

SUSTAINABILITY REPORT 2023

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

*- Hugo Jönsson,
the founder of Polykemi*

polykemi 

rondo  **scanfill** 

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pwc

Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Polykemi AB, corporate identity number 556114-3461

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2023 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Ystad on the date shown in my electronic signature
Öhrlings PricewaterhouseCoopers AB

Ann Rickard Nilsson
Authorised Public Accountant



CEO speaks

OUR COURSE REMAINS STEADY DESPITE CHALLENGING TIMES

It is “business as usual” here at Polykemi Group, meaning that we continue to work tirelessly to satisfy not only our customers and other stakeholders but also our own needs and wishes to develop and future-proof our business.

Fortunately, the past year has not been filled with all the gloomy predictions that were made in the media as we entered this year. What we can now confirm is that 2023 will be summarized as one of Polykemi’s best years ever.

We have successfully launched our new production units in both Chongqing (China) and Gastonia (USA), although we still have some way to go until we reach profitability and positive cash flows. However, the budgets set suggest a positive outlook and good confidence in the future. Both of these investments are part of the strategic initiative where Polykemi Group aims to be a global supplier with local production on the three continents of Europe, Asia, and North America – a global supplier and a local producer.

Our Materialsmart®-concept, which we launched in 2021, where we can report the CO₂-footprint of our materials from our various production units, continues to evolve and is used daily in our contacts and business with our customers. Strategically, this is an important factor to be able to adapt and contribute to a future sustainable business model for both us and our customers.

For us, it's about long-term survival while minimizing our negative impact as much as possible. Sustainability is therefore a high-priority issue for us within the Polykemi Group. In our group strategy within our business growth concept "Golden Globe", one of the goals, along with profitability, satisfied customers, and proud employees, is to be a leader in sustainability in the areas where we can make a difference while simultaneously strengthening our competitiveness.

We see that the trend of increased content of recycled material among our customers continues strongly upwards, and to meet this demand, we have during the year decided to purchase another so-called Erema extruder to increase the amount of recycled material and thus further process this material into our material compounds. The investment is budgeted at approximately 17 million and is estimated to be installed during the first quarter of 2024. In addition to this machinery

reinforcement for recycled material, we will also invest in a new extruder line during the first quarter of 2024, providing additional capacity to our production in Ystad.

The immediate future is "as usual" difficult to predict, and there is uncertainty in the market, but that does not prevent us from planning in accordance with our Golden Globe goals. A critical factor in achieving our future goals is being able to plan and achieve a "balance" between future retirements, replacements for these services, while we also need to increase the number of employees to be able to grow and develop according to our Golden Globe goals.

The plans for 2024 can be summarized as continued positive, although with a good measure of caution. The level of investment is at traditional levels, which means approximately 40-50 million. This is necessary if we are to live up to our own motto: "If you stop getting better, you stop being good"

In summary, I believe that 2024 should be seen as another year that we must work through, but on the other hand, no one has ever said that it is an easy match to compete with everything and everyone everywhere! My belief is that we will summarize 2024 in a positive way, when the time comes.

Finally, I would like to refer to a quote from Albert Einstein: "I never think of the future. It comes soon enough." In other words, let's focus on the daily and make the best of it, and the future will take care of itself...



Ola Hugoson
CEO for Polykemi AB

IMPORTANT EVENTS DURING THE YEAR



MATERIALSMART - CONTINUING TO HELP CUSTOMERS CHOOSE SUSTAINABLE MATERIALS

All material choices are a balance between different properties and strategic ambitions. To find the right one, you sometimes have to think outside the box and perhaps even question the reasons behind old decisions. Just because something has always been done a certain way doesn't always mean it's right.

What do you need? What are the technical specifications? What is truly important and what is "nice to have"? Is there room for compromise? What are your driving forces regarding your strategic sustainability goals?

The answers to these types of questions should form the basis for our customers' material choices. How is this possible then? During 2020-2021, a comprehensive Life Cycle Assessment (LCA) of our

materials' full environmental impact was conducted, including all 18 impact categories and not just climate impact, which is only one of them.

The LCA study, which has also been third-party certified, then laid the foundation for a calculation tool that we use to calculate the CO₂ footprint of all our materials when they leave our production facilities in Ystad and Kunshan, China. This means that our customers can more easily calculate their environmental impact for their produced products.

Imagine if a material change in your component could result in a lower carbon footprint?



ISCC PLUS SUSTAINABILITY CERTIFICATION COMPLETED FOR POLYKEMI AND SCANFILL

Polykemi and its subsidiary Scanfill are now certified according to ISCC PLUS. The certification guarantees total traceability in the production and delivery of bio-circular mass balance certified plastic raw material – another step towards increased sustainability and reduced climate footprint.

AN OBVIOUS STEP IN A CONSCIOUS MARKET

The ISCC PLUS certification is part of the Polykemi Group's global efforts for a progressive and sustainable industry, but also a natural effect of increasing customer awareness.

We need to be able to show what we are doing to reduce the carbon footprint of our materials. It's not a request from customers anymore, it's a requirement. The certification enables us to offer high-performance materials that reduce the amount of fossil raw material and ultimately the climate footprint.

BIO-BASED AND BIO-CIRCULAR MATERIALS BECOME TRACEABLE

Bio-based refers to any material whose raw material is derived from plants (e.g. corn or sugar cane), while bio-circular refers to the part of bio-based material whose raw material comes from biological residues (e.g. used frying oil from the restaurant industry or waste from the forestry industry).

Technically, we have been able to offer this type of both bio-based and bio-circular materials before, but now with certificates specifying how much

biomaterial our supplier used in their process, and how much we then used in our materials, we can give the customers an exact traceability.

LAUNCHING NEW CERTIFIED MATERIALS

At the same time as the certification, Polykemi launches two new materials in the NATUCOMP material family. The materials are two types of bio-circular PP compounds produced from mass balanced raw material.

The difference in material quality between our bio-circular PP compounds and conventional PP compounds, is actually none at all. The materials have the same technical performance. The difference lies in the used proportion of fossil-based raw material, which is lower in the bio-circular materials, thus resulting a lower climate impact.

CERTIFIED RECYCLED MATERIALS IS THE NEXT STEP

The current certification applies to Polykemi and Scanfill in Ystad, Sweden, and the subsidiary Rondo Plast has also initiated the project to obtain the same or similar certification.

A certification for Rondo would mean that our customers can buy materials based on recycled raw materials with certificates that trace the material back in the production chain. However, the certification process is more extensive and complex when it comes to recycled raw materials and therefore comes in a second step.



OPENING CEREMONY FOR POLYKEMI CHONGQING IN CHINA

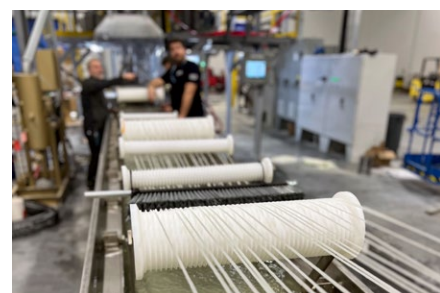
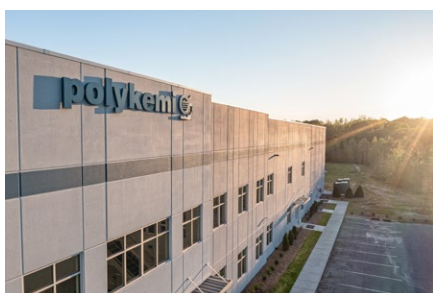
The new production site in Chongqing, China has been inaugurated with a grand opening ceremony. The ceremony was attended by members and guests from different parties and committees of the Jiangjin District, managers and employees of Polykemi China as well as representatives of the Polykemi Headquarters in Ystad.

The opening ceremony consisted of several speeches, the celebratory ribbon cutting ceremony and both modern and traditional Chinese entertainment. The guests were taken on a guided tour of the new factory, and was then served a large buffet of both Swedish and Chinese dishes.

Since entering the Chinese market in 2005, Polykemi Group has maintained continuous and stable growth and profitability, and the sales business in Chongqing has been very successful.

The Polykemi Chongqing office was founded already in 2010 to develop business in southwest of China. After more than 10 years development, it has achieved a good reputation of the major industrial fields in Chongqing and the nearby city of Chengdu, especially in automobile and general machinery industry. New projects and customers' demands continue to rise in the southwest region.

We have cooperated with some automotive customers for more than a decade. Their development has contributed to an increased industry for automotive parts in the surrounding areas. With this second factory, we can now meet the demands and provide localized services for customers in southwest China.



THE NEW PRODUCTION FACILITY IN USA

The largest single investment ever for Polykemi Group, the manufacturing facility in the USA, is now up and running. With this newest plant, we now have four of our own manufacturing facilities on three different continents.

Polykemi Inc. is the fully-owned American subsidiary of Polykemi AB in Sweden. We have been represented in the US market since 2013 and after ten years of growth have now open our own manufacturing plant in Gastonia, just outside Charlotte, North Carolina.

This lays the foundation for Polykemi Group to grow further on the North American continent. Polykemi Group has invested around 18 million euros in the new facility and will employ around 20 employees in the first year. Polykemi Inc. are launching operations with 6500 tons of capacity on two twin-extrusion lines (92 mm and 75 mm, respectively), and room for immediate expansion.

Now that we in Polykemi Group have our own production in the USA, we can for ourselves produce the same plastic compounds in North America that we currently supply in Asia and Europe, ensuring that our global customers can receive corresponding materials with the same performance quality, regardless of where they are produced.

We guarantee customers the same high quality of customized plastic compounds based on both virgin and recycled plastic raw materials delivered from all of our global factories. Thanks to a solid experience and continuous development, the company is able to help customers optimize material choices for their products.

We recommend Material-Smart choices, which means materials of the highest quality, with optimal cost efficiency and with the lowest possible environmental impact.

OUR SUSTAINABILITY WORK

The Polykemi Group this year publishes its 13th 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 was published according to the version of GRI G4 (base level Core).

This year's sustainability report is prepared according to the GRI 1, 2 and 3 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 2023 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, we have done another division of our substantial areas, whose aim shall be to clarify our most important sustainability areas (see figure 9 on page 24).

This sustainability report, published on April 10 2024, 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 2023.

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 15 on page 29).

ENVIRONMENT WORK IN POLYKEMI GROUP

All our companies within Polykemi Group (Sweden, China, and the USA) are certified in accordance with the new standard ISO 14001:2015. The environmental management system governs our entire environmental work, and we drive several projects to continuously develop and reduce our environmental impact both on a global level within Polykemi Group and at each production site. Every year, Polykemi Sweden compiles an environmental report, detailing all priority environmental aspects, goals, improvements, and results within the environmental area.

LAWS AND GUIDELINES WITHIN ENVIRONMENT AND CHEMICALS

Polykemi Sweden uses an external consultant (Ramboll) to conduct audits of our operations, thereby ensuring that we comply with all legal requirements. Additionally, we are connected to the legal monitoring system Notisum in Sweden, China, and the USA, ensuring that we always have access to current legislation in each respective country.

