

STATUTORY

SUSTAINABILITY REPORT

REGARDING ARLA PLAST AB WITH SUBSIDIARIES



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Step By Step Towards A Better World

Arla Plast was established 1969, which means almost 50 years of successful operation.

In order to ensure another successful 50 years, we need to think long term and make sure our steps are sustainable. It is important for Arla Plast to be viewed as a good citizen by both current and future generations.

Recycling has always been an important part of our operation. We recycle all of our own waste/regrind as well as the waste from many of our customers' operations.

"This is a good example where our environmental approach goes hand in hand with financial interests", says Johan Orrenius CEO.

Arla Plast recently received the "Sustainability work of the year" award by the Swedish Plastic Industry (SPIF).

The motivation from the jury says "Sustainability questions have always played an important role in the investments and development of the company. To reduce energy consumption and to limit the environmental effects parallel with recycling of materials have made the company successful".

Besides reducing the waste volume, this work also reduces the amount of carbon dioxide emissions by more than 10.000 ton per year (compared with using just virgin raw material).

Arla Plast is now using 100% green electricity within the company to contribute to our sustainability work. "It feels like a natural step to take" says Johan Orrenius CEO, and continues.

"We are continuously developing our sustainability work, our ultimate goal is to minimize the impact on the environment".

We use the "substitution principle", when we look at investments or developing new ways of working. This means that environmentally superior machines or technologies and/or raw materials replace old technologies.

In the daily operation, the general waste management and sorting of material into different fractions is visible, in order to minimize the waste volumes.

Arla Plast is also proudly active in supporting local youth-volunteer organizations in the region. "Sports is a fantastic way for young people to develop a meaningful hobby while growing up", says Johan Orrenius. "We are happy to contribute locally".



JOHAN ORRENIUS, MD, ARLA PLAST

Business Model

Arla Plast was founded in Borensberg in 1968 by Arne Larsson. In 1973 Arne purchased the first extruder to produce ABS, this was the beginning of Arla Plast as an extrusion company.



Arne Larsson, the founder of Arla Plast

In 1993 Arne's son Kenneth joined the company and during the 90's the company grew rapidly. Several markets were opened up in conjunction with production investments in Borensberg.

The first plant outside Sweden was built in 2005 in Kadan, Czech Republic, and in 2013 a third production unit was set up in Pelhrimov, Czech Republic.

Today, Arla Plast has 13 extrusion lines producing plastic sheets and multiwall products. Arla Plast has approximately 250 employees and we are represented in 30 different countries. Our turnover is approximately 80 M EUR.

In our operation we buy raw material in the form of plastics pellets (resin) of Polycarbonate, ABS or PETG. The resin is then fed into extruders which melt the material and form it into sheet form. Temperature control is of utmost importance to avoid defects. During this process, colors and other raw materials can be added in order to build up the sheet with the different layers and the characteristics demanded by our customers.

Arla Plast has a dedicated and experienced work force, where it takes several years to become an experienced machine operator - the job is very much one of true craftsmanship.

Our products are used in a variety of different application areas. Which means we sell our sheets to distributor, converters, thermoformers or direct to the end customer through projects.

Polycarbonate is a virtually unbreakable plastic material. Therefore, it is often used in the toughest application areas.

Our Polycarbonate Multiwall is predominately used in roofing insulation solutions, where the customer requires daylight to shine through.

Our Transparent Polycarbonate sheets are often used as machine protection, sound wall barriers along highways, ice hockey rinks, window replacement as well as for bullet proof glazing lamination.

Our Opaque Polycarbonate Sheets are often used for the production of luxury luggage, wall cladding or for different types of packaging.

Our ABS or PC/ABS products are mainly sold into the automotive industry as panels for vehicles or machines.

Our PETG is often used for signage or point of sale applications.

Arla Plast uses four corner stones as a platform for how we want our customers to experience us:





Policy

Arla Plast's management has established a policy to support the strategic development of the company as well as to provide guidelines regarding our values.

