HEXPOL AB (publ)

2013 Sustainability Report

HEXPOL
A Material Difference

HEXPOL in brief

- Innovative solutions in advanced polymer compounds, gaskets for plate heat exchangers and wheels for forklifts and castor wheel applications
- Strong global market positions - Number one globally in market for rubber compounds
- Leading European producer of thermoplastic elastomer compounds (TPE Compounding)
- Organised in two business areas with in-depth and extensive polymer and applications expertise
- Acquisition-oriented
- Growth with strong and improved margins
- Well invested with strong cash flow
- Strong financial position

Business area HEXPOL Compounding

The business area's share of the HEXPOL Group (2013):

Operations HEXPOL Compounding is one of the world's leading suppliers in the development and manufacture of advanced, high-quality polymer compounds. HEXPOL Compounding focuses primarily on two key segments of the polymer market:
· Rubber Compounding
· Thermoplastic Elastomer (TPE) Compounding
HEXPOL Compounding supports customers globally through 24 manufacturing units in Europe, Asia and NAFTA.

Market HEXPOL Compounding's market is global and the largest end-customer segments are the automotive and engineering industries. Other key segments are the construction and infrastructure industry, energy, oil and gas sector, cabling and water treatment industry, as well as medical technology. The largest customer segments in the TPE compounding area are the industrial, consumer and medical equipment industries.

Customers Manufacturers of polymer components who impose rigorous demands on performance, quality and global delivery capacity.

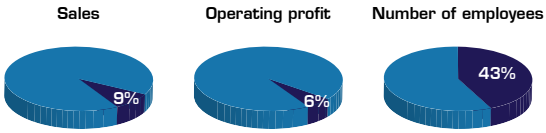
Sales 7,345 MSEK (7,270)

Operating profit 1,177 MSEK (996)

Number of employees at 31 December 1,958 (1,956)

Business area HEXPOL Engineered Products

The business area's share of the HEXPOL Group (2013):



Operations HEXPOL Engineered Products is one of the world's leading suppliers of advanced products such as gaskets for plate heat exchangers and wheels for the forklift industry. The business area is also a major player in rubber profiles, mainly for the construction and engineering industries.

Market The market for gaskets and wheels is global, with HEXPOL's production units located in Europe and Asia and for wheels also in North America. The market for profiles is primarily Nordic.

Customers For gaskets, the customers are manufacturers of plate heat exchangers; for wheels, manufacturers of forklifts and castor wheels and, for profiles, the construction and engineering industries.

Sales 691 MSEK (737)

Operating profit 78 MSEK (73)

Number of employees at 31 December 1,470 (1,371)

2013 in brief

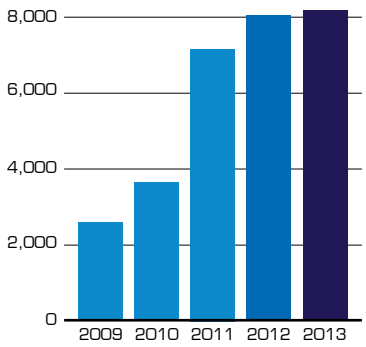
- Sales amounted to 8,036 MSEK (8,007)
- Operating profit increased 17 percent to 1,255 MSEK (1,069)
- The operating margin improved to 15.6 percent (13.4)
- Profit after tax rose to 930 MSEK (753)
- Earnings per share increased 24 percent to 27.02 SEK (21.88)
- Operating cash flow rose to 1,418 MSEK (1,209)
- The Board of Directors proposes a dividend of 9.00 SEK per share (6.00)

Significant events per quarter:

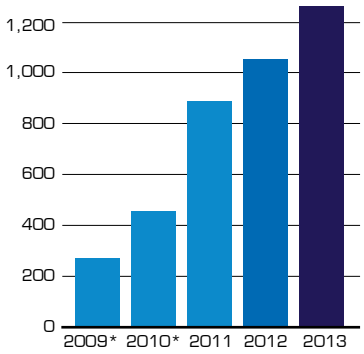
- Q1: The US rubber compound company Robbins, acquired in November 2012, was successfully integrated
- Q2: Another strong quarter
- Q3: Best quarter to date in terms of earnings. Start up of a new rubber compounding line in Mexico
- Q4: Strong growth with sales and volume growth in all geographic regions

Key figures	2013	2012	
Sales, MSEK	8,036	8,007	
Operating profit (EBIT), MSEK	1,255	1,069	+ 17%
Operating margin, %	15.6	13,4	
Profit before tax, MSEK	1,236	1,047	
Profit after tax, MSEK	930	753	
Earnings per share, SEK	27.02	21.88	+ 24%
Equity/assets ratio, %	61.5	49.2	
Return on capital employed, %	27.0	24.0	
Operating cash flow, MSEK	1,418	1,209	

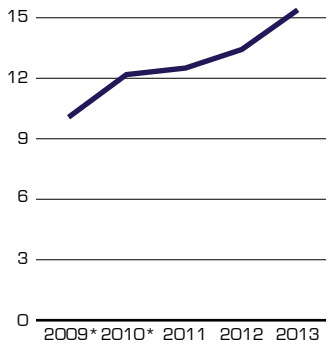
Sales, MSEK



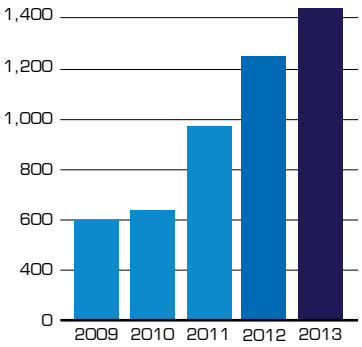
Operating profit, MSEK



Operating margin, %



Operating cash flow, MSEK



*Excluding items affecting comparability

CEO comments on the year

DEAR READER,
2013 was another strong year for the HEXPOL Group. We continued to strengthen our market positions on all primary markets and further improved our financial results. Our strategy of organic and acquired growth in existing areas, combined with strong cash flows is successful and stands firm.

I am pleased to present HEXPOL's fourth Sustainability Report. If you are one of our shareholders, or anyone else that is interested in our sustainability work, you will learn a lot about how we prioritize the Group's sustainability aspects and what we do – in the short-term and long-term perspectives – to manage risks and opportunities. With the aim to present information in a transparent and informative way for our interested parties, we have since long reported according to the GRI G3 Guidelines. This year we have started to apply the GRI G4 Reporting Guidelines.

Our strategy for sustainable development is quite straightforward and I would like to highlight some key elements:

- We are accountable for what we are doing in relation to the environment, our employees, customers, owners and society.
- Prevention is better than cure – the precautionary principle is crucial to us.
- Sound business ethics must be applied by all of us – at all times all around the world.
- We work in a systematic way and strive for continual improvement. One example is the implementation of certified management systems such as ISO 9001, ISO 14001 and OHSAS 18001 at the units. Another example is the introduction of the Group-wide sustainability objectives that are supported by local targets and activities at our manufacturing units.
- We are open in our communication concerning sustainable development – not only the success stories, but also concerning issues where we need to improve.

During 2013 we made improvements in a number of areas and in many cases sustainability and economy went hand in hand. Increased reuse of waste materials and less waste to land fill is one good example. Other good examples are the measures to increase energy efficiency, to reduce emissions of carbon dioxide, and to make environmental adaptions of our products. In addition to that, it is crucial with continued focus on issues such as human rights, social responsibility, community engagement and business ethics. Commitments that are communicated through the recently updated policy package "Materializing Our Values" and where the Sustainability Report provides a transparent overview of the achievements.

Although HEXPOL shows positive development there are still many challenges concerning sustainable development for us to manage. Just to mention a few: It is essential to economize with resources and to maintain safe and healthy workplaces. We need to work further with risk reduction of hazardous chemicals and continue to phase out certain substances. It is also material that HEXPOL is recognised as an attractive employer, a good citizen with sound business ethics, and that our products meet the increasing demands for less environmental impact.

I am convinced that we can continue to develop the HEXPOL Group in a positive direction, and our contribution to sustainable development is a prerequisite for sound business. We will continue to strengthen our efforts in this area.

Malmö, Sweden, April 2014

Georg Brunstam
President and CEO

Corporate responsibility

Prerequisite for long-term value creation

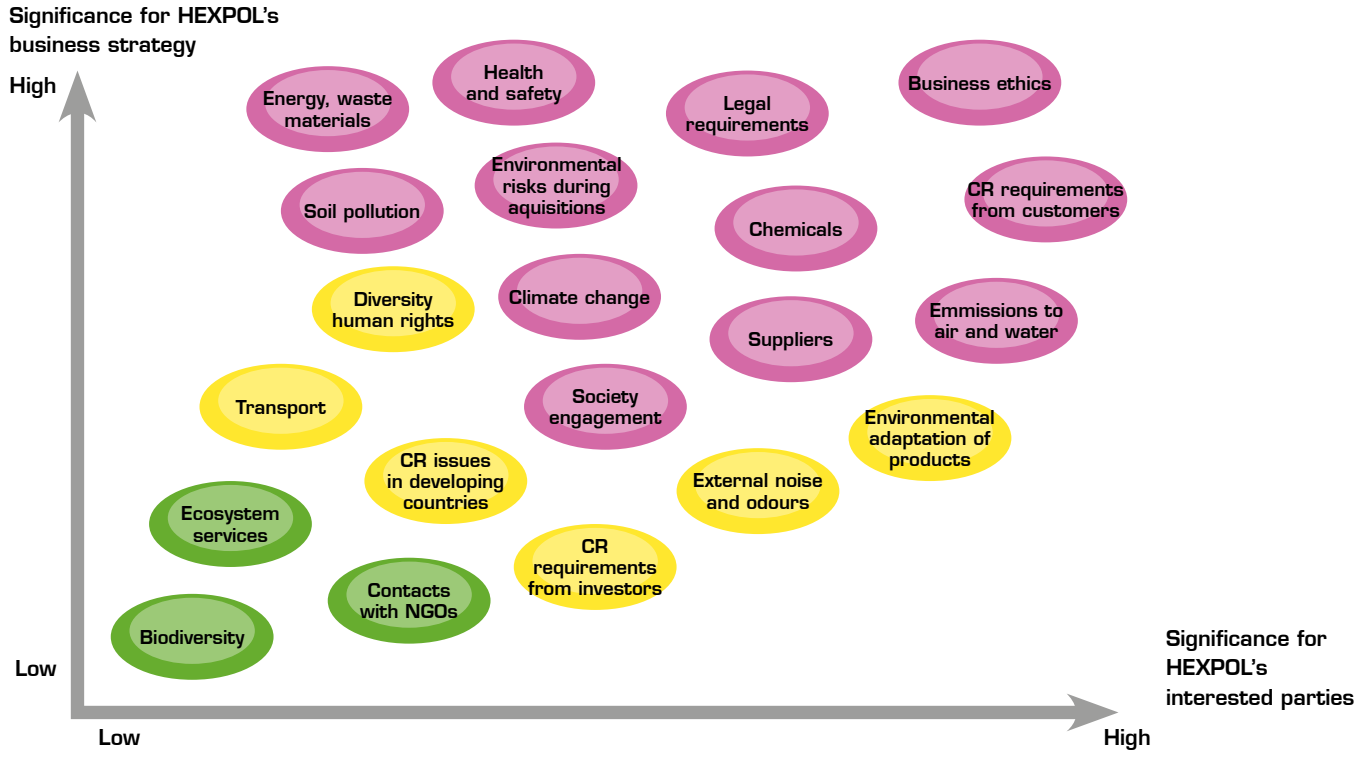
Issues involving environmental compatibility, social responsibility and business ethics are attracting ever-increasing attention in society, thereby affecting business and industry in no uncertain manner. With 32 facilities and operations in ten countries, the concept of corporate responsibility has very tangible implications for us and our stakeholders. This applies to both day-to-day activities and the long-term strategy. Corporate responsibility is part of HEXPOL's corporate culture and a prerequisite for long-term value creation on behalf of our stakeholders. During the past year, we drew up the document "Materializing Our Values", which establishes our guidelines and policies in corporate responsibility.

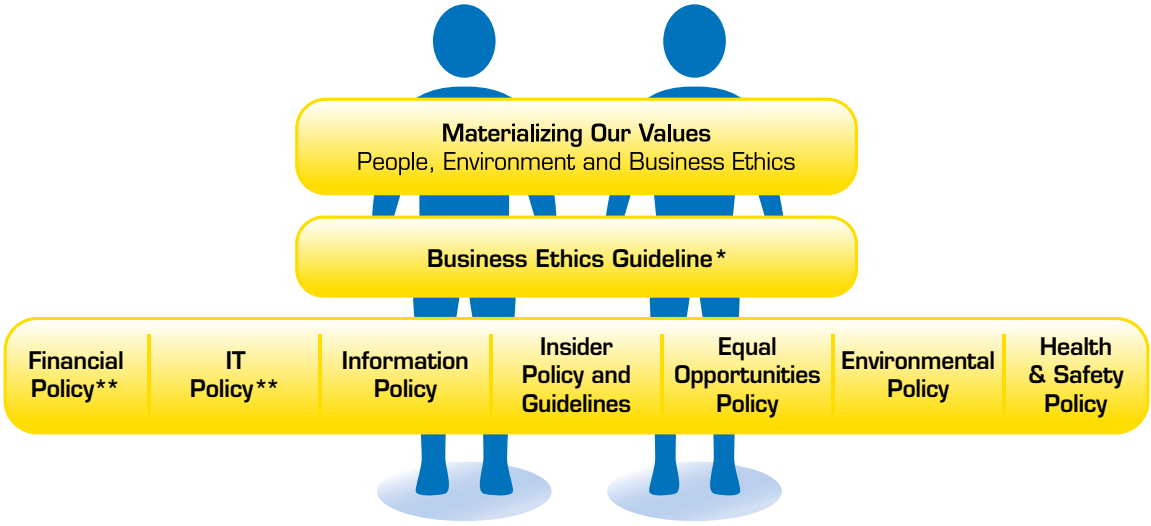
FOCUS ON KEY ASPECTS

We have been reporting according to the GRI Guidelines since 2009. In this Sustainability Report we have initiated the process to adapt structure and contents according to the recently launched GRI G4 (Global Reporting Initiative) Guidelines. As a part of the process we aim to be more transparent in the methods used to identify and report material aspects. The figure shows aspects that are identified and ranked according to the significance for the Group's interested parties, and for the HEXPOL's business model. Aspects marked with red and yellow are reported in this Sustainability Report.