At all of our production sites within the Polykemi Group, local authorities conduct various inspections throughout the year. All inspections by local authorities have resulted in approved outcomes without any remarks on our operations. During the past year (2023), Polykemi Group has not committed any violations of environmental legislation or local regulations.

ADDITIVE CHEMICALS

The EU's chemical ordinance, REACH, came into force on 1 June 2007. REACH contains among

VALUE CREATION MODEL

The value creation model illustrates Polykemi Group's operations by outlining the resources we utilize, how these resources are transformed within our operations, and the value we generate for various stakeholders. Our operations result not only in the plastic compounds we produce and sell but also in the impact we have on our surroundings, such as employee salaries, carbon dioxide emissions, and contributions to the UN sustainability goals.

RESOURCES



*of which 100% renewable.
 **corrugated cardboard and plastic.

BUSINESS AND OPERATIONS



RESULTS



CONTRIBUTION TO THE GLOBAL GOALS



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 the various production sites of Polykemi Group comply with the requirements of MSDS, which are expected to contain information within 16 different areas. All MSDS are available in our chemical management system called Eco Online, accessible to all employees. Eco Online also provides system support for REACH legislation and its various lists, including the inventory list, restriction list, and candidate list. In 2024, we will implement a new system support for chemicals and MSDS called Lisam, replacing Eco Online at all production sites within the Polykemi Group.

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 and the 2023 Agenda.

During 2023, 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 56-59. 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 - SUSTAINABILITY RISKS AND RISK MANAGEMENT

In our sustainability efforts, we work on reducing the impact within our own operations. We also rely on other actors to increase sustainability in the value chain. Polykemi Group's ambition is to reduce the negative impact of its operations on the environment and to work towards creating value for customers, consumers, and other stakeholders. Starting from our value chain helps us identify how best to manage our impact, how we create value for our stakeholders, and what risks we must be prepared to manage. We exert influence both upstream and downstream in the value chain but have varying degrees of ability to influence in different stages.

In figure 2 on page 13, you can see how we within the Polykemi Group work with our value chain. We have illustrated the impact and influence as well as the important issues and approach we have for the different parts of the value chain.

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 Customer satisfaction Service 	<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"> Material selection (CO₂ impact) Product development Marketing Technology training together with customers Customer Interaction 	<ul style="list-style-type: none"> Material selection (CO₂ impact) Product development Marketing Technology training together with end customers Customer collaboration (end customers) 	<ul style="list-style-type: none"> Material selection (CO₂ impact) Sustainable and recyclable products. Reduce plastic into nature and water (microplastics)
Our approach	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"> Material selection (CO₂ impact) Product development Marketing Technology training together with customers Customer Interaction 	<ul style="list-style-type: none"> Material selection (CO₂ impact) Product development Marketing Technology training together with end customers Customer collaboration (end customers) 	<ul style="list-style-type: none"> Material selection (CO₂ impact) Sustainable and recyclable products. Reduce plastic into nature and water (microplastics)
Rondo Plast	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

Figure 2



Polvykemi



60%

fewer number of company cars running on fossil fuels in Sweden.

2023 compared to 2022.

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 371 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 4 on page 18 and some key figures

BOARD & GROUP MANAGEMENT - SUSTAINABILITY GOVERNANCE COMPOSITION AND EXPERTISE OF THE BOARD

According to the company's articles of association, the board of directors of the various companies within the Polykemi Group shall consist of a minimum of five and a maximum of eight members, as well as a maximum of two alternates. In 2023, the board comprised five members and one employee representative, with zero women and five men.

The board acquires and maintains expertise in the field of sustainability. This is accomplished through lectures and participation in workshops on current and relevant topics, as well as through regular status reports on sustainability efforts within the Polykemi Group and current issues in the external environment.

DIVISION OF RESPONSIBILITIES FOR SUSTAINABILITY

It is the responsibility of the board and executive management to ensure that work in environmental, occupational health and safety, review of ethical guidelines, social responsibility, and sustainable economic development complies with the rules, strategies, and goals set. This responsibility also includes presenting a sustainability report according to GRI in connection with the annual financial statements. The parts concerning environmental work are delegated from the CEO to the Environmental & Quality Manager. The operational sustainability work extends from, for example, product development and purchase department and through cross-functional collaborations with HR regarding occupational health and business ethics.

THE BOARD'S INVOLVEMENT IN SUSTAINABILITY ISSUES

The foundation of Polykemi Group's sustainability work lies in the company's significant sustainability issues, which have been identified through an impact and materiality analysis, as well as the company's values. These values are summarized in Polykemi Group's Code of Conduct (figure 36 on page 45), which is approved by the board.

During the board meetings, the board receives information and has the opportunity to provide input regarding objectives and follow-ups in the sustainability area.

Critical sustainability-related issues and whistleblower cases are communicated to the board as needed. During the year, no such cases have been reported to the board.

The management review, which includes aspects of sustainability work, is held four times a year, and the sustainability report, compiled once a year in accordance with GRI guidelines. This reporting methodology strengthens communication between owners, the board, and the operational business. The governance of our sustainability work is presented in figure 6 on page 19.

EVALUATION OF THE BOARD

In the evaluation, one should consider competence, commitment, and the member's contribution within and outside meetings. Within the framework of assessing the member's competence, the evaluation also includes an assessment of competence relevant to Polykemi Group's sustainability impact. The evaluation has not resulted in any changes to the composition of the board.

POLYKEMI GROUP KEY FIGURES

POLYKEMI AB (SWEDEN)

	2023	2022
Turnover (mSEK)	1371	1358
Result (mSEK)	136,8	75,1
Equity ratio (%)	64	58
Employees*	223	228

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

RONDO PLAST AB (SWEDEN)

	2023	2022
Turnover (mSEK)	157	244
Result (mSEK)	8,1	18,9
Equity ratio (%)	86	79

SCANFILL AB (SWEDEN)

	2023	2022
Turnover (mSEK)	75	70
Result (mSEK)	7,6	8,7
Equity ratio (%)	91	92

POLYKEMI COMPOUNDS LTD (KUNSHAN, CHINA)

	2023	2022
Turnover (mSEK)	173	189
Result (mSEK)	26,6	20,3
Equity ratio (%)	89	85
Employees*	70	73

POLYKEMI COMPOUNDS LTD (CHONGQING, CHINA)

	2023	2022
Turnover (mSEK)	38	N/A
Result (mSEK)	-6,1	N/A
Equity ratio (%)	54	N/A
Employees*	23	N/A

POLYKEMI INC. (USA)

	2023	2022
Turnover (mSEK)	102	100
Result (mSEK)	-35,1	-2,5
Equity ratio (%)	33	5
Employees*	20	13