This policy provides a framework for determining our business goals including the commitment to comply with applicable laws and other requirements, such as striving for long-term sustainability.

This policy also includes the company's stance on human rights, and personnel related issues such as harassments based on employees' or customers' gender, ethnicity, religion or sexual orientation or the like.

Human Rights & Anti-Corruption

Arla Plast has established a Code of Conduct called "The Arla Plast Way". This acts as ethical guidelines for all coworkers to tell what is right and what is wrong in different situations.

The material is divided in

- Arla Plast – a good place to work at
- Honesty and Integrity
- Respect for our customer
- Respect for each other
- Respect for company property
- We care for the environment

Along with "The Arla Plast Way" there is a booklet describing different situations to be used as base for discussion during implementation.



SIGNIFICANT RISKS AND HOW WE HANDLE THESE

HUMAN RIGHTS

Policy

Guidelines in Arla Plast Way.

Significant risks

The supply chain uses child labour or inhuman working conditions.

Performance review

Follow up in supplier assessments of our key suppliers. All employees and agents have been trained in "Arla Plast Way".

How to handle

Depending on the situation. Management should be informed for required actions.

Status and comment

No known cases.

ANTI-CORRUPTION

Policy

Guidelines in Arla Plast Way as well as compliance with all applicable laws in all countries where we operate.

Significant risks

Impact on contacts with suppliers and customers.

Performance review

Cost follow-up, contract follow-up.

How to handle

All employees and agents have been trained in Arla Plast Way. All pricing and billing is done centrally. Depending on the situation. Management should be informed for required actions.

Status and comment

No known cases.

From raw material to plastic sheets to regrind

Material assessment

The main raw material groups we use in our sheet extrusion are Polycarbonate, ABS, PETG, color master batches and compounds. We use only a handful of raw material suppliers and they all follow the same rules. Our suppliers also pass our company specified process for supplier selection.

The upstream raw materials come from all over the world and our suppliers are committed to complying with international human rights, labor rights and anti-corruption measures. In 2017, 70% of our raw material suppliers had the ISO14001 and ISO9001 certification. In order to elevate the sustainability of our purchasing chain we aim to improve our supplier assessment work.

Transport

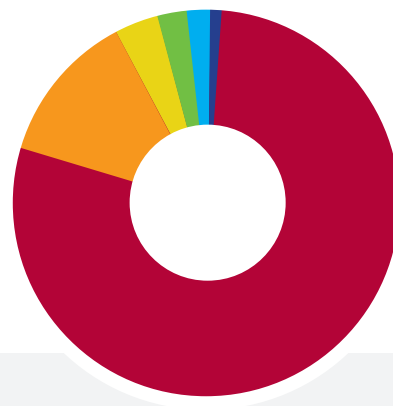
The main raw materials for our plastic sheet production is transported by sea from the large ports in Europe. From there they are transported to our plant in Sweden or the Czech Republic by truck. Our main suppliers are located within the European Union.

Our three factories all use similar raw material from the same suppliers, which allows us to ensure the quality of our plastic sheets regardless of the site of manufacture. We sell our plastic sheets all over the world and can only guarantee a uniformed high quality level through consistency in the raw materials and the manufacturing methods.

Subcontractors

In our factories we work with several carefully selected subcontractors in different fields such as construction, security, cleaning, data administration, maintenance and logistics.

All subcontractors we use, are informed of and agree to comply with our ethical principles and sustainability policies.



- Direct material
- Indirect material
- External sales
- CAPEX
- MRO (Maintenance)
- Internal Companies

*Here is an example of the Polycarbonate value chain.
Diagram of spread in purchase value.*

Recycling

Most of our waste plastic material generated in our production will be recycled to replace or to be mixed together with virgin materials. The percentage of re-grind in our sheets depends on field of application.

Due to the minor change in the molecular weight after the extrusion process the quality of the final product will still be according to our quality standards in chosen application. Products with a high amount of recycled material could be found in applications such as packaging material.



