



Sustainability Report 2019

We help customers worldwide to secure critical applications with advanced polymer solutions

HEXPOL is a world-leading polymer group with strong global market positions and customers who impose rigorous demands on quality, security of supply and research and development.

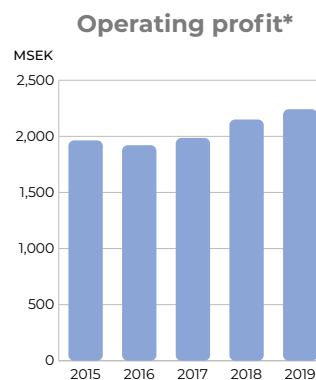
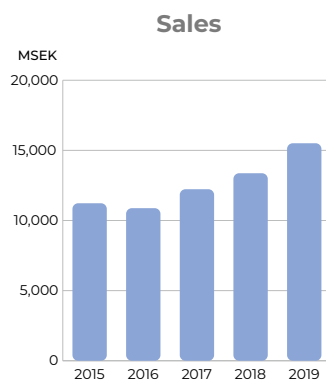
HEXPOL's strengths are its locally rooted entrepreneurial spirit, excellent market awareness, cutting-edge knowledge and development capabilities in advanced polymer compounds and its global platform. The Group is organized into two business areas, HEXPOL Compounding and HEXPOL Engineered Products, which, between them, cover a total of eight product areas.

HEXPOL generates annual sales of 15.5 billion SEK and has 5,061 employees at 52 units in America, Europe and Asia. Most of the units are complete organizations with their own sales, product development and production.

SALES 2019
15,508 MSEK
(13,370 MSEK)

OPERATING PROFIT* 2019
2,242 MSEK
(2,150 MSEK)

EARNINGS PER SHARE*
4.93 SEK
(4.78 SEK)



* Adjusted for non-recurring items.

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CEO comments on the year

Welcome to HEXPOL's Sustainability Report 2019. It is our aim to present information in a transparent and informative way and therefore report according to best practices based. The report focuses on material topics and activities in line with stakeholder concerns. It describes policies, risks and results of the Group's material topics regarding the environment, social issues, employees, human rights and anti-corruption.

HEXPOL is a signatory to the UN Global Compact since 2017 and complies with its ten principles for responsible business. The Sustainability Report is our annual Communication on Progress about how we live up to, and work with, these principles.

Integral part of business

Sustainability cannot be seen as an independent part of a business. Waste of natural and human resources is the enemy of both sustainability and profitability, and resource-efficiency is therefore integrated into all parts of our business. For an industrial company, such as HEXPOL, improved sustainability performance must be seen as a stepwise process. Our raw materials and base technologies do not change overnight, but in a ten years perspective many small steps contribute to progress. Just to mention a few examples; we use energy in a more efficient way, we use more and more fossil-free energy, the use of recycled raw materials has increased, and bio-based raw materials have been introduced.

Challenges and opportunities

The progress is, of course, positive and rewarding, but there are many remaining challenges. The polymer

industry is dependent on fossil raw materials, and it is hard to foresee any paradigm shift concerning the composition of rubber materials in the near future. However, in our TPE business we can observe a rapidly growing interest among customers in bio-based and recycled compounds. Our products Dryflex Green and Dryflex Circular have been well received and I am convinced that this will create business opportunities. During the coming years we will continue to find ways to reduce HEXPOL's carbon footprint, and to actively contribute to other sustainability challenges.

Finally, I would like to thank our employees, customers, suppliers and shareholders for your confidence and cooperation during 2019. Responsibility for environment and people is an important part of our continual development process and an important part of our long-term business strategy.

Malmö, Sweden, March 2020

Peter Rosén
Acting CEO and CFO



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Selected targets and outcomes 2019

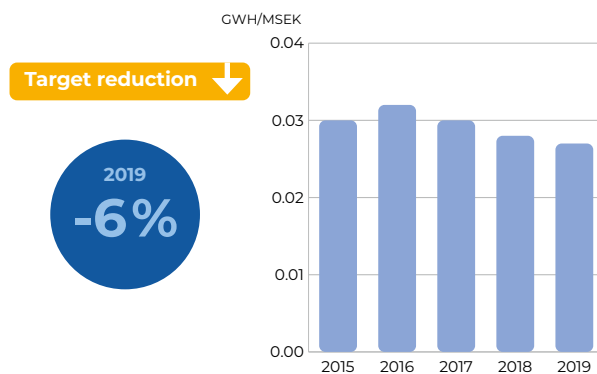
Clearly-defined sustainability targets demonstrate how the HEXPOL Group generates continuous improvements over time. The targets are well-rooted and have been integrated into the business units of the decentralized organization.

Energy

The key figure GWh/sales shows how efforts to increase energy efficiency are developing.

Comments on 2019:

- Work involving energy surveys and measures to increase efficiency continued.
- The installation of energyefficient production equipment, LED lighting, infrastructure and energy monitoring equipment contributed to more efficient energy consumption.

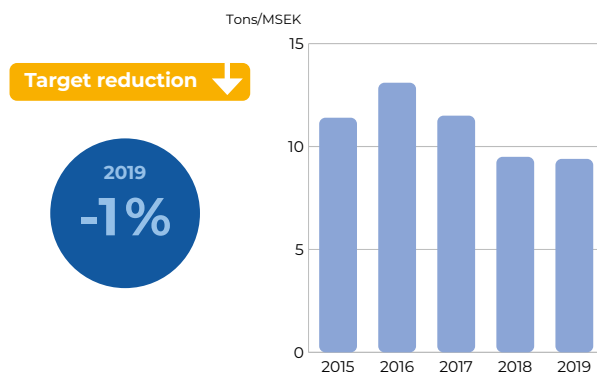


Climate

The key figure tons CO₂e in relation to sales shows how efforts to reduce the impact on the climate from energy consumption are developing.

Comments on 2019:

- The use of biofuels, purchasing of green electricity and energy optimization are reducing emissions of greenhouse gases.
- These measures are partly being counteracted by increased operations in countries where purchased electricity is derived from fossil sources.

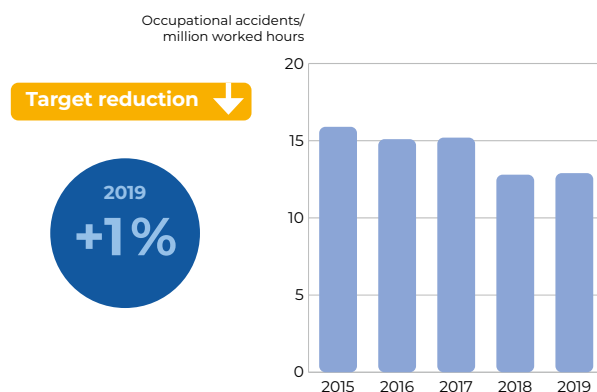


Safe work environment

The key figures accidents resulting in absence from work LWC/million hours worked shows how preventive work environment efforts are developing.

Comments on 2019:

- The preventive measures implemented in the operations in the US and Mexico have had a positive impact.
- Following the improvement in accidents frequency in 2018, the outcome of the year was basically unchanged. We are continuing our efforts to reduce the number of accidents.



Sustainability in a ten-year perspective

Area	Key figures	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Environment											
Compliance	Number of material breaches of laws and permits during the year	3	2	3	1	2	2	4	1	3	0
Energy	Energy use (GWh)	417	379	379	355	309	313	275	258	264	147
	Energy use/net sales (GWh/MSEK)	0.027	0.029	0.031	0.033	0.030	0.035	0.034	0.032	0.037	0.039
Climate	CO ₂ emissions from energy use (tons)*	145,800	125,600	140,700	142,900	117,400	114,900	108,500	100,500	100,400	47,700
	CO ₂ emissions/net sales (tons/MSEK)	9.4	9.5	11.5	13.1	11.4	12.9	13.5	12.6	14.0	12.6
Water	Water consumption (m ³)	1,106,300	718,000	734,800	884,300	700,300	684,100	570,700	450,200	452,100	394,600
	Water consumption/net sales (m ³ /MSEK)	71	54	60	81	68	77	71	56	63	104
Waste	Waste (tons)	26,500	23,100	22,000	19,800	16,000	14,800	14,500	14,900	18,000	8,500
	Waste/net sales (tons/MSEK)	1.7	1.8	1.8	1.8	1.6	1.7	1.8	1.9	2.5	2.2
Raw materials	Recycled/biobased polymers (% of total)	8	15	15	18	1	3	2	2	2	3
Management system	ISO 14001 certified plants (% of total)	76	97	92	89	93	96	88	88	62	81
People											
Employees	Number of employees (average)	5,061	4,454	4,326	4,028	3,858	3,493	3,411	3,112	3,41	2,133
Compliance	Number of material breaches of health and safety legislation	3	0	0	1	0	2	0	1	2	0
Health and safety	Accidents – lost work cases (number/million worked hours)	12.9	12.8	15.2	15.1	15.9	14.3	10.0	12.6	19.1	15.0
Diversity	Female on the Board (%)	57	57	57	43	29	29	17	17	17	14
	Female in local management teams (%)	18	18	14	15	12	11	10	10	10	10
Training	Training of employees (hours/employee)	32	26	22	19	23	22	16	15	10	6
Management systems	ISO 45001 certified plants (% of total)	9	11	11	9	7	7	7	0	0	0
Code of conduct	Reported breaches of human rights – diversity (number)	2	1	1	1	0	1	0	1	1	0
Economy											
	Economic value distributed among stakeholders (MSEK)**	3,357	2,989	3,658	2,559	2,366	1,743	1,431	1,338	1,192	620
	Taxes paid (MSEK)	466	516	441	515	550	388	306	294	253	97

* Scope 1 and Scope 2 emissions according to the GHG Protocol

** Value distributed to suppliers, e.g. raw material expenses, is not included

Corporate responsibility

Through preventative and targeted efforts, we seek to reduce our environmental impact and meet stakeholders' requirements and expectations with regard to sustainable development. The environment, employees, social commitment and business ethics are therefore natural components in our day-to-day work and strategic planning.

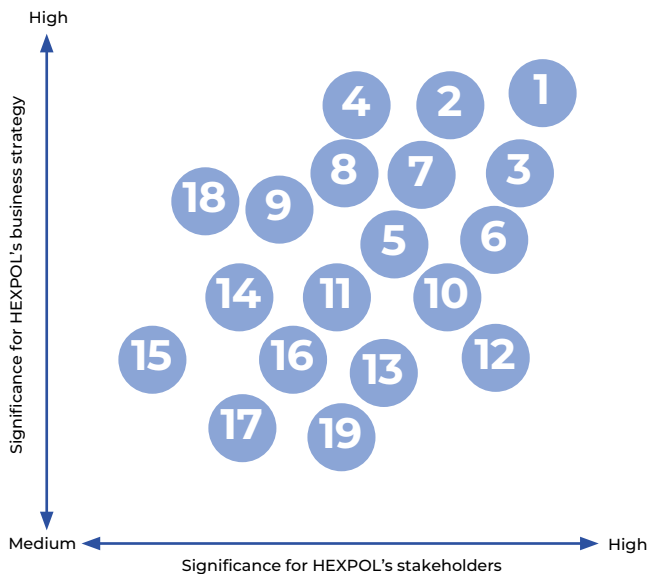
We are convinced that investing in innovative products that have a reduced impact on the climate will generate environmental and business benefits.

Focus on important issues

Within the framework of the ISO 14001, OHSAS 18001/ ISO 45001 and ISO 50001 standards, our manufacturing companies endeavor to identify and manage issues relating to environment, health and safety, and energy. This involves not only identifying risks, but also looking for opportunities within sustainable development. Analyses of risks and opportunities, combined with requirements and expectations from a range of stakeholders, provide the basis for the Materiality Analysis. This is based on sustainability reporting standards (GRI) and provides the background for which areas are examined in greater detail and which GRI indicators are used. The end of the report (pages 34–37) contains a list of the GRI indicators to which we refer.

The Materiality Analysis generates an understanding of which areas are particularly important to our stakeholders and for the Group's business strategy. It forms a basis on which to set priorities, targets and plans of action in sustainable development. As in previous years, the highest priority areas are the application of good business ethics, meeting customers' demands and expectations in sustainable development, and ensuring that HEXPOL is a good employer. Other key areas include energy efficiency, climate impact and safe handling of hazardous chemicals. Hidden within the topic "polymer products in a lifecycle perspective" is the current debate on the role of plastic packaging materials in society. The ambition here is to continue developing products containing a significant proportion of bio-based and/or

Materiality analysis



1. Good business ethics
2. Customer requirements in sustainable development
3. Attractive employer
4. Legal requirements in sustainable development
5. Use of chemical products
6. Polymers in a life-cycle perspective
7. Energy and climate
8. Secure and educational work environment
9. Sustainability issues in connection with acquisitions
10. Suppliers' sustainability work
11. Social commitment
12. Emissions to air and water
13. Sustainability issues in developing countries
14. Equality, human rights
15. Soil contamination
16. Environmental impact of transport
17. Requirements from investors
18. Waste
19. Disruption to surroundings (noise, smells)

recycled raw materials. For a handful of the key areas, Group-wide targets and key performance indicators are applied.

HEXPOL influences and is influenced by its stakeholders (customers, employees, suppliers, shareholders, society) who express requirements and expectations with regard to sustainable development. The perception of which stakeholders are significant, and what they consider important, builds on experience and business relations, as well as on events during the financial year. The dialogue with stakeholders takes several formats and includes development interviews with employees, customer satisfaction surveys, meetings with analysts and partnerships with customers, suppliers and contractors. How HEXPOL adds value for its stakeholders is described on pages 8–9.

Strategy for sustainable development

The strategy for sustainable development generates fundamental conditions for business operations. Life-cycle perspectives on raw materials, processes and products, preventative environmental and work environment measures, and the application of good business ethics, are examples of areas of strategic importance. An issue of increasing importance is the development of products with a reduced impact on the climate. The long-term strategy aims to:

- Reduce the Group's risks and costs through preventive measures, risk assessments and investments in effective technical solutions.
- Generate business opportunities through responsible conduct, and by developing resource-efficient production methods and products.
- Apply a goal-oriented and systematic approach aided by certified management systems in the areas of the environment, quality, work environment and energy.
- Ensure we are an attractive employer and an active corporate citizen.
- Ensure we apply sound business ethics and prevent corruption.
- Safeguard open communications regarding targets and outcomes in sustainable development.

Governance and follow-up

Sustainable development is part of the Group's strategic planning and budget process. The Corporate Board frequently reviews the progress of the sustainability work and approves policies, strategies, and major investments in sustainability-related issues. The Chairman of the Board is responsible for the governance of sustainable development at the Board level. The CEO has the overall responsibility operational aspects of sustainable development. The practical work is decentralized with managers within the Group's companies being responsible for policies, targets and results. The activities are followed up by Group management through dialogues with the companies' management and through internal and external audits. In connection with the Sustainability Report, an in-depth analysis is conducted of compliance with legislation and how targets, performance

Examples of activities that contribute to sustainable development

2014 ...

- Supplier Sustainability Guideline introduced.
- Sustainability objectives updated.
- Update of Materializing Our Values – whistle blowing.
- Work to achieve environmentally compatible product development continues.
- Successful energy-efficiency projects implemented. The ISO 50001 energy management system introduced.
- Additional units ISO 14001 certified.
- The use of biofuels is increasing.

2015 ...

- Supplier Sustainability Guideline implemented and more than 800 suppliers evaluated.
- Energy-efficiency measures and continued introduction of ISO 50001.
- Dryflex Green introduced – TPE from renewable resources.
- Carbon impact reduced through increased use of biofuels.
- Group-wide training in business ethics conducted.

2016 ...

