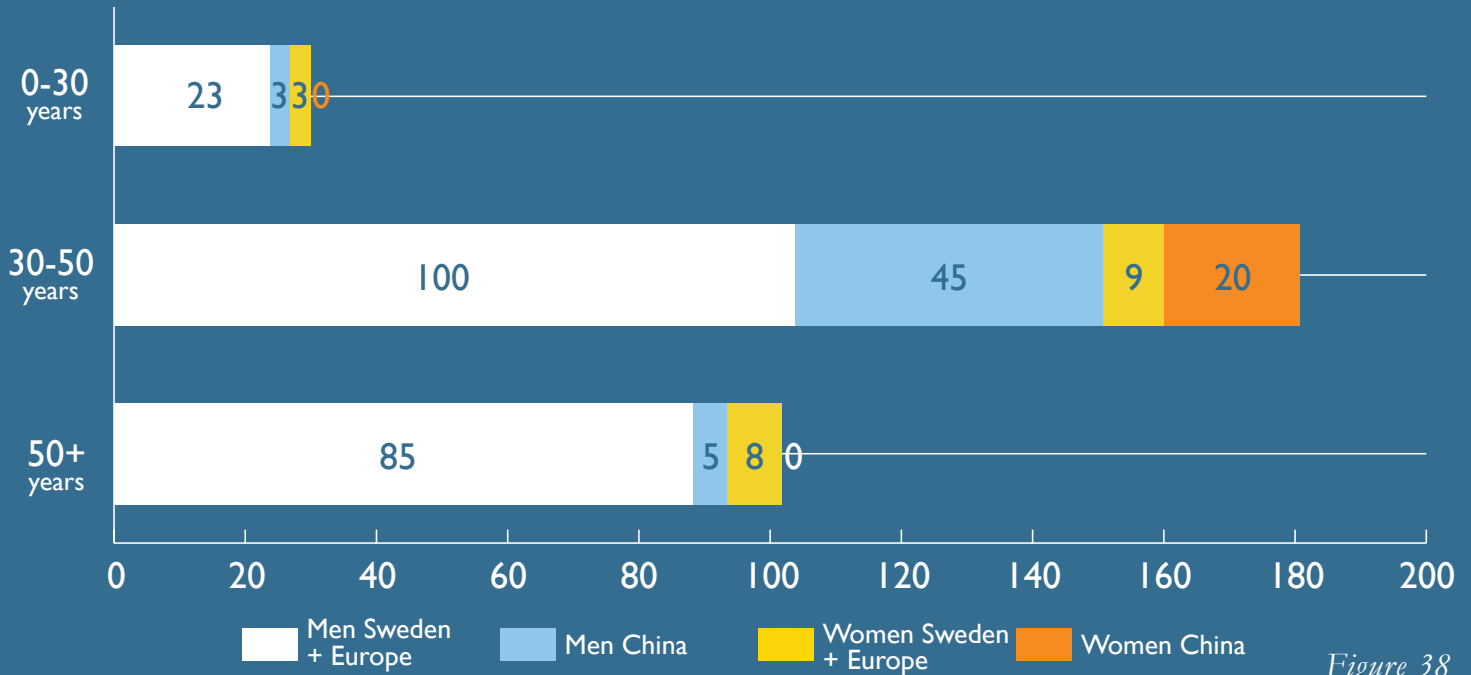


Figure 38

SICK LEAVE ACTIVITIES SWEDEN 2022

Sick leave, short-term	2,8 %
Sick leave, long-term	2,0 %
Sick leave, total	4,8 %
Workplace accidents with sick leave (number/100 pers)	5 st
Injury rehabilitation	0 st

Figure 39

SICK LEAVE ACTIVITIES CHINA 2022

Sick leave, short-term	0,66 %
Sick leave, long-term	0,43 %
Sick leave, total	1,09 %
Workplace accidents with sick leave (number/100 pers)	1 st
Injury rehabilitation	0 st

Figure 40

Data collection is done via personnel data systems.

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 Group 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 Group Sweden 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 Group and its owner. We have a large voluntary involvement in the local clubs and culture. Examples of such involvement

and financial donations is presented in Figure 51 on page 51.