SUBSIDIARIES

Denmark, Germany and Czechia

	2023	2022
Employees	10	11

OWNING STRUCTURE POLYKEMI HOLDING GROUP

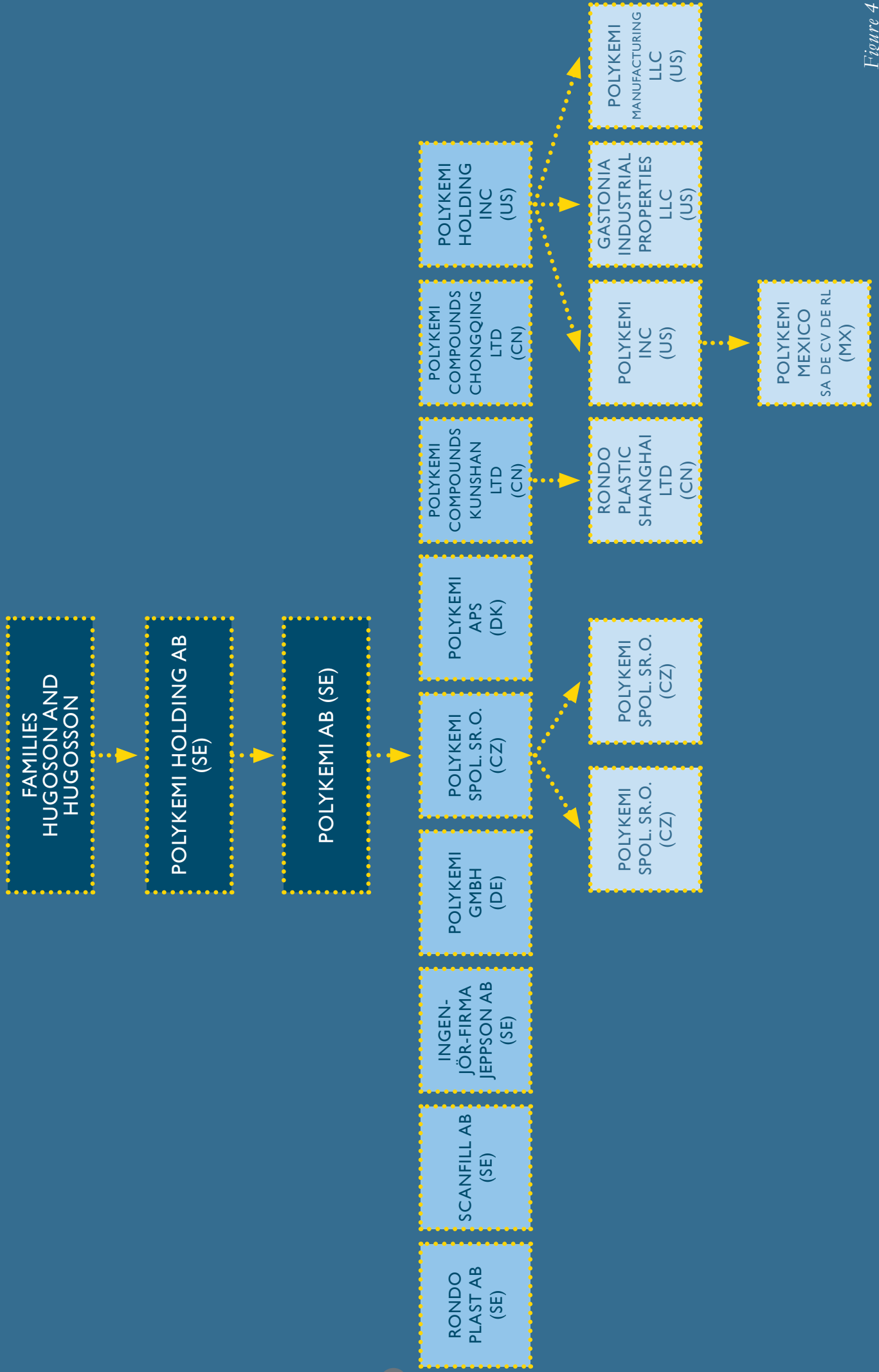


Figure 4

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 5

MANAGEMENT OF SUSTAINABILITY WORK

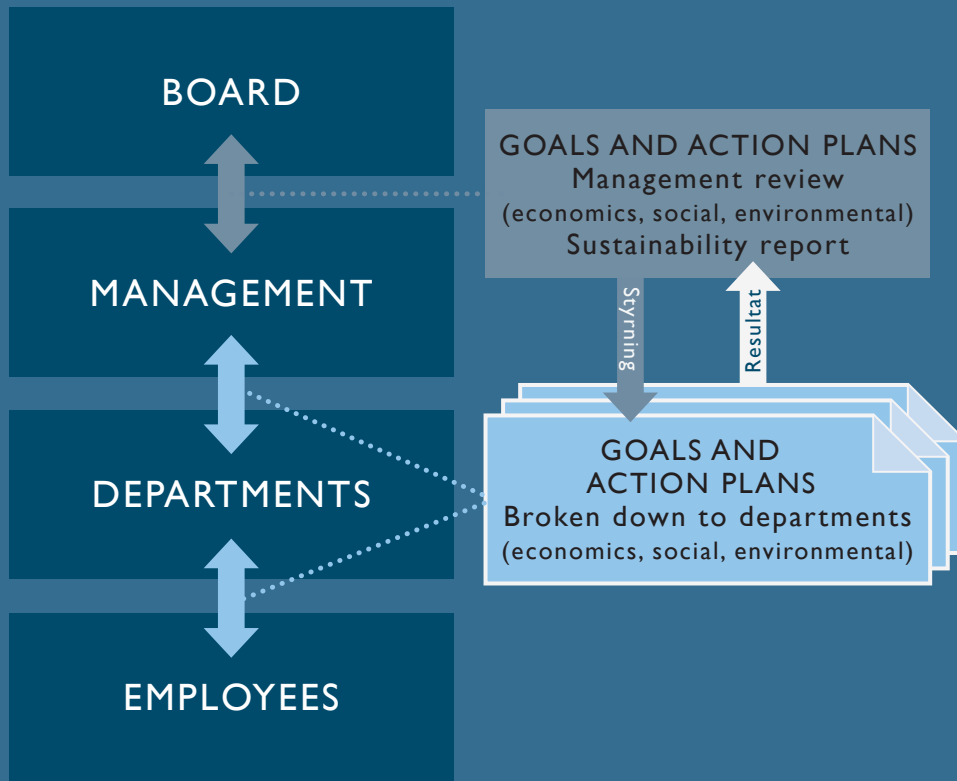


Figure 6

THE 4 STEP MODEL

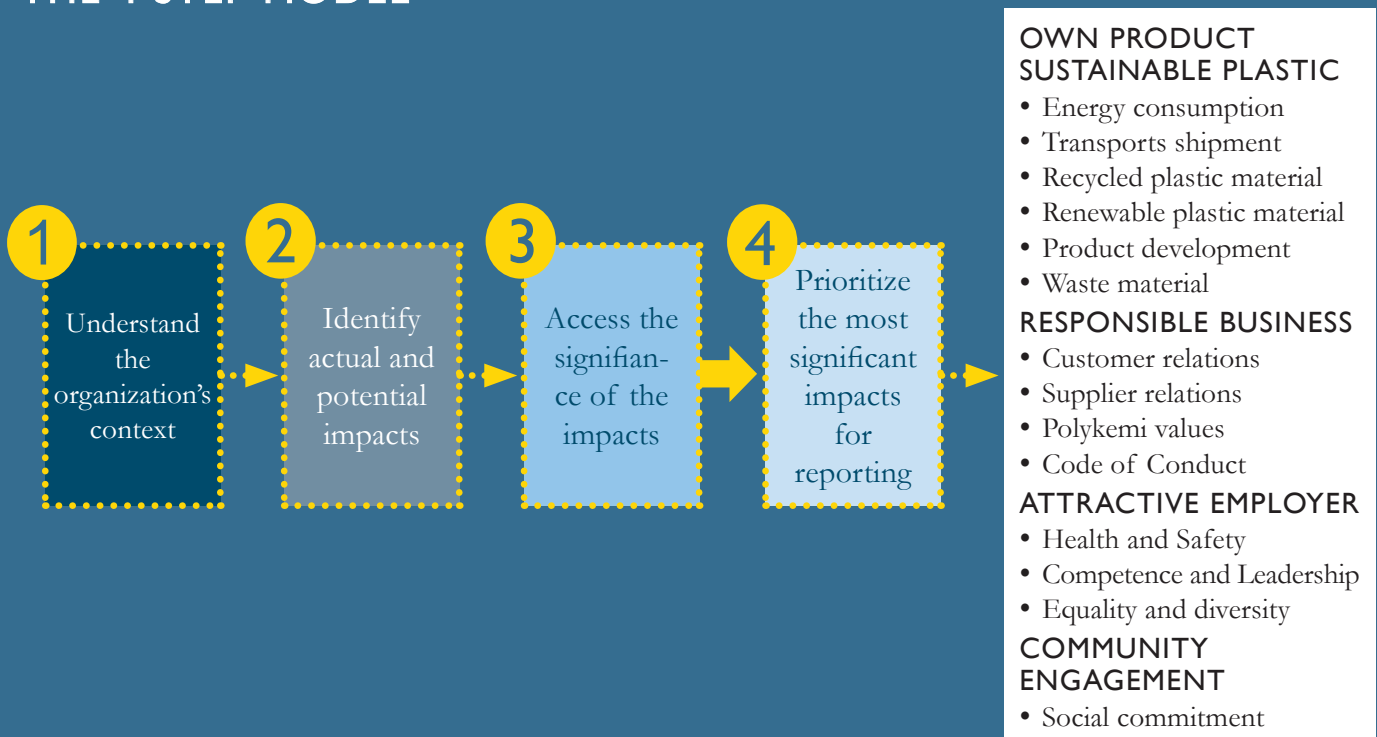


Figure 7

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. For several years, there has been an established collaboration with 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 have now started our own manufacturing unit in Gastonia outside Charlotte, North Carolina. The new factory in the US means that we 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. produces the same materials (both recycled and virgin) in the US as Polykemi already does in Europe and Asia. In addition, delivery to US customers is made directly from the North Carolina plant, saving time, costs and the environment.

During the year, we have certified our new facility in Gastonia according to both ISO 9001 and ISO 14001. These certifications, in turn, lay the foundation for us to gather more sustainability data regarding our production operations in the USA.

POLYKEMI COMPOUNDS LTD CHINA (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.

During the year, we have certified our new facility in Chongqing according to both ISO 9001 and ISO 14001. These certifications lay the foundation for us to gather more sustainability data regarding our production operations in Chongqing.

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.



The emissions from

5000

*cars in the EU annually
correspond to our*

CO₂ savings.

2023 compared to 2022.

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 maintains an ongoing dialogue with stakeholders to ensure that the essential sustainability issues align with the expectations of the surrounding community. Stakeholder dialogues serve as a tool to understand the critical issues important to stakeholders in relation to Polykemi Group. This dialogue is also a vital part of establishing long-term relationships with our stakeholders and contributes to Polykemi Group's continuous improvement of operations.

Polykemi Group has identified key stakeholders

such as customers, employees, suppliers, owners, board of directors, authorities, and the local community. These stakeholders have been identified based on their interest and the actual and potential impact these stakeholder groups have on Polykemi Group and vice versa.

Stakeholder dialogues occur continuously through various channels. Customer surveys are conducted to understand customer needs. Through the sales organization, we have daily contact with our customers and the opportunity to address sustainability expectations. We also participate in forums with our customers to discuss various sustainability issues. Insights into the important issues for our employees are gained through the annual employee survey. Dialogue also occurs through owner directives. Polykemi Group also maintains ongoing contact with the media and society and conducts daily environmental monitoring.

In figure 8 on page 24, there is a compilation of examples of more formalized dialogues conducted on a regular basis with our key stakeholders. In addition to these continuous dialogues, we have conducted targeted stakeholder dialogues regarding sustainability.

We have also conducted a weighting of our various stakeholders, utilizing an assessment model based on impact and interest.

KEY STAKEHOLDERS	DIALOGUE SESSIONS	PRIORITISED AREAS
Customer	Customer visits Digital meetings Market research	Recycled materials Energy consumption Customer relations
Owner	Board meetings Annual meetings Management meetings Stakeholder/materiality analysis	Recycled materials Energy consumption Community engagement
Board	Board meeting Stakeholder/materiality analysis	Recycled materials Energy consumption Community engagement
Co-worker	Performance reviews Department meeting Stakeholder/materiality analysis	Occupational Health and Safety Code of Conduct/Polykemi's values Competence & Leadership
Supplier	Supplier visits Procurement/approval process Stakeholder/materiality analysis	Recycled materials Code of Conduct/Polykemi's values Supplier relationships
Local community	Municipality Contacts Association Contacts Stakeholder/materiality analysis	Community engagement Code of Conduct/Polykemi's values Transports
Authorities	Environmental associations Region Skåne Stakeholder/materiality analysis	Energy use Code of Conduct/Polykemi's values Waste/spill