- Group objectives were linked to the UN Sustainable Development Goals.
- Focus on efficient use of resources – energy, materials, waste.
- Community engagement through activities in local communities and contacts with schools and universities.
- Update to ISO 14001:2015 began.
- Continued education in business ethics.

2017 ...

- HEXPOL participates in the UN Global Compact at signatory level.
- Good outcome from energy optimisation through energy audits and technical measures.
- Increased use of fossil-free electricity and biofuel.
- Several activities together with schools and universities.
- Continued good results from the Health & Safety Program in USA/Mexico.

2018 ...

- Environmental management systems updated according to ISO 14001:2015.
- Positive trends concerning energy efficiency and carbon footprint.
- Increased interest in DryFlex Green and other environment-friendly products.
- Update of the Code of Conduct – Materializing Our Values.
- Reduced number of workplace accidents.

2019 ...

- The TPE product portfolio now contains Dryflex Green (bio-based raw materials) and Dryflex Circular (recycled raw materials).
- Update of the Supplier Sustainability Guideline.
- HEXPOL's sustainability work was scored high by the financial journal Dagens Industri.
- Increased energy-efficiency at several plants.

and key performance indicators develop over the year. At the Group level, matters related to strategy, risks, follow-up and sustainability reporting, as well as sustainability issues, are addressed in conjunction with corporate acquisitions.

Open communications

HEXPOL aims to provide shareholders, and other players on the capital market, with relevant information that offers a basis for accurate valuation of the Group. The objective is to apply a candid and factual approach and provide a high level of service in financial reporting. This is aimed at strengthening confidence in the company among existing and potential shareholders.

The Group complies with customary accounting policies, applies internal controls and drives processes to ensure that accounting and reporting comply with legislation, ordinances and listing agreements. We apply a policy of transparency in its reporting and, in line with the Group's Communication Policy, provides well-founded, comprehensive information to the market. Corporate governance is described in the Corporate Governance Report in the Annual Report 2019 on pages 57–63 and is available at www.hexpol.com. All published financial information is also available on the website, as are presentations, press releases, financial statements, annual reports and sustainability reports.

Reporting of sustainability performance

GRI (Global Reporting Initiative) is applied as a standard for sustainability reporting. In the area of climate, a separate report is submitted in accordance with the Carbon Disclosure Project (CDP). Reporting of climate data is based on the Greenhouse Gas Protocol (GHG). In accordance with the requirement in the Global Compact, an annual report is submitted to the UN and sustainability data (ESG: Environment, Social, Governance) is presented at the Nasdaq Listing Center. The sustainability work is reviewed regularly by independent institutions, universities and investors, and expectations regarding transparency and measurable performance have increased considerably in recent years. In the Swedish financial newspaper Dagens Industri's ranking of "Sustainable companies 2019" HEXPOL placed second in the category "Materials".

The basis for sustainability work

Laws, guidelines, standards, global objectives and voluntary initiatives form the foundation for sustainability work. The Group's fundamental values are applied in the same way in all operations worldwide:

- Materializing Our Values is the Group's Code of Conduct and functions as an ethical compass in matters involving legal responsibility, accounting, conflicts of interest, working conditions, the environment, social responsibility and business ethics. The Code of Conduct also contains policies within the environment, work environment and other areas.
- The Business Ethics Guidelines guide employees in matters concerning what is and what is not permitted

in commercial contacts with customers, suppliers, competitors and distributors. Deeper guidelines are provided in a detailed Compliance Program, in which all managers in the Group confirm with their signatures that they are complying with the rules. The managers participate in compulsory training programs in the area. There is zero tolerance of non-compliance in respect of business ethics.

- Whistleblowing empowers all employees to sound the alarm, bringing irregularities concerning the Code of Conduct to the attention of the Board of Directors and company management.
- The Global Compact entails the Group having undertaken to support ten fundamental principles in respect of human rights, labor conditions, environmental consideration and anti-corruption. Global Compact is an initiative by the UN.
- The Sustainable Development Goals are applied in formulating the Group's targets.
- Management systems for the environment, quality, work environment and energy have been introduced at the production facilities. The standard for social responsibility (ISO 26000) provides guidance in Group-wide sustainability work.
- Supplier Sustainability Guideline guides the company's suppliers in environmental and work environment matters, human rights, business ethics and the supplier's value chain.

Materializing Our Values

HEXPOL's most important business objective is to create profitable growth and by doing that the long-term success of the Group is ensured. To be able to grow and develop the business we must demonstrate a responsible and accountable approach. The commitments in Materializing Our Values are deeply rooted in our culture and strategy, meaning that we strive to limit the Group's impact on the environment and to offer a secure and stimulating work environment for all employees worldwide. It is equally important that HEXPOL is associated with credibility and healthy values in the contacts with customers, suppliers and other interested parties.



Materializing Our Values is primarily based on the Ten Principles of the UN Global Compact and the Inter-

national Guideline for Social Responsibility (ISO 26000). We recognize the fundamental principles of Human Rights, as defined by the Universal Declaration of Human Rights (UN), the eight core conventions defined in the Fundamental Principles of Rights at Work (ILO Declaration), and other relevant conventions and guidelines. Materializing Our Values is also based on laws and regulations that are applicable to public companies that are listed at the Swedish stock market.

In a number of areas covered by Materializing Our Values, a practice of zero tolerance is applied to non-conformity. This applies, for example, to the need to comply with legislation, to respect human rights, the prohibition of bribery and other forms of corruption, and the fact that competition law must be complied with. In other areas, the code of conduct provides an approach that is based on preventive measures and continuous improvement, such as in the environmental and work environment areas.

The Board of Directors, the CEO and the Executive Management Team have the overall responsibility for ensuring that Materializing Our Values becomes a natural feature of the way to work. In the daily operations, the responsibility rests with managing directors and all other managers at HEXPOL. The role of the individual employees in the practical application of the values is very important. The Annual Report and the Sustainability Report outline how work related to these values is progressing.

Materializing Our Values – together with the package of policies and guidelines – provides guidance and support and shall be applied in the same way wherever we are in the world. You can find the document on our website www.hexpol.com. To order printed copies, please contact the Group Headquarters at info@hexpol.com.

Business Ethics Guidelines

This document guides the employees in matters concerning what is and what is not permitted in business contacts with customers, suppliers, competitors and distributors. Deeper guidelines are provided in a detailed Compliance Program, in which all managers in the Group confirm with their signatures that they are complying with the rules. The managers participate in compulsory training

programs in the area. There is zero tolerance of non-compliance in respect of business ethics.

Online training courses are implemented, which includes an examination on international legislation concerning cartels, competition and prohibited forms of business cooperation. So far, more than 150 managers and employees in purchasing and sales attended the training.

Whistleblowing

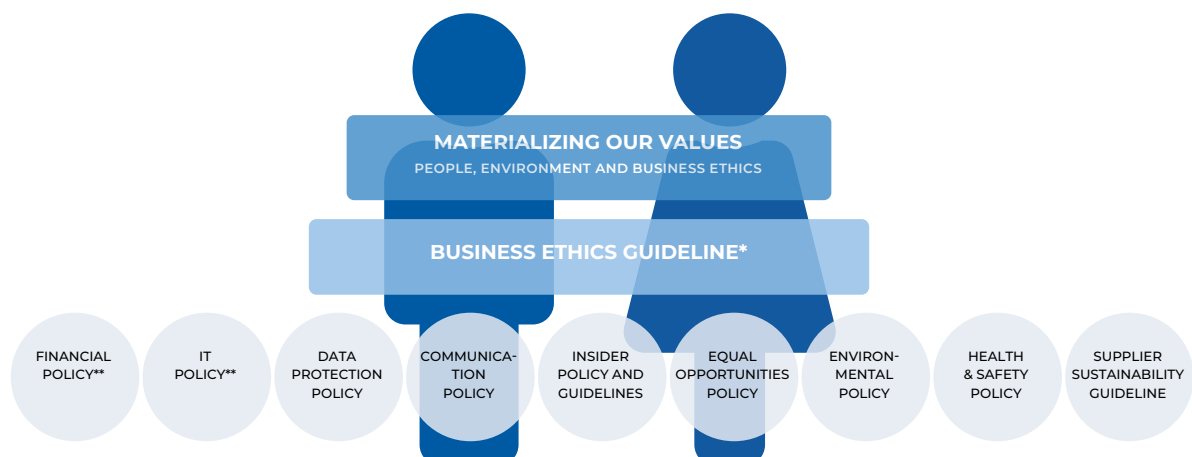
The whistleblowing system empowers all employees to blow the whistle to bring irregularities concerning the code of conduct to the attention of the Board of Directors and company management.

During the year no cases were registered.

Management systems

The concept of continuous improvement is an integral feature of the corporate culture and encompasses many areas. Product quality is a key competitive factor, and the systematic quality work is conducted in accordance with the requirements of the international standard ISO 9001 and various industry standards. All units are certified according to ISO 9001 and continuous improvement is a fundamental requirement of the quality management system. The purpose of quality work is to ensure the right quality, fulfil safety and legal requirements and to exceed customer needs and expectations. For this reason, customers and suppliers are frequently involved in the development of new products or changes in existing products.

Within the management systems ISO 14001, ISO 50001 and ISO 45001, continuous improvement is a core concept and the manufacturing units work systematically with targets and follow-ups. The Group also applies continuous improvement system such as 5S, Kaizen and Lean manufacturing. Several of the units within Engineered Products, is working according to the integrated management system HEPS (HEXPOL Engineered Products Production System), a concept first introduced at the Group's facilities in Sri Lanka. HEXPOL Compounding in USA apply the HEXPOL Continuous Process Improvement Model. The system contains eight powerful components that helps us collaborate with customers to measure and



* Supported by a Compliance Program relating to Competition and Anti-trust law.

** Policies available for all employees but not externally distributed.

improve their process quality, productivity and performance.

Global Sustainable Development Goals

Within the framework of Agenda 2030, the UN published its Global Sustainable Development Goals (SDGs) in 2017. The 17 goals provide a clear and useful framework for meeting global challenges and has achieved considerable impact in society. They also serve to inspire innovation and business opportunities in the area of sustainability. Private and public organizations have an important role to play and the business sector is expected to contribute responsible business, transparent reporting of its own targets and results, as well as developing products and services that contribute to sustainable development.

The Global Goals help us identify areas of importance within sustainable development and we have identified seven Global Goals with a clear bearing on the Group's operations. Based on the Goals, we perceive opportunities to both reduce the environmental impact and create business opportunities. We have therefore linked the Group's targets to seven of the Global Goals. An important starting point for achieving the goals is to minimize the Group's use of resources. We bring this about by working with innovations, efficiency enhancements, investments in new technology, increased use of renewable energy, and investments in bio-based and recycled plastics. The Global Goals also inspire measures in social responsibility, social engagement and business ethics.



Supplier Sustainability Guideline

This document informs our suppliers about the Group's view on environmental and occupational health and safety matters, human rights and business ethics. We expect that the suppliers comply with the Guideline. Compliance is confirmed by self-declarations and/or audits and inspections. An updated version of the Guideline will be presented in 2020.

Creating value for stakeholders

The stakeholders' requirements and expectations are important, and we actively participate in appraisals, dialogues and exchanges of views. The intention is to add value for the stakeholders and, with this in mind, the Group is working to:

- Fulfil customer requirements in respect of quality, delivery precision, sustainable development and other areas. The relationship to our customers is characterized by professionalism, a high service level, quality awareness and good business ethics.
- Subject the suppliers to relevant requirements and implement constructive follow-ups.
- Communicate on a regular basis with the capital market, including shareholders, investors, analysts, banks and media.
- Listen to and co-operate with the Group's approximately 5,000 employees. This is accomplished through measures such as performance reviews and Human Resources surveys.
- Maintain good contacts with neighbors, authorities, mass media, schools, universities and other representatives of society.

HEXPOL's contribution to increased value for stakeholders



Customers

In addition to product-specific requirements such as the pace of innovation and functionality, many customers impose demands in terms of codes of conduct and certified environmental management systems. Other requirements concern the phasing out of hazardous chemical substances and sustainability issues being implemented in the supply chain. Interest in products containing bio-based and/or recycled raw materials increased in 2019. The HEXPOL Group's sustainability efforts are assessed regularly by customers.



With cutting-edge expertise in polymer materials and solid knowledge of applications, technical support and constant development, we strengthen our customers' competitiveness in their markets.

HEXPOL is convinced that being ambitious in sustainable development reinforces its relationship with customers. In 2019, customer surveys and audits were conducted at 23 (20) facilities. HEXPOL received positive reviews regarding its efforts.



Employees

It is important that HEXPOL retain and develop employees, and also attract new ones. For employees, health, safety, financial compensation, personal development, social conditions and good business ethics are important.

During the year, HEXPOL paid 2,069 MSEK (1,785) in salaries to employees. Following an improvement in 2018, the accident rate remained basically unchanged in 2019. The number of training hours was 171,400 (118,200).

2,960 (3,200) employees participated in development interviews. Surveys regarding employee satisfaction in the workplace gave good results.



Suppliers

HEXPOL strives for open and long-term relationships with its suppliers. The objective is to guarantee suitable quality, financial stability and active sustainability work for both parties.

During 2019, the guidelines on sustainable development for suppliers (Supplier Sustainability Guideline) were updated. In 2019, more than 500 suppliers were evaluated. An updated version of the guidelines will be presented in 2020.



Shareholders

For our shareholders, growth and dividends are central in generating value. The integration of sustainability issues in the business strategy reduces risks and generates business opportunities through the development of environmentally adapted products, resource-efficient production, as well as investments in environmentally adapted technology.

The dividend to the shareholders amounted to 774 MSEK (671). Over the past five years, HEXPOL's Class B shares have had an average total return of about 9 percent annually. During the year, dialogues were conducted with investors and the Group was evaluated by several independent institutions.



Society

Social commitment is an important aspect and is expected by local communities in which the Group operates. As a global company, the Group is expected to take measures contributing to national and global goals for sustainable development.

HEXPOL is affiliated to the UN Global Compact and work continued on the UN's global goals for sustainable development. At the local level, the Group collaborated with schools and universities and contributed to health-care, sports and culture. HEXPOL's tax expense for 2019 amounted to 466 MSEK (515).



Authorities

Compliance with legal requirements is essential for HEXPOL.

In 2019, no serious violations of laws and regulations occurred.

Sustainability requirements from customers

PERCENT OF TOTAL NUMBER OF PLANTS REPORTING SUSTAINABILITY REQUIREMENTS

Type of sustainability requirement	2019	2018	2017	2016	2015
Implementation of ISO 14001	54	71	61	58	48
Phasing-out of hazardous chemicals	50	60	61	65	59
Compliance with REACH	37	40	47	47	27
Environmental product declarations	61	57	64	50	45
Bio-based/recycled raw materials	26	-	-	-	-
Carbon footprint of products	22	-	-	-	-
Code of conduct	63	71	67	67	48
Conflict minerals	65	80	67	70	55
Code of conduct in own supply chain	46	37	31	21	3

Meeting customer requirements

HEXPOL’s relationship to its customers is characterized by professionalism, a high service level and quality awareness. In accordance with Materializing Our Values, HEXPOL focus on sound business ethics and thus competes fairly in business activities, including marketing and advertising. HEXPOL complies with prevailing competition regulations in the geographical markets in which the company is active. Business decisions are taken in accordance with the Group’s interests and are not based on personal considerations or relations.

Requirements related to sustainable development are presented by the majority of our customers, and in 2019, 87 percent (94) of HEXPOL’s companies reported various types of requirements. For example, ISO 14001, hazardous substances, product declarations, conflict minerals, social responsibility and compliance with the customer’s code

of conduct. This year two additional categories were assessed, namely requirements or demands of bio-based/ recycled raw materials and carbon footprint of products. It can be concluded that some of our customers show interest in these areas. It is also likely that the customers will increase their efforts to manufacture “greener” products. At 50 percent (57) of the manufacturing units, customers conducted evaluations (audits, questionnaires) to check compliance with the requirements. The outcome was positive and no material issues were revealed.

