



Sustainability report
2021



Recycling high on the agenda

Arla Plast was founded more than 50 years ago. At that time, we mainly produced plastic composite screens for vehicles by vacuum forming ABS plastic sheets. The disadvantage of this process was that two thirds of the material was wasted.

But then we had the idea of recycling the regrind material to produce extruded sheets. We now specialise in extruded sheets and have sales of SEK 927 million, with steady profitability at an operating margin of around 10%. Production takes place at three factories, two in the Czech Republic and one in Borensberg, Sweden, where we also have our headquarters.

In 2021, we carried out an ownership dispersal, and we now have just under 2,000 shareholders. The shares are listed on Nasdaq Stockholm. Our aim is to run Arla Plast in a sustainable and responsible way, and this should be reflected in our corporate culture and the way we treat our stakeholders, whether they are shareholders, employees, customers, suppliers or the local community. The foundations we laid in the 1970s of a business concept based on recycling have influenced our approach, our corporate culture and the way we run our business.

Our environmental footprint; our biggest sustainability challenge

Reducing Arla Plastics' environmental footprint is a key sustainability challenge. We are endeavouring to reduce the climate impact of our business activities throughout the value chain and from a product life cycle perspective. The production of the plastic resin, our main input material in the manufacture of extruded plastic sheets, is the single largest contributor to our business' carbon footprint.

It is therefore vital that we continue cooperating with external partners, especially material suppliers

in various projects, on developing extruded sheets made from non-fossil or partially fossil-free materials and that we continue working actively on recycling.

Plastic sheets have many applications thanks to the advantageous, versatile properties such as high impact resistance, high fire resistance and good formability. In addition, the material is lightweight, which is positive for the environment when, for instance, used in a vehicle, resulting in lower energy consumption. The product's long product life and good recyclability are also positive from a sustainability perspective.

It is important for Arla Plast to conduct its business sustainably and responsibly in order to strengthen our long-term competitiveness and to create value, both financially and operationally.

Sustainable business value is achieved by working according to our sustainability framework and goals. Our approach to sustainability is for these types of issues to be integrated into our business, both as part of our day-to-day operations and as part of our strategic processes.

The aim of this sustainability report is to provide readers with an understanding of the impact of our operations on the environment, social conditions, respect for human rights and what anti-corruption efforts we undertake.

Christian Krichau
CEO

Framework for sustainability

For Arla Plast, sustainability is an integral part of our core business and strategy. It helps increase our long-term competitiveness and create long-term value for Arla Plast and for our customers, suppliers, employees, owners and other stakeholders.

Conducting our business sustainably and responsibly also increases our opportunities to deliver strong financial and operating results. We create sustainable business value both by reducing unwanted impacts of our operations and by further enhancing the positive contributions made by integrating sustainability aspects into our business operations.

Sustainability – a tradition at Arla Plast

Arla Plastics' commitment to sustainable development began in the early 1970s when the company started using waste material from the vacuum forming process when manufacturing spare parts for cars. The regrind was reused for the extrusion of plastic sheets, which continues to be a key part of our business; we recycle almost all the regrind generated in our operations, along with a significant proportion of the waste generated by our customers.

Arla Plast introduced certified management systems for the environment (ISO 14001), quality management (ISO 9001) and occupational health and safety (45001) at its production sites early on. Energy management systems (ISO 5001) are also in place at two of our plants. Sustainability work is linked to the 10 principles of the UN Global Compact, Agenda 2030 and the Sustainable Development Goals, as well as Sweden's climate targets for 2045. Arla Plast has published sustainability reports since 2017 and this has increased transparency.

Sustainability a competitive advantage

The global drive towards more sustainable development and the transition to a more circular, resource-efficient economy means that Arla Plast's customers are becoming increasingly aware of the importance of using sustainable materials. Our expertise in the properties and performance of plastics enables us to help improve resource efficiency and reduce carbon emissions over the life-cycle of products and throughout the value chain.