MATERIALIZING OUR VALUES

In connection with the public listing of HEXPOL in Sweden in 2008, the first version of the company's own guidelines and policies governing business ethics, information, environment and related areas was presented. Application of the guidelines has had a major impact throughout the Group – as already reported in earlier annual and sustainability reports. World changes and progress in sustainable development are advancing at a fast pace and, thus, during 2013 we presented the updated compilation of these guidelines and policies, adding some complementary material. The documents, compiled under the name "Materializing Our Values", build on international guidelines, such as the UN Global Compact, and standards (ISO 26000), and offers support and a compass for our employees. We have already completed a considerable informa-





* Supported by a Compliance Program relating to Competition and Anti-trust law.
** Policies available for all employees but not externally distributed.

tion effort centred on "Materializing Our Values", a process that will continue during 2014.

"Materializing Our Values" summarises the Group's basic stance and is supplemented with guidelines and policies in such areas as business ethics, information, the environment and the work environment.

The ultimate responsibility for application of the values lies with the President & CEO of the Group, but responsibility in day-to-day activities lies with the managing directors and all executives at HEXPOL. Application will be monitored regularly and communicated in such presentations as the Annual Report and the Sustainability Report.

CODE OF CONDUCT

"Materializing Our Values" represents the Group's Code of Conduct and states the principles governing relations with employees, business partners and other stakeholders. The guidelines offer direction to those active in the Group in respect of legal, finance and accounting, conflicts of interest, labour conditions, and social aspects as well as good business ethics.

Zero tolerance to deviations applies to certain areas covered by "Materializing Our Values", including the observance of legislation, respect for human rights, non-acceptance of bribes and other forms of corruption, and compliance with competition legislation. In other areas, the Code of Conduct indicates an approach based on preventive measures and continuous improvements such as in terms of the environment and work environment. The presentation above offers an overview of the main components in HEXPOL's Code of Conduct and policies.

Legislation and other requirements must be observed

Because Group operations must comply with many laws, and other legal requirements, the company and individual employees must identify and comply with provisions, regulations and legislation that affect the business operations. Examples include conformance with the ban on cartels and export and import provisions governing international business transactions, trade embargoes and economic sanctions. In the sustainability area, we note increasing requirements from customers – and, by extension, from consumers – a trend representing a constructive contribution to the development of our sustainability programmes.

Compliance Programme for business ethics

HEXPOL's "Compliance Programme" is designed to ensure that our employees observe the Group's guidelines set out in "Materializing Our Values". Combined with the Business Ethics Guidelines, the programme provides detailed directions on what is permissible and what is impermissible in business contacts with customers, suppliers, competitors and distributors. The most senior executives in the Group had a briefing about application of the programme and each executive must provide his/her signature to confirm that he/she is following the guidelines.

Zero tolerance to corruption

Under "Materializing Our Values" and the tenth principle of the UN Global Compact, integrity and responsibility shall characterise our business practices. We take a zero-tolerance approach to bribery, corruption and cartel formation. For a global company, these matters are complex and the perception of "normal business practice" varies between countries and cultures.

We use the following methods for governance and monitoring of corruption-related issues.

- We communicate our values in the form of "Materializing Our Values". Group company management teams are responsible for further conveying the values in their organisation.
- We monitor costs, expenditure and revenues on an on-going basis.
- We pay particular attention to ethical issues in our relationships with partners. Standard business practice must be observed in each individual country, but if business practice does not comply with "Materializing Our Values", we must refrain from doing business or take alternative relevant actions.

No breaches concerning corruption were identified during the year.

Sustainable development integrated into operations

The Group regards sustainable development as a natural component of business operations and has, among others, integrated considerations concerning the environment and social responsibility into strategic planning. As shown in the illustration below, we have taken several actions in recent years aimed at developing sustainability efforts. The Environmental Policy offers support in this respect, and in this policy we point out the importance of working to achieve continuous improvements. This applies, for example, to areas involving energy consumption, risks involved with chemicals, emissions to the atmosphere, waste, risk minimisation and environmentally compatible product development. In a number of areas, we concretise environmental policy through Group-wide, long-term objectives.

Stakeholders' viewpoints are crucial

We take heed of the opinions of stakeholders and, whenever possible, we participate in dialogues and an exchange of views. The purpose is to understand and fulfil the expectations and demands imposed on HEXPOL and our workforce. Key stakeholders include:

- Customers and suppliers in many countries worldwide.
- The capital market – shareholders, investors, analysts, banks and media.
- The Group's 3,400 employees in ten countries.
- Neighbours, government agencies, mass media, schools, universities and other community stakeholders.

An overview of our main stakeholders is found on p. 9.

Relevant information for shareholders and investors

HEXPOL's aim is to furnish shareholders and other players on the capital market with relevant information to provide a basis for an accurate assessment of the Group. The objective is to apply openness, objectivity and a high service level in financial reporting, so as to strengthen confidence and interest in the Group among existing and potential shareholders.

The Group complies with generally accepted accounting principles, applies internal control and drives processes to ensure that accounting and reporting conform to legislation, provisions and listing agreements. HEXPOL applies transparency in reporting and, in accordance with the Group's information policy, provides the market with soundly based, comprehensive information. Corporate governance is described in the Corporate Governance Report in the Annual Report on page 78–83.

In the area of sustainable development we provide information through the Annual Report and the Sustainability Report. In addition to that HEXPOL reports the impact on climate through the Carbon Disclosure Project (CDP). During 2013 the Group's sustainability performance was assessed by the Swedish insurance company Folksam in the report "Index för ansvarsfullt företagande". HEXPOL ended up amongst the around 20 percent best performers for environment and social responsibility.

Good customer relations

HEXPOL's customer relations are characterised by professionalism, a high service level and quality awareness. According to the guidelines set out in "Materializing Our Values", sound business ethics and complete honesty are to be applied in business operations, including marketing and advertising. We comply with local competition rules in geographic markets in which we are active. Business decisions are made on the basis of the Group's interests and are not based on individual considerations or relations.

EXAMPLES OF ACTIVITIES THAT CONTRIBUTE TO SUSTAINABLE DEVELOPMENT

2008

- Environmental surveys at facilities.
- Business ethics guidelines and environmental policy are developed.
- Decision to implement ISO 14001.
- Training programmes in environmental management.
- Reporting system for sustainability issues.

2009

- ISO 14001 was widely implemented.
- Sustainability Report according to the GRI (C level).
- Guidelines for environmental due diligence when making acquisitions are developed.

2010

- Sustainability Report according to GRI (B level).
- Climate impact reporting according to CDP.
- 80 percent of facilities certified in accordance with ISO 14001.
- Sustainability matter included in the strategic planning process.
- Projects to increase energy efficiency are implemented.

Stakeholder group	Key areas	Activities in 2013
Customers	Product declarations, hazardous chemicals, code of conduct.	Dialogue during contacts with customers and during customer audits and assessments (see below).
Consumers	As the vast majority of our products are aimed at industrial customers, it is likely that the end consumers are not aware of HEXPOL as a part the supply chain.	Indirect activities through requirements and dialogue with our industrial customers.
Employees	Business ethics, health and safety, resource efficiency, talent management, compensation and benefits.	Training, information and dialogue. Work in safety committees and task forces (p. 22-24).
Suppliers	Management of environment, health and safety issues. Code of conduct. Raw material sourcing.	Supplier audits and assessments (p. 10).
Owners and investors	Business ethics, risk management and resource efficiency. Integration of sustainability issues into the business model.	Meetings with investors. CDP and sustainability reports to provide information to "green investors". Frequent reporting of status to the Board (p. 8).
Society	Community and industry involvement. Attract new employees.	Being a good neighbour. Local community involvement. Participation in industry initiatives. Contacts and projects with schools and universities (p. 24).
Authorities	Compliance with legislation.	Dialogue during visits and inspections by environmental, health and safety authorities (p. 13).
NGOs	Carbon footprint, hazardous chemicals, use of energy and water, social responsibility.	HEXPOL has not been approached by NGOs or actively taken any contacts with NGOs.

In the area of sustainable development, 85 percent (80) of our units report that their customers impose requirements in respect of the environment and social responsibility. The requirements depend on the industry in which the customers are active, but may involve certified management systems, guarantees that products do not contain certain hazardous chemicals and that we apply a Code of Conduct with the same requirements as specified by the customer. During the year, customers conducted requirement monitoring at about two-thirds of the units. The results from questionnaires and audits were positive.

Continuous improvement

We wish to encourage our employees to assume responsibility and contribute to continual improvement in all areas. Product quality is a key competition factor and quality assurance programmes are pursued in accordance with the requirements of the ISO 9001 international standard and other management systems. All units are certified under ISO 9001 and, in many cases, the quality system is integrated with the environmental system. Since the aim of quality programmes is that products maintain the appropriate quality, meet safety and legislative requirements and surpass customer requirements and expectations, customers and suppliers are frequently involved during the development process.

2011

- Positive trend in key figures for sustainability.
- Group objectives concerning energy and climate are introduced.
- Implementation of ISO 14001 for acquired units.
- Energy efficiency improvements are implemented at several units.
- Compliance Programme on business ethics introduced.

2012

- Greater social involvement in many countries.
- Two units certified according to OHSAS 18001.
- 88 percent of facilities certified in accordance with ISO 14001.
- Stricter goals for sustainable development introduced.
- Introduced measures aimed at energy efficiency.
- Safer work environment through systems to register near misses.

2013

- Introduction of "Materializing Our Values".
- Increased use of biofuel.
- Efforts to increase energy streamlining generate positive results.
- Continued phase-out of hazardous chemicals.
- Activities implemented to attract students to the polymers industry.
- Adaption to GRI G4 initiated.

HEXPOL – A "Top Work Place"

The Plain Dealer, Cleveland's daily newspaper, honored HEXPOL's GoldKey Processing Inc., located in Middlefield, Ohio, as a Top Workplace in 2013. The 2013 Northeast Ohio list, which features a mix of the best large, mid-sized and small companies, was published on June 16. GoldKey was ranked 11th on the Top 35 list of mid-sized companies and was the 1st manufacturing company listed.

The achievement is based on an extensive GoldKey associate survey, conducted by Workplace Dynamics, on company leadership, competitive compensation, career development, growth potential, family-friendly policies and more. Workplace Dynamics recognizes companies with the highest levels of organizational health, defined as strong execution, direction and connection with associates. Over the past year, more than 5,000 organizations turned to Workplace Dynamics to better understand what's on the minds of their employees.

"We are honored to have received this Top Work Places achievement, which directly represents our belief that alone we can do so little but together we can do so much. This achievement would not be possible without the hard work and dedication of each of our associates at all levels of the organization working as a team and focused on daily growth of our associates, business, customers and the community. Thank you to all our associates and their families." Jerry Saxion, Managing Director, GoldKey Processing said.

GoldKey's 162,000 sq. ft. state-of-the-art rubber compounding facility is equipped with four mixers and a full development laboratory. The facility has grown to world-class status and the benchmark for the rubber compounding industry with the support of the community, the exceptionally committed workforce and the highly dedicated management team. GoldKey Processing offers customers advanced polymer compounds and world-class services backed by a family of associates who are dedicated to personal, professional, community and customer growth. Market segments serviced by GoldKey Processing include automotive, building, construction, wire and cable, aerospace, water management, pharmaceutical, high performance tires and oil, gas and green energy industries.

Supplier requirements

Supplier assessments include a number of mandatory criteria involving technology, quality, delivery capacity and financial status. It is also important to cooperate with suppliers capable of displaying sound business ethics and who assume responsibility in applications affecting the environment and social conditions. Within the framework of ISO 14001 and our sustainability programmes, we developed supplier assessments in respect of the environment and social responsibility during 2013.

Our raw materials are dominated by polymers and chemical products and HEXPOL is thus a link in the chain between the chemical industry and producers of industrial and consumer products. The Group's suppliers mainly comprise global chemical companies that conduct well-developed environmental work. In addition to these business partners, there are many local suppliers of products and services. Irrespective of the size of the suppliers or their global or local status, we expect them to meet the same requirements that we impose on ourselves with respect to environmental and social responsibility. "Materializing Our Values" is used to inform the suppliers, who are monitored for compliance with HEXPOL's requirements through questionnaires and audits.

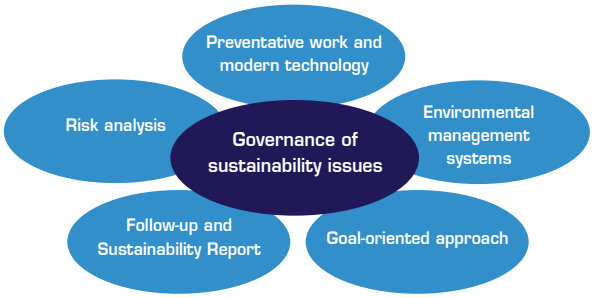
During 2013, 80 suppliers (60) were evaluated with respect to environmental and social responsibility and we are continuing to work on formulating evaluation methods and suitable criteria. The cooperation with a couple of suppliers was discontinued due to non-compliance with our requirements.

GOVERNANCE, STRATEGY AND OBJECTIVES

Responsibility for sustainability work is decentralised and delegated to the legal entities. Executives at companies and production facilities are responsible for leading and monitoring activities involving the environment, work environment and social responsibility. Issues involving strategy, risks, monitoring and sustainability accounting, as well as sustainability issues connected to corporate acquisitions, are managed at the Group level.

