



# SUSTAINABILITY REPORT 2017

STRONG GLOBAL POSITIONS IN ADVANCED POLYMER COMPOUNDS



# Content

|   |    |
|---|----|
| <b>2017 in brief</b> .....                                  | 4  |
| <b>HEXPOL in brief</b> .....                                | 5  |
| <b>CEO comments on the year</b> .....                       | 6  |
| <b>Corporate responsibility</b> .....                       | 8  |
| Strategy and governance .....                               | 9  |
| Important guidelines and standards.....                     | 11 |
| Value for the stakeholders .....                            | 13 |
| Relevant information to shareholders and investors .....    | 13 |
| Professional customer relations .....                       | 14 |
| Goals and performance measures .....                        | 14 |
| <b>Environmental responsibility</b> .....                   | 16 |
| Core technologies, products and environmental aspects ..... | 17 |
| Environmental legislation .....                             | 19 |
| Energy consumption .....                                    | 19 |
| Water consumption .....                                     | 20 |
| Polymers and other chemical products .....                  | 20 |
| Emissions to the atmosphere .....                           | 21 |
| Resource efficient use of materials .....                   | 22 |
| Opportunities from “greener” products .....                 | 23 |
| Sustainability-related risks .....                          | 25 |
| <b>Social responsibility</b> .....                          | 28 |
| Employees .....   | 29 |
| Safe work environment .....                                 | 29 |
| Employee development .....                                  | 31 |
| Social involvement .....                                    | 31 |
| <b>Economic responsibility</b> .....                        | 34 |
| 2017 in brief .....   | 35 |
| Sustainable development and finance .....                   | 35 |
| Financial value for stakeholders .....                      | 35 |
| <b>Highlights during 2017</b> .....                         | 36 |
| <b>About the Sustainability Report</b> .....                | 40 |
| Purpose .....   | 41 |
| Scope and boundary .....                                    | 41 |
| Reporting principles .....                                  | 41 |
| <b>Global Reporting Initiative (GRI) index</b> .....        | 43 |
| <b>Global Compact - Communication On Progress</b> .....     | 48 |
| <b>Definitions</b> .....                                    | 50 |
| <b>Group companies</b> .....                                | 53 |

# 2017 IN BRIEF

- Sales increased with 12 percent to 12,230 MSEK (10,879)
- Operating profit increased to 1,986 MSEK (1,921)
- Operating margin amounted to 16.2 percent (17.7)
- Profit after tax rose to 1,527 MSEK (1,397) and excl. non-recurring effects to 1,423 MSEK
- Positive non-recurring effects of the US tax reform amounted to 104 MSEK
- Earnings per share increased to 4.44 SEK (4.06) and excl. non-recurring effects to 4.13 SEK
- Operating cash flow amounted to 2,001 MSEK (2,057)
- The Board of Directors proposes a dividend of 1.95 SEK per share

## Significant sustainability events

- HEXPOL joined the UN Global Compact on corporate responsibility.
- Good results from energy optimisation through energy surveys and investments in energy-smart lighting and production equipment.
- Measures to reduce climate impact were implemented – energy optimisation, purchases of fossil-free electricity and increased use of biofuel.
- Continued systematic sustainability work through environmental, occupational health and safety and energy standards.
- The Group companies successfully met customer requirements concerning the environment, business ethics and social responsibility.
- Many activities were implemented together with schools and universities – study visits traineeships and degree projects.

## KEY FIGURES

|  | 2017   | 2016   |
|--|--------|--------|
| Sales, MSEK  | 12,230 | 10,879 |
| Operating profit (EBIT), MSEK  | 1,986  | 1,921  |
| Operating margin, %  | 16.2   | 17.7   |
| Profit before tax, MSEK  | 1,968  | 1,913  |
| Profit after tax, MSEK   | 1,527  | 1,397  |
| Earnings per share, SEK  | 4.44   | 4.06   |
| Earnings per share excl. non-recurring effects of the US tax reform, SEK | 4.13   | 4.06   |
| Equity/assets ratio, %   | 68     | 77     |
| Return on capital employed, %  | 25.1   | 26.8   |
| Operating cash flow, MSEK  | 2,001  | 2,057  |

