



Sustainability report 2022



Sustainability high on the agenda

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 customers, employees, suppliers, the local community, or shareholders.

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

We are continuing to cooperate with external partners, especially materials suppliers on developing non-fossil or partially fossil-free materials and to work actively on recycling.

The sustainability information in this report relates to the 2022 financial year and includes all wholly owned businesses at the start of 2022.

Sustainability: a tradition

Arla Plast's commitment to sustainable development goes back decades. As early as the 1970s, we started recycling our own materials, and today we recycle almost all of the surplus material generated in our business and some of the surplus generated by most of our customers. Arla Plast introduced certified management systems for the environment (ISO 14001), quality management (ISO 9001) and occupational health and safety (ISO 45001) at its production sites early on. Energy management systems (ISO 5001) are also in place at two out of three plants.

Framework

Commitments and initiatives

Arla Plast supports the UN Global Compact initiative and is committed to fulfilling the principles on human rights, labour, the environment and anti-corruption. These principles also form the basis of our Code of Conduct. In addition, Arla Plast is committed to contributing to Agenda 2030 and the Sustainable Development Goals (SDGs), and has identified the SDGs that are most relevant to the company and where Arla Plast has the greatest impact and can contribute the most.

EU taxonomy

Arla Plast has fewer than 500 employees and is therefore not affected by the legal requirement but has analysed the economic activities according to the EU Taxonomy Regulation. The aim is to identify economic activities of relevance, as well as its technical screening criteria to disclose, if possible, in accordance with the taxonomy on a voluntary basis. 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.

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.

Systematic approach

Our sustainability work is led by Group Management and coordinated locally. 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. Arla Plast has made good progress on many of its sustainability priorities in recent years and is now stepping up efforts further. We have raised the level of ambition to develop a sustainable product portfolio, increase supplier responsibility, raise the level of responsible business practices, develop a sustainable workforce and directly address climate impact in various ways.

Sustainability risks

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

Sustainability targets and strategy

Arla Plast's sustainability strategy includes ten sustainability aims, divided into three areas, which have been assessed to have the greatest sustainability impact.

Arla Plast is based on three sustainability 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 objective and strategy to reduce its environmental footprint are based on the following areas:

1. Efficient use of materials

- Increasing take-back of materials from customers
- Increasing the reuse of regrind in production
- Reducing regrind generation

2. Sustainable products

- Increasing the share of products with a sustainability perspective in line with the UNSDG Agenda 2030.
- Increasing the share of investments that enable circularity

3. Resource-efficient operations

- Increasing the purchase and use of renewable energy
- Reducing environmentally hazardous waste
- Reducing the use of fresh water

4. Reducing emissions from transport to customers

- Consolidated transport
- Sustainable modes of transport.

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 potential and contribute to the development of a high-performance organisation. Achieving gender equality in the organisation is a long-term aim.

Health and safety

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. Our long-term aim is to have no accidents or injuries that lead to absence.

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, cooperation, and summer jobs.
















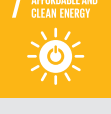



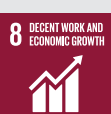



Business ethics

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. Our approach to business ethics is summarised in guideline documents. 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, we require our major suppliers to read our Code of Conduct.



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 		

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.