Compared to previous years the frequency of plants reporting sustainability requirements decreased in 2019. It should be noted that a number of recently acquired companies have not yet developed systems to register such requirements.



Flax fibers, coconut shells and agave fibers are just three of the bio waste products we utilize in RheVision, our line of bio fiber reinforced polypropylene.

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Objectives and performance measures

HEXPOL has implemented Group-wide objectives to reduce its environmental impact, to create safe and secure workplaces and to be a good corporate citizen. The work is conducted in a systematic way and the objectives are linked to UN’s Agenda 2030 and the Global Sustainable

Development Goals (page 8). Performance measures showing the trend are briefly presented in the table below. Additional details are found elsewhere in the Sustainability Report.

Objective	Sustainable Development Goals	Outcome	Continued measures
Energy consumption (GWh/net sales) is to be reduced continuously. The production units work within the framework of ISO 14001 and/or ISO 50001 with detailed targets for increased energy efficiency.		Work involving energy surveys and measures to increase efficiency continued. The installation of energy-efficient production equipment, LED lighting, infrastructure and energy monitoring equipment contributed to more efficient energy consumption. In a five-year perspective, energy efficiency has increased and the key performance indicator for energy consumption has decreased by about 30 percent since 2010.	Purchases of energy-efficient equipment, lighting and infrastructure will continue.
Emissions of carbon dioxide (tons/ net sales) are to be reduced by 20 percent by the end of 2024 compared with the average for 2010–2011. The use of non-fossil energy should increase. This target pertains to carbon dioxide emissions resulting from the use of energy (Scope 1 and 2). There are various types of local targets.		The use of biofuels, purchases of green electricity and energy optimization reduce emissions of greenhouse gases. Currently, about 21 percent (24) of energy use consists of fossil-free electricity and biofuels. This is being countered by increased operations in countries where purchased electricity is generated from fossil energy and where opportunities to purchase fossil-free electricity are not offered.	Energy efficiency measures, as well as procurement of bio-fuels and fossil-free electricity, will continue. The proportion of units with proprietary electricity production using photovoltaic cells will increase.
All facilities are to have certified environmental management systems (ISO 14001). Acquired companies must implement the environmental management system within a period of two years.		Two companies were certified during the year and 76 percent of the plants are now certified. However, companies acquired in recent years are not ISO 14001 certified. The process has been initiated and the long-term opportunities of achieving the target are favorable.	Eleven companies are planning for certification in 2020-2021.
The use of hazardous chemicals must be identified, controlled and, wherever possible, hazardous substances are to be phased out. HEXPOL should be viewed as a frontrunner in the polymer industry as a supplier of environmentally compatible products.	 	Over the year, more than 15 substances were replaced, including phthalates (plasticizers) and other substances that form nitrosamines. The development of environmentally adapted products continued during 2019, particularly in the area of TPEs, see page 19.	The replacement of hazardous substances is a long-term process and more than 15 substances, or groups of substances, are currently on the phase-out list. The work will continue for the foreseeable future.
The vision is that no accidents will occur at our workplaces. The target is that the number of accidents will be reduced. Systems for reporting near misses are to be in place in all operations.		The number of accidents resulting in absence from the workplace increased compared with the preceding year, as did the number of lost working days. The preventive measures implemented in the operations in the US and Mexico have had a positive impact. The accident rate remains high at several units. Systems for reporting near misses are in place at about 85 percent of the units and are being used constructively.	From an industrial perspective, the key performance indicator for occupational accidents is relatively high. Additional action is required (technical measures, training, follow-up) to be able to meet the target.
Supplier Sustainability Guideline is to be applied in the supply chain.		The Group’s suppliers are expected to apply a code of conduct corresponding to the requirements in Materializing Our Values. Assessments are performed through self-declarations, questionnaires, site visits and formal audits. Over the year, more than 500 assessments were performed, of which approximately 70 were audits.	The Group’s guidelines for suppliers were updated in 2019 and are now linked more clearly to the Global Compact. The updated guidelines and an improved assessment model will be launched in 2020.

Environmental responsibility

The transition to a society with no long-term impact on the climate brings both opportunities and risks for HEXPOL. By increasing energy efficiency and phasing out fossil fuels, the Group's carbon footprint is reduced. Measures also prepare the company for higher fees and taxes on activities that impact the climate. Increased use of recycled and bio-based raw materials are other measures that are positive from the perspective of climate. Environmentally compatible product development is another priority area in which the Group's expertise and technology can contribute to the customers' climate and environmental work. In the environmental area, we have several long-term targets, which are reported on page 11.

Core technologies, products and environmental aspects

Rubber compounding

We manufacture advanced rubber compounds with an extensive product range for a wide range of customer segments and application areas:

- Rubber Compounding – development of custom compounds and recipes.
- High-Performance Elastomers, such as silicone and fluoro-carbon rubber.
- Specialty Products – a comprehensive range of custom and standardized chemical additives and color concentrates. Curing envelopes and tubes for retreading. Products with specific properties in terms of high temperatures, cooling, static electricity, electrical insulation.

Mixing rubber in a closed mixer is what is termed as a batch process and, accordingly, all ingredients must be prepared in compliance with the weight specified in the recipe or formula. The various weighing stages are monitored by IT systems to ensure maximum precision and enable traceability of the entire batch. Since the formula and the mixing process are both critically important to product quality, our research and development engineers are responsible for creating the formulas and for the mixing process in accordance with the intended application, ingredients and quality requirements.

The rubber compounds that leave the production plants are processed further by customers through, for example, extrusion, injection molding and compression molding to give the components their final shape. Continuous or discontinuous vulcanization gives the products their elastic properties.

TPE compounding

The TPE market includes a number of material classes, each based on different chemistries and technologies. The various classes display different properties and end-use applications. HEXPOL TPE Compounding offers TPE compounds in the marketplace covering the following technologies:

- Styrenic block copolymers (TPE-S or TPS).
- Polyolefin compounds (TPE-O or TPO).
- Elastomeric compounds (TPE-V or TPV).
- Thermoplastic polyurethanes (TPE-U or TPU).

The expertise in this diversified TPE offering positions HEXPOL so that each customer can get the right compound for their application or indeed multiple compounds from different classes.

Thermoplastic compounding

In the major Thermoplastic Compounding market, there are many different material areas that are based on different types of chemistry and technology. HEXPOL Thermoplastic Compounding is specialized in reinforced polypropylene compounds (PP), high quality polyamide compounds (PA) and color additives. The production is highly automated with modern twin-screw extruders and efficient material handling systems.

Gaskets and Seals

HEXPOL Gaskets and Seals is a product specialist for the manufacture of rubber gaskets for plate heat exchangers. The technology content is high and the end product is characterized by high quality requirements. The gaskets consist of rubber and are delivered in a variety of sizes

from a few decimeters in length up to several meters depending on the plate heat exchanger's size. Temperature, pressure and media determine the choice of gasket type and rubber material in the heat exchanger. Performance of the gasket is dependent on the composition of the rubber material and the geometric design of the gasket.

Wheels

HEXPOL Wheels offers a range of polyurethane wheels for electric-powered warehouse and hand pallet forklifts, rubber wheels for castor wheel applications, as well as tires and special wheels in natural rubber and thermo-plastics. Five types of products are produced:

- Polyurethane wheels.
- Thermoplastic wheels.
- Rubber wheels and tires.
- Solid rubber tires.
- Various special products comprising the aforementioned materials.

Environmental aspects

Significant environmental aspects that affect our core technologies and operations include the use of resources in the form of mainly fossil-based polymer raw materials (rubber, plastics), chemical products, energy and water. Other significant aspects pertain to emissions into the atmosphere and waste generation. Indirect environmental aspects comprise the environmental impact of suppliers, transportation of raw materials and complete products, and customer use of the Group's products. Further information about how environmental aspects are ranked is found in the Materiality Analysis on page 4.

Environmental legislation

The Group is affected by national and international environmental legislation. The majority of the producing units require various types of permits and all the facilities in Sweden are subject to official approval or reporting pursuant to the Swedish Environmental Code. The units in the Czech Republic, Belgium, Spain, Italy, the US, Mexico, Sri Lanka and China have environmental licenses that either cover all areas of their operations or that apply to specific environmental aspects, for example, emissions to the atmosphere. A few minor operations in the UK and one facility in Germany are not subject to any specific environmental permits. Compliance with permits and emission conditions is monitored through measurements and inspections, and close to 40 units submit specific environmental reports to supervisory authorities. Half of the units are planning to apply for minor updates of applicable permits in the near future.

Environmental legislation in the form of EU directives (REACH, RoHS, CLP, WEEE, energy optimization, sustainability report, Atex; see Definitions), or other national or international legislation, affects most of the Group's operations and products. Of the units, 14 are subject to producer responsibility legislation for packaging. The following events related to legislation and ordinances occurred during the year:

- Energy audits were performed in accordance with the EU directive on energy efficiency.
- Supervisory authorities conducted inspections at 21 facilities. No significant deviations were identified.
- At three facilities, limits for pollutants in wastewater were exceeded. These events did not result in any legal action. There were administrative violations of environmental legislation at four plants. The penalty charges were marginal.

Environmental management systems

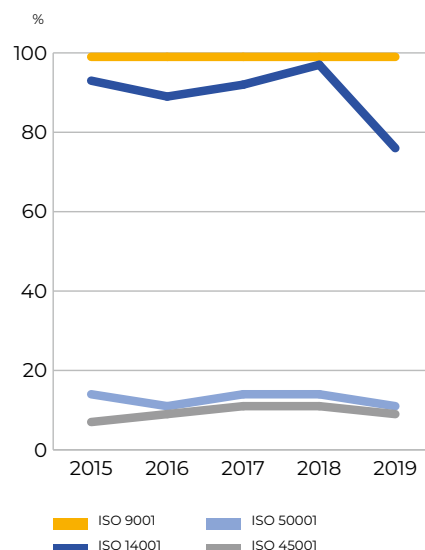
The international standards ISO 14001 (environment) and ISO 9001 (quality) are implemented at the Group's manufacturing units. In addition to this, OHSAS 18001/ISO 45001 (work environment) and ISO 50001 (energy) standards are used at a number of sites. The standard for Social Responsibility (ISO 26000) provides guidance on the overall approach to sustainable development.

One of the Group objectives aims at certification of the environmental management systems at all operational units. Our experience of ISO 14001 is positive, with risks and costs diminishing, while confidence among interested parties is rising. During 2019 two companies (in Poland and USA) were certified and the recently acquired MESGO Group, Preferred Compounding and Kirkhill Manufacturing have initiated the implementation of ISO 14001. Internal and external environmental audits are frequently conducted, and in 2019, 139 internal (146) and 46 external (48) environmental audits were carried through.

The standard applied for the work environment (OHSAS 18001) is implemented at two units in Sri Lanka, at one site in the USA and one site in the Czech Republic. In the coming years OHSAS 18001 will be converted to ISO 45001 at the certified sites. Two companies in Germany, one in the Czech Republic, and the companies in Sri Lanka, are certified in accordance with the standard for energy management systems (ISO 50001). All HEXPOL units are certified under the ISO 9001 quality standard.

Certified management systems

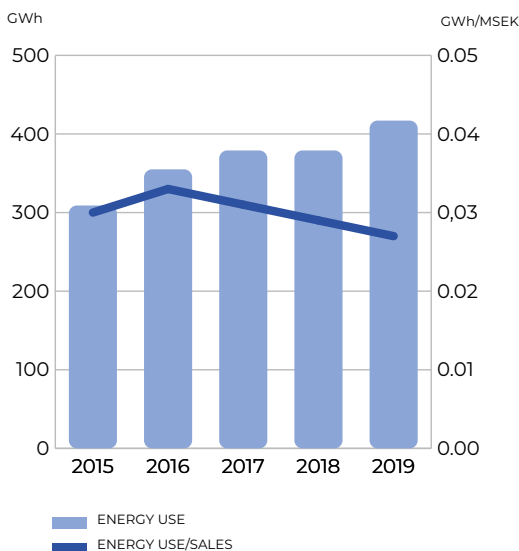
PERCENT OF TOTAL NUMBER OF MANUFACTURING PLANTS



Energy use

The use of energy is a key environmental aspect for HEXPOL. In 2019, 417 GWh (379) was used for our operations. The increase was primarily caused by the acquisition of twelve manufacturing plants during 2018–2019. The energy cost was 280 MSEK (248) and the energy use caused emission of 146,000 tons (126,000) of the greenhouse gas carbon dioxide. Mixing equipment, presses, and other heavy production equipment, have a major contribution to the energy use, but, in this context, compressed air, cooling, lighting, ventilation and moving of materials are also important factors. Around 75 percent (73) of the energy use was based on purchased electricity, 14 percent (16) on natural gas and the rest derived from other sources. The use of biofuels and fossil-free electricity amounted to 21 percent (24). Solar panels are installed at two plants in Italy. A couple of sites, located in UK, Mexico and USA, are investigating the possibility to install solar power.

Energy use



The aim is to use energy more efficiently and therefore several energy projects are carried out every year. The key performance indicator for energy (GWh/net sales) shows a downward trend. Continued measures include purchases of energy-efficient equipment, lighting and infrastructure. During the year the energy saving activities were continued, for example:

- Installation of AC drives instead of DC drives provides better control of the speed (frequency control) of the electric motors in the rubber mixing equipment, thus reducing energy use.
- Replacement of lighting with LED lamps. Improved systems to control the lighting and to automatically turn it on and off. Increased use of daylight in some warehouses.
- Energy audits according to the EU Energy Efficiency Directive. So far 15 plants have carried out audits and two plants will carry out audits in the near future.
- Certified energy management systems (ISO 50001) at five sites in Sri Lanka, Czech Republic and Germany.

- Recirculation of dust collection air through HEPA filters back into facility to prevent heat/cooling loss to the environment. Installation of timers on exhaust fans.
- Energy curtailment programs together with energy supply companies. This reduces capacity costs.
- Replacing propane lift trucks with electric.
- Changes in internal processes to minimize change over times. Lower unnecessary idle time when energy is being used.
- Detecting leaks in the compressed air systems in order to reduce unnecessary energy losses. Installation of energy-efficient air compressors.
- Installation of cooling systems with improved energy efficiency.
- Installation of steam traps on presses and insulation of furnaces. Switching off equipment that is not in use.
- Better control of the processes for mixing rubber and shorter cycle times reduced energy consumption at several units. Faster conversion of equipment when changing products. Maximizing batch sizes to increase throughput of mixer efficiencies. Pre-heating of presses.
- Reducing energy consumption during peak periods on the electricity network. Surplus heat energy (185 MWh) sold to the local district-heating network in Gislaved, Sweden.