Governance and strategy for sustainable development is based on:

- Systematic work at all units through environmental management systems (ISO 14001).
- Preventive environmental work and occupational health and safety programmes are important both in respect of technological solutions relating to resource utilisation, treatment equipment, waste management and so forth, and also by involving our employees and offering relevant training.
- Long-term objectives at the Group level and detailed targets at each site.
- Transparent communication about material aspects and progress in public reports.



Certified management systems

Certified management systems are one of the core components of HEXPOL's strategy for sustainable development. As mentioned before all units are certified to ISO 9001. We also have positive experience of working with ISO 14001, and can confirm that risks and costs are declining and that the standard contributes to raising confidence among our stakeholders. Recurring internal and external environmental audits lead to progress in environmental programmes, and 116 (100) internal and 35 (36) external audits were completed during the past year.

A facility in the UK was certified in 2013, while an additional three facilities are scheduled for certification during the years ahead.

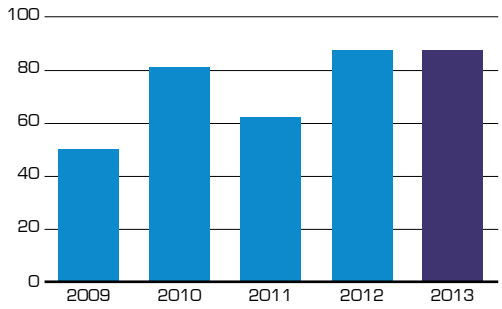
The OHSAS 18001 occupational health and safety standard is also deployed in the Group and the facilities in Sri Lanka are certified according to this standard. Some of the facilities have commenced work aimed at introducing ISO 50001, a standard for energy management systems.

Objectives and targets

For a number of the prioritized aspects the sustainability strategy is supported by objectives and targets. Particularly important aspects are increased energy efficiency, reduced climate impact, safe management of chemical substances, introduction of environmental management systems and a favourable work environment. In these areas, we have formulated overriding objectives through which each facility establishes detailed targets and action plans. The objectives are challenging and trigger many local activities.

Overall, we see a positive trend and the potential to attain the objectives, see table on p. 12. However, it should be noted that the Group's Key Performance Indicators (KPIs) are expressed in relation to net sales and not to production volume. Production volume rose in 2013, but lower raw materials costs resulted in lower sales prices and, thus, limited growth in net sales. This affects the trend in KPIs for energy consumption and carbon-dioxide emissions.

The number of facilities certified in line with ISO 14001 (% of total number of facilities)



ISO 50001 – A tool for increased energy efficiency

Today, some 50 percent of the world's population lives in cities. Among the main processes that affect the energy consumption of a city are transportation and traffic management, building, heating and cooling, sanitation and waste management, and communication networks. Energy efficiency and low-carbon renewable energy technologies can help us address climate change, energy security and access to energy. But standards are needed for worldwide implementation.

Elastomeric Wheels and Gislaved Gummi Lanka will be implementing ISO 50001 in 2014 to increase their energy efficiency. The ISO 50001 energy management system will assist in increasing the focus on reducing energy consumption and in working systematically and determinedly on energy issues. In a global perspective, the standard will contribute to the dissemination of modern technology, which will help in efforts to provide safe, inexpensive and universal energy supply while minimising global pollution. ISO standards are forceful, cost-efficient tools that can make the transition to renewable energy smoother by facilitating cooperation and opening markets for new technologies and innovations.

The international ISO standards are developed together with stakeholders, such as industrial players, authorities and consumers. The standards represent a global consensus of best practice for technology, which can be implemented worldwide. The ISO 50001 standards will assist in achieving the aim of propelling and distributing innovative solutions both in developed and emerging nations.

Area	Objective	Target	Current status	Trend
Energy	Energy consumption (GWh/net sales) is to be reduced by 10 percent by 2014 compared with the average for 2010 – 2011.	Detailed energy targets at each unit. At least one measurable action during 2013.	Measures designed to increase energy efficiency under way at many facilities (p. 15).	Δ
Climate change	Carbon-dioxide emissions (tonnes/net sales) from energy consumption are to be reduced by 10 percent by 2014 compared with the average for 2010 – 2011.	Detailed climate-change targets at each unit. At least one measurable action during 2013.	Several actions to reduce the energy consumption. Increased utilization of renewable energy (p. 16, 18).	Δ
Environmental management system	ISO 14001 at all facilities.	-	One facility was certified during 2013. Some 90 percent of units are certified (p. 11).	Δ
Hazardous chemicals	The consumption of hazardous chemicals on the REACH list of prioritised substances is to be reduced or cease.	During 2013 the units should create organisations or participate in networks concerning hazardous chemicals.	Reduction or phasing out of several hazardous chemicals. Plans for additional measures (p. 16).	Δ
Safe workplaces	The number of accidents at the workplaces shall be reduced.	Detailed health and safety targets at each unit. All units should implement a system to record "near misses".	The frequency of accidents resulting in absence from work decreased slightly, but number of workdays lost, increased. Incident-reporting systems in place at 85 percent of the units (p. 23).	Δ

Δ Goal accomplished. Δ Positive development, the goal is achievable. Δ Negative development, the goal is not achieved.

Environmental Responsibility

Focus on material aspects

ENVIRONMENTAL ASPECTS

Significant environmental aspects that affect HEXPOL's operations include the use of raw materials – mainly materials that originate from fossil sources, for example, synthetic rubber, plastics, extender oils and various chemical substances. Also the use of energy and water is of great importance. Other significant aspects comprise emissions into the atmosphere of fossil carbon dioxide and the generation of waste.

Indirect environmental aspects are associated with, for example, supplier activities, transportation and the use of HEXPOL's products. For further information about how environmental aspects are ranked, see p. 6.

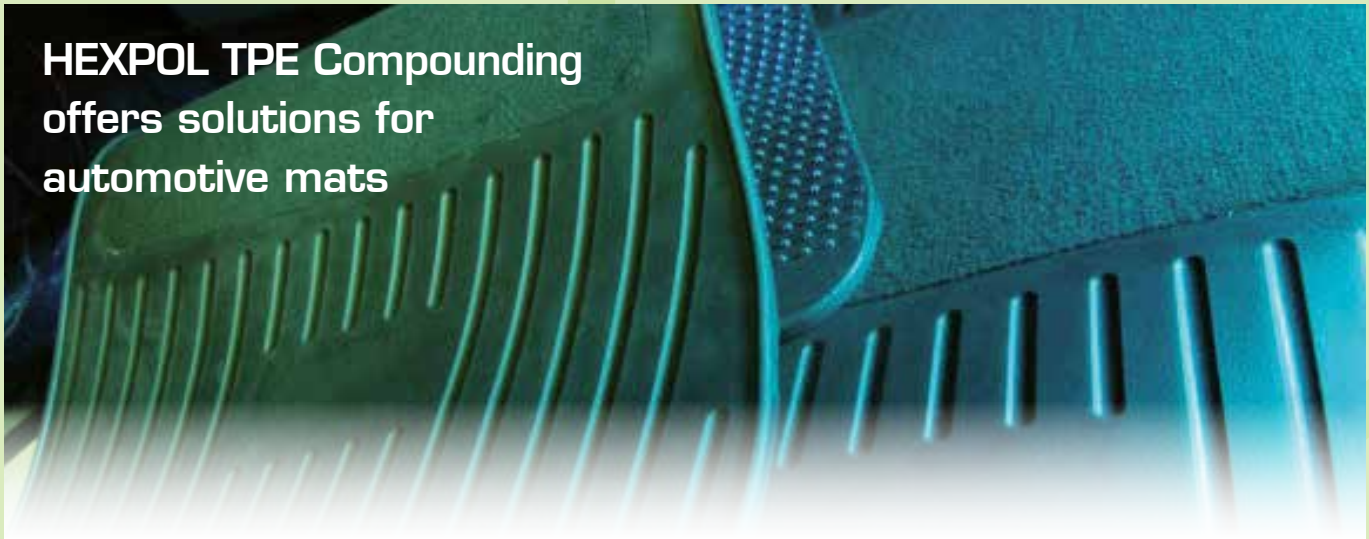
ENVIRONMENTAL LEGISLATION

National environmental legislation affects the majority of HEXPOL's production facilities through permits and operational terms and conditions. Environmental legislation in the form of EU Directives (such as REACH, RoHS, CLP and WEEE), and other national or international legislation, affects many of the Group's operations and products.

The units in Sweden are subject to official approval or notifications pursuant to the Swedish Environmental Code. The production units in the Czech Republic, Belgium, the US, Mexico, Sri Lanka and China either have environmental permits that cover all areas of their operations or that apply to specific environmental aspects. The units in the UK and a facility in Germany are not subject to any specific environmental approval. Compliance with environmental legislation is monitored through measurements, inspections and environmental reports submitted to supervisory authorities. The following events related to environmental legislation occurred during the year:

- Gislaved Gummi in Gislaved, Sweden, renewed its permit according to the Swedish Environmental Code. The new conditions did not result in any significant investments or changes in the operations. During the year, the County Administrative Board requested that historic land contaminations should be documented at some of the facilities. The results of the investigation are provided in the section on environment-related risks on p. 20-21.
- At ELASTO in Åmål, Sweden, the facility was upgraded according to requirements in an ordinance about explosive environment (ATEX). Measures to strengthen security surrounding the tanks for process oils were also implemented. As a result of the fire at Stellana in Laxå, Sweden, the environmental authority made special requests for functionality and availability of the equipment for abatement of emissions of isocyanates into the atmosphere.
- At half of the manufacturing units, inspections were carried out by the environmental authorities. Some minor non-conformities were detected and corrective measures have been taken.
- During the year, we received and reacted to a number of complaints from neighbours about malodorous substances and noise. Some 15 complaints pertained to contamination caused by two incidents in Belgium where about three tonnes of carbon black was released into the surrounding. The area was rapidly decontaminated and there was no long-term impact to people or the environment.
- Some minor infringements of legislation occurred in the Czech Republic and Belgium during the year, for example, excessive concentration of pollution in wastewater. Except for minor penalty fees, the infringement did not result in any legal consequences.

Looking ahead, we anticipate further activities in our value chains concerning the REACH legislation, as the second stage of implementation is going on. We also expect that the final stage of the implementation of EU CLP Regulation (classification, labeling and packaging of substances and mixtures) in 2015 will have an impact on the management of chemicals and products. This Regulation aligns previous EU legislation on classification, labeling and packaging of chemicals to the GHS (Globally Harmonized System of Classification and Labeling of Chemicals). In Sweden, there is a proposal to classify 1,4 butanediol as a narcotic substance. This may have technical and administrative implications for the Stellana unit in Laxå, Sweden. Finally, we see a growing interest in the EU Environmental Liability Directive concerning responsibility for environmental damage.



HEXPOL TPE Compounding offers solutions for automotive mats

HEXPOL TPE Compounding have developed several grades of thermoplastic elastomers (TPEs) specifically engineered to address the requirements for automotive mats.

The range, known as Dryflex AM, combines the performance of rubbers with the processability of plastics and includes grades based on SBS and SEBS which are available in hardnesses from 50 to 75 Shore A. The range also includes high flow grades which have been designed for complex mouldings with a large surface area such as trunk liners. Other applications for Dryflex AM materials include floor mats, coin mats and fascia mats.

For automotive floor mats the material needs to have high scratch and abrasion resistance. It is also critical that the material is non-slip, even when wet. The material structure of Dryflex AM compounds produces the high co-efficient of friction, helping to create a non-slip surface.

Dryflex AM materials are low odour and fogging. They require no vulcanisation and are 100 percent recyclable during production. This means less energy is used and production is faster and more cost-efficient compared to traditional process of rubber manufacturing.

Sven-M. Druwen, European sales coordinator for HEXPOL TPE Compounding commented, “Our teams work hand-in-hand with our automotive customers to develop solutions that address new and emerging demands. With governments’ worldwide enacting fuel efficiency and carbon emissions laws, one of the ways car manufacturers are addressing these regulations is vehicle light weighting. By reducing the weight of each component they can look to reduce the weight of the whole vehicle. That is one of the reasons we have developed our TPEs for automotive mats. they have a lower specific gravity compared to several alternative materials, you can therefore create lighter-weight parts and produce more parts per kilogram of material.”

Gislaved Gummi heats houses with surplus heat

As a part of their sustainable development, Gislaved Gummi AB has signed an agreement with a local energy company about supplying surplus heat that today is cooled off. The amount of energy is equivalent to 55 private houses annual consumption of heating. This means that carbon dioxide emissions can be reduced by 240 tons per year.

“We have surplus heat from our production that we must cool off during the summer, while we are in need of supplementation during the cold winter months”, says Lars-Åke Bylander, Managing Director Gislaved Gummi AB.

A local energy company will start up a new district heating system, which will primarily generate heat from a power plant using wooden chips but also from surplus heat directly delivered into the district heating system by Gislaved Gummi AB.
In this way, surplus heat becomes beneficial for local households. A win-win situation for all parties, but not least for our environment.

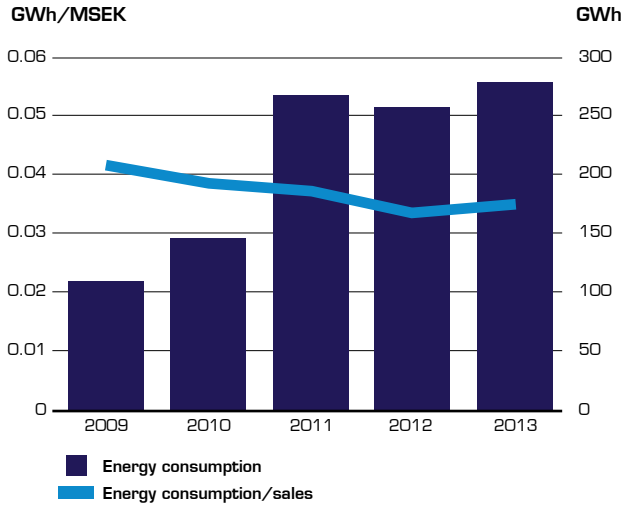
Joacim Cederwall, Managing Director, Gislaved EnergiRing AB and Lars-Åke Bylander, Managing Director, Gislaved Gummi AB.