Figure 8

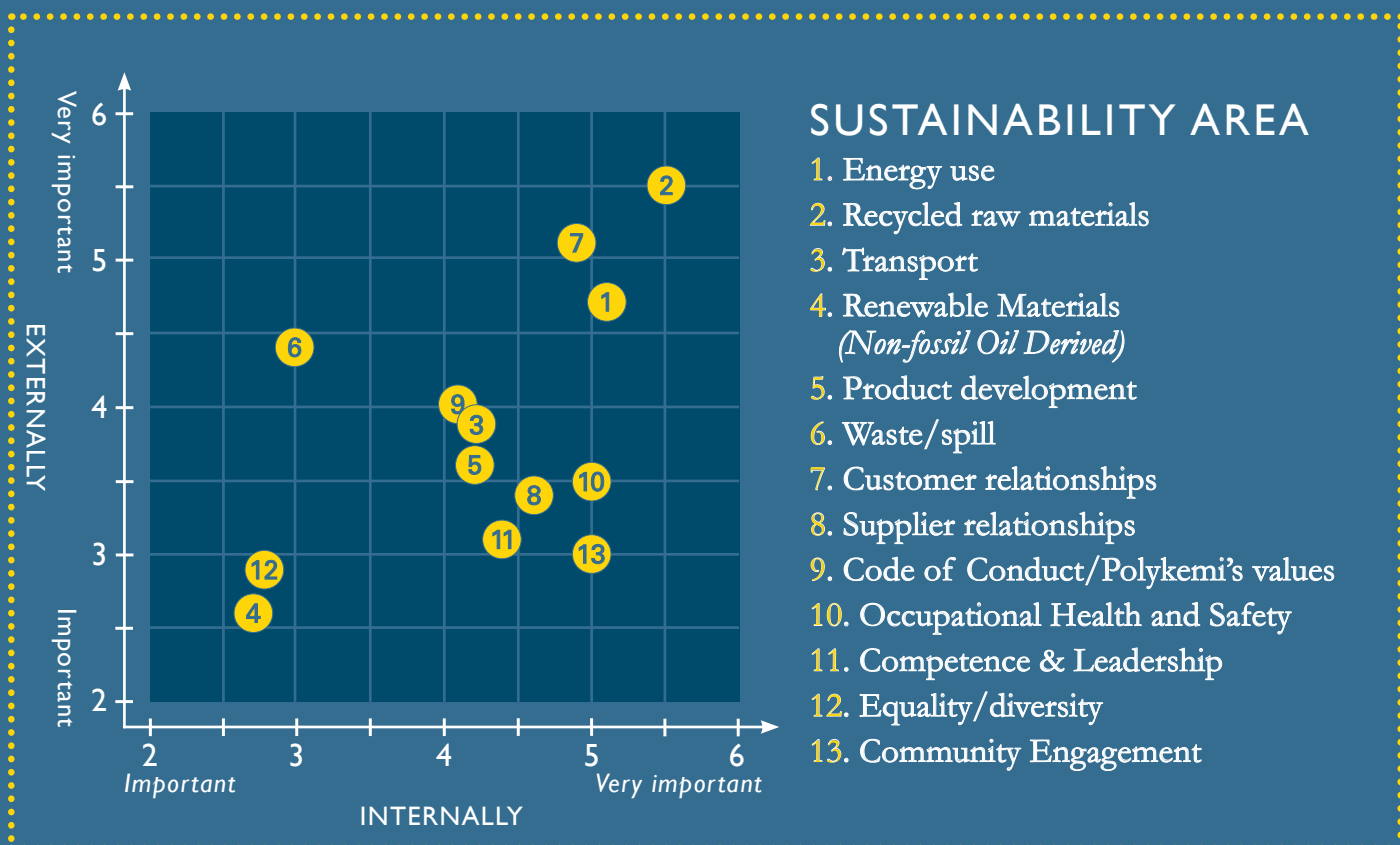


Figure 9

SUSTAINABILITY - MATERIALITY

Polykemi Group's essential sustainability issues have been identified, prioritized, and determined based on an impact and materiality analysis (the step model described in GRI 3, see figure 7 page 19). The analysis is based on environmental scans, including the results of discussions with experts from the industry associations in which Polykemi Group is active, mapping the impact in the value chain, as well as stakeholder dialogue and stakeholders' priorities (conducted at the end of 2022).

The results of the latest stakeholder dialogue from 2022 will be discussed in various forums, including the board, management team, and various working groups within our operations.

In 2023, as part of the adaptation to upcoming sustainability regulations such as CSRD, Polykemi Group has begun analyzing how changes in the external environment affect the company.

KEY SUSTAINABILITY ISSUES

The impact and materiality analysis demonstrate Polykemi Group's level of influence on various sustainability issues from economic, environmental, and social perspectives, as well as the significance of these sustainability issues for different stakeholder groups when making decisions related to Polykemi Group's operations.

The issues where Polykemi Group assesses having the greatest actual negative impact on the environment include climate impact (the CO₂ value of plastic), energy usage, waste (for incineration), and the use of packaging materials. Therefore, these sustainability issues have been prioritized highly based on severity reasoning.

Many of our suppliers are located in Europe and Asia, and unfortunately, the risks of human rights violations in the value chain exist in some countries. Responsibility in the value chain is thus a sustainability issue that has also been prioritized, assessed based on severity as well.

During the year, no changes in the prioritization of the key issues have occurred. Moving forward, Polykemi Group will develop the analysis according to the requirements of upcoming legislation.

Polykemi Group operates based on a framework where we categorize our main aspects into four sustainability areas. The purpose and goal of the framework were to provide a clearer overview and connection between GRI, key and prioritized sustainability areas, and our operations. The four sustainability areas are:

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

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 highest risk is indicated by both internal and external stakeholders for IT security and energy consumption. See figure 10 on page 26 for more information.

WHAT WE DO WITH THE RESULT

By actively researching and measuring what our stakeholders think and feel about us, we gain insights for improving and developing our operations and their governing tools such as Surface Environment & Occupational Health and Quality Management Systems ISO 14001, ISO 9001, and ISO 45001. With the help of facts, we can initiate and implement actions aimed at continually developing and improving our operations. In the following pages, we describe in more detail how we manage our significant and prioritized sustainability areas within our four main aspects.