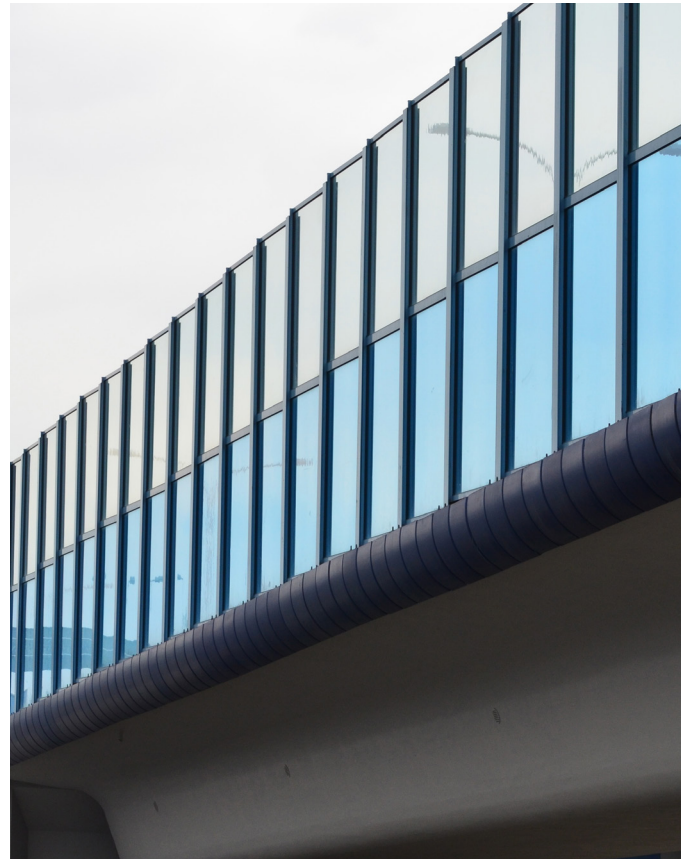
The Insider Policy

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 continual 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).



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. The 2022 sustainability information covers all wholly owned operations at the start of 2022.

Area	Key performance indicators	2022	2021	2020	2019	2018
Environmental footprint						
Compliance	Number of violations of environmental legislation (fines, sanctions)	0	1	1	3	0
Energy	Energy consumption (MWh)	17,793	21,256	22,417	20,175	18,702
	Energy use/tonne produced (MWh/tonne)	0.96	0.95	0.92	1.01	1.00
	Energy use/sales (MWh/SEK mil.)	19.27	22.92	25.34	25.39	23.49
Greenhouse gas emissions ¹	CO ₂ e emissions (tonnes)	65,164	84,043	92,969	n/a	n/a
	Emissions, CO ₂ e/tonne produced (CO ₂ e/tonne)	3.50	3.76	3.83	n/a	n/a
	CO ₂ e emissions/sales (CO ₂ e/SEK mil.)	70.57	90.61	105.09	n/a	n/a
Water ²	Water consumption (thousands m ³)	3,829	1,234	2,244	3,699	1,830
	Water consumption/tonne produced (cbm/tonne)	0.21	0.09	0.15	0.29	0.15
	Water consumption/sales (cbm/SEK mil.)	4.15	1.99	3.65	7.13	3.52
Waste ³	Quantity of waste (tonnes) – combustible, industrial waste for landfill, industrial waste for sorting.	540	586	868	361	221
	Volume of waste/produced (tonnes/tonnes)	0.03	0.03	0.04	0.03	0.02
	Volume of waste/sales (tonnes/SEK mil.)	0.58	0.60	0.93	0.73	0.44
Raw materials ⁴	Recycled plastics (% recycled of total use)	9.6	6.3	5.0	n/a	n/a

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

2) The key figure refers only to operations in the Sweden segment through 2021.

3) The years 2020–2022 refer to Sweden and Czech Republic segments, while the years 2018–2019 refer to the Sweden segment only.

4) Comparable data for the years 2018–2019 cannot be presented due to differences in the monitoring methodology.

Area	Key performance indicators	2022	2021	2020	2019	2018
Management systems	ISO 14001-certified sites (% of total number)	100	100	100	100	100
Social sustainability						
Employees	Number of employees (average)	248	265	258	256	262
Compliance	Number of violations of health and safety legislation (fines, sanctions)	0	0	0	0	0
Health and safety	Lost Time Injury Frequency Rate (LTIFR)	24	29	24	18	n/a
Diversity	Proportion of women in Group management (%)	20	25	25	20	20
	Proportion of women in local management teams (%)	18	17	17	29	29
Management systems	ISO 45001-certified sites (% of total number)	100	100	100	100	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

The description of our environmental footprint is based on a process-oriented perspective by analysing the processes of purchasing, production, warehousing and internal and external transport. We have identified and focused on the aspects that have had the greatest environmental impact.