Can you really sell more plastic materials or do business that benefits Polykemi Group through local sponsorship? No, it is highly doubtful whether the sponsorship in this case is about increasing its market share. Instead, of course, this question is very much about the owner families having their hearts in the right place.

For Polykemi Group, it is also important to use the network to establish contacts with various local suppliers and thus also be involved and contribute to a healthy and prosperous business life. In addition, sponsorship is a way to build the company's brand internally among the staff. Something that you as an employee can be proud of when you also know that your employer's contribution plays a big part in the social responsibility that the sports club takes.

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.
























































SPONSORSHIPS

- YIF Handball & Soccer
- Swedish National Handball Team AB
- Star for Life
- New research initiative from FBN
- Music Aid (Musikhjälpen)
- Gymnastics club (GK) Splitt
- Ystad Golf Club
- Åhus Beach handball
- Good life (Gott Liv) Ystad & Österlen
- The Ystad Revue
- The Summer Theatre in Ystad
- Hammenhögs IF Women (soccer)
- Studio Danza
- Anti-drug group Ystad
- Öja FF (Soccer)
- IK Pandora Soccer
- Österlens Equestrian Club
- Hälldala Ranch
- Ystad City Theatre
- Lowa Walfridsson
- Ystad Air Rifle Club
- Grevlunda male voice choir
- Svenstorps IF (soccer)
- Charlo Sports Club

Figure 41

GRI NO	INDICATORS	SDG 2030 <i>A larger image of the picograms on page 11.</i>	PAGE
GRI 2	General information		
GRI 2-1	Organizational details		16-19
GRI 2-2	Entities included in the organization's sustainability reporting		14-15
GRI 2-3	Reporting period, frequency and contact point		10-12, 56
GRI 2-4	Restatements of information		10
GRI 2-5	External assurance		3, 6-9
GRI 2-6	Activities, value chain and other business relationships		18-19, 10-13, 37, 40
GRI 2-7	Employees		15-16
GRI 2-8	Workers who are not employees	 8.5 + 10.3	43-49
GRI 2-9	Governance structure and composition		16-17
GRI 2-13	Delegation of responsibility for managing impacts		17
GRI 2-22	CEO speaks		4-5
GRI 2-22	Statement on sustainable development strategy	 16.3	39-42
GRI 2-23 & GRI 3-3	Policy commitments		10, 12
GRI 2-27	Compliance with laws and regulations	 16.3	10, 48
GRI 2-28	Membership associations		40
GRI 2-29	Approach to stakeholder engagement		20-25 21
GRI 2-30	Collective bargaining agreements	 8.8	47
MATERIAL TOPICS			
GRI 3-1	Process to determine material topics		10, 20
GRI 3-2	List of material topics		20-25
GRI 1 section 3	GRI-index.		52-55
GRI 3-3	Management of material topics		20-51
GRI 201-1	Polykemi, Rondo, Scanfill. Polykemi Inc. Subsidiaries: Danmark, Tyskland, Tjeckien.	 8.1 + 8.2 + 9.1 + 9.4 + 9.5	15
SUPPLIERS			
GRI 3 <i>Material topics 2021</i>	3-3 Management of material topics		10-13, 27

GRI 204-1	Proportion of spending on local suppliers	 8.3	40
GRI 308-1	New suppliers that were screened using environmental criteria		40
ANTI-CORRUPTION			
GRI 3 <i>Material topics 2021</i>	3-3 Management of material topics		10-13, 27
GRI 205-2	Communication and training about anti-corruption policies and procedures	 16.5	39-41
GRI 205-3	Confirmed incidents of corruption and actions taken	 16.5	48
ANTI-COMPETITIVE BEHAVIOR			
GRI 3 <i>Material topics 2021</i>	3-3 Management of material topics		10-13, 27
GRI 206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	 16.3	48
MATERIALS			
GRI 3 <i>Material topics 2021</i>	3-3 Management of material topics		10-13, 27
GRI 301-1	Materials used by weight or volume	  8.4 + 12.2	30, 36-37
GRI 301-1	Total packaging material used	  8.4 + 12.2	36
GRI 301-2	Recycled input materials used	  8.4 + 12.2 + 12.5	30, 36-37
GRI 301-3	Reclaimed products and their packaging materials	  8.4 + 12.2 + 12.5	36
ENERGY			
GRI 3 <i>Material topics 2021</i>	3-3 Management of material topics		10-13, 27
GRI 302-1	Energy consumption within the organization	    7.2 + 7.3 + 8.4 + 12.2 + 13.1	28-33
GRI 302-3	Energy intensity	    7.3 + 8.4 + 12.2 + 13.1	30, 32-33