# 12,230

SALES MSEK  
(10,879 MSEK)

# 16.2 %

OPERATING MARGIN  
(17.7 %)

# 1,986

OPERATING PROFIT MSEK  
(1,921 MSEK)

# 2,001

OPERATING CASH FLOW MSEK  
(2,057 MSEK)

# HEXPOL IN BRIEF

- Innovative solutions in advanced polymer compounds, gaskets for plate heat exchangers and wheels for forklifts and castor wheel applications
- Strong global market positions - global leadership in the market for rubber compounds
- Strong position in thermoplastic elastomer compounds (TPE) in Europe
- Strong position in reinforced polypropylene compounds in the US
- Organised in two business areas with in-depth and extensive polymer and applications expertise
- Acquisition-oriented
- Growth with strong margins
- Well invested with strong cash flow
- Strong financial position

## Business area HEXPOL Compounding

**OPERATIONS** The HEXPOL Compounding business area is a world leader in the development and manufacture of high-quality advanced polymer compounds for demanding applications and discerning end users. HEXPOL Compounding consists of two product areas, HEXPOL TPE Compounding and HEXPOL TP Compounding, and three geographic regions: HEXPOL Compounding NAFTA, HEXPOL Compounding Europe and HEXPOL Compounding Asia.

**MARKET** HEXPOL Compounding's market is global and the largest end-customer segments are the automotive and engineering industries, followed by the construction sector. Other key segments are medical technology, cable and water treatment, as well as the energy, oil and gas industries. The largest TPE compounding customer segments are general industry, consumer and medical technology. The largest customer segments within TP compounding are the automotive industry and consumer.

**CUSTOMERS** Customers are manufacturers of polymer products and components who impose rigorous demands on performance and global delivery capacity.

**SALES** 11,326 MSEK (10,028)

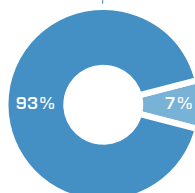
**OPERATING PROFIT** 1,873 MSEK (1,806)

**NUMBER OF EMPLOYEES AT DECEMBER 31**  
2,955 (2,679)

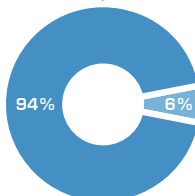
## Business area HEXPOL Engineered Products

### THE BUSINESS AREA'S SHARE OF THE HEXPOL GROUP (2017):

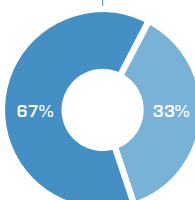
#### SALES



#### OPERATING PROFIT



#### NUMBER OF EMPLOYEES



**OPERATIONS** HEXPOL Engineered Products is active in a number of niche areas in which it occupies strong global positions in rubber gaskets for plate heat exchangers, as well as polyurethane, rubber and plastic wheels for forklifts and materials handling. The operations are organised in two product areas, HEXPOL Gaskets and HEXPOL Wheels.

**MARKET** Within its niche areas, HEXPOL Engineered Products operates in the global market with a keen focus on discerning customers and advanced applications. HEXPOL is a leading supplier of rubber gaskets that are used in plate heat exchangers and polyurethane forklift wheels. In these areas, HEXPOL is one of a few major players with a global presence.

**CUSTOMERS** HEXPOL Engineered Products' customers are usually large-scale global OEM manufacturers with market-leading positions and for whom HEXPOL's products are frequently of vital importance for the quality and service life of the finished product. Technical competency and long-term relations are of major importance for both parties. HEXPOL Engineered Products wants to develop and renew itself together with its customers in order to jointly strengthen the competitiveness and profitability of all parties.