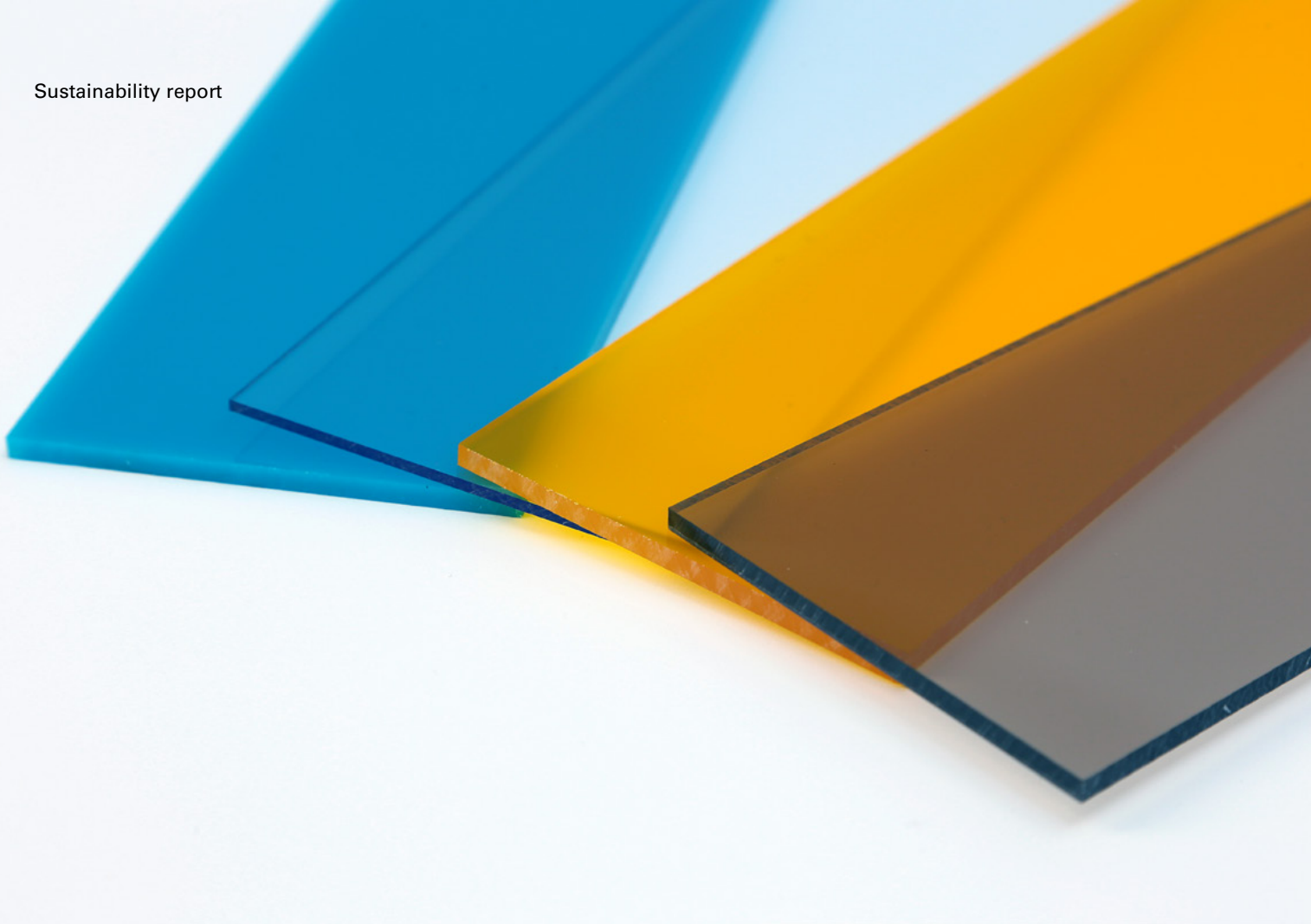
Promoting sustainable development

Arla Plast is endeavouring to contribute to Agenda 2030 and the UN's Sustainable Development Goals, as well as to Sweden's 2045 climate targets. We have identified the objectives that are most relevant to the company's operations and where Arla Plast can contribute the most. A strong financial position creates the conditions for sustainable development. A profitable business not only provides returns for owners, but also creates jobs and enables investment. Arla Plast has therefore adopted a number of financial targets that support the sustainability strategy.

Arla Plast and the EU taxonomy

The EU taxonomy provides the opportunity to identify and compare investments that are necessary to achieve a sustainable economy. The idea is that it will form the basis for future standards and labelling of sustainable financial products. The Taxonomy Regulation contains requirements for sustainability information, with companies of public interest that have more than 500 employees being required to report in accordance with the taxonomy.