RISK ASSESSMENT

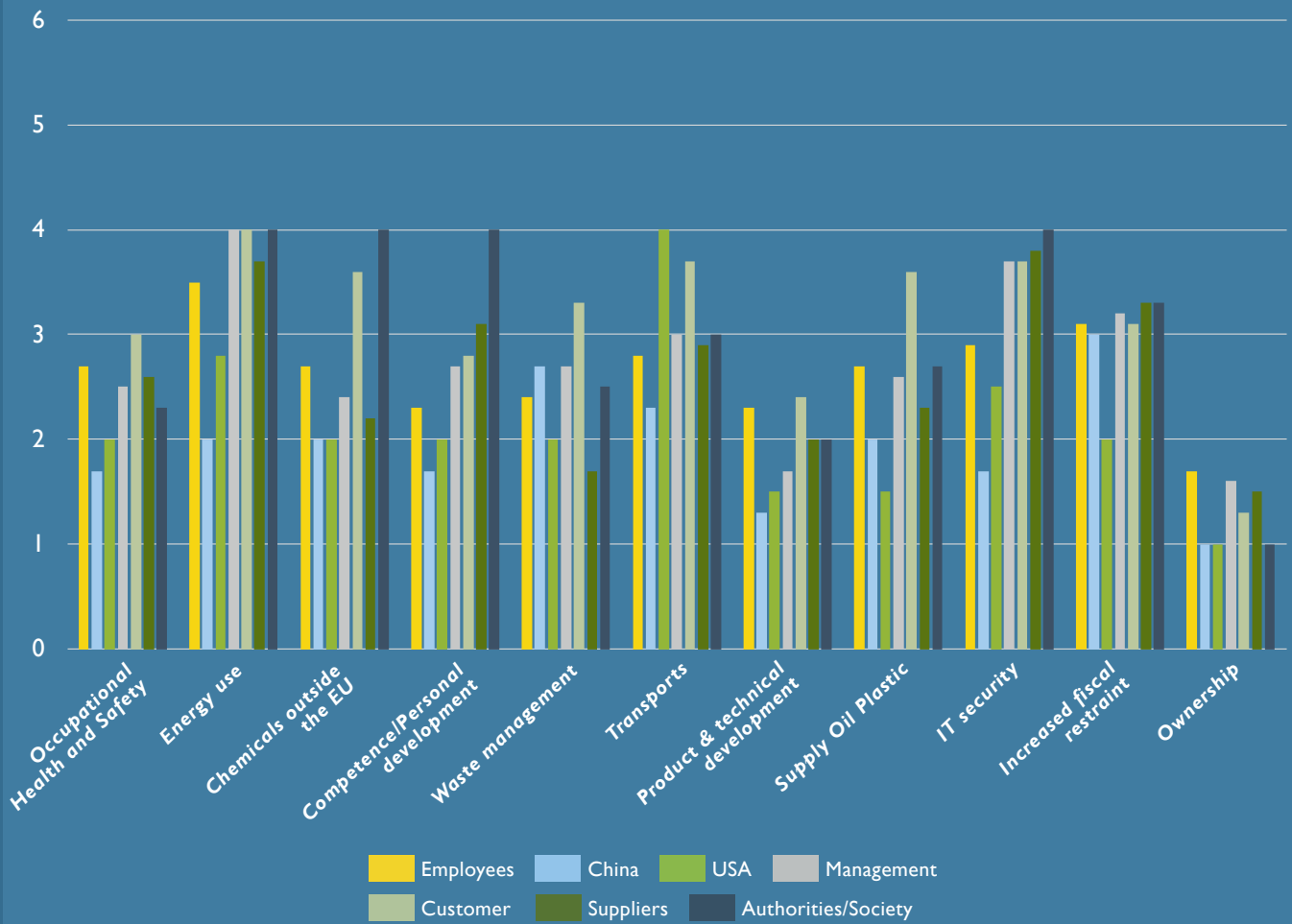


Figure 10

RAW MATERIALS FOR COMPOUND PRODUCTION

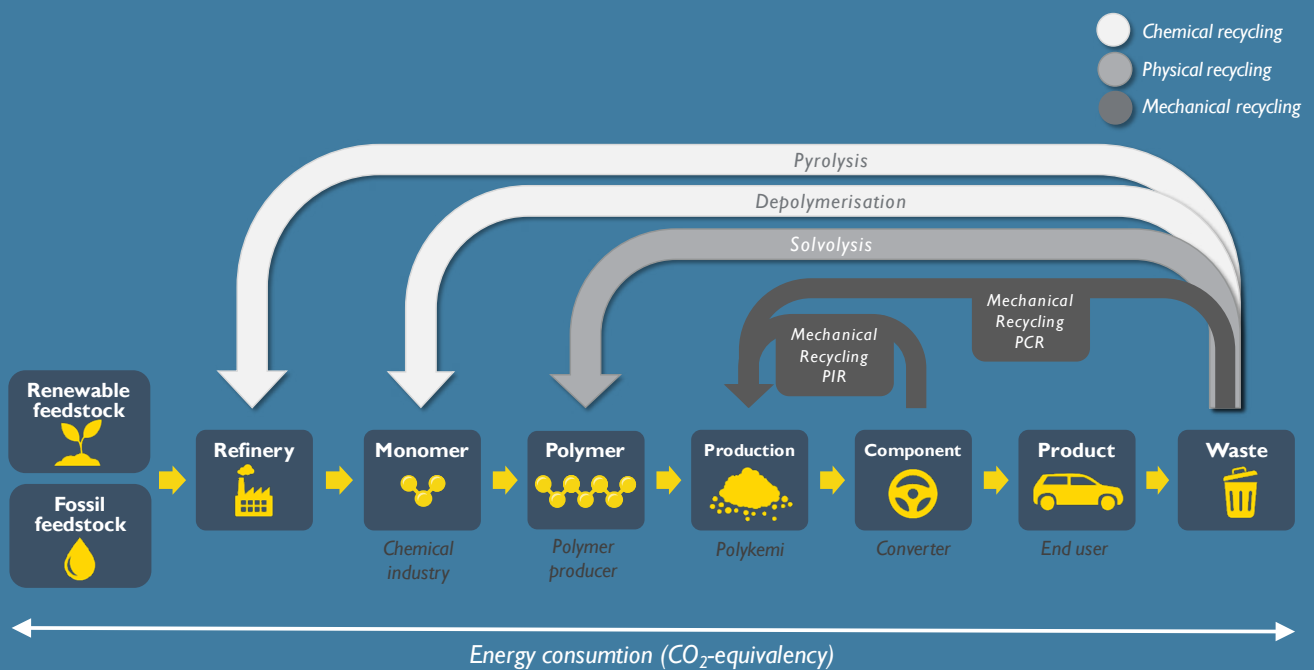


Figure 11

SUSTAINABILITY COMPARISON - HIGHEST RANKED

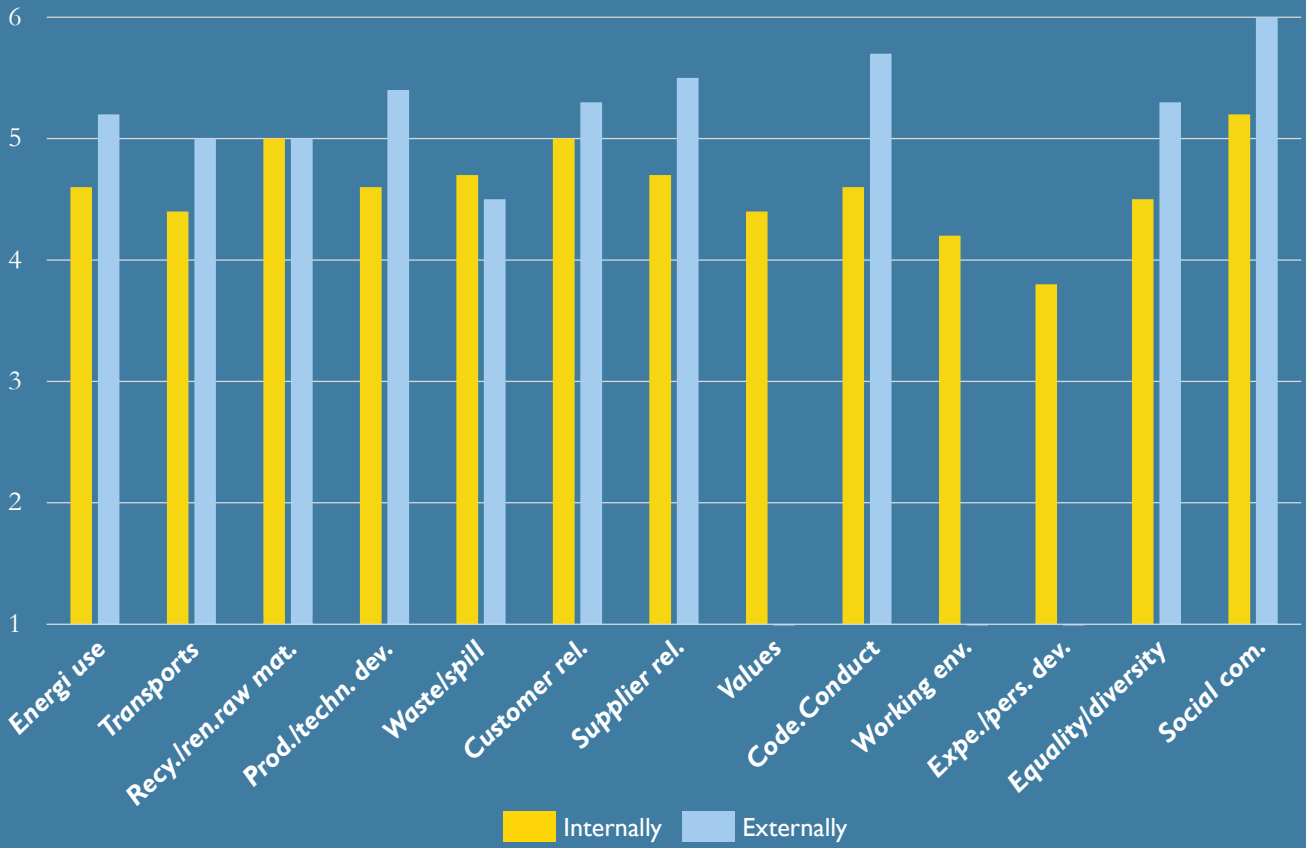


Figure 12

RISK COMPARISON

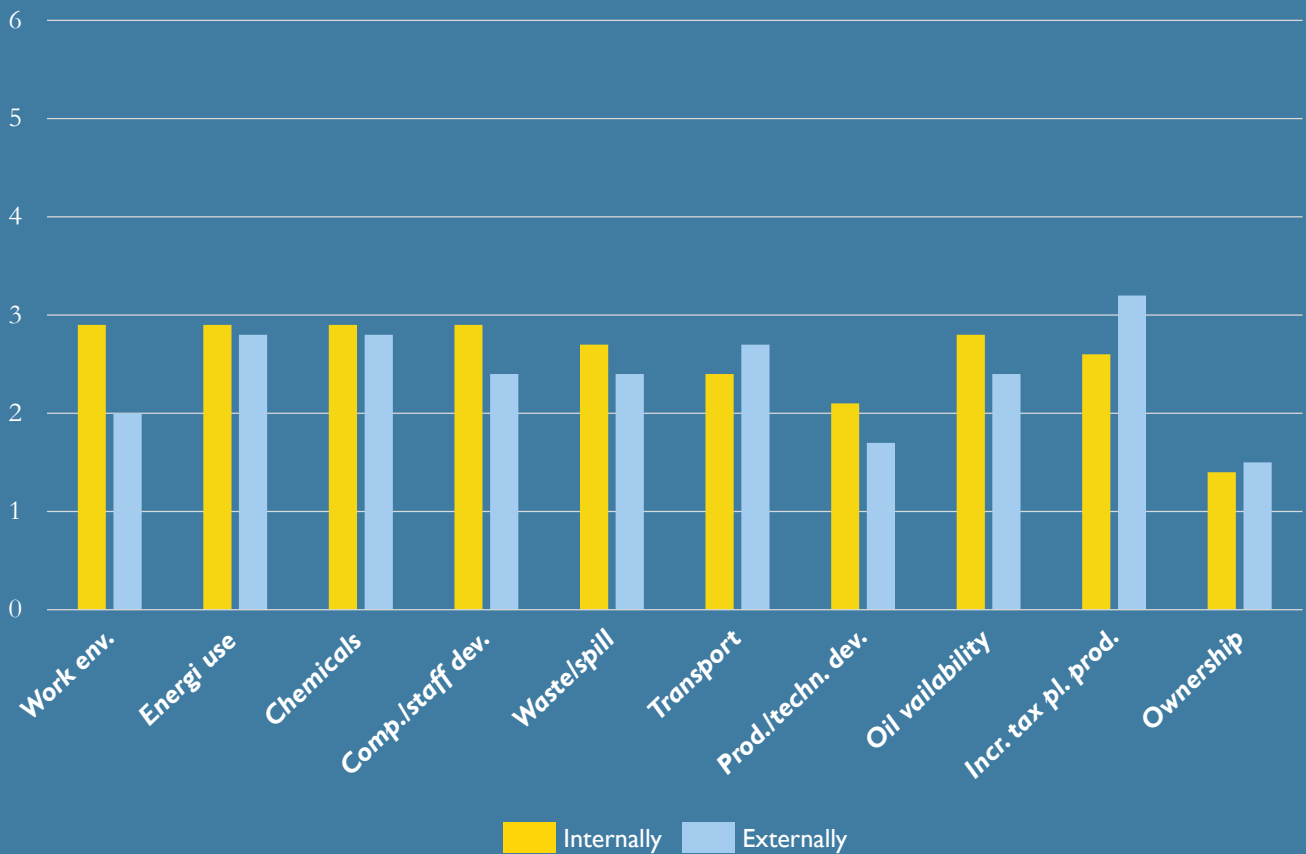


Figure 13

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 2023*	GOALS 2024*
 <p>OWN PRODUCT SUSTAINABLE PLASTIC</p>	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	0,440 MWh/ produced ton	0,425 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 20% up to 2023. (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 23,6 % Biomaterials 16 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 2,2 %	Production waste < 2,2%
 <p>RESPONSIBLE BUSINESS</p>	Financial results	Owners - Polykemi	Board, Owners, management	201-1 Direct economic value generated and distributed	Profit 7,6 %	Profit > 7,2%
	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	95% 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	35% of local purchases (office material, other consumption goods)	> 30% of local purchases (office material, other consumption goods)
 <p>ATTRACTIVE EMPLOYER</p>	Working environment	Co-workers 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 3,4 %	Sick leave < 3,4%
	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	312 Men 59 Women	Target number missing
 <p>COMMUNITY INVOLVEMENT</p>	Social commitment	Polykemi Group	Sponsorship	Share of sponsorship initiatives with CSR link	25	Target number missing

Some of our sustainability aspects can have an impact even outside our legal framework with for example our customers and suppliers.
* Results and goals refer mainly to Sweden, some results for China are reported in other ways in the report.

Figure 15

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 it is considered an important area is that our main activity is entirely based on plastic, which originates from fossil oil, contributing to negative climate impact (increased CO₂ emissions)..

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 for Polykemi Group Sweden (2023) is to use at least 25% of recycled material in our production (The result for 2023 was a 25.1% share of recycled material).

We have noticed an increased demand and focus on plastic compounds that should contain a certain percentage of PCR (Post-Consumer Recycled). A large part of the recycled material we currently use comes from PIR (Post-Industrial Recycled). This is related to upcoming legislative proposals in the automotive industry (EVL - End-of-Life Vehicles), where there will likely be requirements for a certain % of PCR inclusion in all new car models. Learn more about the process of raw materials for compound production in figure 23 on page 26.

RENEWABLE/BIO-BASED MATERIALS - ISCC PLUS CERTIFICATION

As we mentioned during “important events during the year”, Polykemi and its subsidiary, Scanfill, have undergone certification according to ISCC PLUS. This certification ensures total traceability in the production and delivery of biocircular mass-balanced certified plastic raw materials – another step towards increased sustainability and reduced carbon footprint.

The ISCC PLUS certification is part of Polykemi Group’s global efforts towards a progressive and sustainable industry, but also a natural outcome of increasing awareness among customers.

We must be able to demonstrate what we are doing to reduce the carbon footprint of our materials. It is no longer a request from customers; it is a requirement. The certification enables us to offer high-performance materials that reduce the amount of fossil raw material and ultimately the carbon footprint.

INFORMATION ABOUT THE 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.

SCOPE 1

Indirect emissions from sources owned or controlled by the organization.



ENERGY USE IN THE ORGANIZATION		2023	2022
Direct energy use: Gasol Sweden (ton)		0,5	0,5
CO ₂ -e Gasol Sweden (ton)		1,5	1,6

Figure 16

COMPANY CARS	SWEDEN		KUNSHAN CHINA		CHONGQING, CHINA		USA	
	2023	2022	2023	2022	2023	2022	2023	2022
Total CO ₂ -e (ton)	15,7	19,1	17,6	17,6	-	-	-	-
Number of cars Fossil fuel	6	15	5	5	-	-	1	-
Number of cars El/electric hybrid	37	28	0	0	-	-	0	-

Figure 17

SCOPE 2

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



ELECTRICITY CONSUMPTION	SWEDEN		KUNSHAN CHINA		CHONGQING, CHINA		USA	
	2023	2022	2023	2022	2023	2022	2023	2022
Total energy use (MWh)	23 614	22 290	3 821	3 566	762	-	1478	-
Total CO ₂ -e emissions ² (ton)	590	557	2 730	2 548	-	-	-	-
Energy use per ton produced (MWh)	0,44	0,43	0,46	0,41	0,7	-	0,445	-
CO ₂ emissions per ton produced	0,01	0,01	0,38	0,38	-	-	-	-
District heating Sweden (MWh)	542	563						

Figure 18

SCOPE 3

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



CO ₂ EMISSIONS DURING TRANSPORT	2023	2022
Deliveries (ton)	2 910	3 009

Figure 19

FLIGHTS (TON)	2023	2022
Total CO ₂ -e emission	65,5	25,8
CO ₂ -e emission Europe	23,3	15,8
CO ₂ -e emission Asia/USA	42,2	10,0