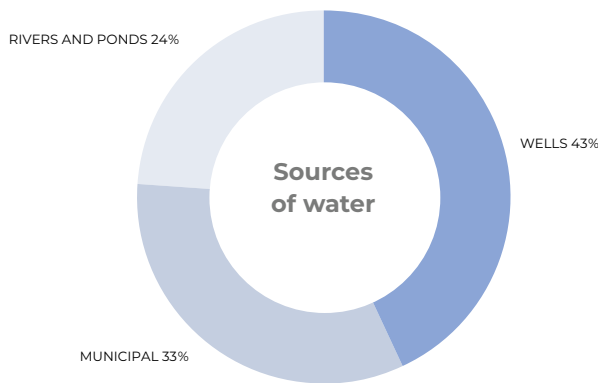
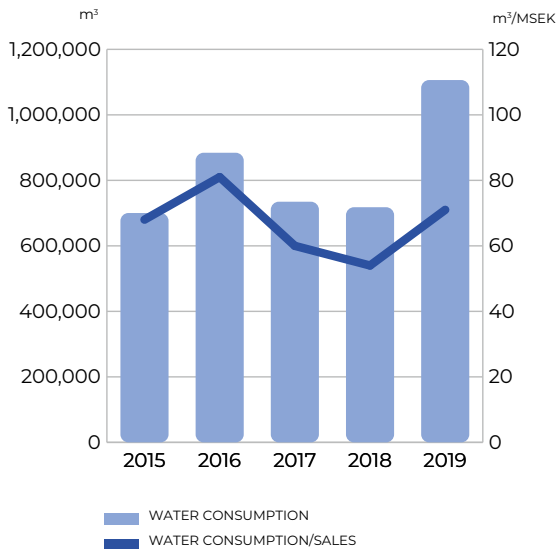
Water consumption

Access to good quality water is essential for HEXPOL, and with regard to the use of a natural resources, there are many reasons for us to use water with care. Fortunately, the units are not located in areas suffering from water shortage, or where the aquatic eco-system is threatened. The exception is two sites in California, USA, where the area has suffered a severe long-term draught and where companies are expected to implement water-saving measures.

In 2019, around 361,000 m³ (340,000) of municipal water was consumed, 476,500 m³ (91,500) came from own wells, and 269,000 m³ (297,000) from rivers. The increase in consumption was mainly caused by the acquisition of twelve manufacturing plants during 2018–2019. Water is mainly used for cooling of manufacturing equipment and for sanitary purposes. To reduce the water consumption the majority of the sites have installed closed loop systems. However, at a handful of plants water from wells and rivers are used in cooling systems without recirculation. To reduce the water consumption, actions are continuously implemented, for example, search for leaking pipes, awareness and housekeeping programs, and technical measures. The total cost of water was 5.3 MSEK (4.8).

Emissions to wastewater from the manufacturing processes are limited and the indoor premises are normally not fitted with sewers. Wastewater therefore mainly consists of organic materials and nutrients from sanitary facilities and cleaning. Discharges of cooling water, that has not been in contact with raw materials and products, as well as rainwater from roofs and land areas, occur. The manufacturing units are connected to municipal wastewater treatment plants or equivalent.

Water consumption



Precautions such as oil separators, secondary containment and spill-kits are installed at the units. Measurements of storm water and wastewater showed that the concentration of pollutants mainly complied with the legal limits. However, the limits for pollution of wastewater were temporarily exceeded at two plants in USA and one plant in the Czech Republic.

Polymers and other chemical products

Environmental aspects of polymer compounds

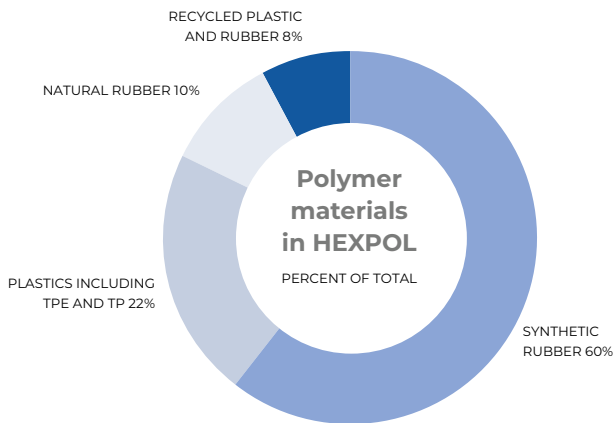
Polymer compounds, such as rubber and plastics, are semi-finished products and can be seen as homogenous mixtures of different ingredients that have previously been designed in a specific formulation or recipe. These ingredients, or raw materials, can be subdivided into the following main categories: polymers, fillers, plasticizers, accelerators, cross-linking agents and many other special products. Only the right composition and a perfect mixing process result into optimum properties of the final product.

The rubber and plastic polymers used in HEXPOL interact with the environment in a number of ways. A certain amount of impact occurs at our plants, while other impacts occur during production of raw materials, transports and disposal of the waste that occurs in various places. The environmental impact – in a life-cycle perspective – of polymers is shortly described in the table below.

HEXPOL’s manufacturing processes are mainly based on the use of rubber and plastic polymers and a large number of chemical substances. The rubber compounds include various types of synthetic rubber, process oils used as softening agents, carbon black and other fillers, as well as chemicals and additives. Some compounds include natural rubber. In addition to that, significant amounts of polyurethane plastics, thermoplastic elastomer compounds (TPE), metals, solvents and dyes are used.

Polymer compound	Description	Environmental impact
Synthetic rubber	About 60 percent of world production of synthetic rubber is used for tire manufacture. Synthetic rubber is a product of the petroleum industry and HEXPOL's experience is spread over a large number of polymer types, for example, EPDM, SBR and NBR.	The environmental impact from the production and use of synthetic rubber derives primarily from energy consumption, use of fossil raw materials, emissions to air and water, and waste products. The positive environmental aspects of synthetic rubber are, for example, associated with products that contribute to energy saving and reduction of noise and vibration.
Natural rubber	The rubber tree <i>Hevea brasiliensis</i> requires a tropical climate. Today, more than 90 percent of the natural rubber comes from South-east Asia, although there are also plantations in South America and Africa. Nearly 70 percent of natural rubber production is used in the tire industry.	The production process for natural rubber are associated with clearing of forest, the use of energy, chemicals, nutrients and biocides, and from emissions to water. HEXPOL has no rubber plantations of its own.
Thermoplastic elastomers	Thermoplastic elastomers (TPEs) are a family of rubber like materials that combine the performance of thermoset rubbers with the processing ease of plastics, to deliver enhanced design possibilities for a diverse range of markets including household, automotive, industrial, medical, construction, electronics, sports, toys and caps and closures.	Conventional TPEs are produced from fossil petroleum products and the main environmental aspects are the use of non-renewable raw materials, emissions of climate-changing gases and generation of waste. One thing that TPEs have in common is that they are completely recyclable. They can also be combined with natural materials, for example, cork. Dryflex Green contains bio-based raw materials and Dryflex Circular contains recycled polymers.
Thermoplastics	A thermoplastic (TP) is a plastic material that can be repeatedly softened by heating and hardened by cooling. Examples of thermoplastics include polythene (polyethylene), polypropylene and polyamide nylon. Thermoplastics are fully recyclable and in ideal situations thermoplastics can be repeatedly melted and remolded into new products.	Conventional thermoplastics are produced from fossil petroleum products (environmental aspects see above). Composite materials can be obtained from the combination of recycled thermoplastics and biodegradable waste, for example, rice husks and recycled cotton. Such composites exhibit a reduced environmental impact compared to virgin thermoplastics. The RheVision line utilizes bio-fiber reinforced polypropylene and the result is a lower carbon footprint compared to traditional thermoplastic products.

In terms of volume, synthetic rubber polymers are predominant, but TPE, polyurethane plastics and olefins are used to a considerable extent. The use of natural rubber accounted for about 10 percent (11), and recycled polymers for about 8 percent (15) of the total polymer consumption. The natural material cork is used in certain TPE applications. In the product series, Dryflex Green and RheVision, bio-based raw materials are included.



Safe chemical management

Thousands of recipes are used to mix compounds with various technical specifications. This leads to a significant use of chemical substances with various purposes – fillers such as carbon black, accelerators, antioxidants, curing agents, flame-retardants, solvents and softeners, just to mention some categories. The Group's objective for safe chemical management is that chemicals that are classified as hazardous for humans and the environment are to be substituted, or that other relevant risk reducing measures must be implemented. The EU chemicals legislation (REACH), and other legislation concerning labelling and risk information, is crucial for the long-term strategy for how we manage chemicals in a safe way. Equally important are the requirements that are expressed by our customers.

Precautionary work

A number of chemicals, or groups of chemicals, that are identified in the REACH SVHC List (Substances of Very High Concern Candidate List), are used in HEXPOL. As a part of the environmental management systems there are procedures in place to identify hazardous chemicals. Precautionary activities have high priority and during 2019 more than 15 chemicals were phased-out, or had their usage reduced. Future efforts to reduce the risks involve, for example, chemicals such as cyclic siloxanes, carcinogenic nitrosamine generators, certain phthalates, ETU and dichloromethane.

Since there is no global harmonised chemical legislation the substitution work can be complicated. Substances that are banned in one country may be accepted in parts of the worlds. Regardless of this, we strive to offer customers recipes that are less hazardous for humans and the environment without negative impact on the technical performance of the final product.

HA oils

In the rubber industry HA (highly aromatic process oils) extender oils are used to facilitate the processing of the rubber compounds. They are also an essential component for the technical performance of tires and in particular for the road adherence (or grip) properties. Polycyclic aromatic hydrocarbons (PAHs) are, however, present in aromatic oils and the European Union has classified eight PAHs as carcinogenic. In EU there are since 2010 restrictions in the use of PAH in tires for vehicles. The threshold limit is maximum three percent of PAHs in the extender oil.

At HEXPOL in Europe such oils are phased out but, as they are allowed in China, Mexico and USA, HA oils above the European limit are still used. In a global perspective more than 95 percent (89) of the extender oils have a low PAH concentration and we strive to convince customers that more environment-friendly options are available.

Solvents, metals and conflict minerals

For the manufacture of polyurethane wheels around 100 tons of solvents, 20 tons of paint and 3,500 tons of metals are used per year. According to the legislation concerning conflict minerals (see Definitions) we get requests from many customers to guarantee that such materials are not present in HEXPOL's products. Conflict minerals are not used in our operations.

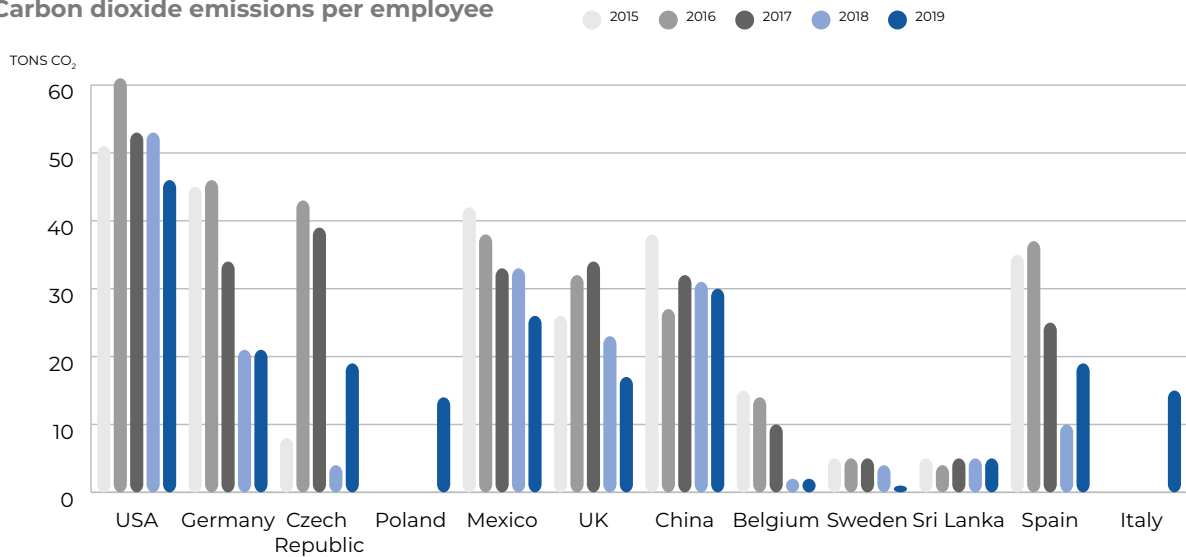
Emissions to the atmosphere

Climate changing gases

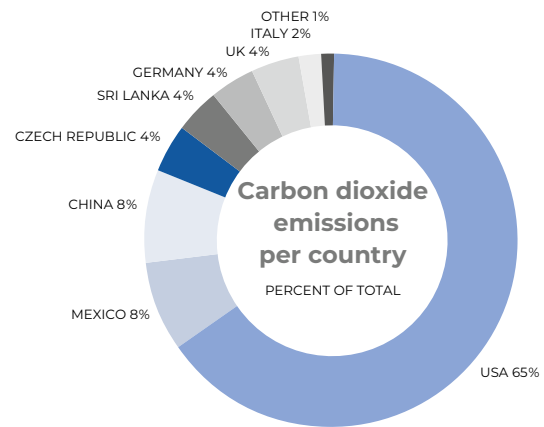
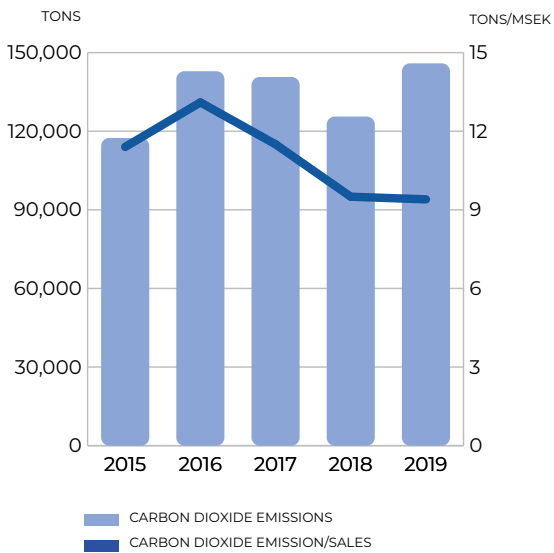
As a primary step, we take actions to reduce the emission of the greenhouse gas carbon dioxide from energy consumption (Scope 1 and 2 according to GHG Protocol). The emissions are results from the use of fossil fuels (oil, natural gas and propane) and purchased electricity. During 2019 the emissions were 146,000 tons (126,000), of which 16,700 tons were related to Scope 1 and 129,200 tons to Scope 2. The indirect emissions through purchase of electricity dominated and accounted for 89 percent (89) of the total amount of carbon dioxide. In a five-year perspective the key performance indicator for carbon dioxide emission (tons CO₂e/net sales) has been reduced. The indicator is impacted by both positive and negative factors, for example:

- The on-going energy-efficiency projects contribute to a lower carbon footprint.
- The increased use of fossil-free electricity (Sweden, Germany, Belgium, Czech Republic, UK), and use of biomass (wood, sawdust; Sri Lanka), reduces the emissions of carbon dioxide.
- Installation of photovoltaic cells reduces the carbon footprint. Currently solar energy is captured at two plants in Italy. A couple of plants plan to install solar power during the coming years.
- Increased production, increased use of energy, and increased number of acquired facilities, will affect the carbon footprint in a negative way. Significant parts of the production take place in USA, Mexico and

Carbon dioxide emissions per employee



Carbon dioxide emissions



China. As a result, our indirect emissions are highly affected by electricity that is produced from fossil sources (coal, fuel oil) in these countries.