ENERGY CONSUMPTION

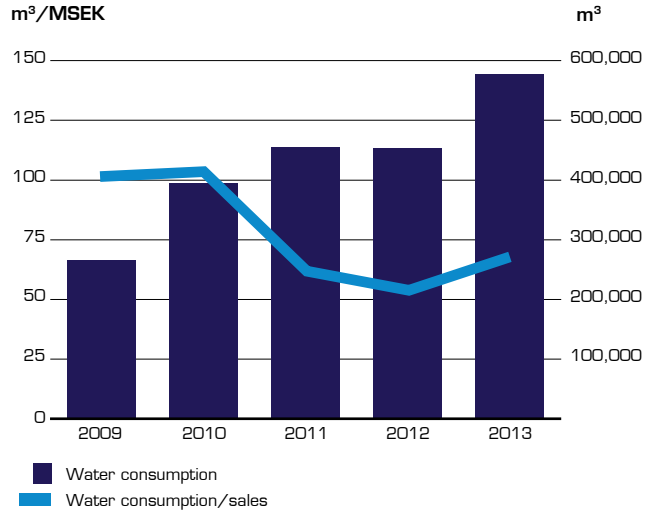
We use significant amounts of energy for production equipment, heating, cooling, ventilation and transportation of materials. The total energy consumption rose during the year from 258 GWh to 275 GWh. Installation of new mixing lines, higher production and more facilities resulted in the increase. A number of measures in the production facilities contributed to higher energy efficiency.

About 70 percent of the energy comprised purchased electricity, 20 percent of natural gas and the rest from other sources. Consumption of biofuel and "green" electricity increased during the year. The total energy cost during 2013 was about 143 MSEK (150).

Energy consumption



Water consumption



WATER CONSUMPTION

Supply of good quality water has become an increasingly important issue in many parts of the world. We do not have any facilities in areas suffering from water shortages, but there are still many reasons to focus on economizing with water.

The production units use water for cooling, cleaning, irrigation and hygiene and in 2013, approximately 190,000 cubic meters (166,000) of municipality water was used. In addition to this, 16,000 cubic meters (24,000) were used from proprietary wells and 360,000 cubic meters (260,000) from streams. Cooling systems with re-circulated water exist at most production units. During the year, a number of activities were implemented to reduce water consumption, including leak searches, training and technical measures. Higher production, more irrigation and a greater need of cooling contributed to an increase in water consumption. The total cost for water amounted to 2.4 MSEK (3.1).

Emissions to wastewater are limited and mainly consist of organic material and nutritive substances from sanitary applications and cleaning of the premises. Emissions of cooling water and rainwater from roofs and land areas also occur. Production units are connected to municipal wastewater treatment plants or equivalent. Measurements of the composition of the wastewater taken at a few of the facilities showed that emissions remained within permissible levels.

HIGHER ENERGY EFFICIENCY - A PRIORITY

HEXPOL's target is that the energy consumption (GWh/net sales) is to be reduced by 10 percent at the end of 2014 compared with the average for 2010-2011. Here are a few examples of activities during the year:

- Installation of more energy efficient production equipment, compressors, ventilation and cooling systems.
- Steam traps on presses. Insulation of furnaces. Switching off equipment not in use.
- Shorter mixing cycles. Cooperation in the development of energy-efficient transmissions in mixing machines.
- Change of lighting and fixings. Increased use of LED bulbs. Increased admission of daylight in the premises.
- Training and information. Energy documentation. Introduction of the ISO 50001 energy management system.
- Less energy consumption during high load on the electricity network.

POLYMERS AND OTHER CHEMICAL PRODUCTS

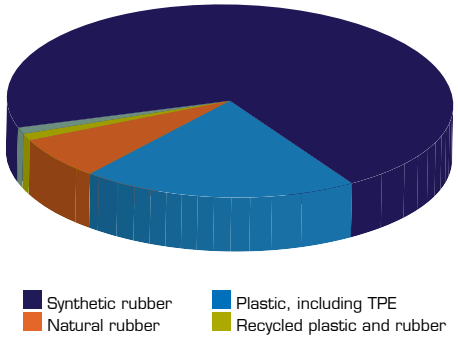
The ingredients in the Group's rubber compounds comprise various types of synthetic rubber, process oils, carbon black and other fillers, as well as a large number of chemicals and additives. Natural rubber is also included in some compounds. In addition to polymers, other raw materials include metals, solvents and dyes. In terms of volumes, the synthetic rubber polymers are predominant, but thermoplastic elastomer (TPE) and polyurethane plastics are used to a great extent. The use of natural rubber accounts for about 10 percent of the total polymer consumption and recycled polymers for about 2 percent. Natural material, for example, cork is used to a certain extent.

RISKS ASSOCIATED WITH CHEMICALS TO BE MINIMISED

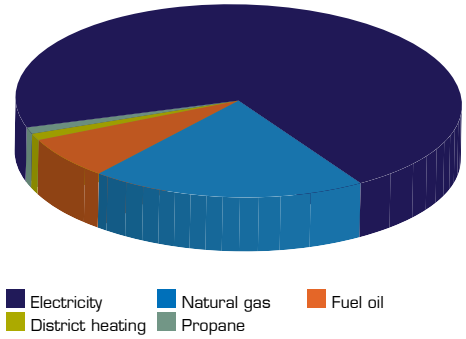
The combination of ingredients in the polymer compounds gives the end product the sought-after technical characteristics and we use thousands of different recipes and many different chemical substances. Our objective is to reduce the use of particularly hazardous substances and, for this reason, we are mindful of our employees and requirements from the interplay between authorities and legislation. EU legislation pertaining to chemicals (REACH) and laws concerning labelling and risk information are highly significant to us.

In recent years, a number of chemicals have been phased out or had their usage reduced, such as certain phthalates, brominated flame-retardants, carcinogens, heavy metals, as well as chemicals that generate nitrosamine substances. A number of chemical products have been identified for phasing out and activities to reduce the risks remain a high priority. In some cases, work may be complicated since there is no global harmonised legislation and substances that are banned in one part of the world may be permissible in other parts. Here, we strive to inform customers about the options that are advantageous from an environmental and health perspective, without lowering technical performance.

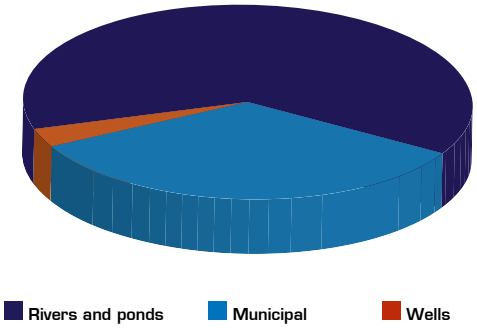
Polymer materials in HEXPOL



Energy sources



Sources of water



REDUCED CLIMATE IMPACT

HEXPOL's target is that the emission of carbon dioxide (tonnes/net sales) from energy consumption are to be reduced by 10 percent at the end of 2014 compared with the average for 2010-2011. Here are a few examples of activities during the year:

- Measures for energy-efficiency (see above).
- Installation of steam boiler that uses biofuel in Sri Lanka.
- Purchase of electricity from renewable sources in the Czech Republic.
- Increased use of recycled polymer raw material.
- Purchase of more fuel-efficient vehicles. Coordination of transportation and improved logistics solutions. More transportation by train.
- Manufacturing of products that provide energy savings and reduced material usage.

Chase Elastomer, Kennedale, Texas, USA.

Waste reduction by 22 percent

Since receiving ISO 14001 certification in 2012, Chase Elastomer, HEXPOL's primary roll compound facility, located in Kennedale, Texas, continues to strive for environmental improvements. Reducing waste materials sent to landfills was identified as a major green goal for 2013.

Cleanout batches used for the facility's tilt mixer are a major source of landfill waste. Cleaners used between compounding of different types of polymers must be disposed. The ISO team implemented multiple cleanout changes to reduce items from this process going to landfill. To minimize cleaner usage Chase Elastomer:

- Improved scheduling.
- Increased the number of times cleanout batches are used.
- Increased the use of obsolete raw materials in cleanout batches.

Chase Elastomer also found a suitable company willing to buy Chase Elastomer's scrap material, and Chase Elastomer has also implemented a process for scrap removal.

Chase Elastomer reduced cleanout batch waste sent to landfills in 2013 by 22 percent versus 2012. Cost savings for the facility in 2013 was significant. Chase Elastomer continues to look for ways to reduce waste and eliminate landfill items. The goal for 2014 is to reduce 2013 level of landfill waste by 50 percent. Reducing landfill waste is good for the environment and Chase Elastomer.

HEXPOL reducing emissions – Biomass boiler in Sri Lanka

Gislaved Gummi Lanka is in line with HEXPOL sustainability vision to focus on an environmental friendly approach in conducting all activities.

Since the implementation of ISO 14001, the company has been able to achieve substantial benefits throughout the Environmental Management System.

Previously, Gislaved Gummi Lanka used furnace oil boilers, which generated substantial carbon dioxide, sulphur dioxide and nitrogen dioxide emissions. During 2012, furnace oil price increased by 80 percent which in turn increased the manufacturing cost drastically. This made Gislaved Gummi Lanka re-think the way of working and started to look for better solutions.

With high availability of wood logs and sawdust, mainly generated from the furniture industry, Gislaved Gummi Lanka decided to start a sustainable project by installing a new Bio Mass Boiler in order to minimize emissions, environmental impact and steam cost. The new Bio mass boiler was installed in September 2013 meeting approval from Sri Lankan authorities and all other requirements.

Gislaved Gummi Lanka will now reduce its emissions of fossile carbon dioxide by 97 percent during 2014 compared to 2012, which will reduce the company's global environmental footprint. From a local perspective the reduced emissions of sulphur dioxide and nitrogen oxides reduce the environmental impact.

Gislaved Gummi Lanka is now implementing a fully integrated management system incorporating the use of energy and all other aspects contained in the ISO 9001, ISO 14001, OHAS 18001 and ISO 50001 certifications.

EMISSIONS TO THE ATMOSPHERE

Climate impacting gases

The use of fuel oil, natural gas, district heating and electricity results in emissions of the climate-changing gas, carbon dioxide. Emissions of carbon dioxide from energy consumption during the year totalled about 105,000 tonnes (98,000). The indirect emissions through purchases of electricity dominated and accounted for 84 percent (85) of the total amount of carbon dioxide.

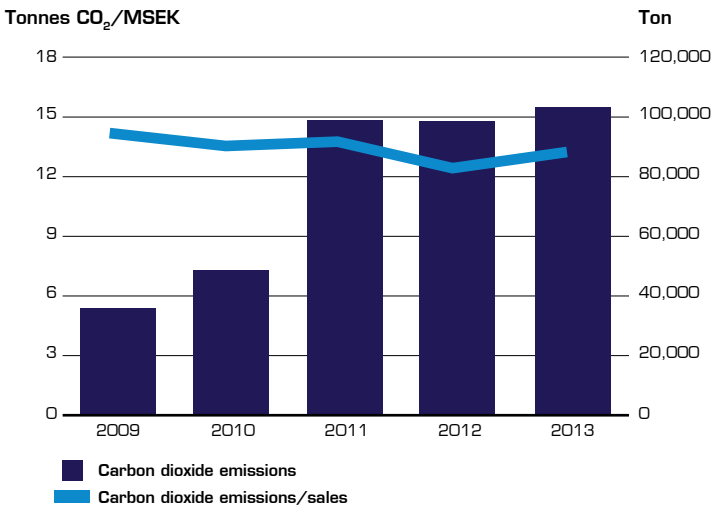
Emissions of carbon dioxide have doubled in absolute numbers over the past five years. The increase is caused by higher production volume and acquisitions of production units. Expressed as tonnes of carbon dioxide/net sales the picture is more favourable, and improved energy efficiency is contributing to the downward trend. However, the emissions are very dependent on how the purchased electricity is produced, for example by primary energy sources such as coal or hydropower. This is one of the explanations to why our carbon footprint varies from country to country.

An important investment, that already has reduced emissions of fossil carbon dioxide, is the installation of a biomass-powered (saw dust, wood) steam boiler at one of the units in Sri Lanka, see p. 17. Another interesting initiative during the year was the purchase of electricity from renewable sources in the Czech Republic.

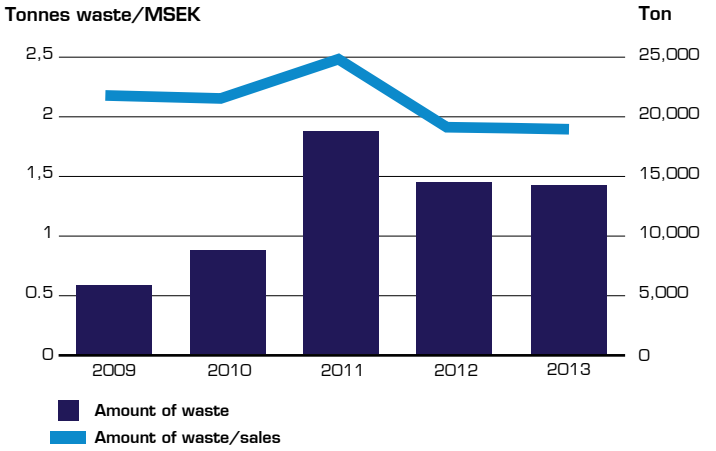
Other emissions

Energy consumption gives rise to atmospheric emissions of 55 tonnes (68) of sulphur dioxide and nitrogen oxide. These emissions are primarily due to the use of heavy fuel oil at the Sri Lankan units. The installation of a steam boiler that operates on biofuel is therefore a positive measure that will have full effect in 2014.