Environmental Aspects

Environmental report

Arla Plast has carried out environmental studies from a process-oriented perspective. We analyzed the processes of purchasing, transport, internal transport, production, stock and delivery. Based on this investigation, the most significant environmental aspects have been identified and focused on.

New or changed environmental aspects are identified through risk assessments, after which activities are planned to mitigate any adverse environmental impacts or enhance positive environmental impacts.

Energy consumption Arla Plast AB

The processes are powered by electrical power, the extruders and mills stand for the largest power consumption. Compressors and lighting also contribute to the electricity consumption. Since 2013, the office areas are heated by surplus heat from production. Heating pipes, driven by surplus heat, has also been installed on the asphalt area outside the head office in Borensberg.

No heating of the production facilities is required. We have a circulating cooling water system with heat recovery. We have investigated if there is any nearby company that can use excess heat. However, this investigation showed that Arla Plast cannot guarantee regular delivery, which means there is currently no interest.

Green electricity

Current electricity supplier to Arla Plast AB Borensberg is Vattenfall AB and from them, Arla Plast AB acquires Green electricity produced by water or wind power. Vattenfall has also carried out an energy survey at the Borensberg plant and as a result of the investigation, Arla Plast has begun to replace older fluorescent lamps in the premises with energy-efficient lighting.

The factories in the Czech Republic do not yet have the opportunity to choose green energy. Both Kadaň and Pelhřimov are certified to ISO 5001 and have already replace old fluorescent lamps into energy-efficient lighting.

ENERGY CONSUMPTION

ARLA PLAST AB BORENSBERG

Energy consumption per kg of plastic produced (kWh / kg)

2013	1,01
2014	0,93
2015	0,89
2016	0,88
2017	0,91

ARLA PLAST S.R.O KADAŇ

Energy consumption per kg of plastic produced (kWh / kg)

2013	1,24
2014	1,26
2015	1,14
2016	1,07
2017	1,11

ARLA PLAST S.R.O PEHLŘIMOV

Energy consumption per kg of plastic produced (kWh / kg)

2013	2,45
2014	1,11
2015	1,13
2016	1,11
2017	1,14



Waste

The waste fractions that occur are mainly combustible, wood, corrugated board, scrap, office paper, electronics, waste oil, emulsion, batteries and fluorescent lamps. The combustible waste consists of more than half of so-called plastic dust, which is a residual product of plastic manufacture. Flammable, corrugated board and wood are compacted in place to minimize waste transportation.

Clean plastic material is ground down and becomes raw material again. Material as so-called startup lumps and material with special pigments are sold instead of recycled in our own production.

A sorting manual has been developed which clearly shows how sorting should be made and what waste belongs to each fraction. All employees have been educated in practical waste management. The sorting manual is available on the intranet.

Even though we do our best to recycle, there are still fractions that are environmentally hazardous. These we focus on and continuously work to reduce.

ENVIRONMENTALLY HAZARDOUS

ARLA PLAST AB BORENSBERG

Volume per tonne of plastic produced (Liter)

	2013	2014	2015	2016	2017
Waste oil	1,3	1,2	1,3	1,6	1,15
Emulsion	0,64	0,47	0,15	0,15	0,15
Other hazardous waste	*	*	*	*	0,25

* = No data exists when the fraction is not deposited that year

ARLA PLAST S.R.O KADAN^v

Volume per tonne of plastic produced (Liter)

	2013	2014	2015	2016	2017
Waste oil	*	*	*	*	0,12
Emulsion	*	*	*	*	0,51
Other hazardous waste	1,64	1,27	1,38	1,69	2,30

* = No data exists when the fraction is not deposited that year

ARLA PLAST S.R.O PEHLRIMOV^v

Volume per tonne of plastic produced (Liter)

	2013	2014	2015	2016	2017
Waste oil	*	*	*	*	0,29
Emulsion	*	*	*	*	*
Other hazardous waste	0,54	0,44	0,29	0,52	1,60