Figure 20

MATERIAL USE	SWEDEN		KUNSHAN CHINA		CHONGQING, CHINA		USA	
	2023	2022	2023	2022	2023	2022	2023	2022
Total material use (ton)	50 928	51 532	7 256	6 703	1 166	79	2 706	-
CO ₂ -e emissions (ton)	134 091	128 398	20 209	21 626	-	-	-	-
Average emissions kg CO ₂ -e/kg material produced	2,501	2,659	2,894	3,266	-	-	-	-
Recycled material (ton)	12 019	14 670	497	375	79	-	1 942	-
Recycled material (%)	23,6	26,6	10,9	8,14	7,3	-	71,4	-

Figure 21

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 33 on page 40 for more information on our compounding process. Without the inertia found in major organisations,

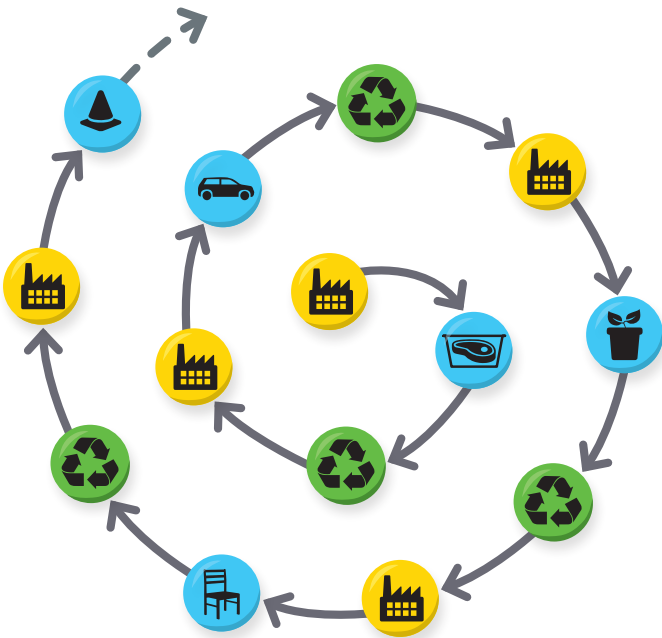


Figure 22

SPIRAL ECONOMY

We have a concept that we call Spiral Economy (see figure 22) 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.

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 factories in China and the USA). The energy group works to execute the goals and action plans put forth to reduce the company's energy consumption.

For our production units in the USA and China, starting January 2024, we will join the International Tracking Standard Foundation, which is a way to promote fossil-free energy production. Below is a brief overview of this setup.

An I-REC for electricity is called an I-REC(E) and is an exchangeable energy attribute certificate (EAC) that conveys information about the production of an electricity unit, such as where the electricity was produced, the capacity of the production facility, and the energy source.

I-REC(E) can be used for a variety of (voluntary) requirements, including Scope 2 reporting, national energy reporting, and general end-user claims, allowing all electricity users to make a conscious and evidence-based choice for electricity, in all countries where service providers are accredited by the International Tracking Standard Foundation.

Polykemi Group Sweden has been part of an energy efficiency network called NUDGE between 2021-2023, the purpose of the network being to contribute to digitization and green transition. Since the NUDGE network was finalized in 2023, we have chosen to join a new energy efficiency network called "Energismarta företag i Skåne" (Smart Energy Companies in Skåne) which started in 2023 and will continue until 2025. The content and purpose of the network are similar to NUDGE, but this network is focused on companies with higher energy consumption.

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

MEASURES	SAVINGS (KWH/YEAR)	INVESTMENT (SEK)	REPAYMENT	PLANED IMPLEMENTATION (YEAR)
Digitization project.	Output, downtime reduction, process control.	750 000	5 years	In progress and will be further developed.
Management SME (Specific Mechanical Energy) 9 extruders.	approx. 1 500 MWh	200 000	1 year	In progress and will be further developed.
Using heat energy from the department called "Öster" to heating "Väster".	Up to 2 000 MWh.	Quotations are being obtained.	10 years	Decisions will be made in 2024.
Ventilation improvements extruders in "Väster". Heat recovery from extract air fans.	Ongoing project.	Maximum 500 000	5 years	Completed in 2023.

Figure 23

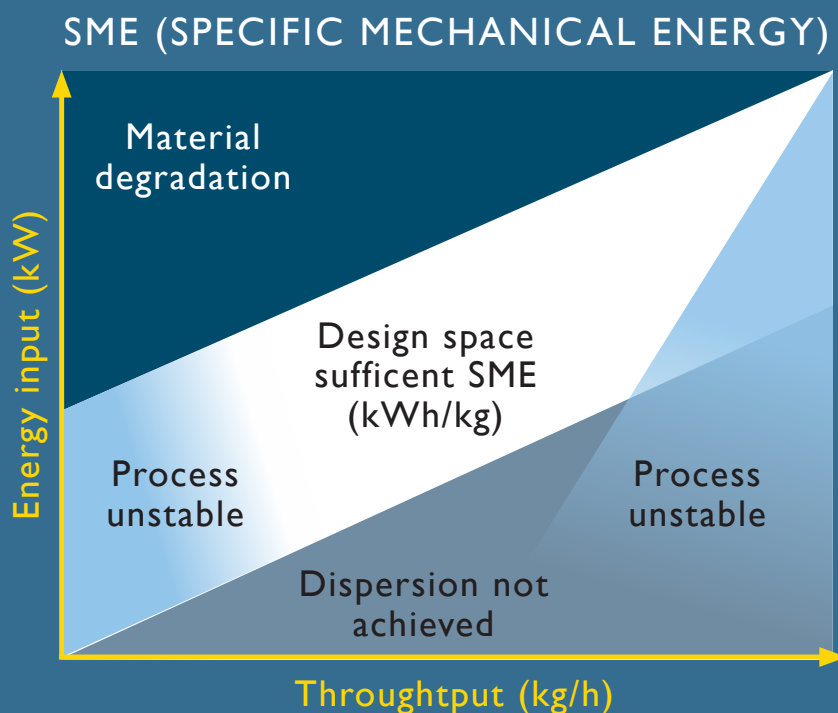


Figure 24

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. We have hired a certified consulting company to carry out both energy audits.

We have a variety of projects within Polykemi Group Sweden (driven by our cross-functional energy group) to reduce and optimize our energy consumption. One of the interesting projects we have initiated is utilizing process data from various existing systems and then integrating this data. This way, we can reduce both our energy consumption and decrease downtime and waste simultaneously.

The goal is to be able to implement our (Polykemi Group Sweden - Energy Group) experiences regarding energy efficiency improvements also at our other production sites in China and the USA.

By measuring the consumption online (Siemens Desigo System) and both control and measure the extruders SME (Specific Mechanical Energy, see figure 24 on page 35), we can optimize the electricity consumption and add the right amount of energy needed to melt the plastics during the compounding process.

In 2022-2023, we have 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 to optimize our process both in terms of energy and quality. 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.

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 significant sustainability aspect for Polykemi Group is our transportation. 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 the Czech Republic and concession warehouses at a number of customer locations.

In 2021-2022, 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 17 and 20 in page 32.

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, China and the USA.

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. In China and the USA, we collect and compress plastic bags, which are then sold for recycling.

Waste water - water treatment

In our flushing system (both in Sweden and in the USA), 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.

In China, we have chosen a different type of vacuum pumps (dry vacuum pumps) that generate dry waste, which is collected and sent off for disposal (via a certified company). Our facilities in China (Kunshan and Chongqing) are equipped with a filter on the outgoing water that is approved by the local regulatory authorities.

Other Waste

At Polykemi Group in Sweden, all other waste (including hazardous waste) is handled by our contractor Stena Metall. In China and the USA, we also have agreements with certified companies that can receive and handle our other waste.

Follow-up of our waste fractions is presented in figure 29-32 on page 39.

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 from our 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 (<https://opcleansweep.org/>), which is a global body dedicated to the reduction of plastic waste in our seas.

TOTAL WASTE WEIGHT	2023	2022
Burnable waste Sweden (ton)	669	1 009
Burnable waste Kunshan, China (ton)	106	46
Burnable waste Chongqing, China (ton)	-	-
Burnable waste USA (ton)	140	-
RECYCLED TYPES SWEDEN		
Cardboard (ton)	260	232
Plastic package (ton)	152	100
Metal (ton)	49,8	59
Electronics (ton)	1,2	1,1

Figure 25

COMPLAINED MATERIAL*	2023	2022
Sweden (ton)	209	121
Sweden (%)	0,36	0,22
Kunshan, China (ton)	7	18,6
Kunshan, China (%)	0,1	0,37
Chongqing, China (ton)	0,55	-
Chongqing, China (%)	0,04	-
USA (ton)	4,8	-
USA (%)	0,18	-

Figure 27

USED PACKAGING MATERIAL	2023	2022
Plastic material Sweden (ton)	184	130
Plastic material Kunshan, China (ton)	35	36
Cardboard/paper Sweden (ton)	505	520
Cardboard/paper Kunshan, China (ton)	19,2	23
Metal Sweden (ton)	0,5	0,4
Pallet Kunshan, China (ton)	147	195

Figure 26

WATER USE	2023	2022
Polykemi (m ³) <i>Municipal water</i>	25 552	25 883
Rondo and Scanfill (m ³) <i>Municipal water</i>	29 475	27 097
Kunshan, China (m ³)	11 420	9 924
Kunshan, China (drinking water, m ³)	812	360
Chongqing, China (m ³)	3 877	-
Chongqing, China (drinking water, m ³)	0	-
USA (m ³)	3 961	-
USA (drinking water, m ³)	0	-
Total water use (m ³)	75 097	63 264
Recirculation (m ³)	4 689 63 times	8 688 37 times
Recirculation (%) China	52	52

Figure 28

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

HAZARDOUS WASTE SWEDEN (by selection)	2023	2022
Waste oils (ton)	2,6	2,6
Oil products fixed (ton)	0,2	0,3
From oil separator (ton)	9,6	10
Paint waste (ton)	0,1	0,1

Figure 29

HAZARDOUS WASTE USA (by selection)	2023	2022
Waste oils (ton)	-	-
Oil products fixed (ton)	-	-
Packaging plastic waste (ton)	-	-
Dust waste (ton)	3	-
Avfall, aktivt kol (ton)	15	-

Figure 30

HAZARDOUS WASTE KUNSHAN, CHINA (by selection)	2023	2022
Waste oils (ton)	1	1,8
Oil products fixed (ton)	0,1	0,1
Packaging plastic waste (ton)	106	80
Dust waste (ton)	4,9	13,8
Avfall, aktivt kol (ton)	6,7	6,3

Figure 31

HAZARDOUS WASTE CHONGQING, CHINA (by selection)	2023	2022
Waste oils (ton)	0,6	-
Oil products fixed (ton)	0	-
Packaging plastic waste (ton)	-	-
Dust waste (ton)	-	-
Avfall, aktivt kol (ton)	0,16	-