Raw materials

Our production of extruded plastic sheets uses plastic granules, mainly of polycarbonate, ABS or PETG. We also have the possibility to add colour additives or certain other materials, depending on the application. All purchases of plastic granules 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 2022, 70% of our raw material suppliers were certified to ISO14001 and ISO9001.

Reuse

Our main raw materials in the form of PC, PETG and ABS are circular materials that can be recycled endlessly without losing their original properties of lightness, mouldability and impact resistance. The manufacturing process generates surplus material. Most of the surplus is recycled into new sheets by mixing it with new raw material or completely replacing the use of new raw material. The percentage of recycled waste that can be used in the plastic sheets depends largely on the purpose for which the sheets are to be used.

Energy consumption

Electricity is used throughout the value chain, with extrusion and grinding in mills accounting for the bulk of energy consumption.

Renewable energy

The Borensberg plant in Sweden 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

We sort materials according to different fractions and waste codes so all waste can be reused or disposed of in

the best possible way. We aim to reduce our combustible waste. In 2022, we expanded the sorting of plastic shavings, which are a by-product of our process. The shavings were previously classified as industrial waste for landfill, but we now sell them on to be reused for new granules.

Arla Plast's primary waste consists of combustible, wood, containerboard, refuse, office paper, electronics, waste oil, emulsion, batteries and fluorescent tubes.

Containerboard and wood are compressed to minimise waste transport.

Materials in the form of 'starting lumps', protective film and materials with special pigments are sold instead of being recycled in the company's own production. We have developed a sorting handbook to improve practical waste management.

Despite our ambitious aims, there is always a small percentage that consists of environmentally hazardous waste that can't be recycled. We aim to continually reduce this proportion.

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. Our main suppliers are located in the EU. Internal transport inside and outside production sites is mainly provided by forklift trucks.

The plastic sheets are sold around the world and transported to customers by truck or container.

Subcontractors

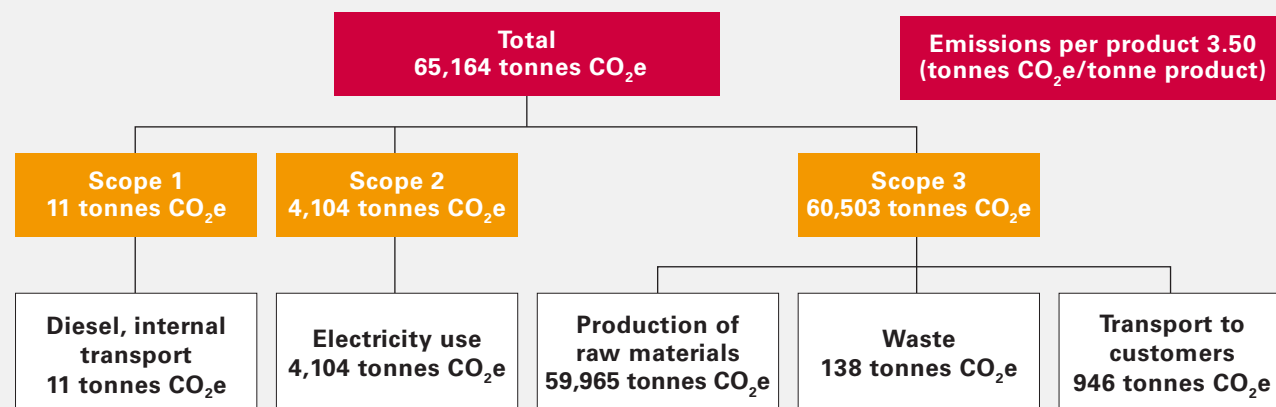
In addition to our own staff, we work with carefully selected subcontractors at our production facilities in areas such as construction, safety, cleaning, IT, maintenance and logistics. All subcontractors are informed of our Health and Safety Policy, our procedures and, of course, our Code of Conduct.