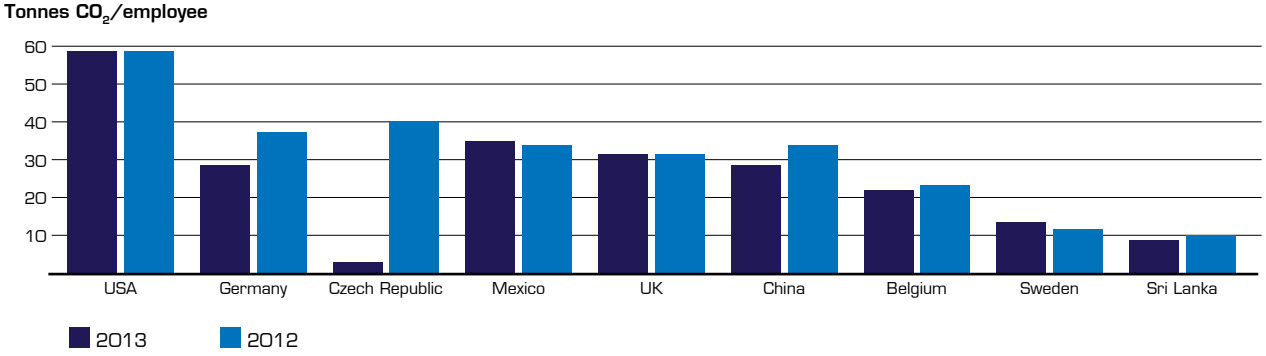
Carbon dioxide emissions



Amount of waste



Carbon dioxide emissions per employee



Emissions of volatile organic compounds (VOC) from dyes and solvents totalled approximately 10 tonnes (24), and the transition to water-based products reduced emissions. Emission of ozone-degrading gases (HCFC) amounted to 10 kilogrammes and was caused by a small leak in a cooling device. The emission corresponds to about 1 percent of the Group's total amount of installed cooling agents.

REDUCTION IN WASTE VOLUME

By minimising spoilage and reducing the amount of waste, the Group's units use raw materials as efficiently as possible. The production volume has increased, but the amount of waste has simultaneously decreased and in 2013, the amount of waste was 14,500 tonnes (14,900), of which 547 tonnes (357) consisted of hazardous waste. The increase in hazardous waste was due in part to the disposal of contaminated land at a unit. Training and increased efforts for sorting waste, combined with technical measures, contributed to the positive trend.

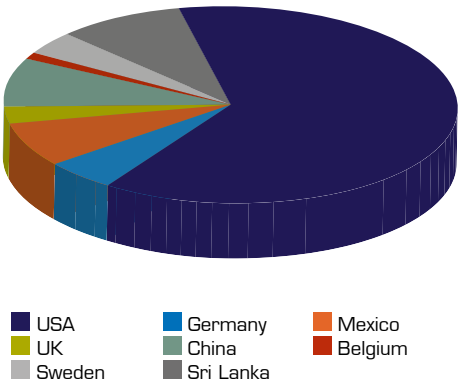
The use of recycled material also increased and, at several of the units in the US, carbon black from dust filters (Enviro Black Cleaner Program) has been recycled in certain products. This is advantageous from a financial point of view and will reduce the amount of waste sent to landfill. At present, a couple of percent of polymer raw materials comprise recycled material. The cost of external waste management totalled 7.9 MSEK (6.9).

ENVIRONMENTAL ADAPTATION OF PRODUCTS

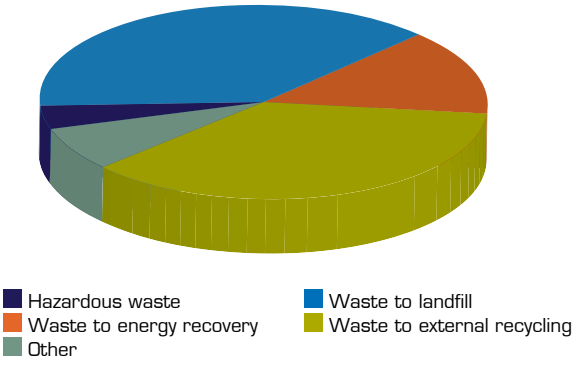
Customers in the automotive, toys, construction and white goods industry and other sectors are implementing measures to environmentally adapt parts of their product range. For us, it may involve everything from reducing risks associated with chemical substances to the development of new material with better environmental properties. At HEXPOL, there are many examples of products that contribute to environmental benefits:

- Chemicals constitute an area where we see higher commitment from our customers and we offer polymers where environmental and hazardous substances are replaced, or are used to a lesser degree.
- We manufacture polymer gaskets used in plate heat exchangers worldwide. The gaskets also contribute to energy saving, less climate impact and secure handling of chemicals and food products.
- We produce porous rubber material that contributes to reducing material consumption and reducing weight, thus helping to lower fuel consumption in vehicles.
- Recyclable thermoplastic elastomers (TPEs) that are used in many applications, such as the automotive industry. We have also increased the use of recycled rubber in several products.
- We manufacture TPE combined with such natural material as cork, which provides technically interesting properties but also reduces the use of fossil raw materials. The TPE range also include products that contain flame retardant substances with excellent properties from an environmental and health perspective. In certain applications, TPEs can also replace PVC, thus responding to the demands placed in the environmental policies of certain organisations in the health sector.
- We produce polyurethane wheels with long service life, thus reducing the need for replacement wheels. This will reduce both the consumption of materials and the amount of waste. We recently delivered a first batch of polyurethane wheels to be used in an offshore wave power plant.

Carbon dioxide emissions per country (% of total emission)



Waste categories



SUSTAINABILITY-RELATED RISKS

New environmental legislation and changes in environmental policy often represent challenges and costs for business and industry. Other sustainability-related risks involve climate change, the environmental impact of suppliers and social conditions, as well as the risk that the products do not offer the environmental performance that customers demand. More information about how we identify risks and opportunities is found on page 6.

Environmental legislation and other official requirements

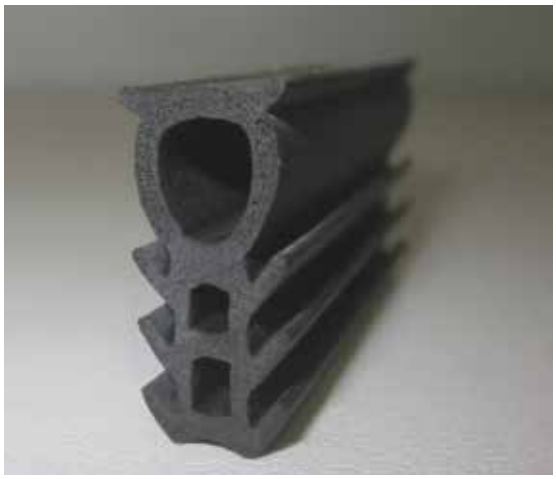
The development of environmental legislation and amendments in the national and international environmental policies are having a short-term and long-term impact on HEXPOL. Areas of interest include climate changes and risks associated with certain chemical substances. We understand that additional legal and financial means of control will gradually be issued in these areas and we are carefully monitoring developments. We are focusing on climate and chemical issues and currently see no unforeseen risks.

For the individual production units, it is important to comply with existing conditions and be prepared for more stringent future environmental requirements. The Group's units have valid permits for their operations and one case involving the renewal of a permit for the unit in Gislaved was successfully completed in 2013. At a number of other units, conditions and permit decisions are subject to regular updating.

With respect to other environmental legislation, it is primarily the consequences of the chemical legislation REACH that is of major interest and can become a risk factor. Legislation includes the requirement for the phasing out of certain hazardous chemicals or limiting the use in certain applications. We use some ten chemical substances that are registered on REACH's Candidate List of Substances of Very High Concern. These are substances that have a specific function in the preparation of the Group's products, including phthalates (softening agents). Our development departments have reformulated a number of recipes and the use of several substances has been terminated or reduced. In our opinion, we are focusing on the type of risk-limiting measures required by legislation, customers and our company.

Contaminated soil and groundwater

Most of the Group's units are situated on land that was not previously used for contaminating operations and there are no underground tanks. In connection with corporate acquisitions, assessments of the risk of soil pollutants and other environmental damage are regularly performed.



The picture above shows an example of a typical profile for rolling stock applications.

HexFlame Compounds – New flame retarding development

New European legislations in the field of fire safety have triggered the development of innovative rubber compounds for rolling stock applications. In order to eliminate trade barriers between European countries, the new EN 45 545-2 standard will harmonize fire testing and thereby allow for free exchange of goods within Europe. A strong driving force for the new legislations has been that the market should move away and avoid halogenated flame retardants. Although these flame retardants are known as being very effective, there is an increasing concern for health and environmental reasons. In addition, these products generate smoke and toxic gases in a fire event. Flammability and toxicity of fire gases and smoke generation are important criteria's when assessing fire safety of rubber compounds.

Mineral based flame retardants are known as being effective alternatives for rubber applications. The fact that higher loadings of mineral in a rubber compound are necessary to achieve a good flame retardant rating is not a difficult hurdle to overcome for extruded solid profiles. However, sponge compounds with a low density are more combustible and smoke release is more difficult to control at the same time as keeping the sponge structure at higher filler loadings.

New HexFlame compounds from HEXPOL which comply with the new EN 45 545-2 standard (rating R22/R23/R24/R25) for solid and sponge profiles have been developed and introduced during 2013. Although the focus is on rolling stock applications, primarily for trains, these compounds can be used in other areas.

No emissions or accidents of significance to the ground and groundwater were registered in 2013. The fire that occurred at Stellana in Laxå, Sweden, in spring 2013 had no long-term consequences for the surrounding environment. A significant emission of carbon black occurred at the unit in Belgium, but had no long-term impact on the land and groundwater. In Gislaved, a small piece of land was contaminated with liquid from a salt bath. Remediation was implemented.

Adjacent to a leased property in Gislaved, Sweden, there are signs of historical soil contamination from petroleum hydrocarbons. Another property in Gislaved, which is owned by Gislaved Gummi, was examined during the year with respect to contaminations according to the Method for Inventories of Contaminated Sites (Mifo) in Sweden. The property was classified as Risk Class 2 and the assessment was based on the previous presence of the solvent trichloroethylene. No emissions of this solvent have been registered. One of the units in the US is exposed to the risk of limited site contamination caused by earlier operations. Although remediation of the site is said to have been performed by the former owner, this has not been fully confirmed. However, there are no legal requirements for remediation of this land that affect the Group.

Hazardous substances in buildings and installations

Ceilings containing asbestos (eternite) are present in some buildings and asbestos is also present in insulation material in some production equipment and tanks. Remediation of asbestos-contaminated equipment was carried out during the financial year at a unit in the UK.

According to legislation in Sweden, we carried out an inventory of the Group's buildings with respect to PCB (polychlorinated biphenyls). Small amounts of PCB were found in window seams in some buildings and the caulking compound will be remediated as the windows are gradually replaced. The risks to humans and the environment are very low.

Accidents and uncontrolled emissions to the environment

We work in a preventive capacity to reduce the risks of fires, leakage and other accidents that could harm people and the environment. Risk analyses and other forms of inspections and audits are part of the preventive effort. We also apply the Blue Grading System, which visually indicates strong and weak sides in the effort in order to minimise risks. The procedures applied in the Group's units are based on requirements from legislation, insurance companies, ISO 14001 and the Group's internal regulations.

As described above in the section on contaminated soil, a fire and two uncontrolled emissions to the environment occurred in 2013.

Climate-related risks

HEXPOL's environmental policy includes commitments to reducing emissions of climate-impacting gases and analysing risks that could arise through climate changes. We have a Group-wide objective pertaining to emissions of carbon dioxide and we monitor the risk analyses on climate changes implemented in various countries. Climate-related risks are taken into account in connection with corporate acquisitions. Three of our units have identified flooding as a climate-related risk and certain precautions have already been taken. Two units are located in areas that could be exposed to extreme windy conditions.

Environmental adaptation of products

We see many examples of our customers' environmental adaptation of their range, for example, by reducing the use of hazardous chemical substances or by increasing the use of recycled material. By partnering with customers and researchers, we monitor and contribute to product development in the environmental area. The risk of losing business is reduced, at the same time as we generate environmental benefits.

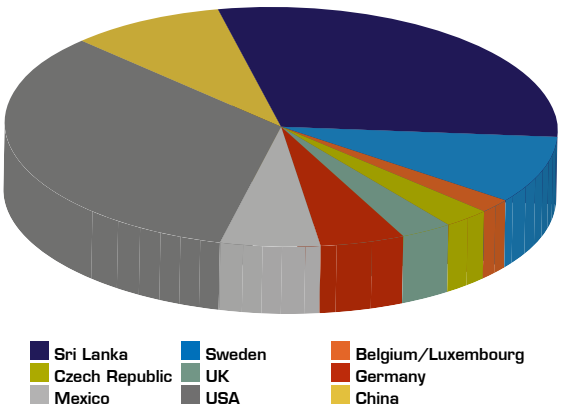
Social responsibility

Human rights, diversity, safety and competence

EMPLOYEES IN TEN COUNTRIES

"Materializing Our Values" contains the Group's business ethics guidelines and policies; documents that trace their roots to internationally accepted treaties governing human rights, social responsibility and sustainable development. The Group requirements entail that workplaces must be safe, conducive to development and comply with work environment and labour rights legislation. No employee may be treated differently due to gender, religion, age, functional disability, sexual orientation, nationality or origin. We encourage diversity and object to all forms of special treatment. Issues that affect gender equality are conducted on a decentralised basis, and employees are entitled to form and affiliate to trade unions with entitlement to collective bargaining. They also have complete insight and co-determination rights in line with provisions in national legislation.

Number of employees by country



The average number of employees totalled 3,411 (3,112) during 2013. At year-end, the number of employees was 3,433 (3,332), of whom 1,958 (1,956) worked at HEXPOL Compounding and 1,470 (1,371) at HEXPOL Engineered Products. The Parent Company had five employees (5).