From the 2021 financial year the sustainability report for these companies must include information on the proportion of the company's economic activities covered by technical audit criteria that



define what is environmentally sustainable. Arla Plast has fewer than 500 employees and is therefore not subject to the legal requirement, but has analysed its economic activities according to the EU Taxonomy Regulation to identify relevant economic activities and its technical screening criteria to disclose in accordance with the taxonomy on a voluntary basis, if possible.

The taxonomy contains technical criteria for the activity 'manufacture of basic plastic products' (3.17. Basic plastic production according to Annex 1 of the EU Commission's Delegated Regulation) but not for secondary production, which is why it does not apply to Arla Plast. None of the other economic activities described in the taxonomy constitute a primary source of revenue for us, so there are currently no criteria that can be applied to Arla Plast's operations. Road haulage services are not a primary source of revenue, but transport to the customer is, in many cases, included in the price paid by customers. In 2021, 99% of transported goods by weight were transported by road.

Arla Plast will endeavour to operate in accordance with the taxonomy and be prepared to report under it when this obligation is broadened and the business becomes subject to it.

Internal governance – sustainability

Our sustainability work is led by Group Management and coordinated by the Head of Quality Management. The starting point is a sustainability strategy, long-term goals and sustainability-related guideline documents. Sustainability work is an integral part of Arla Plast's operational management, including its business plan and budgeting. Sustainability work and results/progress are communicated through the sustainability report and ongoing dialogue with stakeholders.

Arla Plast's CEO regularly presents sustainability results to the Board, which reviews and monitors the results against the company's goals. The Board is responsible for the company's sustainability strategy and policies, and approves the sustainability report.

Sustainability targets and strategy

Arla Plast bases its sustainability work on three main areas:

- **Environmental footprint**
- **Social sustainability**
- **Business ethics**

Environmental footprint

Arla Plast is endeavouring to reduce the climate impact of its business activities throughout the value chain and from a product life cycle perspective.

Arla Plast's strategy to reduce its environmental footprint is based on the following areas:

1. Efficient materials handling

- Reducing regrind generation
- Increasing the reuse of regrind in production
- Increasing the reuse of customers' used products

2. Increasing the purchase and use of renewable energy

3. Increasing and contributing to higher energy efficiency, both own and purchased

4. Sustainable products

- Sustainable and responsible innovation, including through fossil-free materials
- Sustainable product performance from a life cycle perspective

5. Reducing environmentally hazardous waste

Social sustainability

Arla Plast's social responsibility primarily relates to employees and society

A good place to work

Arla Plast aims to ensure that employees are motivated and committed. By being an open and inclusive employer, with zero tolerance of discrimination, Arla Plast aims to offer a gender-equal, diverse workplace where employees can achieve their full poten-

tial and contribute to the development of a high-performance organization. Arla Plast actively works to maintain and strengthen its corporate culture, as described in The Arla Plast Way code of conduct. The Code of Conduct provides the foundations for employees to act and conduct business responsibly, both within the company and in relation to business partners. Employee reviews, employee surveys and collaboration help to ensure a good workplace.

Healthy and safe workplace

Our employees should feel safe and we promote a healthy working environment. As Arla Plast has production facilities, it is important to limit the risk of workplace accidents and occupational injuries. All production sites have certified management systems for health and safety, and all new employees are trained in safe working practices.

Contributing to the local community

Arla Plast aims to contribute to positive social development and to be an important and committed player in the local community. It does this through an open dialogue and various targeted initiatives such as sponsorship and summer jobs.

Business ethics

Arla Plast aims to conduct its business in an ethical and responsible manner and be a trustworthy partner in all relationships and wherever the company operates. Arla Plast's approach to business ethics is summarised in five documents; the Code of Conduct, The Arla Plast Way, the Insider Policy, the Purchasing Policy and the Related-Party Policy.

Arla Plast has a whistleblower function to help detect unethical or illegal conduct. To ensure that Arla Plast's suppliers comply with the company's approach to business ethics, our major suppliers must have read our Code of Conduct.

Guideline documents

The company has adopted a number of policies and guideline documents. All policies have been determined by the Board of Directors, and below are those that are primarily relevant to Arla Plast's sustainability work.

The Sustainability Policy and Code of Conduct, including The Arla Plast Way, set out Arla Plast's overall conduct with regard to customers, employees, suppliers, business ethics, anti-corruption, and wider society.