GRI 302-4	Reduction of energy consumption	    7.3 + 8.4 + 12.2 + 13.1	30, 32-33
WATER			
GRI 3 <i>Material topics 2021</i>	3-3 Management of material topics		10-13, 27
GRI 303-1	Interactions with water as a shared resource	  6A + 6B + 6.3 + 6.4 + 12.4	36
GRI 303-3	Water withdrawal	 6.3	36
EMISSIONS INCLUDING CO₂			
GRI 3 <i>Material topics 2021</i>	3-3 Management of material topics		10-13, 27
GRI 305-1	Direct (Scope 1) GHG emissions	     3.9 + 12.4 + 13.1 + 14.3 + 15.2	30, 32
GRI 305-2	Energy indirect (Scope 2) GHG emissions	     3.9 + 12.4 + 13.1 + 14.3 + 15.2	30-33
GRI 305-3	Other indirect (Scope 3) GHG emissions	     3.9 + 12.4 + 13.1 + 14.3 + 15.2	7-8, 30-33
GRI 305-4	GHG emissions intensity	   13.1 + 14.3 + 15.2	30
GRI 305-5	Reduction of GHG emissions	   13.1 + 14.3 + 15.2	30-32, 35
EFFLUENTS AND WASTE			
GRI 3 <i>Material topics 2021</i>	3-3 Management of material topics		10-13, 27
GRI 306-2	Waste by type and disposal method	   3.9 + 6.3 + 12.4 + 12.5	30
GRI 306-3	Significant spills	   3.9 + 6.3 + 12.4 + 12.5	36
OCCUPATIONAL HEALTH AND SAFETY			
GRI 3 <i>Material topics 2021</i>	3-3 Management of material topics		10-13, 27
GRI 403-1	Occupational health and safety management system		47

GRI 403-2	Hazard identification, risk assessment, and incident investigation		23-25
GRI 403-3	Occupational health services		47
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety		44, 47
GRI 403-5	Worker training on occupational health and safety		43, 45
GRI 403-6	Promotion of worker health		48
GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		47
GRI 403-9	Work-related injuries		49
TRAINING AND EDUCATION			
GRI 3 <i>Material topics 2021</i>	3-3 Management of material topics		10-13, 27
GRI 404-1	Average hours of training per year per employee		45
GRI 404-2	Programs for upgrading employee skills and transition assistance programs		43-44
GRI 404-3	Percentage of employees receiving regular performance and career development reviews		42-44
DIVERSITY AND EQUAL OPPORTUNITY			
GRI 3 <i>Material topics 2021</i>	3-3 Management of material topics		10-13, 27
GRI 405-1	Diversity of governance bodies and employees	 5.1	16-17, 49
NON-DISCRIMINATION			
GRI 3 <i>Material topics 2021</i>	3-3 Management of material topics		10-13, 27
GRI 406-1	Incidents of discrimination and corrective actions taken		47-48
LOCAL COMMUNITIES			
GRI 3 <i>Material topics 2021</i>	3-3 Management of material topics		10-13, 27
GRI 413-1	Operations with local community engagement, impact assessments, and development programs		50-51
SUPPLIER SOCIAL ASSESSMENT			
GRI 3 <i>Material topics 2021</i>	3-3 Management of material topics		10-13, 27
GRI 414-1	New suppliers that were screened using social criteria	 5.2	40
MARKETING AND LABELING			
GRI 3 <i>Material topics 2021</i>	3-3 Management of material topics		10-13, 27
GRI 417-2	Incidents of non-compliance concerning product and service information and labeling (<i>none</i>)		48
GRI 417-3	Incidents of non-compliance concerning marketing communications		48

CONTACT US

www.polykemi.se

info@polykemi.se

Phone +46 411 170 30

CONTACT PERSONS

Jörgen Andersson

jorgen.andersson@polykemi.se

Thomas Pettersson

thomas.pettersson@polykemi.se