Diversity

We pursue operations in large parts of the world, with 91 percent (89) of employees based outside Sweden. The workforce is relatively evenly spread across the US/Mexico, Europe and Asia, meaning that multi-cultural diversity is a natural feature of our day-to-day activities. The Group's presence on global markets entails that a blend of skills is a key condition for domestic and international success. A local presence on various geographic markets is particularly important and, thus, we seek to recruit the necessary competence in each region or country.

For us, diversity encompasses a full-spectrum perspective, respect and professionalism, aspects that are supported by our open corporate culture, the guidelines in "Materializing Our Values" and the continuous endeavour to improve. Skilled leadership is a prerequisite for success, and the work climate should encourage responsibility, creativity and innovative ideas. We encourage participation and seek to involve all employees in improvement schemes. Considerable importance is attached to creating a culture with rapid decision-making paths with no unnecessary bureaucracy.

During the year, nothing emerged to indicate that we had infringed any guidelines relating to human rights, gender equality and diversity. However, certain circumstances can only be influenced gradually. Our industry has long been male-dominated and the proportion of female employees is low, amounting to 14 percent (13) in 2013. The proportion of women is highest in Sweden and China, at about 40 percent. In Sri Lanka and the Czech Republic, however, only one in every twenty employees is a woman, with men accounting for more than 90 percent of the workforce at certain facilities. The percentage of women on the Board is 17 percent (17), with 14 percent (14) active in Group management, while the equivalent figure among executive management at subsidiaries is 10 percent (10).

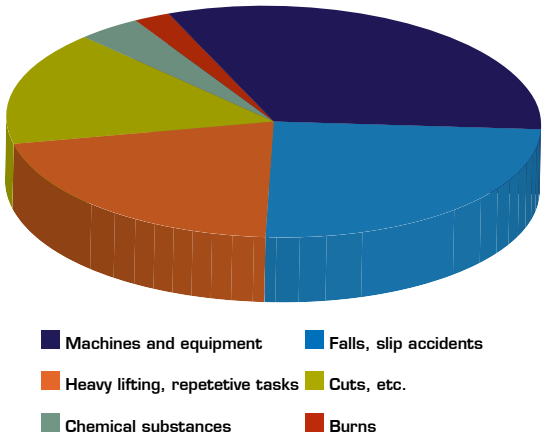
Preventive measures for the work environment

In the occupational health and safety area, we are working on a preventive approach through risk ana- lyses, training programmes and technological improvement. It is particularly important to highlight incidents and take preventive action. The creation of a favourable work environment and well-being at work is the responsibility of executive management and improvement programmes are pursued in cooperation with employees and employee representatives.

During the year, there were 68 occupational accidents (73) that resulted in more than one day's absence from work. Falls, equipment and heavy lifts were common causes of accidents. The total absence caused by work accidents amounted to 1,016 days (847). One or two individual cases of long-term absences that contributed to the increase are included here. One work accident involving a contractor occurred and 15 work-related illnesses (17) were reported. Impaired hearing, allergies and injury to muscles and skeleton were dominant among illnesses.

The work environment effort is a priority and is based on preventive activities and a systematic approach. During the year, a large number of risk analyses, occupational health and safety (OHS) measurements, technical measures, training and safety rounds were implemented. The measurements included ergonomic conditions and exposure to dust, solvents and noise. Special health checks are conducted on the workforce at units that handle isocyanates. We recently introduced OHSAS 18001, an OHS system, at the units in Sri Lanka, which we believe is very positive with respect to health and safety. Formal safety committees have been formed at 85 percent of the units.

Causes of occupational accidents 2013



Despite all the preventive efforts in the OHS area, accidents and injuries occur. Accordingly, our target for 2013 was to improve the reporting of incidents ("near misses"), meaning events that could potentially cause an occupational accident. The effort has been successful and such systems exist at 85 percent (66) of the units. A total of 233 near misses (140) were registered during the year. The incidents pertained to areas where occupational accidents occur and the objective of the reporting measure is naturally to take preventive action to reduce accident risks.

OHS legislation is being sharpened gradually and, in the chemical area, a global system for labelling and risk information about chemicals (GHS/CLP) will have an impact on us in the coming years. Accordingly, our units are focusing on preparations ahead of the changes.

Employees with the right expertice

Training and competency development ensures that our employees have the right expertise for their jobs, and provides them with the opportunity to develop their skills and understand the Group's values. The total training time during the year was 55,900 hours (48,100), corresponding to an average of 16 hours (15) per employee. Slightly more than 2,700 employees participated in developmental conversations or some other form of performance evaluation during the year. The leadership development programme "Materializing the Difference" is provided for career executives.

Training programmes on the environment and occupational health and safety were conducted at all production units and averaged 7.2 hours (4.5) per person. The training programmes pertained to protection against fire and accidents, evacuation exercises, management of chemical products, use of personal protective equipment and much more. A key target group for this type of training programme is new employees.

The updated version of HEXPOL's ethical guidelines and policies – Materialization Our Values – was presented at the end of 2013 and employees in about 15 units participated in information and discussions on the Group's values. The information activities will continue in 2014.

Because working in networks also enhances the accumulated competencies, many projects are completed with participants from different cultures with expertise in varying areas. This may apply, for example, to technology and product development, purchases, marketing and a great deal more. The annual conferences for senior executives deal with topics such as strategic issues, project results, administration and accounting, markets, products and sustainable development.

Accidents at work 2009 – 2013

Year	2013	2012	2011	2010	2009
Lost Work Cases	68	73	122	67	45
Lost Work Days	1,016	847	891	771	240
Lost Work Cases per employee	0.02	0.02	0.04	0.03	0.03
Lost Work Days per employee	0.3	0.3	0.3	0.4	0.1

Personal development and remuneration

Job satisfaction, security of employment and the potential for personal development mean a great deal for most of us. At the same time, of course, it is important that remuneration levels are market-based and competitive. The basic principles for HEXPOL are that pay formation meets legislation, at least matches the social minimum wage level in the countries in which we are active and that it is completely market-based. Parts of the Group offer variable pay linked to the earnings trend, which individuals can influence. Personnel costs in 2013 amounted to 894 MSEK (848).

Surveys of the opinions of employees in respect of their workplace and company are conducted regularly at a number of production units. In 2013, five such surveys were conducted and both satisfied employees and a number of constructive proposals for improvements were registered.

Right to representation

Materializing Our Values recognises the employee's right to be represented by trade unions or other employee representatives, as well as the right to collective bargaining and agreements. The extent of coverage by collective agreements varies depending on local political and cultural conditions in the countries in which we are active. All employees are covered by collective agreements at 25 percent of the units and this applies to Sweden and China. For other units, the affiliation to trade unions is between 0 and 75 percent.

Equal opportunities and equal rights

Issues pertaining to equality, discrimination and social conditions in the workplaces are important to us. The same view applies in the Group's relationships with suppliers. Reporting from our companies did not show any actual infringements during the year.

SOCIAL COMMITMENT

HEXPOL is part of the community and we participate at the local level in numerous social activities, involving, for example, recreational activities for employees and families, financial support for sports, health care and associations. From a long-term perspective, we feel it is very important to create driving forces that encourage youth to seek a path to our industry. Consequently, we have contacts with schools and universities, and completed more than 20 such activities during 2013.

Companies in the US are active in contacts with students pursuing courses in polymers technology at university level. Study visits, development projects, examination work and work-experience positions are a few examples of activities. Another long-term project, under way at ELASTO in Åmål in Sweden in cooperation with schools, is aimed at attracting upper-secondary girl pupils to apply for technology professions. Among other results, two girls from Åmål received practical work experience at the Group's facility in Belgium during the year.

Another example in which HEXPOL offers social utility is a social project that has been in progress for a number of years in the US in cooperation with the YMCA. Elastomeric in Sri Lanka contributes financial support for schoolbooks for the children of employees. GoldKey in Middlefield, USA, was during 2013 involved in many activities in the local community, for example:

- Employees and families participated in the 2nd Annual Summer Fest in downtown Middlefield. For the second year in a row GoldKey created the best float in the parade.
- The Middlefield Team continued to focus on the community by participating in teaching training sessions for the 10th grade Berkshire students at Kent State University, Geauga campus. The goal was to provide the students with the necessary skills they will need to succeed in a career. Sessions were held about resume writing, interview training, interview practice, and the importance of soft skills.
- GoldKey hosted 18 students and their teacher from the Amish School for basic rubber education and a tour of the complete process. Students received a great perspective of how a compounding facility operates.
- Students from The University of Akron and Ohio State participated in cooperative education at the unit.
- Two blood drives from the American Red Cross were hosted at the facility. A total of 30 litres of blood was delivered to the Red Cross.

Graduation of the second class in Materializing the Difference

The second class in HEXPOL's leader development program "Materializing the Difference" graduated in May 2013. This mark the end of a very intense 17 month long journey for 13 of our managers.

In HEXPOL we strongly believe in finding our recruiting internally and developing our own people for managerial positions is a key success factor for us. A big part of the program is dedicated to strengthen the participants' skills in accounting, finance and strategy. They also enhance their leadership and team skills. Sustainable development is a part of the leadership training.

The second class worked on three important managerial projects. Team one, with team members Tina Darnel, Joey Young, Sébastien Dubois, David Richter and Gabriela Karlsson, took on the assignment of finding ways to develop the global TPE business within HEXPOL. Team two, with team members Kiet Ong, Ernesto Gutierrez, Guido Heinen and Ajith Weeratunga, developed a tool for analyzing working capital. This management tool is already in use throughout HEXPOL. Team three, with group members Terry Elgin, Kevin Park, Lars Rubensson and Chamara Peiris, addressed strategies for our Performance Additives business.

Materializing the Difference will continue and we are already assembling the third class starting in beginning of 2014.

ELASTO Sweden support youth soccer club

In 2013, ELASTO Sweden continued to support their local community with a number of initiatives, including sponsoring IFK Åmål youth soccer club. The team had a very successful season where they played 33 games, produced 135 goals, won 24 games, drew in 5 and lost only 4 games. The team's coach Richard Hjertén, whom also is Purchasing Manager at ELASTO Sweden, was proud of the team and its success.

Some of the club members also had the chance of being ball boys during the international game between Sweden and Finland youth teams played during summer 2013. The match was played on the soccer ground next to the ELASTO Sweden's plant.

Economic responsibility

Investments, costs, savings and distributed value

2013 IN BRIEF

2013 was another strong year for the HEXPOL Group. We continued to strengthen our market positions on all primary markets and further improved our financial results. Our strategy of organic and acquired growth in existing areas, combined with strong cash flows is successful and stands firm. Sales totalled 8,036 MSEK (8,007) but were impacted by lower sales prices due to falling prices for our primary raw materials, coupled with adverse currency effects.

During 2013, we sharply improved our earnings per share, which rose to 27.02 SEK per share – an increase of 24 percent. Our consistent focus on the handling of working capital also generates results in the form of solid operating cash flow, and a good return of 27.0 percent (24.0) on capital employed.

Key figures	2013	2012
Sales, MSEK	8,036	8,007
Operating profit EBIT, MSEK	1,255	1,069
Operating margin, %	15.6	13.4
Profit before tax, MSEK	1,236	1,047
Profit after tax, MSEK	930	753
Earning per share, SEK	27.02	21,88
Equity/assets ratio, %	61.5	49.2
Return on capital employed, %	27.0	24.0

SUSTAINABLE DEVELOPMENT AND FINANCE

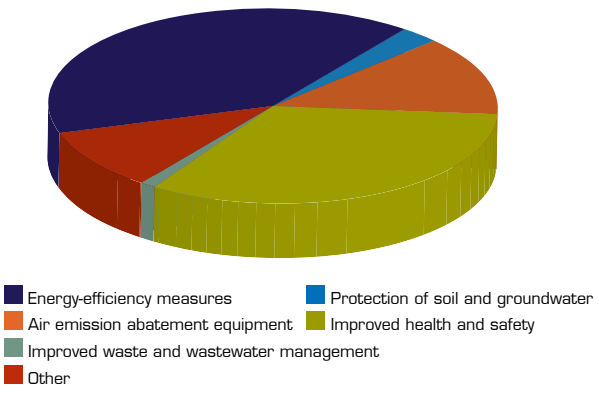
Investments, costs and savings

During 2013, HEXPOL invested 18.5 MSEK (17.9) in measures related to environment, health and safety. Substantial investments were made to increase energy efficiency, to improve safety at the workplaces, and to reduce emissions to the atmosphere.

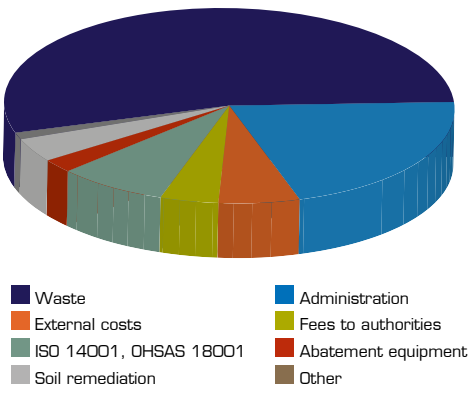
Costs totalled 14.6 MSEK (13.7), where fees to environmental authorities, and internal administration of the environment and occupational health and safety accounted for approximately one quarter of the costs. About half of the cost was related to the external handling of waste products.

Increased reuse of raw materials such as carbon black and process oil, reduced amount of waste to landfill and energy optimisation, resulted in savings of about 7.5 MSEK (13.2).

Sustainability-related investments



Sustainability-related costs



FINANCIAL VALUE FOR STAKEHOLDERS

HEXPOL affects a broad range of stakeholders. We have an economic impact on society and create opportunities for customers, suppliers, employees and society. Our business generates a financial value that is distributed among the various stakeholders. Sourcing represent a large expenditure item, wages and pension plans generates value for our employees, and by paying taxes and employing people the company contributes to local societies in the countries where we are active. During 2013, the Group had net sales of 8,036 MSEK. 1,431 MSEK (1,338) was distributed according to the table.