The Operating Policy governs how the company aims to achieve a good and safe working environment and how it aims to minimize negative impacts on the external environment.

The Insider Policy

Arla Plast's shares are listed on Nasdaq Stockholm. As a result of the public listing, there is a risk of insider trading and other unauthorised practices, and this policy is intended to reduce such risks and facilitate the Group's compliance with applicable rules on the handling of inside information.

The Procurement Policy guides the company's efforts to establish and develop long-term business relationships with suppliers and other partners.

The Related-Party Policy intended to reduce the risk of errors and irregularities arising from related-party relationships and transactions.

The management system ensures a long-term, focused and systematic approach to continuous improvement. Certifications are in place at all sites for ISO 14001 (environment), ISO 9001 (quality), ISO 45001 (occupational health and safety), and two sites are certified to ISO 50001 (energy).





Arla Plast and the UN Sustainable Development Goals

Arla Plast contributes to Agenda 2030 and the UN Sustainable Development Goals. The table below describes the Sustainable Development Goals that have been identified as most relevant to Arla Plast’s business and the goals to which Arla Plast can contribute most.

Sustainable development goals and applicable targets	Arla Plast’s key areas	Sustainable development goals and applicable targets	Arla Plast’s key areas
	<ul style="list-style-type: none"> Health and safety in the workplace Reducing environmentally hazardous waste 		<ul style="list-style-type: none"> Sustainable products
	<ul style="list-style-type: none"> A good place to work 		<ul style="list-style-type: none"> A good place to work Business ethics
	<ul style="list-style-type: none"> Reducing environmentally hazardous waste Reducing waste generation 		<ul style="list-style-type: none"> Efficient materials handling Sustainable products Reducing environmentally hazardous waste
	<ul style="list-style-type: none"> Increasing the purchase and use of renewable energy Increasing and contributing to higher energy efficiency, both own and purchased 		<ul style="list-style-type: none"> Environmental footprint
	<ul style="list-style-type: none"> A good place to work Business ethics 		

Sustainability – five-year summary

For Arla Plast, sustainability is an integral part of our core business and strategy. It helps to increase long-term competitiveness and value for our stakeholders. Improvements are undertaken continually and gradually over time.

Area	Key performance indicators	2021	2020	2019	2018	2017
Environmental footprint						
Compliance	Number of violations of environmental legislation (fines, sanctions)	1	1	3	0	0
Energy	Energy consumption (MWh)	21,256	22,417	20,175	18,702	21,561
	Energy use/tonne produced (MWh/tonne)	0.95	0.92	1.01	1.00	0.98
	Energy use/sales (MWh/SEK mil.)	22.9	25.3	25.4	23.5	26.6
Carbon emissions ¹	CO ₂ e emissions (tonnes)	83,749	92,969	n/a	n/a	n/a
	Emissions, CO ₂ e tonnes/tonne produced (CO ₂ e/tonne)	3.76	3.83	n/a	n/a	n/a
	CO ₂ e emissions tonnes/sales (CO ₂ e/SEK mil.)	90.3	105.1	n/a	n/a	n/a
Water ²	Water consumption (thousands m ³)	1,234	2,244	3,699	1,830	1,443
	Water consumption/tonne produced (thousands m ³ /tonne)	0.091	0.146	0.289	0.152	0.103
	Water consumption/sales (thousands m ³ /SEK mil.)	1.99	3.65	7.13	3.52	2.73
Waste ³	Quantity of waste (tonnes) – combustible, industrial waste for landfill, industrial waste for sorting	586	868	361	221	255
	Volume of waste/produced (tonnes/tonnes)	0.026	0.036	0.028	0.018	0.018
	Volume of waste/sales (tonnes/SEK mil.)	0.60	0.93	0.73	0.44	0.51
Raw materials ⁴	Recycled plastics (% recycled of total use)	6.27	4.95	n/a	n/a	n/a
Management systems	ISO 14001-certified sites (% of total number)	100	100	100	100	100

1) The key figure started to be measured in 2020.

2) The key figure refers only to operations in the Sweden segment.

3) The years 2020–2021 refer to the entire Group, while the years 2017–2019 refer to the Sweden segment only.

4) Comparable data for the years 2017–2019 cannot be presented due to differences in the monitoring methodology.