Figure 32

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

OUR COMPOUNDING PROCESS

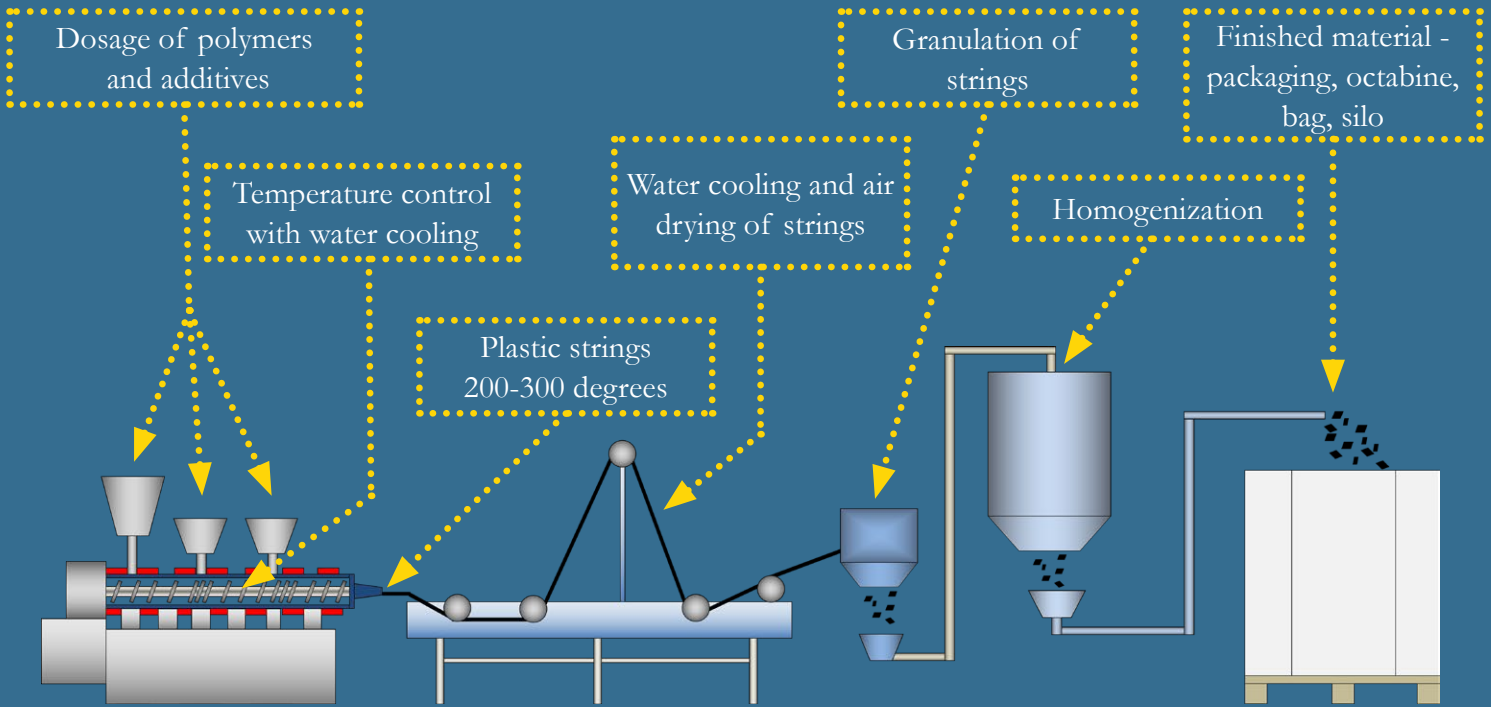


Figure 33

SUPPLIER CHAIN FOR RAW MATERIAL

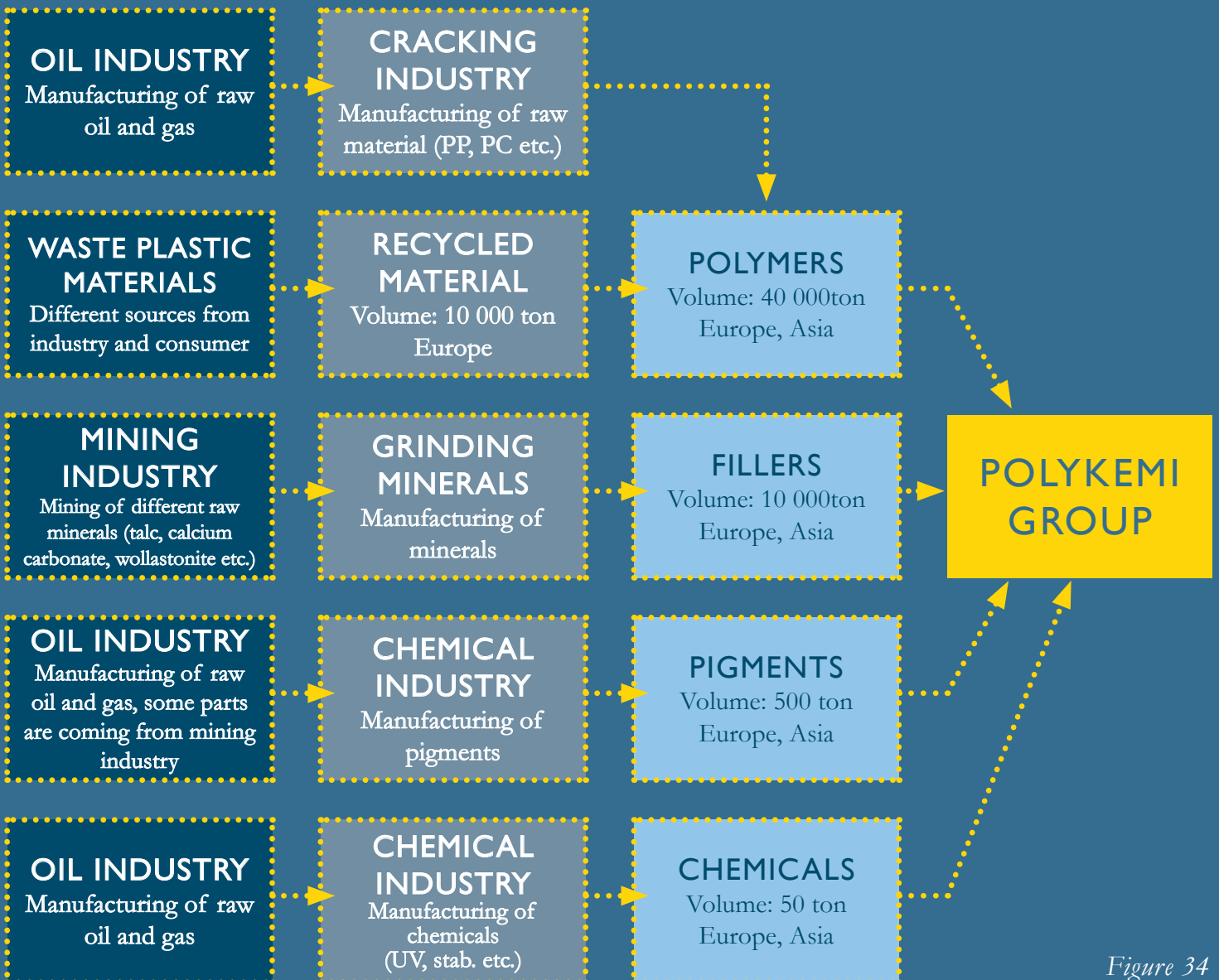


Figure 34

SUPPLIER GOVERNANCE AND CONTROL PROCESS

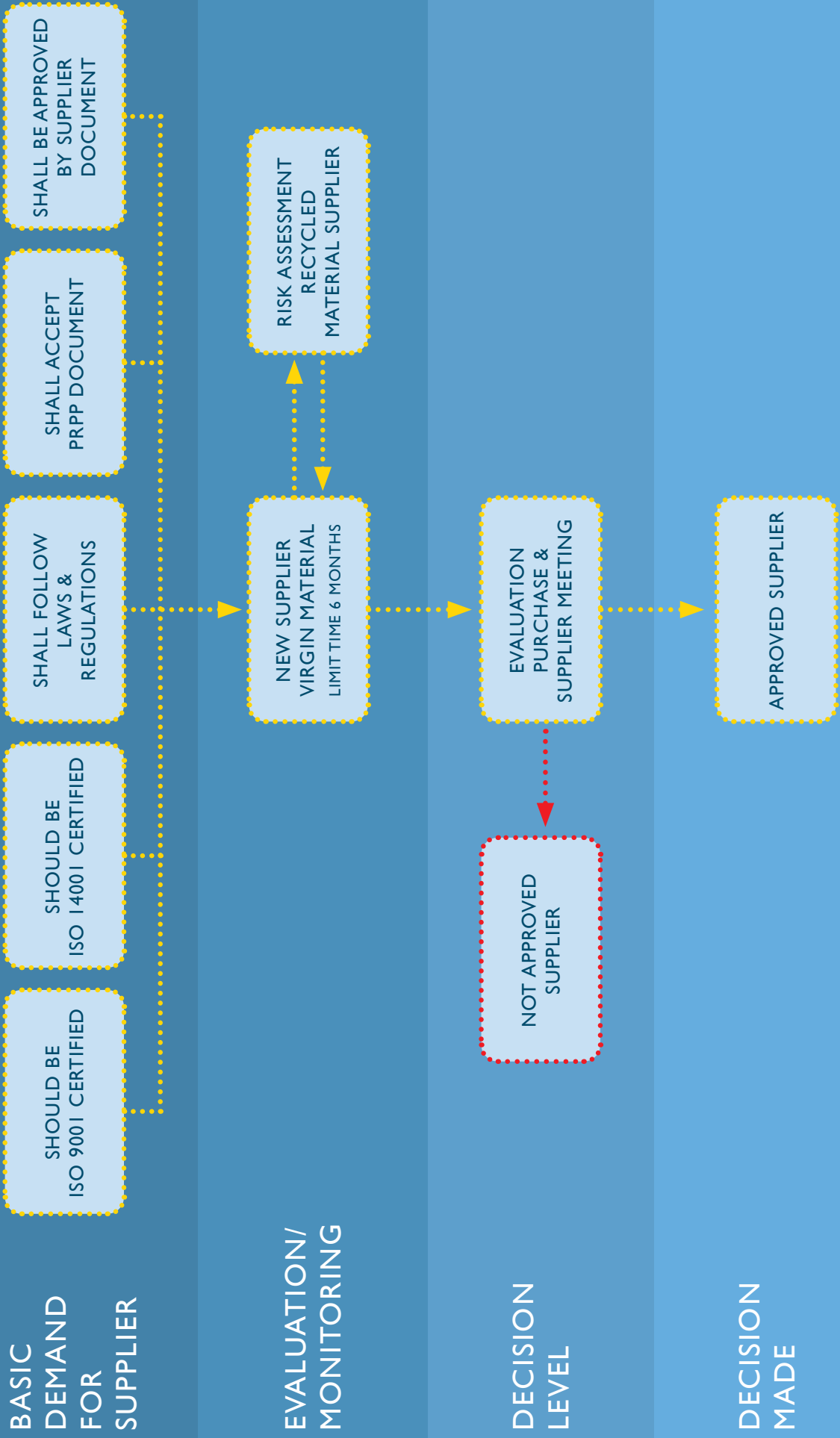



Figure 35



PLAST: vår last

PLAST
we trust

33%

*reduction of burnable
waste in Sweden.*

2023 compared to 2022.