Other air emissions

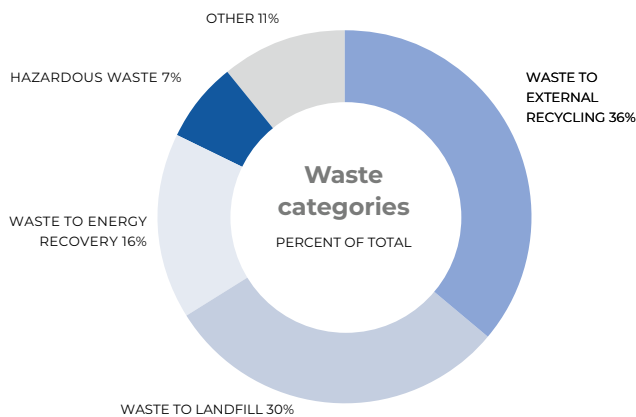
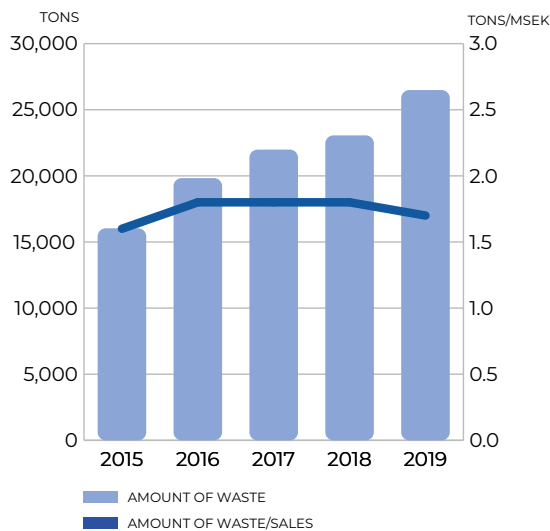
Energy consumption caused 16 tons (13) of atmospheric emissions of sulfur dioxide (SO_x) and nitrogen oxides (NO_x). The emissions have been reduced in recent years and are a result of the reduction of the use of heavy fuel oil at the units in Sri Lanka. Emissions of VOC (Volatile Organic Compounds) from paint and solvents were around 53 tons (57) and were caused by the manufacture of polyurethane wheels. The total amount of installed cooling agents is approximately 1,1 ton. No material emissions of such ozone-depleting gases (fluorinated gases; F-gases) occurred during the year.

Waste

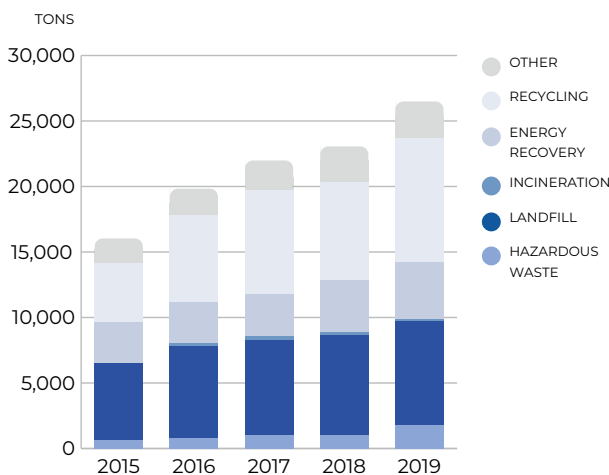
By minimizing scrap, improving waste sorting at source and reducing the overall amount of waste, the plants are using raw materials in a more efficient way. Examples of actions that are beneficial from an environmental point of view include internal recycling of process waste and carbon black from dust filters.

During 2019, the total volume of waste was 26,500 tons (23,100), of which hazardous waste accounted for 1,760 tons (1,041). Hazardous waste is transported to approved treatment facilities by permitted transport companies. In a five-year perspective, the KPI for waste (tons/sales) shows an unchanged situation. However, a significant increase in the amount of waste that is externally recycled, as energy and materials, can be observed. The amount of landfilled waste has increased during the past five years and the main cause is increased number of manufacturing plants in USA. The cost of external waste management amounted to 21.2 MSEK (21.0). (Graphs on next page.)

Amount of waste



Waste categories by external treatment methods



Good for the environment – good for business

A number of HEXPOL’s customers are implementing programs to improve the environmental performance and reduce the carbon footprint of their products. Our capability to develop environment-friendly polymer compounds creates business opportunities, for example:

- Dryflex Green and Dryflex Circular are members of a family of thermoplastic elastomer (TPE) compounds containing raw materials from recycled or bio-based raw materials (see page 19).
- In general, TPEs are easy to recycle and are used in

many applications, such as the automotive industry. TPEs combined with natural material, such as cork, produces technically interesting properties and reduces the use of fossil raw materials. TPEs can also replace PVC in certain applications.

- RheVision is a line of bio fiber reinforced polypropylene which use renewable natural fibers, for instance ground wood and coconut shells instead of traditional reinforcements such as talc, minerals and glass. All of the bio fibers used in RheVision are true waste products that are either traditionally burned or buried. The natural fibers can be combined with a proportion of certified post-consumer polyolefin resin waste which takes the recycled content above 50 percent. The RheVision compounds are light-weight, environmentally friendly with a very unique aesthetic quality. The natural fiber products are also processed at lower temperatures which furthers the green footprint. RheTech sees a growing demand for these environmentally friendly products that help us further reduce the carbon footprint of thermoplastics. During the year, the RheTech products wan business in automotive industry by replacing a plastic compound that contained nonrenewable mineral with renewable natural fiber and uses recycled resins. Cellulose fiber reinforced polypropylene was commercialized for the use in drinking cups. Ground rice reinforced polypropylene was molded for use in utility vehicles.
- Rubber gaskets that are used in plate heat exchangers saves energy worldwide. The gaskets also contribute to energy saving, less climate impact and secure handling of chemicals and food products.
- The product group Hexlite (micro-dense materials) meets the requirements from the automotive industry concerning weight reduction. The density of the rubber profiles is reduced up to 30 percent. This contributes to lower fuel consumption in vehicles.
- Envelopes for re-treading of automotive tires from Robbins prolong the life of tires and thereby reduce the environmental impact. Re-treading reduces the amount of oils, materials and energy to produce a tire.
- EPDM rubber with low electrical conductivity is something the automotive industry demands. The reason is that the risk of electrolytic corrosion occurs when the use of light aluminium and magnesium alloys increase in cars. Door strips containing this type of EPDM reduce the risk of corrosion.
- Recycled polymers are used in materials in mud flaps, mats and bumpers for the automotive industry.
- Another environmental innovation is non-halogen fire protection mixtures out of the Hex-Flame product family, which are also an alternative for non-halogen building applications.
- HEXPOL Engineered Products manufactures polyurethane wheels with long service life, thus reducing the need for replacement wheels. This lowers the consumption of materials and the amount of waste.

Accidents and complaints

There were no cases of significant accidents or uncontrolled environmental emissions in 2019. Two complaints were registered from local residents regarding disruptive noise levels.

SOFT – SAFE – SUSTAINABLE

Dryflex Circular contains recycled plastics

“Awareness of how plastics affect the environment is increasing and a shift is occurring in the polymer industry in which sustainable development has become a key concept. Consumers’ attitudes to plastics are changing and this is affecting our customers,” says Kirsty Wood, Development Technologist and Sustainability Lead at HEXPOL TPE in the UK.

“An increasing number of enquiries are being received from customers about recycled raw materials in our TPE mixes, reflecting the ambition of contributing to a circular economy. One trend is that customers set their own sustainability goals aimed at increasing the use of products with lower environmental and climate impact.”

“Our environmentally adapted TPE portfolio already includes Dryflex Green, which contains bio-based plastics, and Lifocork, a bio-composite in which we combine raw materials from cork oak with TPE. We support our customers’ ambitions in sustainable development and are now introducing TPE containing recycled plastic – Dryflex Circular. The entire product family is gathered under the heading ‘Soft – Safe – Sustainable’,” Kirsty continues.

Traceability important

“It is important to be able to show where the recycled plastic comes from. Accordingly, we have structured our Dryflex Circular products into categories based on the sources of the recycled materials. Traceability is based on the ISO 14021 international standard for eco-labeling and environmental declarations. Accordingly, we report both on what is described as PIR (Post Industrial Recyclates), which arise in industrial processes but not in our own production, as well as on PCR (Post Consumer Recyclates), which is plastic waste collected at the consumer stage,” explains Klas Dannäs, Global R&D Manager HEXPOL TPE.

“Using recycled raw plastics is nothing new for us. The first blends were produced as early as in 2005 and were a result of the increasing demands on the automotive industry to increase the recycling of components when cars are scrapped. Since then, technologies in the plastics and recycling industries have evolved and, for us, Dryflex Circular is an important step on the road to a circular plastics industry.”

“Dryflex Circular is available in a number of different hardness grades with a recycled content that can amount to as much as 80 percent by weight. Dryflex PCR is currently available as black blends, with examples of applications including exterior vehicle components and lawn mower wheels. The recycled polypropylene plastic (PP) comes from sources including scrapped cars. The Dryflex PIR products are available in natural colours and are suitable for many different uses, such as sports equipment and other consumer products,” says Klas.

Sustainability was the theme at the fair

“The K2019 plastics and rubber fair in Düsseldorf, Germany is one of the largest in the world. At the fair, we presented Dryflex Circular for the first time and our entire stand was built around the theme of sustainability,” says Jill Bradford, Marketing & PR Manager HEXPOL TPE. “Among other things, the white counter tops and bar were made from discarded yogurt packages, the food was organic and the beer was made from old bread. We took the impact on the climate into account with regard to travel, our giveaways and the materials chosen for the stand. In total, we saved 8 tonnes of carbon dioxide emissions.”



Social responsibility

Materializing Our Values applies in the same way worldwide and the Group aims to be a good corporate citizen applying sound business principles. As part of the strategy for sustainable development, the Code of Conduct helps attract, develop and retain committed and skilled employees. Work environment efforts are focused on preventive measures with the vision of zero accidents occurring.

Employees

At the end of the financial year, the number of employees was 5,061 (4,640), of whom 3,665 (3,211) worked in HEXPOL Compounding and 1,390 (1,424) in HEXPOL Engineered Products. The Parent Company had 6 employees (5). HEXPOL is a global Group and 93 percent (93) of the employees work outside Sweden. Of the employees, 47 percent work in the United States/Mexico, 28 percent in Europe and 25 percent in Asia.

Human rights

Materializing Our Values has its background in international agreements and guidelines concerning human rights, social responsibility and sustainable development, including the UN Global Compact and the Standard for Social Responsibility (ISO 26000). The Group's requirements are that workplaces should be safe, facilitate development and comply with occupational health and safety and labor legislation. No employee may be discriminated due to gender, religion, age, physical or mental disability, sexual orientation, nationality,

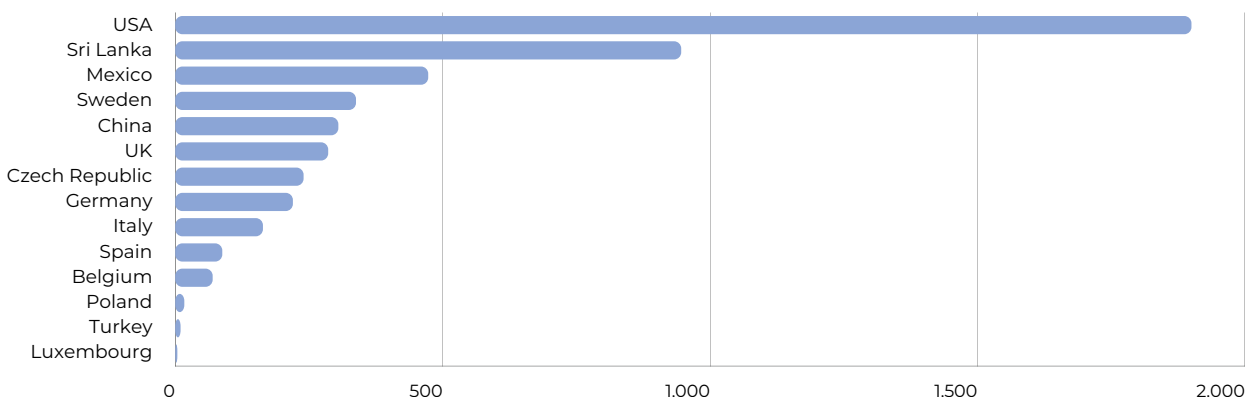
political opinions or origin. During the year, no deviations attributable to human rights were registered at the Group's units, or among suppliers. The training of employees on Materializing Our Values continued with focus on new associates. In total, around 60 percent of the workforce participated in training on human rights and corporate values.

Our values recognize 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 the Group is active. At about a third of the units, all employees are covered by collective agreements and this applied to Sweden, Sri Lanka, Germany, Spain and China. For other units, the affiliation to trade unions is between 0 and 75 percent.

Diversity and equality

We encourage diversity and distances itself from all forms of discrimination. Questions regarding equal

Number of employees per country



rights have been decentralized and formal equality plans exist at 61 percent (64) of the units. The employees are entitled to form and join trade unions and have the right to collective bargaining. They also have complete insight into and the right of co-determination in accordance with the provisions of national legislation. Work environment efforts focus on preventive measures and include risk analyses, training programs and technical improvements.

In the Group, 86 percent (86) of the employees are men. A change currently in progress involves an increase in the proportion of female employees in Sri Lanka. Although this is from a very low level. The proportion of females is 57 percent (57) on the Board of Directors and 17 percent (17) in Group management. The proportion of females in the local management teams averaged 18 percent (18). There is a Group-wide equal opportunity policy, and this serves as a clear message from Group management to strive for a higher proportion of females in connection with external and internal recruitment to various positions. During the year, nothing arose that showed that the Group had breached the guidelines concerning equal opportunities or diversity.

Knowledge and skills

Networking efforts and participation in project organizations help bring employees from different cultures together to share their knowledge and experience. In addition to this, formal skills development is conducted at the Group companies and the number of training hours over the year was 171,400 (118,200). This corresponds to 32 hours (26) per employee. About 2,960 people (3,170) participated in development talks or equivalent activities. Work satisfaction, personal development, salary and career opportunities are important factors for many employees. The Group offers remuneration that, at a minimum, meets the minimum requirements in the legislation and is fully adapted to the market in the countries where HEXPOL operates. Variable performance-based compensation occurs in parts of the Group. In 2019, salary costs were 2,069 MSEK (1,785).

During the year, employee surveys were conducted at 18 units (17). Examples of views and wishes expressed by employees concerned personal development, training, internal communications and planning of working hours.

Health and safety

The vision is that no accidents will occur at our workplaces and the target is that the number of accidents will be reduced. Systems for reporting near misses are to be in place in all operations. The management of health and safety issues focuses on preventive measures and includes risk analyses, training programs, registration of incidents and technical improvements. Creating a good work environment and wellbeing are the responsibilities of executive management and improvement programs are conducted in cooperation with employees and their representatives. Close to half of the units have incentive systems in place for improvements made in the environmental and working environment fields.

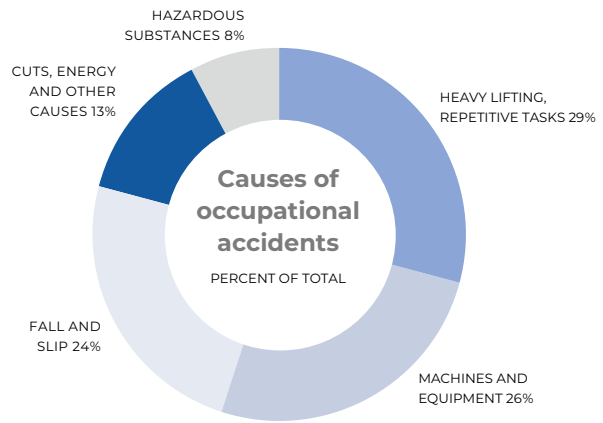
During 2019, there were 135 occupational accidents (124) resulting in more than one day's absence from work. Around 25 percent of the sites reported zero workplace accidents during the year. Total absence due to accidents amounted to 2,282 days (1,042). Unfortunately, a handful of accidents led to long absence from work. There were no fatal accidents. During the previous five years, the average accident rate for absence per million hours worked was 14.4. The outcome of 2019 was below average and amounted to 12.9. The frequency can be compared to other types of heavy manufacturing industry and the causes of accidents consist primarily of falls, equipment-related, manual handling and cuts. Seven accidents involving contractors (0) were reported and 13 work-related illnesses (12) were confirmed. Impaired hearing, allergies and injury to muscles and skeleton are examples of illnesses that occurred during the year.