Area	Key performance indicators	2021	2020	2019	2018	2017
Social sustainability						
Employees	Number of employees (average)	265	258	256	262	287
Compliance	Number of violations of health and safety legislation (fines, sanctions)	0	0	0	0	0
Health and safety	Accidents at work with absence (number/million hours worked)	0.000015	0.000012	0.00001	0.000013	0.000014
Diversity	Proportion of women in Group management (%)	25	25	20	20	n/a
	Proportion of women in local management teams (%)	17	17	29	29	29
Management systems	ISO 45001-certified sites (% of total number)	100	100	100	50	50
Business ethics						
Code of Conduct	Reporting of serious irregularities (number)	0	0	0	0	0

Environmental footprint – from raw materials to extruded plastic sheets

Our production of extruded plastic sheets uses plastic resin, mainly of polycarbonate, ABS or PETG. We can also add colours, reused regrind or certain other materials.

All purchases of plastic resin are made from approved suppliers that have passed our supplier selection process. We work upstream, which means that we only accept suppliers that are committed to international human rights, labour law and anti-corruption rules. In 2021, 70% of our raw material suppliers were certified to ISO14001 and ISO9001.

Transport

The raw material for production is shipped by sea to one of the major ports in Europe. From there, it is transported by truck to one of our production facilities in Sweden or the Czech Republic. All main suppliers are located in the EU.

The plastic sheets are sold all over the world. By being consistent in terms of materials and manufacturing process, we can guarantee high quality for all deliveries. The plastic sheets are transported to customers by truck or container. The products are sold to distributors, converters, thermo-formers and other companies.

Subcontractors

In addition to our own staff, we work with carefully selected subcontractors at our production facilities in areas such as construction, safety, cleaning, data management, maintenance and logistics. All subcontractors are informed of our Health and Safety Policy, our procedures and, of course, our Code of Conduct.

Reuse

Most of the regrind from production is recycled and mixed with new raw material or used to replace new raw material. The percentage of recycled waste that can be used in the plastic sheets depends largely on the purpose for which they are to be used. A large proportion of recycled material is found, for example, in packaging materials.