Distributed value (SEK millions)

Stakeholder	2013	2012	Comments
Employees	894	848	Salaries and benefits
Shareholders	207	172	Dividend
Creditors	24	24	Interest expenses
Society	306	294	Reported effective tax for the Group






Highlights during 2013

Small and big steps towards sustainable development

During the year the commitment to continual improvement was demonstrated by a number of small and big steps towards sustainable development. Some examples, from HEXPOL's units all around the world, are found below and other examples are found elsewhere in this Sustainability Report.

Sri Lanka

- A biomass boiler was installed at the Bokundara unit. Reduction of emissions of fossil carbon dioxide with 2,700 tonnes.
- Ten percent energy saving at the Horana unit by installation of Boll Float Steam Trap at presses. Eight percent energy saving at the Bokundara unit by the same type of equipment.
- Implementation of the energy management system standard ISO 50001 was initiated.
- Environmental and safety awareness program for contractors and service providers.

Mexico

- The unit in Aguascalientes installed a new production line, which was the main focus for the year. Process oil with low content of poly aromatic hydrocarbons (PAH) was developed.
- The Queretaro unit avoided production, whenever possible, during peak energy periods. Successful maintenance audit of ISO 14001.

China

- Gislaved Gummi in Qingdao continued focus on energy saving and management, storage and classification of solid waste.
- HEXPOL Compounding in Qingdao re-certified the ISO 14001 system and energy consumption was reduced by around 25 percent for heating and lighting.
- Stellana in Qingdao got the environmental license for the new PU wheels manufacturing line. Actions were taken to reduce the energy consumption and to improve waste management. Health screening of all employees.
- At the Foshan unit work started on removal of nitrosamine generators and phthalates. All employees participated in the review of potential safety hazards in the factory. At 2013 year end the unit had operated 457 consecutive working days without a recordable accident.

USA

- The Statesville unit converted rubber accelerator ZDTP from loose powder to a dispersion for inhalation safety. Continued to provide support to 5th Ministers Soup Kitchen. Implemented a safety database. Won the HEXPOL Company of the Year competition for the 3rd time.
- The Jonesborough unit added clamps to the joints of the black conveying system to help reduce the potential of the line becoming separated at the joints. They continued painting in the unit and continuing charitable contributions to the community.
- The Santa Fe Springs unit reduced trash to the landfill by more than ten percent by continually improving the recycling program. Three years without any recordable incidents at the workplaces. Reduced DOP plasticizer (DEHP) by 90 percent in the operations.
- At the Kennedale unit the Enviro Black Cleaner Program reduced waste sent to landfill with more than 20 percent.
- The Dyersburg unit implemented dynamic cooling on mixers to shorten mixing cycles and reduce water consumption. They continued to see improvements in house keeping and continued with the presence in the community through contributions and volunteers donating time to work. The unit celebrated its 60 years anniversary.
- At the Stellana unit in Lake Geneva all safety programs were translated into Spanish and safety programs and inspections were updated.
- The Burton unit continued with the successful waste project to reduce the amount of waste sent to landfill. Carbon black is collected in the bag house collecting systems and reused in products.
- The Middlefield unit achieved the "Top 35 Work Places Award" based on associate survey. Continued to reduce waste stream landfill through intensified recycling program. Continued with energy and wastewater management programs. Wellness screening of all associates. Supported the Middlefield Community Summer Festival and several other events in the local society. Participated in educational projects.
- In Muscle Shoals there was a major capital project on the press lines including significant safety upgrades.

Czech Republic
- The Unicov unit replaced old lighting systems with more energy efficient lamps. This resulted in improved workplace conditions and lower energy consumption. Green electricity was purchased.

Belgium
- At the Eupen unit there were investments in optimization of heating and noise reduction in the production facility.

Germany
- At the Lichtenfels unit free-cooling compressors were installed to optimize the energy efficiency. Additional collecting trays for safe storage of liquid raw materials were acquired. There was complete check and reconstruction of oil separators in Plant 2.
- Energy costs were reduced at the Hückelhoven unit by improving the high pressure air system. Introduction of an oil separation system increased recycling of waste oil to almost 100 percent.

United Kingdom
- The ELASTO unit in Middleton introduced a 2D bar code to goods received labels enabling the company to attach MSDS and spills response and disposal to all raw materials.
- The Dukinfield unit was certified according to ISO 14001. A new tilt and mixing line was installed.

Sweden
- Gislaved Gummi conducted sustainability training for all office staff and safety representatives. Risk assessments of chemicals, according to plan in iChemistry (Chemical software), were conducted. Energy saving projects were initiated and surplus energy will be sold to a local energy provider for use in district heating.
- As a consequence of the fire in the PU casting line at Stellana in Laxå, new equipment for production and heating/ventilation was started to be installed. This will have a positive impact on quality, energy consumption and health and safety. During the year two hazardous chemicals were phased out.
- At ELASTO in Åmål additional extruders and ventilation system were upgraded to fully meet the requirements of the EU ATEX Directive. Actions were taken to reduce dust emissions inside the unit. The secondary containment for oil storage tanks was extended.

About the sustainability report

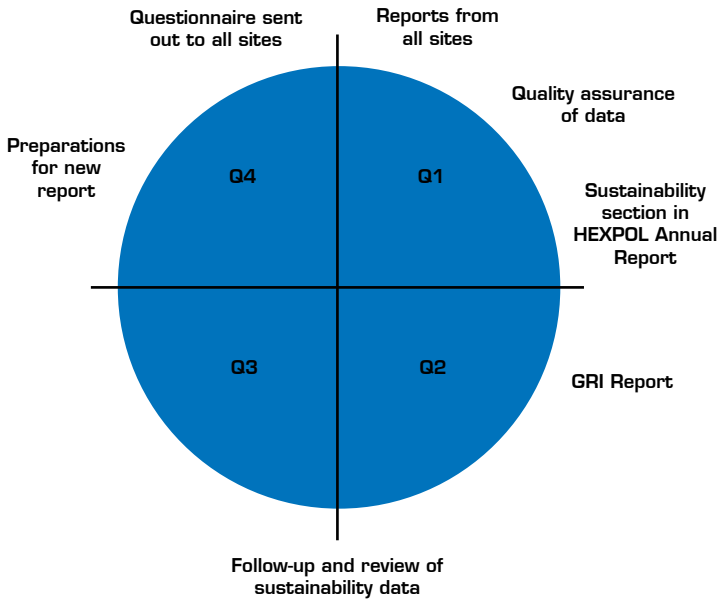
Purpose
The purpose of this report is to provide an overview of HEXPOL's sustainability performance during the calendar year of 2013, and, where practicable, provide a comparison to the performance during previous years. The report describes our impacts on our environment, people, our local communities and the economic contribution the company makes in the areas in which we operate. The aim is to provide a focused report that supports the needs of HEXPOL and our stakeholders. We have started to implement the GRI G4 Guideline, a process that will be continued during 2014 – 2015.

Scope and boundary
The Sustainability Report covers performance relating to the environment, health, safety and social conditions at the production units worldwide. Operations that belonged to the Group for most of the fiscal year are included in the report. A total of 32 units throughout the world contributed to the report. The table below shows all units that formed the HEXPOL Group by the end of 2013 and to which extent they are included in the Sustainability Report.

Reporting principles
The annual reporting cycle is shown in the figure. Each unit supplies data to the HEXPOL head office in accordance with the Group's questionnaire for sustainability reporting. All unit managers are responsible for the primary quality-assurance of the data provided. The second level of quality control is carried out at the head office, where incoming information is reviewed and compared with data from previous years. Additional assessment of sustainability data is carried out during visits at selected units during the year.

Sustainability data that was presented in the Board of Director's Report (Annual Report) was briefly audited by the financial auditors.

Conversion factors, based on the energy content and quality of the fuel used, are applied for the calculation of emissions of carbon dioxide, sulphur dioxide and nitrogen oxide from the use of direct energy, Emissions of carbon dioxide from indirect energy (mainly electricity) are based on Greenhouse Gas Protocol Initiative (GHG Protocol) data that are available for the countries where HEXPOL operates. Figures for emissions of VOCs (solvents) are based on measurements at the units where they occur, but in most cases VOC emission data is based on mass balance calculations. The report also includes VOC emissions from paints and lacquers, adhesives and glue.



Operating unit	Location	No of employees	Area (m^2)	Environmental licence	Included in Sustainability Report
HEXPOL Compounding					
HEXPOL Compounding North Carolina	Statesville, USA	93	3,400	Yes	Yes
GoldKey Processing	Middlefield, USA	169	14,900	Yes	Yes
HEXPOL Compounding – Burton Rubber Processing	Burton, USA	219	19,900	Yes	Yes
HEXPOL Compounding – Burton Rubber Processing	Jonesborough, USA	105	9,800	Yes	Yes
HEXPOL Compounding – Colonial Rubber Works	Dyersburg, USA	226	38,200	Yes	Yes
Chase Elastomer	Kennedale, USA	77	7,200	Yes	Yes
HEXPOL Compounding – California	Santa Fe Springs, USA	37	2,900	Yes	Yes
Robbins	Muscle Shoals, USA	108	20,900	Yes	Yes
Robbins	Findlay, USA	35	26,900	Yes	No
HEXPOL Compounding Aguascalientes	Aguascalientes, Mexico	101	6,500	Yes	Yes
HEXPOL Compounding Queretaro	Queretaro, Mexico	113	8,300	Yes	Yes
HEXPOL Compounding Belgium	Eupen, Belgium	81	3,400	Yes	Yes
HEXPOL Compounding Sweden	Gislaved, Sweden	58	9,200	Yes	In summary report for Gislaved unit
HEXPOL Compounding Germany	Hückelhoven, Germany	60	5,400	Yes	Yes
HEXPOL Compounding Czech Republic	Unicov, Czech Republic	94	8,600	Yes	Yes
HEXPOL Compounding UK	Dukinfield, UK	51	2,500	No	Yes
HEXPOL Compounding Qingdao	Qingdao, China	75	5,900	Yes	Yes
HEXPOL Compounding Foshan	Foshan, China	38	6,350	Yes	Yes
Elastomeric Group	Bokundara, Sri Lanka	56[1]	2,000	Yes	In summary report for Bokundara unit.
ELASTO Sweden	Åmål, Sweden	58	5,300	Yes	Yes
ELASTO UK	Manchester, UK	40	4,500	No	Yes
Müller Kunststoffe Plant 1	Lichtenfels, Germany	34	3,600	No	In summary report for Lichtenfels unit.
Müller Kunststoffe Plant 2	Lichtenfels, Germany	74	6,300	No	See above.
HEXPOL TPE Compounding Foshan	Foshan, China	12	750	Yes	In summary report for Foshan unit.

[1] Organisationally included in HEXPOL Engineered Products.

Operating unit	Location	No of employees	Area (m^2)	Environmental licence	Included in Sustainability Report
HEXPOL Engineered Products					
Gislaved Gummi Gaskets	Gislaved, Sweden	99	6,000	Yes	In summary report for Gislaved unit.
Gislaved Gummi Lanka	Bokundara, Sri Lanka	525	7,000	Yes	In summary report for Bokundara unit.
Gislaved Gummi China	Qingdao, China	142	8,000	Yes	Yes
Stellana Sweden	Laxå, Sweden	78	8,000	Yes	Yes
Stellana US	Lake Geneva, USA	64	6,660	Yes	Yes
Stellana China	Qingdao, China	36	1,080	Yes	Yes
Elastomeric Wheels	Horana, Sri Lanka	501	16,590	Yes	Yes
Gislaved Gummi Profiles	Gislaved, Sweden	25	2,500	Yes	In summary report for Gislaved unit.

Global Reporting Initiative (GRI) Index

The organisation GRI (Global Reporting Initiative) has drawn up voluntary global guidelines for how companies and other organisations should report on activities relating to the concept of sustainable development. GRI's guidelines (version G4) place requirements on reporting sustainability data in terms of economic, environmental and social performance indicators. According to GRI, sustainability reporting should provide a balanced and reasonable picture of the organisation's results within the field of sustainability, including both the positive aspects and the negative aspects.

The GRI Guidelines are the most widely accepted and used standard for sustainability reporting. If an organisation wishes to demonstrate that the report is 'in accordance' with the Guidelines, it must self-declare how GRI's Guidelines have been applied in their sustainability report. HEXPOL has started to convert the report format from previous GRI G3.1 to GRI G4 – a process that will continue during 2014-2015. We report under the Core option and have selected material aspects and associated indicators.

The tables below show the degree to which HEXPOL meets the minimum reporting requirements in accordance with GRI G4. (AR) refers to page numbers in the HEXPOL Annual Report 2013. SR refers to this Sustainability Report. Finally, we would like to stress that HEXPOL's application of GRI G4 still is under development.