The following activities contribute to the objective that the number of workplace-related accidents should be reduced:



- **Safety committees:** The safety committees are important drivers for preventive measures and such organizations exist in 87 percent (89) of the facilities.
- **Risk analyses and workplace monitoring:** Risk analyses, occupational health and safety monitoring (e.g. dust, noise, fumes), technical measures, training, health checks and safety rounds are frequently carried out at the plants. Special health checks of the workforce are conducted at the units handling isocyanates. Other types of recurring health checks are common in the Group, for example hearing tests.
- **Training and awareness:** Training programs involving the environment, occupational health and safety are conducted regularly and amounted an average of 15.8 hours (9.6) per person during 2019. The programs included firefighting, emergency procedures, ergonomics, safe management of hazardous substances, use of personal protective equipment, hot work, first aid, and much more. A key target group for the training program is new employees.
- **Near-misses:** Systems to record near misses are implemented in 91 percent (89) of the units and are being used in an efficient way. A total of 811 near misses (503) were registered, resulting in preventive and remedial measures to reduce the risk of accidents.
- **Management systems:** OHSAS 18001/ISO 45001 (occupational health and safety management system) is implemented at two plants in Sri Lanka, one plant in USA, and one plant in the Czech Republic. The majority of the companies manage health and safety in a systematic way within the legal frameworks of their respective countries.
- **HEXPOL Compounding Americas Safety Program:** The building blocks of the Program are: Awareness and communication, corrective action process, preventive action process, cardinal safety rules, and internal safety audits. Weekly conference calls are conducted where every site is represented. The discussion revolves around all safety incidents which have been reported in a safety database. What happened, what action was taken, and what “look across” actions can be taken at each site to prevent recurrence? Every month, each site conducts a monthly safety communication meeting with all associates. This is a campus wide meeting where all prior month Americas recordable injuries, near-miss safety incidents, internal safety audit results, and any other applicable safety topics, are presented to help educate the work force.

The Ohio campuses, which includes Burton, Middlefield and Mogadore, received the prestigious honor of being selected for the "2019 Top Workplaces" for the best places to work in Northeast Ohio among midsize companies (150 to 499 employees).



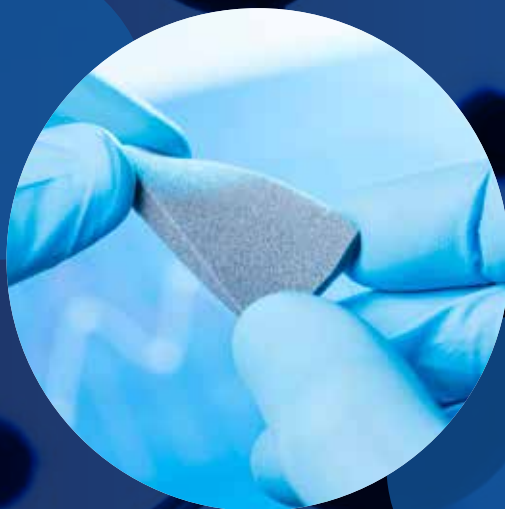
Accidents at work 2015 – 2019

Year	2019	2018	2017	2016	2015
Lost Work Cases (LWC)	135	124	138	127	111
Lost Work Days (LWD)	2,282	1,045	1,672	2,319	2,058
LWC/million worked hours	12.9	12.8	15.2	15.1	15.9
LWD/million worked hours	219	108	184	275	295

Social involvement

HEXPOL engages in social activities throughout the world. These include activities for employees and their families, contacts and projects with schools and universities, and financial support for sports, health care and associations. During 2019 the following activities can be recognized:

- **Schools:** Many of the manufacturing sites are active in contacts with local high schools, for example, for site tours and educational seminars. In total, more than 300 students participated in activities at the Group’s units in Sweden, Sri Lanka, Belgium, Germany, Italy, USA and Mexico.
- **Universities:** HEXPOL units participated in research collaborations with universities, for example, internship programs, research programs, and practical industrial training. The Group collaborates, since long, with the International Institute for Industrial Environmental Economics (IIIEE) at Lund University in Sweden.
- **Sponsoring:** HEXPOL provides financial support for schools, health care, sports associations and social activities, and in many cases our involvement is long-term and Group employees contribute in different ways.



Economic responsibility

Finance 2019 in brief

The HEXPOL Group’s sales (incl. the acquired operations of Kirkhill Rubber, Mesgo Group and Preferred Compounding) increased by 13 percent to 15,508 MSEK (13,770) during the period. Acquisitions increased the sales by 16 percent and exchange rate fluctuations by 6 percent, while the organic sales decreased by 9 percent.

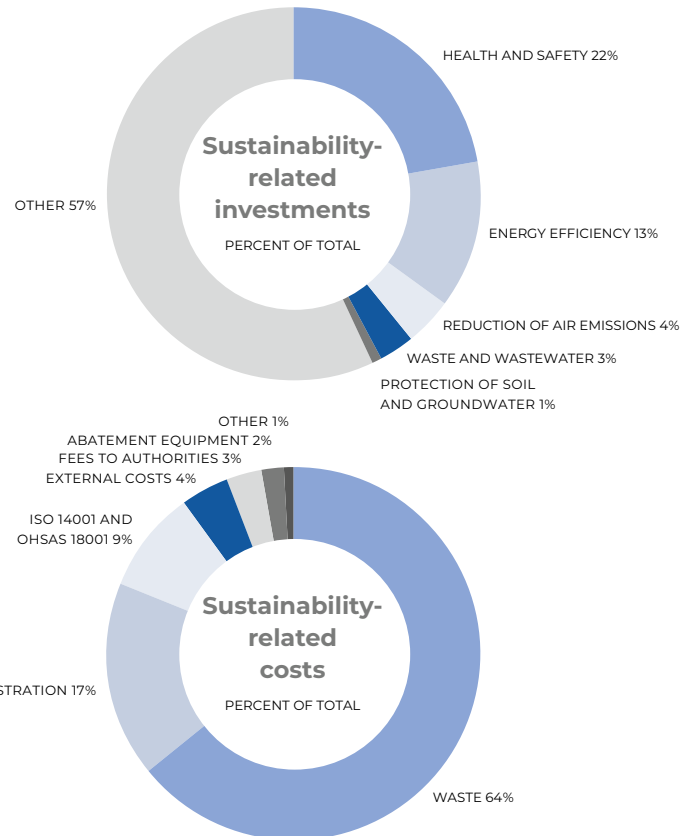
Key figures	2019	2018	2017
Sales, MSEK	15,508	13,770	12,230
Operating profit (EBIT), MSEK	2,242*	2,150	1,986
Operating margin, %	14.5*	15.6	16.2
Profit after tax, MSEK	1,542	1,646	1,527
Earnings per share, SEK	4.93*	4.78	4.44
Equity/assets ratio, %	56	59	68
Return on capital employed, %	15.2	22.5	25.1

* Adjusted for non-recurring items.

Sustainable development and finance

Investments, costs and savings

During 2019 the sustainability-related investments amounted to 40.2 MSEK (38.6). Areas for investments were, for example, related to energy-efficiency, equipment, air emissions and health and safety. The overall cost for environmental and workplace measures amounted to 33.3 MSEK (32.8). The costs include, for example, administration, operation of emission abatement equipment, and fees to authorities and certification bodies. The cost for management of waste accounted for 64 percent (64) of the total costs. Environmental and work environment-related measures resulted in savings of 7.2 MSEK (5.5). Increased recycling, solar panels, separation of waste, and energy-efficiency projects, contributed to the savings. Savings were also as a long-term result of investments in previous years.



Combating corruption

Under “Materializing Our Values”, and the tenth principle of the UN Global Compact, integrity and responsibility shall characterize 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. The following methods for governance and monitoring of corruption-related issues are used:

- HEXPOL spread shared values in the form of Materializing Our Values. Group company management teams are responsible for further conveying the values in their organization. As mentioned above, senior executives are targets for an advanced on-going training program.
- We monitor costs, expenditure and revenues on an on-going basis.
- Particular attention is paid 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.
- As a part of the sustainability-reporting scheme, management at every company must reflect on actions that have been taken to reduce the risk for corruption. The questions are based on a questionnaire from Global Compact.

No breaches concerning corruption were identified during 2019.

Financial value for stakeholders

HEXPOL affects a broad range of stakeholders. The Group has an economic impact on society and create opportunities for customers, suppliers, employees and society. The 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 2019, the Group had net sales of 15,508 MSEK (13,770) of which 3,357 MSEK (2,989) was distributed according to the table. The Group’s tax expenses amounted to 466 MSEK (515), which corresponds to a tax rate of 23 percent (24).

Distributed value for stakeholders

(MSEK)

Stakeholder*	2019	2018	2017	Comments
Employees	2,069	1,785	1,569	Salaries and benefits
Shareholders	774	671	1,635	Dividend
Creditors	48	18	13	Interest expenses
Society	466	515	441	Total reported tax expenses
Total	3,357	2,989	3,658	

* Value distributed to suppliers, e.g. raw material expenses, is not included.



Sustainability-related risks

Risk management

HEXPOL's strategy includes continuously minimizing operational risks through active and planned risk management, while still capitalizing on the business opportunities that controlled risk-taking brings. The main features of risk management are identification, evaluation, governance, reporting, monitoring and control.

For significant risks, there are procedures for accepting, reducing or eliminating the risk. HEXPOL's Annual Report for 2019 provides detailed information about operational and financial risks. In terms of sustainability, we have identified a number of risks of potential importance to the Group's financial position.

Risk	Risk management
<p>Environmental legislation</p>	<p>The on-going development of environmental legislation and environmental policies impacts HEXPOL on a short-term and long-term perspective. Climate change represents an area in which it is likely that additional legal and financial means of control will be introduced. With respect to other relevant environmental legislation, it is mainly REACH that creates challenges and opportunities for HEXPOL. The legislation includes requirements to phase out certain hazardous substances or restrict their use in certain applications. We use chemical substances that are registered on REACH's Candidate List of Substances of Very High Concern (SVHC). These substances have a specific function in the preparation of our products, including certain phthalates (softening agents) and accelerators.</p> <p>The Group is working systematically to analyze and implement the news and changes in the environmental legislation. We don't foresee any unexpected requirements that will impact the business operations. For the individual manufacturing facilities, it is important to comply with existing emission conditions and be prepared for more stringent future environmental requirements. The facilities have valid environmental licenses in place and just ordinary updates of conditions and permits are expected in the near future.</p> <p>Concerning REACH, the R&D departments have reformulated a number of recipes and the use of several substance has been terminated or reduced. Risk-reducing measures should, of course, be implemented as required by the legislation, customers' specifications and the Group Policies. Business opportunities are created by our aim to be a leading company in environmentally compatible products.</p>
<p>Health and safety legislation</p>	<p>HEXPOL has operations in many countries with different health and safety requirements. Legislative amendments and changes in government regulations resulting in more stringent requirements or revised terms and conditions pertaining to health and safety, or a trend toward stricter application of laws and regulations by the authorities, could require additional investments and lead to increased costs. Legislative amendments and changes in government regulations could also impede or limit HEXPOL's operations.</p> <p>HEXPOL's assessment is that its operations, in all material respects, are conducted in accordance with the applicable laws and regulations concerning health and safety. HEXPOL is continuously monitoring anticipated and implemented changes in legislation in the countries where the Group operates. HEXPOL has a health insurance system in the US, whereby the employees are offered compensation for health care. The Group's expenses are maximized to a fixed amount per individual and year.</p>
<p>Contaminated soil</p>	<p>Many of the Group's facilities are built on land that was not previously used by contaminating operations. No emissions or accidents of significance to land and groundwater were registered in 2019. Adjacent to a leased property in Gislaved (Sweden) there are signs of historical soil contamination from petroleum hydrocarbons. Another property in Gislaved, owned by Gislaved Gummi, has been examined 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 use of the solvent trichloroethylene in the facility. No emissions of this solvent have been registered and it is unknown whether the authorities will demand further soil and groundwater sampling. 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 reported 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.</p> <p>Regular assessments of the risk for soil contamination and other environmental damage are made in conjunction with acquisitions. Where it is considered necessary, sampling of soil and ground-water is conducted. Through risk analysis and preventative actions, for example, within the framework of ISO 14001, the probability and the consequences for uncontrolled emissions are minimized.</p>

Risk		Risk management
Hazardous substances in buildings and installations	The roofs of some buildings are constructed of Eternit tiles that contain asbestos fibers. The risks are considered minor and do not require actions to be taken until the roofs are to be re-placed. According to legislation in Sweden, the Group performed an inventory of the properties with respect to PCB (polychlorinated biphenyls). Some small amounts of PCB were found in window sealing in a number of buildings and the compound will be remediated as the windows are gradually replaced. The risks to humans and the environment are very low. PCB is also found in a couple of transformers at sites in Spain and UK.	Regular assessments of the presence of asbestos and PCB are made in conjunction with acquisitions. In accordance with the legislation in different countries inventories has been carried out and relevant precautions have been taken. Further actions are currently not applicable.
Climate-related risks	Three of the units have identified flooding as a climate-related risk and certain precautions have already been taken. Five facilities are located in areas that could be exposed to extreme weather, for example, tornadoes.	The Group keeps itself informed of risk analyses on climate changes that are performed in countries in which it has operations. Climate related risks are taken into account during acquisitions of companies and evaluation of suppliers.
Environmental adaptation of products	The interest for environmentally adapted products is increasing in many industries and many of the customers sets requirements regarding phase-out of hazardous substances and other properties that have importance to health and environment. If the requirements are not met, there is a risk that the deal will be lost.	The Group is taken an active role within the area and is offering knowledge that contributes to environment-friendly product development. The Group's "green" products have the potential to create good business opportunities, for example Dryflex Green and Dryflex Circular.
Human rights	The risk for any violation of the human rights at the production facilities is considered low. The main part of the Group's suppliers of raw material is global chemical companies and the risks around human rights are considered as low. HEXPOL has identified suppliers of natural rubber as a potential risk area. Formal sustainability audits have therefore been performed at natural rubber plantations in Sri Lanka. The situation around human rights was assessed as good.	HEXPOL's code of conduct (Materializing Our Values) specifies the view of human rights. The code of conduct is supplemented by the commitments in the UN Global Compact. The system with whistleblowing gives the employees the opportunity to blow the whistle and draw attention to possible irregularities. In the collected data for the annual Sustainability Report, all companies must take a stand on questions regarding human rights in their own operation and among the suppliers. Any significant deviations have never been registered.
Anti-corruption	The Group has operations in both industrialized and developing countries. No matter where the operations are, there is a risk that sound valuation principles are not applied. In the Materiality Analysis (see page 4) good business ethics is given very high priority. The message from the Group management is that zero tolerance is applied for anti-corruption and lack of business ethics.	Global Compact and the business ethic guidelines are guiding the employees in questions regarding what is and is not allowed in the contact with business partners. In the Compliance Program the managers confirm, through their signature, that the rules are followed. Managers and employees within sales and marketing are part of the mandatory educations within the area. In the collected data for the annual Sustainability report, all companies must take a stand on how they have worked against corruption during the year. The questions originate from Global Compact. Any significant deviations have never been registered.



Highlights during 2019

During the year the commitment to continuous 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.

Belgium

- The Eupen site has started to implement the procedure "Accord de branche". The aim is to achieve energy savings and the program is financially supported by the state.

China

- Gislaved Gummi in Qingdao made improvements such as no injuries and accidents during the whole year and investment in air filter to reduce emissions of curing fumes. The company was awarded best tax contribution to local government.
- Stellana in Qingdao established a safety standardization system and passed the examination by the safety supervision department. Energy consumption was decreased by 10 percent per sales.
- The Foshan unit conducted the annual occupational risk factor audit.