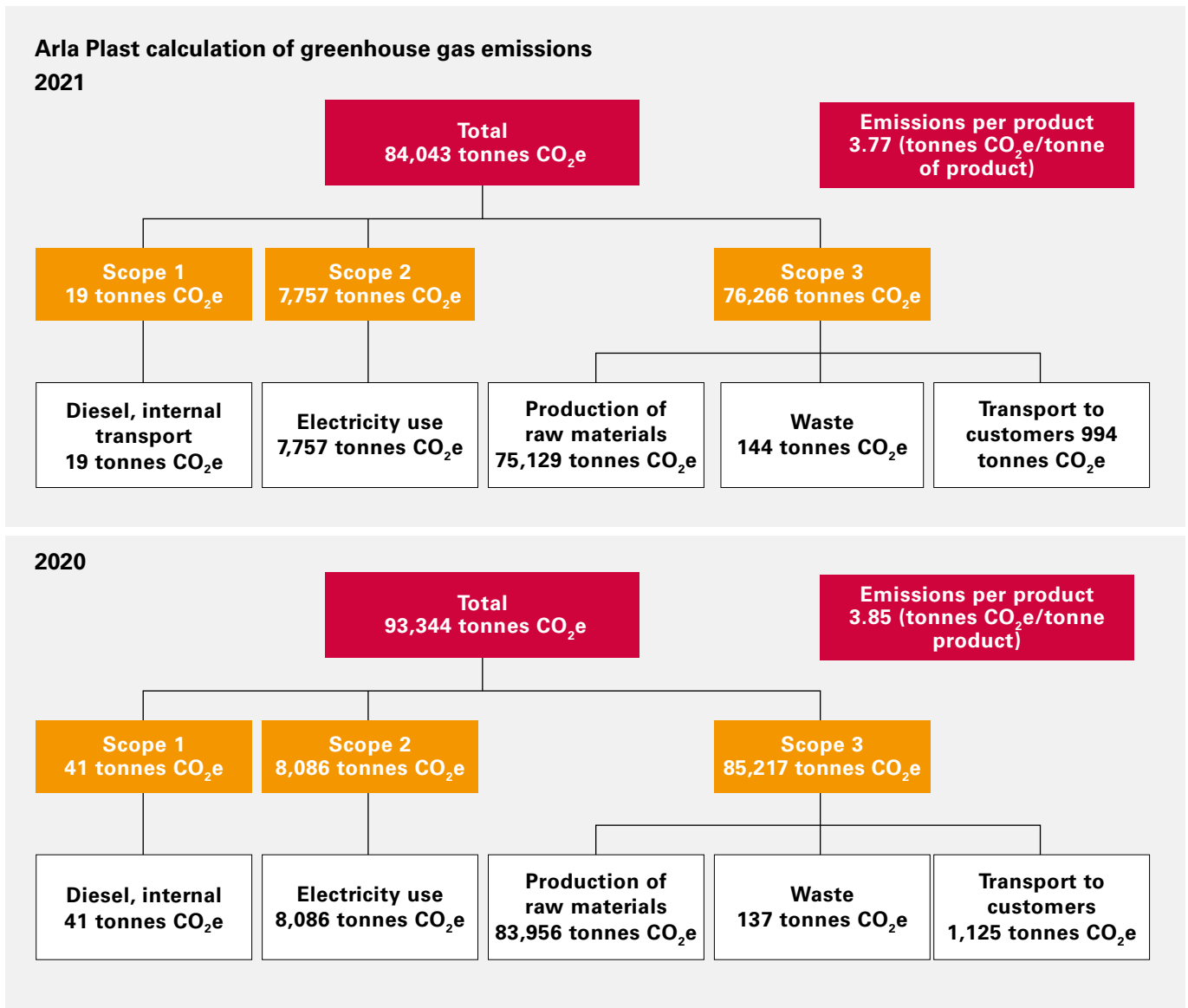
Environmental footprint

The 2021 Sustainability Report is based on a process-oriented perspective. We have analysed the processes of purchasing, external transport, internal transport, production, warehousing and deliveries. Based on this analysis, we have identified and focused on the aspects that have had the greatest environmental impact.

Changing or new sustainability risks are identified and assessed on an ongoing basis, and activities are planned to counteract them.



Efficient use of materials high on the agenda.



Reporting on greenhouse gases (GHG) emissions

We have put in place procedures and a new reporting system to track our progress towards our emissions targets and ensure that all information is consistent and accurate. To ensure we have comprehensive and comparable figures, our reporting follows the guidelines of the Greenhouse Gas Protocol (GHG), the widely recognised leading methodology for managing greenhouse gas emissions. The protocol requires us to report on emissions in three different areas, or scopes:

Scope 1: Direct impact from own operations, burning of fossil fuels in own production.

Scope 2: Indirect environmental impact generated by use of electricity, district heating and cooling.

Scope 3: Indirect environmental impacts in our value chain, purchasing of goods and services such as raw materials.

The results under Scope 1 show emissions related to the use of diesel forklifts trucks in our operations. The calculation is based on the actual volume of diesel multiplied by a diesel emissions equivalent. In the Sweden segment, more than 90% of forklifts have been converted to electric power and a gradual conversion is underway in the Czech Republic segment.

The results under Scope 2 show emissions related to electricity use. EPD-certified hydropower is used in the Sweden segment, while in the Czech Republic

segment the calculation is based on coal power in the absence of sufficiently reliable information.

Under Scope 3, we account for and report emissions in the value chain; production of raw materials used, waste and transport to customers. To calculate the production of raw materials used, the calculation is based on the respective new main raw material used multiplied by an emissions equivalent for the respective raw material minus the raw material sold. The impact related to waste is calculated on the amount of waste multiplied by an emissions equivalent for each fraction. For 2021 and the Sweden segment, transport to customers has been based on the actual outcome of emissions reports provided by transporters according to the EN16258 standard. For 2020 and for the Czech Republic segment, the outcome has been calculated based on the CO₂e for 2021 and taking account of the volume sold and distance travelled.

The GHG protocol enables comparability of emissions from operations, creating the conditions for relevant benchmarking and detailing which areas have the most impact and should be prioritised in efforts to reduce our carbon footprint.

Energy consumption at Arla Plast's Borensberg plant

Electricity is used for the entire production process; extrusion and grinding account for the greatest energy consumption. Compressors and lighting also contribute to energy consumption.

Renewable energy

Arla Plast AB's Borensberg plant uses renewable electricity produced by hydroelectric power that carries an environmental product declaration. The production plants in the Czech Republic do not yet have the possibility to opt for renewable energy to any great extent. Both Kadaň and Pelhřimov are certified in accordance with ISO 5001.