Reporting on greenhouse gases (GHG) emissions

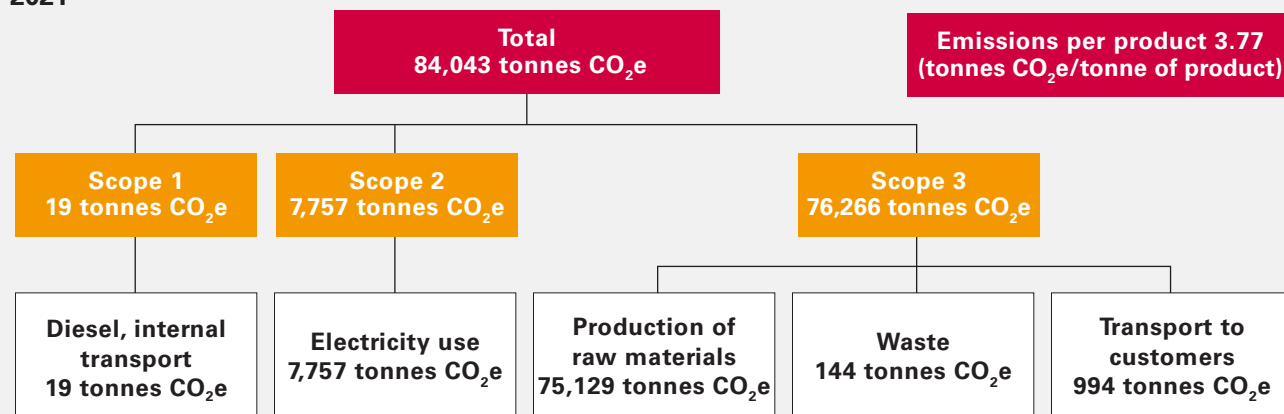
To track our progress towards climate targets, our reporting follows the guidelines of the Greenhouse Gas Protocol (GHG). The GHG Protocol is the widely recognised leading method for managing greenhouse gas emissions in industry, providing comprehensive and internationally comparable figures.

The protocol requires us to report emissions from three different areas, or scopes:

Arla Plast calculation of greenhouse gas emissions 2022



2021



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 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 the Czech Republic segment, the CO₂e outcome has been calculated based on 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.

Social sustainability: focusing on employees

We put our employees front and centre, and take overall responsibility for our work environment and culture, as well as their safety and sustainability. 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. We have a culture in which we help each other and work together towards common goals. 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

Our Personnel Policy is based on using our employees' know-how and skills, achieving equal distribution between men and women, a high level of ethics, and open and honest communication that enables the exchange of ideas. Arla Plast is based on a set of values that promotes a work environment where everyone is of equal value. This means everyone at Arla Plast should have the same rights, obligations and opportunities.

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 integrate well into the organization and start carry out their duties thanks to a planned, systematic induction process.

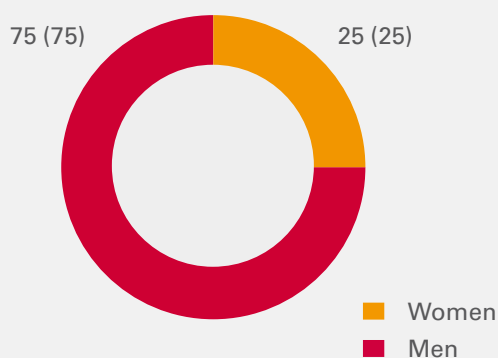
The need for training or other activities to enhance skills is identified during employee reviews. There are a number of examples of employees who have switched jobs or undergone further training during their employment, taking on new tasks and greater responsibility.

Health care and working conditions

We aim to ensure our staff are healthy, engaged and motivated. We believe health and safety provides the basis for this. So health and safety measures at Arla Plast are an integral part of everyday work and are conducted on a long-term basis. This means we work systematically with health and safety, conduct regular risk assessments and monitoring, set clear goals and develop action plans based on these. The work includes both physical and psychosocial health and safety, including issues related to ergonomics, protection and safety, sick leave, the promotion of fitness, and alcohol and drugs. Ensuring a work environment where everyone is of equal value and no one is discriminated against is key and essential for attracting and retaining the right employees.