Czech Republic

- The Unicov company reduced production scrap and continued to show a low number of accidents at work.
- Lesina's management systems (IATF 16949, ISO 14001, ISO 45001, ISO 50001) were successfully re-certified. The working conditions were improved, for example, upgrade of open mill, automatic weighing line for materials from big bags, and renovation of break room and kitchen.

Germany

- The Lichtenfels sites improved in energy-efficiency. As a result, additional electrical air conditioning was not installed in the production facilities. Instead a very effective ventilation system with controlled natural circulation was chosen.
- The Hückelhoven unit installed an automatic anti-tack dosing on line three to save water and chemicals. In cooperation with blue collar workers a procedure to detect and solve safety issues was introduced. A concept to increase efficiency of heating system to reduce oil consumption and recover the heat form air compressors was initiated.

Mexico

- The unit in Aguascalientes continued with the mentor safety programme and the safety rate was improved. The company reported 627 days without recordable workplace accidents.
- At the Querétaro unit environment and safety training was given to all employees.
- The San Luis Potosi site increased its focus on safety by improved communication and demanding all personnel to be accountable for reducing incidents while increasing awareness.



Spain

- The unit in Barcelona closed a contract for supply of fossil-free electricity. Accidents at work were reduced. Electric forklifts replaced diesel forklifts. LED lamps were installed.

Sri Lanka

- Elastomeric (Horana site) three quality circle teams won the Gold quality awards at Sri Lankan Quality Award competition. By applying virtual technology for product design, modeling and simulation the use of raw materials is reduced.
- The Bokundara site expanded buildings to make space for another 16 presses.

Sweden

- Gislaved Gummi introduced biogas and thereby significantly reduced the carbon dioxide emissions. Two days of safety training was conducted for managers and key personnel.
- Stellana in Laxå showed continual improvements in areas such as energy efficiency, carbon footprint and the amount of waste.
- The Åmål site responded to the increased interest regarding bio-based material by participation in several fairs during 2019. The purpose was to put sustainability and plastic on the agenda. The internal focus was on health and safety. The work with Life-Cycle Analyses (LCAs) continued.

United Kingdom

- The HEXPOL TPE unit in Middleton launched the Dryflex Circular TPE range (recycled content; see page 19). Continued the launch of the Dryflex Green product range. At the unit additional LED lighting was installed.
- Berwin in Dukinfield made major improvements of site traffic control and management of chemicals (COSHH). Communication and awareness of health and safety issues was improved by the forming of a monthly H&S Committee meeting. Reduced the amount of waste to landfill.
- Berwin in Lydney has sourced fossil-free electricity for the coming four years. Additional LED lamps were installed.
- FlexiCell in Dukinfield reached zero waste to landfill in 2019. Energy-efficiency was increased.

Italy

- The Carobbio and Garlago sites have started the implementation of ISO 14001. Workplace conditions were improved by substitution of talc powder a liquid anti-tack solution and improvements of machines and equipment.
- At the Garlasco unit dust filters were installed reduce dust exposure in small batches department.
- The Grigno site reduced its amount of waste with 30 percent compared to previous year.

Turkey

- The site in Istanbul implemented ISO 14001 and was certified in January 2020.





Poland

- The MESGO site in Tomaszow Masowiecki was certified according to ISO 14001.

USA

- At the Statesville unit best practices concerning secondary oil containment protection were introduced. The Health & Wellness Program continued. Job safety analyses were carried out. Social performance, respect and humility were discussed monthly with associates.
- The Jonesborough site installed a new and improved sprinkler system throughout the entire facility – a major improvement for safety. To prevent scrapping material into landfill an outlet for off-spec material was identified.
- The Muscle Shoals unit improved its Safety Mentor Program. Reduced consumption of water by 25 percent, natural gas by 15 percent, and electricity by 5 percent. The recycling program was improved. Installed new energy efficient air compressor that has reduced electricity consumption and eliminated water consumption. The ongoing installation of LED lighting is reducing energy usage. No workplace accidents during the year.
- At Valley Processing in City of Industries the number of workplace accidents was reduced.
- The Kennedale unit reduced scrap rate of mixer through HPS Project. Changed water chillers from R22 to R410.
- The Dyersburg campus implemented a wellness program focusing on mind, body, and spirit, to help educate the associates on their health, with a goal to reduce insurance cost is going strong. Participation in the NAFTA safety team, safety topics in all communication meetings, as well as structured safety team of associates. The company continues the plan to become landfill free. The use of dynamic cooling on mixers remains a priority to aid in the reduction of water usage. Continues with presence in the community through numerous contributions and volunteers donating time to work.
- The Stellana site in Lake Geneva reduced hazardous waste by 48 percent through removal of air filters. Implemented noise reduction project by changing air nozzles to low volume units change from 110 dB to 81 dB.
- Once again the Burton site received the prestigious honor of being selected for the "2019 Top Workplaces for the 5th year in row as one of the best mid-sized companies to work for in Northeast Ohio. Continued to stress the importance of safety thru monthly communication meetings covering Cardinal Rules (LOTO, Trailer Entry, Hot Works, Arc Flash, Confined Space).

- At Gold Key in Middlefield the safety culture is driven by NAFTA Safety Committee with the aim to share best practices and drive initiatives across all campuses. Continued implementation of the safety mentor program to improve safety focus and audits of all processes in production. Cooperative education program and implementation of the rotation program that gives students the opportunity to spend time working at different HEXPOL campuses. The recycling and energy-efficiency programs were improved. Numerous social responsibility activities with focus on schools, police, fire brigade, veterans and hospitals.
- The Kardoes site was certified according to ISO 45001. The implementation of an employee-driven risk-based Safety Management System reduced the incident rate significantly.
- The RheTech Whitmore Lake and Fowlerville sites voluntarily conducted PFAS testing in soil and ground-water (performed by state of Michigan). Zero PFAS detected. More fuel-efficient company vehicles were purchased. ISO 14001 surveillance audit was passed. Awarded production business at automotive industry replacing a plastic compound that contained non-renewable mineral with renewable natural fiber and uses recycled resins.
- RheTech Colors successfully launched safety presentations by employees building safety culture and cultivating future leaders.
- The Kirkhill site in Long Beach made progress in areas concerning safety and ergonomic issues, for example, mandatory pre-shift ergonomics stretching, reduced forklift truck speed, installation of blue lights on forklifts, and placement of safety mirrors on blind spots.
- The Preferred Whitewater, Tallapoosa, Huntingdon and Barberton campuses increased their focus on safety by improving communication and demanding all personnel to be accountable for reducing incidents while increasing awareness.



About the sustainability report

The purpose of this report is to provide an overview of HEXPOL’s sustainability performance during the calendar year of 2019, 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 its stakeholders.

Scope and boundary

The Sustainability Report covers performance relating to the environment, health, safety and social condition at the production units worldwide. Operations that belonged to the Group for most of the fiscal year were included in the report. A total of 46 (35) manufacturing sites throughout the world contributed to the report. One small site in HEXPOL Silicone Compounding was not included in the report. Companies located at the same site are reported as one unit. The table shows all units that formed the HEXPOL Group by the end of 2019 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 corporate 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.

Emissions of carbon dioxide (Scope 1 according to GHG Protocol), sulfur dioxide and nitrogen oxide from direct energy use have been measured using conversion factors based on the energy content and quality of the fuel used. CO₂ emissions from indirect energy use (Scope 2) are measured based on emission factors from Carbon Footprint™ (2018) for the countries in which HEXPOL conducts operations. In cases where energy suppliers present specific information regarding the energy mix, the supplier’s measurement models are used. Information about VOC emissions is primarily based on mass balance calculations.

Annual reporting cycle



Operating unit	Location	No of employees	Building area (m ²)	Production capacity (tons)	Environmental licence	Included in Sustainability Report
HEXPOL Compounding – North Carolina	Statesville, USA	91	3,400	20,000	Yes	Yes
GoldKey Processing	Middlefield, USA	198	13,900	40,000	Yes	Yes
HEXPOL Compounding – Burton	Burton, USA	270	20,800	55,000	Yes	Yes
HEXPOL Compounding – Dyersburg	Dyersburg, USA	213	45,700	136,000	Yes	Yes
HEXPOL Compounding – Jonesborough	Jonesborough, USA	112	9,800	50,000	Yes	Yes
HEXPOL Compounding – Kennedale	Kennedale, USA	83	7,200	18,000	Yes	Yes
HEXPOL Compounding – Aguascalientes	Aguascalientes, Mexico	132	6,500	24,600	Yes	Yes
HEXPOL Compounding – Querétaro	Querétaro, Mexico	188	12,100	53,000	Yes	Yes
Kardoes Rubber	La Fayette, USA	16	13,700	59,000	Yes	Yes
VALLEY Processing	City of Industry, USA	91	6,700	56,000	Yes	Yes
Kirkhill Rubber	Long Beach, USA	94	14,950	48,000	Yes	Yes
RheTech Compounding	Whitmore Lake, USA	106	10,900	65,000	Yes	Yes
RheTech Compounding	Fowlerville, USA	37	5,700	38,000	Yes	Yes
RheTech Colors and HEXPOL TPE North America	Sandusky, USA	58	6,500	4,500	Yes	Yes
Preferred Compounding –Barberton	Barberton, USA	94	12,700	20,300	Yes	Yes
Preferred Compounding – Huntingdon	Huntingdon, USA	90	5,900	22,700	Yes	Yes
Preferred Compounding –Whitewater	Whitewater, USA	59	4,270	8,000	Yes	Yes
Preferred Compounding –Tallapoosa	Tallapoosa, USA	150	11,150	34,100	Yes	Yes
Preferred Compounding – San Luis Potosi	San Luis Potosi, Mexico	153	10,840	36,300	Yes	Yes
Robbins	Muscle Shoals, USA	50	22,600	-	Yes	Yes
HEXPOL Compounding Belgium	Eupen, Belgium	74	4,200	20,000	Yes	Yes
HEXPOL Compounding Germany	Hückelhoven, Germany	68	6,300	35,000	Yes	Yes
HEXPOL Compounding Sweden	Gislaved, Sverige	67	11,500	19,000	Yes	Yes
HEXPOL Compounding Czech Republic	Unicov, Czech Republic	119	7,900	35,000	Yes	Yes
HEXPOL Compounding Lesina	Lesina, Czech Republic	121	7,350	35,000	No	Yes
FlexiCell	Dukinfield, UK	12	2,100	1,200	No	Yes
Berwin Rubber	Dukinfield, UK	95	7,300	30,000	Yes	Yes
HEXPOL Compounding Spain	Barcelona, Spain	88	12,500	30,000	Yes	Yes
Berwin Industrial Polymers	Lydney, UK	76	5,900	21,000	Yes	Yes
MESGO S.p.A	Gorlago, Italy	47	6,200	10,000	Yes	Yes
MESGO S.p.A	Carobbio degli Angeli, Italy	54	10,800	15,000	Yes	Yes
MESGO IRIDE COLORS S.r.l Garlasco	Garlasco, Italy	45	7,600	8,000	Yes	Yes
3A MCOM S.r.l	Grigno, Italy	18	10,300	20,000	Yes	Yes
MESGO POLSKA Sp. Z o.o	Tomaszow Masowiecki, Poland	17	3,200	3,000	No	Yes
MESGO ASIA KAUCUK	Sekerpinar, Cayirova, Turkey	10	2,000	2,000	No	Yes
HEXPOL TPE Germany	Lichtenfels, Germany	147	7,210	35,000	No	Yes
HEXPOL TPE Sweden	Åmål, Sweden	78	5,300	20,000	Yes	Yes
HEXPOL TPE UK	Manchester, UK	48	4,500	13,000	No	Yes
HEXPOL Compounding Qingdao	Qingdao, China	63	5,950	20,000	Yes	Yes
HEXPOL Compounding/TPE Foshan	Foshan, China	63	4,950	25,500	Yes	Yes
Stellana US (Wheels)	Lake Geneva, USA	73	7,500	-	Yes	Yes
Stellana Sweden (Wheels)	Laxå, Sweden	92	11,800	-	Yes	Yes
Stellana China (Wheels)	Qingdao, China	58	3,500	-	Yes	Yes
Gislaved Gummi (Gaskets and Seals)	Gislaved, Sweden	100	8,500	-	Yes	Yes
Gislaved Gummi Lanka (Gaskets and Seals)	Bokundara, Sri Lanka	421	9,850	-	Yes	Yes
Gislaved Gummi Qingdao (Gaskets and Seals)	Qingdao, China	121	8,400	-	Yes	Yes
Elastomeric (Wheels)	Horana, Sri Lanka	525	11,800	-	Yes	Yes

GRI Index 2019

The organization GRI (Global Reporting Initiative) has drawn up voluntary global standards for how companies and other organizations should report on activities relating to the concept of sustainable development. GRI Standards 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 organization's results within the field of sustainability, including both the positive aspects and the negative aspects.

GRI Standards

The following table shows the degree to which HEXPOL meets reporting requirements in accordance with the GRI Standards. Concerning Management Approach we refer to the overarching principles that are described on pages 4–11. Descriptions of the Management Approach are therefore not repeated for every separate Material Topic.

The following table shows the degree to which HEXPOL meets reporting requirements in accordance with the GRI Standards. This report has been prepared in accordance with the GRI Standards: Core option.

The Sustainability Report 2019 was not audited by any third-party organization. However, as sustainability issues constitute a section of the Board of Directors' report in the HEXPOL Annual Report 2019, the financial auditors have verified that the section fulfills the Swedish legislation on Sustainability Reporting. This legislation is a result of the EU Directive on Non-Financial Reporting. Contact person for the Sustainability Report is Torbjörn Brorson (info@hexpol.com).

AR in the table below refers to page numbers in the HEXPOL Annual Report 2019. SR refers to this Sustainability Report.