* = No data exists when the fraction is not deposited that year

ENVIRONMENTAL

<i>Policy</i>	Arla Plast Policy VL06, internal routines, work ways and ISO 14001.
<i>Significant risks</i>	Energy consumption, hazardous waste.
<i>Performance review</i>	Internal and external audits, monthly follow-up.
<i>How to handle</i>	Action plans in the management team or aspect register. Deviation management during the process to measure, follow up and improve.
<i>Status and comment</i>	Both energy consumption and other hazardous waste was higher 2017 than 2016 and are related to start-ups of new or transfer of machines in all sites. It took us longer than expected and needed to produce some orders twice which had a big impact. In 2018 there are no planned investment of machines.

Arla Plast Stakeholders

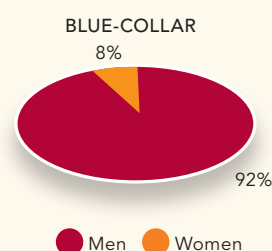
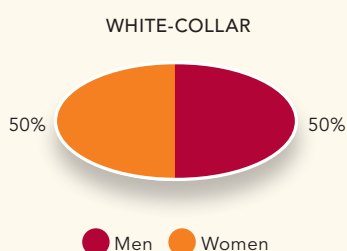
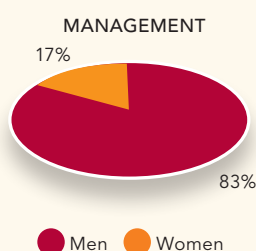
A stake holder analysis was done 2017 as part of the work to upgrade against the new ISO 2015 quality and environment standards. The most important stakeholders were identified along with important aspects and what / how Arla Plast can influence.

Personnel and social responsibility - employments

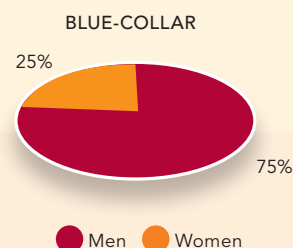
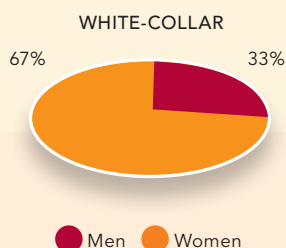
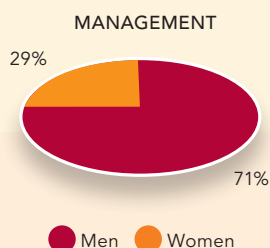
At the end of 2017, the number of employees at Arla Plast was approximately 250 people. In Sweden 140 people were employed and in Czech Republic 125.

Arla Plast has a policy for equality report that Arla Plast should – utilize the resources that are available among the women and men working in the company, strive for an even representation of men and women, good ethics, the equal value of all people and an open and honest exchange of ideas for our actions.

ARLA PLAST AB BORENSBERG



ARLA PLAST S.R.O KADAŇ PEHLRIMOV



Education and development of skills

Through a planned and systematic introduction, all new employees are given the opportunity to quickly and easily get into the tasks and organization. Need of extended education to meet the skill requirement in the job description or in the task is identified at the annual appraisals.