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 and 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 2023 were approved suppliers according to the aforementioned standard. In 2023, 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 2023.

SUPPLIER GOVERNANCE AND CONTROL PROCESS

A form is sent out to suppliers at least every five years, where suppliers are asked to respond to questions about how they work with, among other things, the Code of Conduct and UN Global Compact.

In managing deviations with suppliers, the following protocol is adhered to:

When there are no discrepancies found, collaboration with the supplier proceeds as usual. In cases of minor discrepancies, dialogue is initiated with the supplier to discuss how the deviation can be rectified within a specified timeframe. However, in instances where major discrepancies are identified and deemed to be of a serious nature, the relevant agreement with the supplier may be terminated. See figure 35 on page 41 for more information about this.

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 34 on page 40, 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

Our Code of Conduct is available in figure 36 on page 45 as well as on our website and it 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 at all production sites within the Polykemi Group.

WORKSHOP IN SUSTAINABLE BUSINESS DEVELOPMENT

On a number of different occasions, we have conducted education and workshops with regard to 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.

We also plan to conduct similar training sessions and workshops on sustainability linked to sustainable business development, as well as our Code of Conduct, in the USA.

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 37, page 45). 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 36

Figure 37



23%

*increase in workforce
within Polykemi Group.*

2023 compared to 2022.

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 38 on page 49) 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 48 on page 53.

In 2023, we also initiated a project called POLYacademy, aimed at mapping and implementing a tailored training program for all employees. This is a way for Polykemi Group to ensure that we have the right skills for all our staff and that we can achieve our goal and vision Golden Globe 2031.

EXPERTISE/PERSONAL DEVELOPMENT

In 2023, 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 2023 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.

The priority areas for Polykemi Group Sweden are presented in figure 47 on page 53.

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 38

SICK LEAVE ACTIVITIES SWEDEN 2023

Sick leave, short-term	2,3%
Sick leave, long-term	1,30%
Sick leave, total	4,6%
Workplace accidents with sick leave (number/100 pers)	8
Injury rehabilitation	0

Figure 39

SICK LEAVE ACTIVITIES KUNSHAN, CHINA 2023

Sick leave, short-term	2,20%
Sick leave, long-term	0,61%
Sick leave, total	1,41%
Workplace accidents with sick leave (number/100 pers)	2 st
Injury rehabilitation	0 st

Figure 40

SICK LEAVE ACTIVITIES CHONGQING, CHINA 2023

Sick leave, short-term	0,15 %
Sick leave, long-term	0 %
Sick leave, total	0,15 %
Workplace accidents with sick leave (number/100 pers)	0 st
Injury rehabilitation	0 st

Figure 41

SICK LEAVE ACTIVITIES USA 2023

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

Figure 42



15%

*more educated hours
in average.*

2023 compared to 2022.

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. As a step towards reducing the lifting load for operators, we have invested in an automated robot for handling 25kg sacks at our factory in Kunshan, China.

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 39-42 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 2023, 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

According to the Whistleblower Act, individuals should be able to report misconduct both within a 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 (figure 36 on page 45) described how we handle the whistleblower function, this also includes various reporting channels that employees can use.

ORGANISATION AND EMPLOYEES

On 1 January 2023, number of employees amounted to 371 co-workers within the entire Group. See figure 43-46 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 (2023) we have had the following activities:

- Padel tournament
- Ice hockey match
- A barbecue as a gesture of appreciation for all the hard work
- Art Club – Raffle of artworks
- After-work event with music quiz
- Christmas dinner together with partners

ORGANIZATION AND EMPLOYEES POLYKEMI GROUP

Data collection is done via personnel data systems.

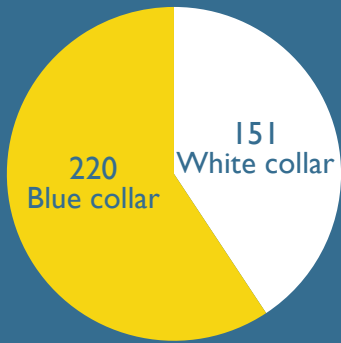


Figure 43

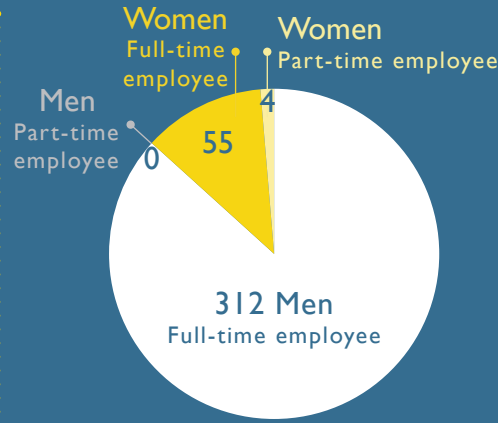


Figure 44

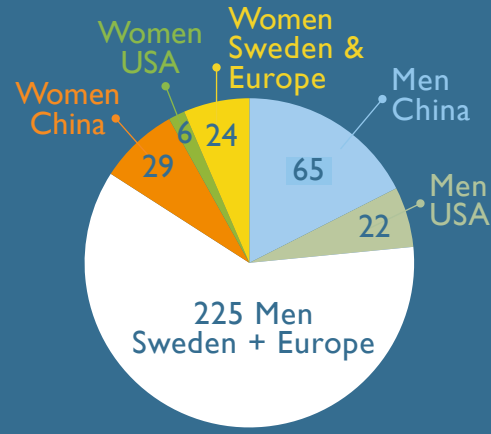


Figure 45

Total number of employees = 100 %

AGE AND GENDER DISTRIBUTION

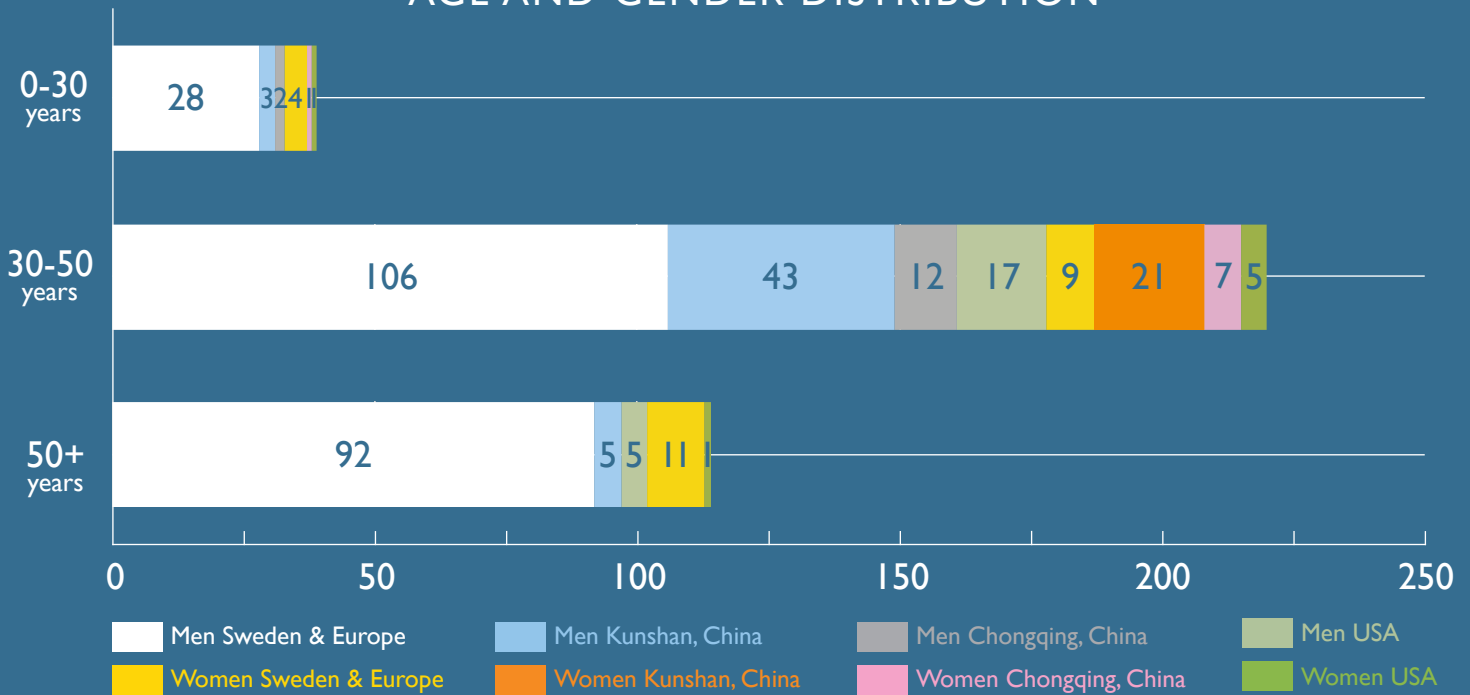


Figure 46

PRIORITY AREA OF OCCUPATIONAL HEALTH AND SAFETY	TARGET AREA/ NUMBERS	RESULTS 2023
Reduce lifting in production	<170 kg/h	212 kg/h
Improving indoor air quality in production	VOC measurement <0,13 ppm	0,13 ppm
Leadership	Enjoyment of work (survey) >3,7	4,09
Chemical management in production	Reduce exposure/handling time	Develop target figures in 2024

Figure 47

EDUCATED HOURS IN AVERAGE	2023
Women	15 h
Men	12 h
White collar workers	12 h
Blue collar workers	15 h
All employees	14 h
All employees in total	5 017 h

Figure 48

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 49 on page 55.

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

In China, there's a system called Hukou, which aims to control urban migration. Hukou grants access to social benefits, but only within the registered area, typically one's birthplace or hometown. Consequently, migrant workers' children often lack access to education in the areas where their parents live and work. Polykemi can assist by helping these families find permanent housing in the area where the parents work and by providing financial support for their children's education.

INVOLVEMENT IN THE LOCAL COMMUNITY, USA

Polykemi AB has always been an active and proud sponsor of the local handball club Ystads IF since the beginning of the company. While starting a factory in the USA, we extended our sponsorship to support also the U.S. men's national team and their determined effort towards the 2028 Olympics in Los Angeles.



SPONSORSHIPS

65%

of our sponsorship goes to various sports activities such as:

- Ystads IF Handboll
- Svenska Handbollslandslaget AB
- Åhus Beachhandboll
- Ystad golfklubb
- GK Splitt
- Österlens Ridklubb
- Abbekås Golfklubb
- YIF Fotboll
- Hälldala Ranch
- Ystad Simsällskap

35%

of our sponsorship goes to cultural and other activities such as:

- Star for life
- Musikhjälpen
- Sommarteatern Ystad
- Nattvandrarerna
- Studio Danza
- Grevlunda Manskörs Julefrid 2023
- Ystad Stadsteater
- Kulturnatt i Ystad

Figure 49

GRI-INDEX

PERFORMANCE IN SUSTAINABILITY GRI 2023

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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