General Standard Disclosures

GRI Indicator	Description	Comment/Page
Organizational profile		
102-1	Name of the organization	HEXPOL AB
102-2	Activities, brands, products and services	AR 26–35
102-3	Location of headquarters	Malmö, Sweden
102-4	Location of operations	AR 24–25; SR 33
102-5	Ownership and legal form	AR 6–7
102-6	Market served	AR 26–35
102-7	Scale of the organization	AR 24–25
102-8	Information on employees and other workers	AR 45, 77
102-9	Supply chain	SR 8–9
102-10	Significant changes to the organization and its supply chain	None
102-11	Precautionary principle or approach	SR 16
102-12	External initiatives	SR 22, 28–31
Strategy and analysis		
102-14	Statement from senior decision-maker	SR 2
Ethics and integrity		
102-16	Values, principles, standards, and norms of behavior	SR 6–7
Governance		
102-18	Governance structure	AR 57–61
Stakeholder engagement		
102-40	List of stakeholder groups	SR 8–9
102-41	Collective bargaining agreement	SR 20
102-42	Identifying and selecting stakeholders	SR 4–5
102-43	Approach to stakeholder engagement	SR 4–5, 8–9
102-44	Key topics and concerns raised	SR 8–9
Reporting practice		
102-45	Entities included in the consolidated financial statements	SR 33, AR 91
102-46	Defining report content and topic boundaries	SR 32
102-47	List of material topics	SR 4
102-48	Restatement of information	None
102-49	Changes in reporting	TI acquired plants added
102-50	Reporting period	Full year 2019
102-51	Date of most recent report	April 2019
102-52	Reporting cycle	SR 32
102-53	Contact point for questions regarding the report	Torbjörn Brorson
102-54	Claims of reporting in accordance with the GRI Standards	SR 34
102-55	GRI content index	SR 34–37
102-56	External assurance	Board of Director's Report in AR
Management Approach		
103-1	Explanation of the material topic and its boundary	SR 4–8
103-2	The management approach and its components	SR 4–8
103-3	Evaluation of the management approach	SR 4–8

Topic-specific Standards

GRI Indicator	Description	Comment/Page
Economic		
<i>Material topic GRI 201: Economic performance</i>		
201-1	Direct economic value generated and distributed	SR 25
<i>Material topic GRI 205: Anti-corruption</i>		
205-2	Communication and training about anti-corruption policies and procedures	SR 25
205-3	Confirmed incidents of corruption and actions taken	None
<i>Material topic GRI 206: Anti-competitive behavior</i>		
206-1	Legal actions for anti-competitive behavior, antitrust and monopoly practices	SR 7
Environment		
<i>Material topic GRI 301: Materials</i>		
301-1	Materials used by weight or volume	SR 15–16
301-2	Recycled input materials used	SR 15–16
<i>Material topic GRI 302: Energy</i>		
302-1	Energy consumption within the organization	SR 14
302-3	Energy intensity	SR 14
302-4	Reduction of energy consumption	SR 15, 28–31
302-5	Reduction of energy requirements of products and services	SR 18
<i>Material topic GRI 303: Water</i>		
303-1	Water withdrawal by source	SR 14–15
<i>Material topic GRI 305: Emissions</i>		
305-1	Direct (Scope 1) emissions of greenhouse gases (GHG)	SR 16–17
103-2	Indirect (Scope 2; energy) emissions of greenhouse gases (GHG)	SR 16–17
305-4	GHG emissions intensity	SR 16–17
305-5	Reduction of GHG emissions	SR 11, 16–17
305-6	Emissions of ozone-depleting substances (ODS)	SR 17
306-7	Nitrogen oxides (NOx), sulfur oxides (SOx) and other significant air emissions	SR 17
<i>Material topic GRI 306: Effluents and waste</i>		
306-1	Water discharge by quality and destination	SR 14–15
306-2	Waste by type and disposal method	SR 17–18
306-3	Significant spills	SR 18
306-4	Transport of hazardous waste	SR 17
<i>Material topic GRI 307: Environmental compliance</i>		
307-1	Non-compliance with environmental laws and regulations	SR 13
<i>Material topic GRI 308: Supplier environmental assessment</i>		
308-1	New suppliers that were screened using environmental criteria	SR 9
GRI Indicator	Description	Comment/Page
Social		
<i>Material topic GRI 403: Occupational health and safety</i>		
403-1	Workers representation in formal joint management-worker health and safety committee	SR 20

403-2	Types of injury, occupational diseases, lost days, and absenteeism, and work-related fatalities	SR 21–22
<i>Material topic GRI 404: Training and education</i>		
404-1	Average hours of training per year per employee	SR 21
404-2	Programs for upgrading employee skills and transition assistance programs	SR 21
404-3	Percentage of employees receiving regular performance and career development reviews	SR 21
<i>Material topic GRI 405: Diversity and equal opportunity</i>		
405-1	Diversity of governance bodies and employees	SR 20–21
<i>Material topic GRI 406: Non-discrimination</i>		
406-1	Incidents of discrimination and corrective actions taken	SR 20–21
<i>Material topic GRI 408: Child labor</i>		
408-1	Operations and suppliers at significant risk of child labor	SR 20
<i>Material topic GRI 409: Forced or compulsory labor</i>		
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	SR 20
<i>Material topic GRI 412: Human rights assessment</i>		
412-2	Employee training on human rights policies or procedures	SR 20
<i>Material topic GRI 413: Local communities</i>		
413-1	Operations with local community engagement, impact assessments, and development programs	SR 22, 28–31
<i>Material topic GRI 414: Supplier social assessment</i>		
414-1	New suppliers that were screened using social criteria	SR 9



Global Compact – Communication On Progress

Ten principles on responsible business practice:
In 2017 HEXPOL joined the UN initiative for responsible business
– Global Compact. This means the Group is a part of a global
network of more than 9,900 businesses in 162 countries.
HEXPOL participates at the signatory level.

By participating in the Global Compact, HEXPOL endorses ten basic principles in the areas of human rights, working conditions, the environment and anti-corruption. These ten principles are based on various UN conventions, such as the Declaration of Human Rights and the Convention against Corruption. The 17 Sustainable Development Goals presented by the UN in autumn 2015 are now also connected to the Global Compact. In 2016, HEXPOL linked its sustainability goals to the Sustainable Development Goals.

The booklet *Materializing Our Values*, which includes the Group’s Code of Conduct, is an important internal document, guiding and coordinating employee activities in line with the ten principles. Group companies’ compliance with the Code of Conduct is evaluated on a regular basis. In the introduction to the Sustainability Report, HEXPOL’s CEO comments on the company’s Global Compact work during the year.

Communication On Progress

Organisations that have endorsed the Global Compact must produce an annual Communication on Progress (COP) detailing how they meet the ten principles. In HEXPOL’s case, we use the information provided in the Annual Report and the Sustainability Report. Together, these reports provide a fair presentation of HEXPOL’s support of and compliance with the Global Compact principles. In order to simplify COP, we use GRI Indicators and the table of cross-references below shows which indicators that are relevant in the context.



The Global Compact Principles	GRI Indicators
Human rights	
1. Businesses should support and respect internationally proclaimed human rights.	103-2, 412-2, 413-1
2. Businesses should make sure they are not complicit in human rights abuses.	103-2, 414-1
Labour	
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	103-2, 102-41, 407-1
4. Businesses should work to eliminate all forms of forced and compulsory labour.	103-2, 409-1
5. Businesses should work for the effective abolition of child labour.	103-2, 408-1
6. Businesses should work to eliminate all discrimination in respect of employment and occupation.	103-2, 102-8, 406-1
Environment	
7. Businesses should support a precautionary approach to environmental challenges.	103-2, 102-11, 301-1
8. Businesses should undertake initiatives to promote greater environmental responsibility.	103-2, 301-1, 302-4, 302-5
9. Businesses should encourage the development and diffusion of environmentally friendly technologies.	103-2, 301-2, 302-4, 305-5
Anti-corruption	
10. Businesses should work against corruption in all its forms, including extortion and bribery.	103-2, 102-16, 205-2, 205-3



Definitions

ADC Azodicarbonamide is a chemical blowing agent for rubber and plastics.

ATEX EU Directive concerning potentially explosive atmospheres. Explosive atmospheres in the work- place can be caused by flammable gases, mists or vapours 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 (CO₂) Carbon dioxide is formed in all carbon combustion processes, such as fossil fuel combustion. Emissions of carbon dioxide increase global warming (the greenhouse effect).

CDP The Carbon Disclosure Project is a voluntary system for reporting the environmental impacts caused by businesses. The primary target group is international investors that can refer to information on climate risks when making investment decisions about companies.

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

CLP Classification, Labeling and Packaging is an EU legislation that addresses dangers posed by chemical substances and mixtures and how users should be informed about them. These regulations were introduced in 2015.

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.

CONFLICT MINERAL Tantalum, tin, gold and tungsten are referred to as conflict minerals if they originate from the Democratic Republic of Congo and neighboring countries. The term arose because of the armed conflicts in the region, where mining operations often contribute to continued conflicts and lead to human rights abuses.

CSR/CR Corporate Social Responsibility/ Corporate Responsibility is a term that encompasses how companies handle issues concerning the environment, social responsibility, financial responsibility and business ethics. Often used in the same sense as the term 'sustainable development'.

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.

ENERGY USE HEXPOL reports both its direct energy use (use of fuel in its own energy facilities) and its indirect use (purchased electricity and district heating).

ENERGY EFFICIENCY DIRECTIVE The EU Directive that was introduced in 2015 and that, among other things, covers energy audits at large companies. HEXPOL is subject to the directive and conducts energy audits.

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 Group.

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

FLUORINATED GASES Gases containing chlorofluorocarbons (CFCs), hydrofluorocarbons (HFCs) and pollutants containing fluoride have negative impacts on the environment as a result of their ozone-depleting properties and their effect on the climate. These gases are called F-gases because of the fluoride content and these types of gases have been regulated in the EU since 2015 by the F-gas regulation. These gases may be found in cooling and heat pumps, fire protection equipment and circuit breakers.

FREEDOM OF ASSOCIATION Refers to the right of employees to lawfully join associations of their own choosing, peacefully associate, organize 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 standardization which builds a clear understanding among employees of how work should be done. It also promotes ownership of the process in each employee.

GHG Greenhouse gases. The emission into the Earth's atmosphere of any of various gases, for example carbon dioxide, that contribute to the greenhouse effect.

GHG Protocol Greenhouse Gas Protocol. GHG Protocol establishes comprehensive global standardized frameworks to measure and manage greenhouse gas (GHG) emissions from private and public sector operations, value chains and mitigation actions.

GHS Globally Harmonized System of Classification and Labelling of Chemicals.

GLOBAL COMPACT A UN initiative in the area of corporate social responsibility. Participating organizations agree to adhere to ten principles in the areas of human rights, labour conditions, the environment and anti-corruption. Global Compact is reflected in "Materializing Our Values". During 2017 HEXPOL joined Global Compact.

GLOBAL REPORTING INITIATIVE (GRI) The Global Reporting Initiative has established voluntary comprehensive standards for how companies and other organizations should report their sustainability activities.

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

HCFC/CFC Substances that deplete the atmospheric ozone layer.

ISO 14001 International standard relating to environmental management systems that was introduced in 1996. Over 360,000 organizations globally are currently certified according to ISO 14001. In 2018, an updated version of the standard (ISO 14001:2015) replaced the previous standard.

ISO 26000 International standard that provides guidance on how organizations can deal with social responsibility issues. This standard was introduced in 2010 and provides the backdrop to HEXPOL's Code of Conduct.

ISO 45001 International standard relating to health and safety that was introduced in 2018.

ISO 50001 An international standard relating to energy management system.

KPI Key Performance Indicator.

LANDFILL Solid waste material sent to a landfill.

LEAN MANUFACTURING A systematic method for the efficient management of resources. Lean manufacturing aims to identify all the factors in a production process that do not create value for the customer.

LWC Occupational accidents causing at least one day's absence (Lost Work Case).

MSDS Material Safety Data Sheet. In some countries called Safety Data Sheet (SDS).

NGO Non-governmental organization.

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.

NOx (NITROGEN OXIDES) Gaseous oxides formed during combustion processes through the oxidation of nitrogen. Harmful to health and the environment and cause acid rain and eutrophication.

OCCUPATIONAL DISEASE A work-related disease is a disease caused by long-term exposure to a particular factor in the occupational environment. Examples are noise, dust and solvents.

OCCUPATIONAL INJURY A work-related injury is a sudden incident (accident) attributable to work that gives rise to a wound or other injury. Typical injuries in the polymer industry are cuts, falls and injuries caused by heavy lifting and repetitive tasks. HEXPOL reports occupational injuries as an accident that causes more than one day of absence, called Lost Work Case (LWC). The rate is gauged by the number of occupational injuries per million hours worked.

OHSAS 18001 Standard relating to health and safety in the workplace. Latest in 2021 it will be replaced by ISO 45001.

PAH 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.

PCB 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.

POLYMERS Chemical compounds comprising very long chains made up of small, repeating units (monomers). Plastic and rubber are examples of polymer materials.

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

REACH European Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) is a EU Regulation adopted to promote safer handling of chemical substances. Chemical substances are to be registered for a particular use. Substances of very high concern may be subject to restrictions.

ROHS Restrictions of Hazardous Substances. EU legislation restricting the use of certain substances that are hazardous to the environment and 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 "satisfies today's needs without jeopardizing future generations' possibilities to satisfy their needs". Sustainable development encompasses ecological, social and economic sustainability.

SUSTAINABLE DEVELOPMENT GOALS (SDGs) At the UN summit in 2015, the world's heads of state adopted 17 Sustainable Development Goals and the 2030 Agenda for Sustainable Development. The Sustainable Development Goals and the 2030 Agenda aim to eradicate poverty and hunger, ensure the rights of all people are respected, achieve equality and empowerment for all women and girls and ensure lasting protection for the planet and its natural resources. The SDGs are integrated and indivisible, and they balance the three dimensions of sustainable development: economic, social and environmental.

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.

SUSTAINABILITY REPORT Under an EU Directive, the Swedish government has decided that as of 2017 it is mandatory for large companies to publish a sustainability report. The sustainability report should contain the non-financial disclosures required to understand the company's performance, position, results and consequences of its business operations, including information on issues concerning the environment, personnel and social matters, respect for human rights and the combating of corruption.

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 crosslinks between individual polymer chains.

SO₂ (SULFUR DIOXIDE) Sulfur dioxide is formed when petroleum products are burned. SO₂ 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.

TPE Thermoplastic elastomers are rubber-like materials that combine the properties of vulcanized 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.

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.

The Sustainability Report is produced by HEXPOL with graphic design by G-byrån Sverige in Anderstorp.

This sustainability report is printed on Munken Kristall paper from Arctic Paper Munkedals AB, one of the most environmentally friendly paper mills in the world. The Company is ISO 14001 certified. The paper is made from raw materials from sustainable forestry and meets the requirements for both FSC, PEFC and the EU Ecolabel.

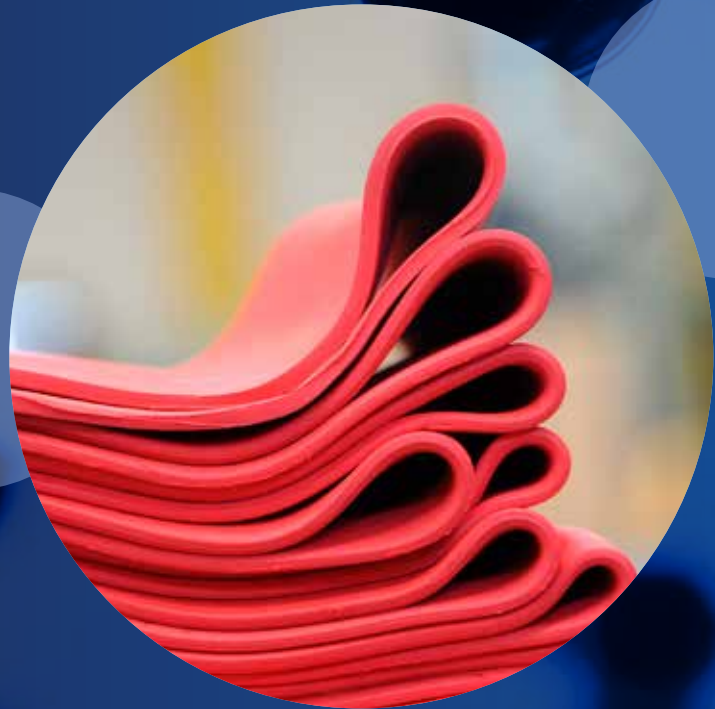
Printed by Exakta in Malmö – which has ISO 14001 certification and holds the Nordic Swan environmental certification. The Swan is the official ecolabel of the Nordic countries. They review the environmental impact of goods and services through-out the lifecycle, from raw material to waste, and sets requirements in terms of function and quality.



HEXPOL is a world leading polymer group, with strong global positions in advanced polymer compounds, gaskets for plate heat exchangers and wheels made of plastic and rubber materials for forklifts and castor wheel applications.

Customers are primarily global suppliers to the automotive and engineering industries, the construction and civil engineering industries, and in sectors such as transport, energy, oil/gas and consumer products, as well as the cable and wire industry and medical technology manufacturers, plate heat exchangers and forklifts.

The Group is organized into two business areas, HEXPOL Compounding and HEXPOL Engineered Products. The HEXPOL Group generated sales of 15,508 MSEK in 2019 and the Group has some 5,100 employees in 14 countries.



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