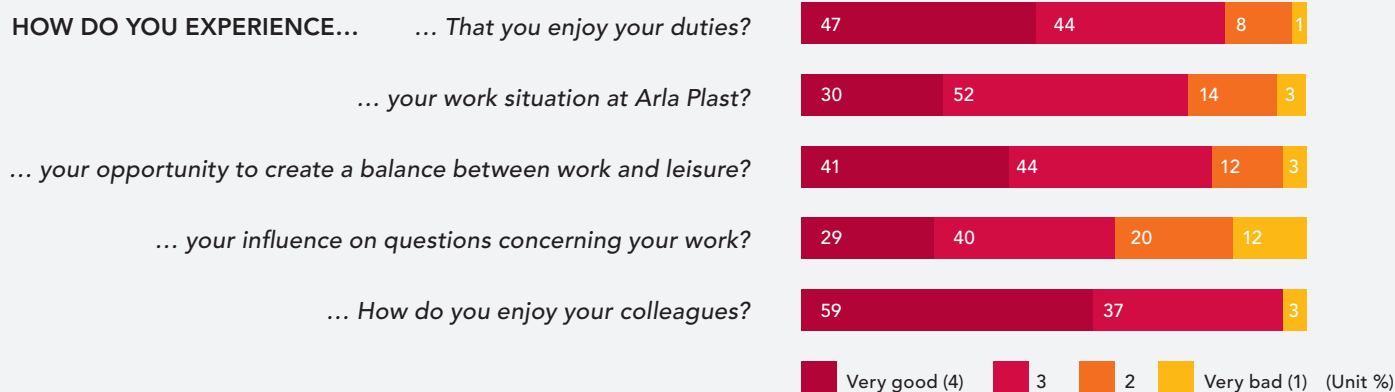
Healthcare

Arla Plast offers its employees a "healthcare benefit" to encourage employees to exercise improve general health and wellbeing.

Work environment

Arla Plast performs continuous employee surveys to investigate how the organizational and social work environment is perceived by the employees.

Questions raised in the survey, among others, is related to well-being and how the employees experience their workload, working hours, opportunities to influence and workplace bullying. The results are then followed up by both management and the unions.



Sick leave

At Arla Plast Borensberg the sick leave among employees was 6.8% of the number of hours worked. Compared to 2016, sick leave has increased, but over the last five years the result has averaged out. In Arla Plast AB, absence due to sickness is above the national average on the blue-collar side, while significantly below the

white-collar level. During 2018, we will expand cooperation with our occupational health care services in order to prevent and reduce sickness absence.

In Arla Plast s.r.o absence due to sickness is low and at a stable level. No special actions required for 2018.

SIGNIFICANT RISKS AND HOW WE HANDLE THESE

SOCIAL CONDITIONS AND EMPLOYEES

<i>Significant risks</i>	Accidents, absence, harassment, discrimination and misfortune.
<i>Performance review</i>	Follow-up of accidents, incidents and risk observations, monthly follow-up of absence, employee survey, appraisals, Safety committee work and daily meeting.
<i>How to handle</i>	Procedures for deviation management during process Measure, follow up and improve
<i>Status and comment</i>	We see a need to continue the focusing on our work environment work.



Neighbours

It is important for Arla Plast to have an open dialogue with our neighbours, Arla Plast invites all its' neighbours to have a conversation once a year. During this meeting the planning for the coming year is discussed along with the effects of environmental improvements.

A positive outcome from these meetings is improved communication If problems do arise.

Social Responsibility

During 2017 Arla Plast Borensberg has sponsored local organisations for floor ball, football and gymnastics. Arla Plast has also supported the development of Carlsund Education centre in Motala.

At Arla Plast s.r.o has given local support to old people, children activity, youth sport, hospitals and children education.

Arla Plast has also contributed to the charity organisations "Hand in hand" and "MSF – Medicins sans frontieres".



At Arla Plast we have developed and fine-tuned the extrusion techniques for plastic sheets since the 60's. We have developed the professional knowledge over many years, the machinery resources, the feel for quality and the willingness to always do a good job. Our experience ensures that you receive a product which satisfies your needs.

Good product quality is our primary target to be a good supplier, but this is not enough. Thanks to the cooperation with our customers and suppliers we have learnt the meaning of high flexibility, delivery precision and good service in order to build trust and long term relations.

Arla Plast cares about the environment. In our production we mainly use energy from renewable energy sources to power our modern machines. Recycling is a natural part of our operations that is beneficial for the economy as well as for the environment.

Today Arla Plast is one of the leading extruders of plastic sheets in Europe. Every day we strive for becoming better by developing new materials, new quality specifications and taking care by lowering our environmental impact. All in order to become and to remain your best long term partner.