Waste

At Arla Plast, waste that occurs mainly consists of combustible wood, containerboard, refuse, office paper, electronics, waste oil, emulsion, batteries and fluorescent tubes.

More than half of combustible waste consists of so-called plastic dust, which is a by-product of plastic production. Flammable containerboard and wood are compressed to minimise waste transport. Regrind in the form of pure plastic materials are ground down and converted back into raw material. Materials in the form of 'starting lumps' and materials with special pigments are sold instead of being recycled in the company's own production. We have a sorting handbook and all employees are trained in practical waste management.

Even if we do our best, there is always a small percentage that consists of environmentally hazardous waste that can't be recycled. We aim to continually reduce this proportion.

Social sustainability – our employees

Arla Plast takes overall responsibility for sustainability by always focusing on people. Our business and our customer promise are based on our employees and on maintaining and developing our corporate culture. So it's important we ensure that our employees are motivated and have job satisfaction.

Arla Plast's corporate culture

Our work is based on the cornerstones of our culture: quality, speed, service and flexibility. These characterise both our customer service and how we treat each other at Arla Plast. An important part of Arla Plast's culture is helping each other and responding to requests quickly. We aim to have supportive leadership with good accessibility and quick feedback. Employee surveys and reviews across the Group give us a good idea of what helps employee satisfaction and what needs improving.

Employees

At the end of 2021, we had 265 employees, of which 143 worked in Sweden and 122 in the Czech Republic. Of the Group's employees, 24% were women and 76% men. Group Management consists of four members, one of whom is a woman.

Our Gender Equality Policy is based on using our internal resources and aiming to achieve equal distribution of men and women, a high level of ethics, equal value of all people and open and honest communication that enables the exchange of ideas.

	Men	Women	Total
Arla Plast AB			
Local management	5	1	6
Office-based staff	23	19	42
Production employees	83	12	95
	111	32	143
Arla Plast s.r.o.			
Local management	5	1	6
Office-based staff	11	15	26
Production employees	74	16	90
	90	32	122

Training and skills development

An important part of being an attractive employer is offering opportunities for development and career options. All new employees are given the opportunity to quickly and easily integrate into the organization and manage their duties thanks to a planned, systematic induction process. The need for training or other activities to enhance skills is identified during annual performance reviews. There are a number of examples of employees who have switched jobs or undergone further training during their employment, taking on new tasks and greater responsibility.

Health care and working conditions

Arla Plast offers its employees a fitness voucher to encourage everyone to get active and improve their health and well-being.

We regularly conduct employee surveys to find out how the organization and the working environment are perceived by employees. Issues raised include well-being and how employees perceive their workload, working hours, opportunities to have an impact, and harassment in the workplace. The results are published and followed up by both management and the local trade unions.



Arla Plast engagement with the local community

Arla Plast engages in open dialogue with local communities. Once a year, all the neighbours of the Borensberg production plant are invited to a meeting. This ensures continual stakeholder dialogue is maintained to address any issues for neighbours and to have an open dialogue to facilitate communication.

In 2021, Arla Plast Borensberg sponsored local sports clubs. Arla Plast has also supported the development of the Carlsund Training Centre in Motala.

In the Czech Republic, Arla Plast supports activities for the elderly and for children, youth sports and local hospitals.

We also support Médecins Sans Frontières.



Business ethics: human rights and corruption

Arla Plast has developed a guide for all employees to facilitate the interpretation of Arla Plast's Code of Conduct, The Arla Plast Way.

The Arla Plast Way describes and guides employees on how to act in different situations. The Arla Plast Way is based on the guideline document Sustainability Policy and Code of Conduct.

The guide contains

- Arla Plast: a good place to work
- Honesty and integrity
- Respect for customers
- Respect for each other
- Respect for company property
- We care about the world around us
- Inside information issues

Human rights and corruption

Guidelines can be found in The Arla Plast Way. All employees and agents have been trained on The Arla Plast Way and the appropriate laws in the countries where we operate. A whistleblowing function is in place to detect if someone violates these. No incidents in 2021. Contracts and costs are monitored on an ongoing basis.

Our supplier monitoring includes checking suppliers' compliance with our Code of Conduct. No cases of suppliers breaching our Code of Conduct were noted during the year.





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