We offer our employees a fitness allowance to encourage them to get active and improve their health and well-being.

Average number of women and men employed, %

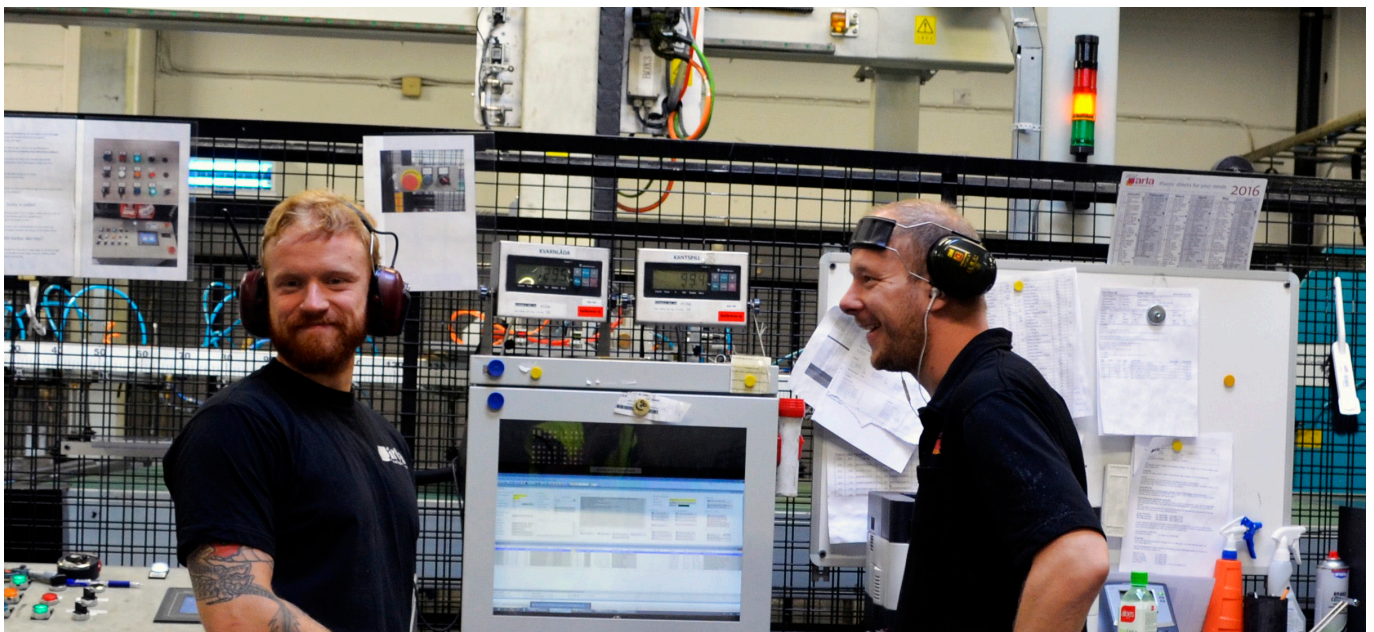


Working conditions

We regularly conduct employee surveys to find out how the organization and the working environment are perceived by employees. Areas examined include Work Situation, Health and Safety, Leadership and Sustainability. In 2022, we also surveyed how our employees perceive diversity, bullying and discrimination. The results are published and followed up by both management and trade unions.

Arla Plast: an active corporate citizen

Arla Plast engages in open dialogue with local communities. This ensures continual stakeholder engagement. In 2022, Arla Plast Borensberg sponsored local sports clubs and a child road safety calendar. In the Czech Republic, Arla Plast supports activities for the elderly and for children, youth sports and local hospitals. Arla Plast has also supported the important work of Médecins Sans Frontières for several years.



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 company representatives have been trained on The Arla Plast Way and the appropriate laws in the countries where we operate. A whistleblower function is in place to detect if someone violates these. No incidents in 2022.

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.