GENERAL STANDARD DISCLOSURES

Terminology according to GRI	Requirement or Indicator	Reference/Comment	External verification*
Strategy and Analysis			
G4-1	Statement from the CEO about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	AR 8, SR 5	–
G4-2	Description of key impacts, risks, and opportunities.	SR 6, 13, 20-21 AR 74, 76	*
Organizational Profile			
G4-3	Name of the organization.	HEXPOL AB	*
G4-4	Primary brands, products and services.	AR 20-53	–
G4-5	Location of HEXPOL's headquarters.	Malmö, Sweden	*
G4-6	Number of countries where HEXPOL operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	AR 116-117, SR 31-32	
G4-7	Nature of ownership and legal form.	AR 17-19	*
G4-8	HEXPOL's markets and customers.	AR 20-53, SR 3	–

Terminology according to GRI	Requirement or Indicator	Reference/ Comment	External verification*
Organizational Profile continued			
G4-9	Scale of organization: Total number of employees, total number of operations, net sales, debt and equity, quantity of products or services provided.	AR 20-53, 84-102	*
G4-10	Employees (contract, gender, region, variations, etc).	AR 92-93, SR 22	*
G4-11	Percentage of total employees covered by collective bargaining agreements.	SR 24	*
G4-12	HEXPOL's supply chain.	SR 10	*
G4-13	Significant changes during the reporting period regarding the HEXPOL's size, structure, ownership, or its supply chain.	SR 30	–
G4-14	Whether and how the precautionary approach or principle is addressed.	SR 13-24	–
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	SR 6, 10-11	–
G4-16	Memberships of associations and national or international advocacy organizations in which HEXPOL is active.	SR 6, 11	–
Identified Material Aspects and Boundaries			
G4-17	Entities included in HEXPOL's consolidated financial statements. Entities that are not covered by the sustainability report.	AR 102, SR 30-32	–
G4-18	Process for defining the report content and the Aspect Boundaries. How HEXPOL has implemented the Reporting Principles for Defining Report Content.	SR 30-32	–
G4-19	All the material Aspects identified in the process for defining report content.	SR 6, 13	–
G4-20	Whether the Aspect is material within HEXPOL. Any specific limitation regarding the Aspect Boundary within HEXPOL.	SR 6	–
G4-21	Aspect Boundary outside HEXPOL. Any specific limitation regarding the Aspect Boundary outside HEXPOL.	SR 6	–
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements.	SR 30	–
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	SR 30	–
Stakeholder Engagement			
G4-24	List of stakeholder groups engaged by HEXPOL.	SR 8-9	–
G4-25	Basis for identification and selection of stakeholders with whom to engage.	SR 8-9	–
G4-26	HEXPOL's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	SR 8-9	–
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how HEXPOL has responded to those key topics and concerns.	SR 8-9	–

Terminology according to GRI	Requirement or Indicator	Reference/ Comment	External verification*
Report Profile			
G4-28	Reporting period.	2013 (full year)	–
G4-29	Date of most recent previous report.	April 2013	–
G4-30	Reporting cycle.	Annual, SR 30	–
G4-31	Contact point for questions regarding the report or its contents.	Torbjörn Brorson	–
GRI Content Index			
G4-32	'In accordance' option HEXPOL has chosen. GRI Content Index.	Core, this table shows the GRI Content Index	–
G4-33	Policy and current practice with regard to seeking external assurance for the report.	The sustainability section in the Annual Report is briefly audited and verified	–
Governance			
G4-34	HEXPOL's governance structure for sustainability aspects.	SR 10-11	–
Ethics and Integrity			
G4-56	HEXPOL's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	SR 6-11	–
INDICATORS			
Economy			
G4-EC1	Direct economic value generated and distributed.	SR 27	–
G4-EC2	Financial implications and other risks and opportunities for HEXPOL's activities due to climate change.	SR 21	–
G4-EC3	Coverage of HEXPOL's defined benefit plan obligations.	AR 96	*
G4-EC4	Financial assistance received from government.	No during 2013	–
ENVIRONMENTAL			
Materials			
G4-EN1	Materials used by weight or volume.	SR 16	*
G4-EN2	Percentage of materials that are recycled input materials.	SR 16	*
Energy			
G4-EN3	Energy consumption within HEXPOL (direct).	SR 15	*
G4-EN4	Energy consumption outside HEXPOL (indirect).	SR 15	*
G4-EN5	Energy intensity	SR 15	*
G4-EN6	Reduction of energy consumption.	SR 15, 28-29	*
G4-EN7	Reductions in energy consumption in products and services.	SR 18	*
Water			
G4-EN8	Total water withdrawal per source.	SR 15	*

Terminology according to GRI	Requirement or Indicator	Reference/ Comment	External verification*
Emissions			
G4-EN15	Direct greenhouse gas (GHG) emissions (scope 1).	SR 18	*
G4-EN17	Other indirect greenhouse gas (GHG) emissions (scope 3).	SR 18	*
G4-EN18	Greenhouse gas (GHG) emissions intensity.	SR 18	*
G4-EN19	Reduction of greenhouse gas (GHG) emissions.	SR 17-18, 28-29	*
G4-EN20	Emissions of ozone-depleting substances (ODS).	SR 19	*
G4-EN21	NOx, SO_2 and other significant air emissions.	SR 18	*
Effluents and waste			
G4-EN22	Total water discharge by quality and destination.	SR 19	*
G4-EN23	Total weight of waste by type and disposal method.	SR 19	*
G4-EN24	Total number and volume of significant spills.	SR 13, 20-21	*
Products and Services			
G4-EN27	Extent of impact mitigation of environmental impacts of products and services.	SR 19	*
Compliance			
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	SR 13	*
Transport			
G4-EN30	Significant environmental impacts of transporting products and other goods and materials, and transporting members of the workforce.	SR 16	–
Overall			
G4-EN31	Total environmental protection expenditures and investments by type.	SR 26	*
Supplier Environmental Assessment			
G4-EN32	Percentage of new suppliers that were screened using environmental criteria.	SR 10 (partly)	*
SOCIAL			
Employment			
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region.	Not reported	–
Occupational Health and Safety			
G4-LA5	Percentage of total workforce represented in formal joint management-worker H&S committee.	SR 22-23	*
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, fatalities.	SR 22-23	*

Terminology according to GRI	Requirement or Indicator	Reference/ Comment	External verification*
Training and Education			
G4-LA9	Average hours of training per year per employee.	SR 23	*
G4-LA11	Percentage of employees receiving regular performance and career development reviews.	SR 24	*
Diversity and Equal Opportunity			
G4-LA12	Composition of governance bodies and break down of employees per category with reference to indicators of diversity.	AR 92-93, SR 24	*
Supplier Assessment for Labor Practices			
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria.	SR 10 (partly)	*
HUMAN RIGHTS			
Non-discrimination			
G4-HR3	Total number of incidents of discrimination and corrective actions taken.	SR 24	*
Freedom of Association and Collective Bargaining			
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated.	SR 10, 22 (partly)	–
Child labor			
G4-HR5	Operations and suppliers identified as having significant risk for incident of child labor.	SR 10 (partly)	–
Forced or Compulsory Labor			
G4-HR6	Operations and suppliers identified as having significant risk for forced or compulsory labor.	SR 10 (partly)	–
Supplier Human Rights Assessment			
G4-HR10	Total number and percentage of operations that have been subject to human rights reviews or impact assessments.	SR 10 (partly)	–
SOCIETY			
Local Communities			
G4-S01	Percentage of operations with implemented local community engagement.	SR 24	–
Anti-corruption			
G4-S04	Communication and training on anti-corruption policies and procedures.	SR 7-8	–
PRODUCT RESPONSIBILITY			
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	SR 13 (partly)	–

* Information is presented in the Board of Director's Report in the HEXPOL Annual report 2013.
Annual accounts and consolidated accounts were audited by Ernst & Young AB auditors, Malmö, Sweden.
Sustainability data was briefly audited by Ernst & Young.

Definitions

ATEX EU Directive concerning potentially explosive atmospheres. Explosive atmospheres in the workplace can be caused by flammable gases, mists or vapors or by combustible dusts. Explosions can cause loss of life and serious injuries as well as significant damage.

Biofuel Renewable fuel from wood and process residues.

Boundary The boundary for a sustainability or corporate responsibility report refers to the range of entities whose performance is covered in the organization's report.

Carbon dioxide (CO_2) CO_2 is formed in all carbon combustion processes. The gas is released in substantial amounts when petroleum products are used. It is likely that atmospheric emissions of carbon dioxide increase global warming (greenhouse effect).

CDP Carbon Disclosure Project. A voluntary scheme for reporting on an organization's impact on the climate.

Child labour Refers to the employment of workers who do not meet the applicable national minimum legal age requirement.

CLP EU Regulation on Classification, Labelling and Packaging of chemical substances and mixtures.

Climate change Also defined as global warming. Human activity contributes to the warming of the global environment and its resulting effects, which range from higher temperatures to eccentric weather patterns and melting of the ice caps.

Code of Conduct The behavior code for HEXPOL's employees is called "Materializing Our Values". Supplemented by policies relating to finance, information, environment, equal opportunities, IT and health and safety.

Core indicators Core indicators are GRI indicators identified in the guidelines to be of interest to most stakeholders and assumed to be material unless deemed otherwise on the basis of the GRI reporting principles.

DETU N,N'-Diethyl thiourea is a rubber accelerator that is hazardous to health and the environment.

DINP Diisononyl phthalate (DINP) is a phthalate used as a plasticizer. At present, according to a EU Directive, DINP is banned in toys and childcare articles that children can put into their mouths.

DOTG N'N-di-ortho-tolyl guanidine is an accelerator in polyacrylate rubber compounds. The substance releases o-toluidine emissions that are associated with health risks.

ETU Ethylene thiourea is a rubber accelerator that may cause cancer.

Environmental aspects The parts of an organization's activities, products or services that interact with the environment.

Environmental management system The part of the overall management system that includes the organizational structure, planning, activities, distribution of responsibility, practices, procedures and resources for developing, implementing, performing, reviewing and maintaining the organization's environmental policy. ISO 14001 is used as the environmental management standard within the HEXPOL Group.

Freedom of association Refers to the right of employees to lawfully join associations of their own choosing, peacefully associate, organise or bargain collectively.

5s The name of a workplace organization methodology that uses a list of five Japanese words which are seiri, seiton, seiso, seiketsu and shitsuke. Transliterated or translated into English, they all start with the letter "s". The list describes how items are stored and how the new order is maintained. The decision-making process usually comes from a dialogue about standardisation which builds a clear understanding among employees of how work should be done. It also instills ownership of the process in each employee.

GHS Globally Harmonised System of Classification and Labelling of Chemicals.

Global Reporting Initiative (GRI) GRI is an organization working toward a method for overall reporting and assessment of an operation, including the social and environmental perspectives, as well as financial aspects.

GRI principles The GRI guidelines consist of principles to define report content and quality. The principles defining report content are: materiality, stakeholder inclusiveness, sustainability context, and completeness. The principles defining report quality are: balance, comparability, accuracy, timeliness, reliability, and clarity.

GWh Gigawatt-hour, unit of energy measurement; 1 GWh corresponds to 1 million kWh.

HA oils High Aromatic oils contain several chemical substances (polycyclic aromatic hydrocarbons, PAHs) that are carcinogenic and often resistant to degradation in the environment.

HCFCs Substances that deplete the atmospheric ozone layer.

ISO 14001 International standard relating to environmental management systems that was introduced in 1996. Just over 300,000 organisations around the world are currently certified according to ISO 14001. See also "environmental management system".

Landfill Solid waste material sent to a landfill.

MSDS Material Safety Data Sheet.

Nitrosamines Chemical substances that can be generated in the cross-linking (vulcanization) of rubber. Nitrosamines are associated with an increased risk for cancer and nitrosamine-free curing systems have now become established in many parts of the rubber industry.

NO_x (nitrogen oxides) Gaseous oxides formed during combustion processes through the oxidation of nitrogen. Harmful to human health and the environment. Cause acid rain and eutrophication.

OHSAS 18001 An international occupational health and safety management system standard. It specifies the requirements that an organization must meet when implementing a management system to address workplace risks to prevent injuries and ill health.

PAHs Polycyclic aromatic hydrocarbons, often abbreviated as PAHs, are a group of environmentally and health hazardous substances arising from such products as black coal and petroleum.

PCBs Polychlorinated biphenyls are a group of industrial chemicals that are hazardous to health and the environment. Use of PCBs is prohibited since many years ago, but they are still present in installations, buildings and equipment. They are also present in the environment due to their long degradation time.

PVC Polyvinyl chloride, one of the most common types of plastics.

REACH Chemicals legislation within the EU intended to ensure safer handling of chemicals. Chemical substances have to be registered for a certain use and particularly hazardous substances can be prohibited.

RoHS Restrictions of Hazardous Substances. EU legislation restricting the use of certain substances that are hazardous to the environment and health.

SO_2 (sulphur dioxide) Sulphur dioxide is formed when petroleum products are burned. SO_2 contributes to the acidification of lakes, streams and soil, and causes coniferous trees to shed their needles. Large concentrations in the environment are harmful to human health.

Stakeholder (interested party) Is a party that can affect or be affected by the actions of the business as a whole. Could include employees, communities, shareholders, suppliers, customers, trade groups to name a few.

Sustainable development Development that meets the needs of the present without compromising the abilities of future generations to meet their needs (Brundtland Commission, 1987).

Sustainability-related costs These are costs related to measures for preventing, reducing or repairing environmental damage directly associated with operations. The corresponding measures taken with regard to health and safety in the workplace are also included. The costs reported include, among other items, administration and external consultancy expenses, fees to authorities, costs for introducing and maintaining environmental management systems, costs for waste and charges for external inspections and audits.

Sustainability-related investments These are investments in assets designed to prevent, reduce or repair damage to the environment associated with operations. The corresponding investments made with regard to health and safety in the workplace are also included.

TPE Thermoplastic elastomers are rubber-like materials that combine the properties of vulcanised rubber with the process benefits of thermoplastics.

VOC Volatile Organic Compounds are a group of organic compounds that easily vaporize at room temperature. The occurrence of the volatile hydrocarbons in the atmosphere has an adverse impact on health and the environment, including formation of ground-level ozone.

Vulcanization A chemical process for converting rubber into more durable materials with the addition of sulphur or other "curative" agents, for example peroxides. These additives modify the polymer by forming cross-links between individual polymer chains.

WEEE The EU Waste Electrical and Electronic Equipment Directive aim to reduce the amount of electronic waste being disposed of and require producers to pay for its reuse, recycling and recovery.

Work-related accident A work-related accident is a sudden event related to work that gives rise to a wound or other physical injury. A typical injury in the rubber industry is a minor cut or crushing injury. HEXPOL reports the number of work-related injuries that give rise to one or more days of absence, called Lost Work Cases (LWCs). The injury rate is then normed by stating the number of such injuries per employee (LWC/employee).

Work-related disease A work-related disease is an disease caused by long-term exposure to a particular factor in the work environment. Such factors can include repetitive lifting or being exposed every day to solvent fumes.

ZDTP Zink dialkyldithiophosphate is an accelerator for cross binding of compounds.

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