**SALES** 904 MSEK (851)

**OPERATING PROFIT** 113 MSEK (115)

**NUMBER OF EMPLOYEES AT DECEMBER 31**  
1,429 (1,456)

# CEO COMMENTS ON THE YEAR



MIKAEL FRYKLUND  
PRESIDENT AND CEO  
HEXPOL AB

Welcome to HEXPOL's Sustainability Report 2017. It is our aim to present information in a transparent and informative way and therefore report according to best practice. The report will give you an insight into risks, opportunities, objectives and achievements – during the previous year but also in a long-term perspective.

#### ANOTHER GOOD YEAR FOR HEXPOL

The previous year was our best year to date, with a sales increase of 12 percent and improved earnings. We improved our positions in our principal markets and we further improved our operating profit. Our strategy of both organic and acquired growth in our existing areas, combined with strong cash flow, is successful and stands firm.

During 2017 we continued with our sustainability work with focus on issues that are material for the Group and the society. Also in this field I can conclude that 2017 was another good year for HEXPOL.

#### SUSTAINABILITY AND BUSINESS

The development of “greener” products and efficient use of resources, such as materials, energy and water, give both environmental and business benefits. We can, for example, observe a growing interest in the Dryflex Green product portfolio, with a number of on-going projects together with our customers. Key for us is to create value for HEXPOL's interested parties and our strong corporate culture supports this ambition.

In the Sustainability Report you will find a lot of examples where our manufacturing units implement proactive environmental and social activities. Some of the actions are a result of our Group-wide policies, strategies and objectives, but in most of the cases, the local management teams are drivers of the improvement programmes. Some examples of progress during 2017 are:

- Energy and climate-change issues are since long high on our agenda. We can now see good results from the energy-efficiency projects and the actions to reduce the carbon footprint.
- During the year, HEXPOL signed the UN Global Compact. So far, around 9,400 companies have signed the Global Compact. It can be seen as a call to companies to align strategies and operations with universal principles on human rights, labour, environment and anti-corruption, and take actions that advance global goals. As a result of the participation we updated our code of conduct (Materializing Our Values) during 2017.
- We continued to utilize the ISO 14001 system to manage environmental issues in a systematic way. During the year many of our sites updated their systems to the latest version (ISO 14001: 2015).
- During the year we participated in many activities in cooperation with schools and universities. For us it is very important to attract students to work in the polymer industry. We can certainly offer a lot of challenges and opportunities for talented people.

During 2018 we will keep focus on our long-term objectives and search for opportunities to create business opportunities from our sustainability work.

Finally, I would like to thank employees, customers, suppliers and shareholders for your confidence and excellent cooperation during 2017. I am convinced that we can further develop the HEXPOL Group in a positive direction, and that responsibility for environment and people is an important part of the development process.

*Malmö, Sweden, March 2018*

*Mikael Fryklund  
President and CEO*

CORPORATE  
RESPONSIBILITY

SUSTAINABILITY  
WORK ADDS VALUE



Taking responsibility for people, the environment and society is a key feature of HEXPOL's corporate culture and the sustainability work creates value for the Group's stakeholders. Issues such as the environment, occupational health and safety, social responsibility and business ethics are important components in daily work and in long-term strategic planning. The ambition is to contribute to a better environment and to reduce climate impact, satisfy society's requirements and expectations and generate business opportunities.

HEXPOL's sustainability strategy is focused on reducing risks and creating business advantages. For example, the development of environmentally adapted polymer compounds and other products – and efficient use of resources – gives both environmental and business benefits. During 2017, our activities continued to focus on issues that are material for HEXPOL and the Group's stakeholders. These included training in business ethics, energy efficiency, phasing out of hazardous substances, development of environment-friendly products, health and safety measures, partnerships with schools and universities, and the evaluation of suppliers.

The Sustainability Report 2017 includes data from 36 (34) units all over the world (see pages 40–42).

## STRATEGY AND GOVERNANCE

### Strategy for sustainable development

Preventive environmental and occupational health and safety work has long been established in the Group. In recent years, the life cycle perspective of raw materials, processes and products has become an increasingly important issue. Social responsibility and sound business ethics are other strategic issues that create fundamental prerequisites for successful business operations.

The Group's long-term strategy is based on the stakeholders' requirements and expectations. Important inputs to the strategy process arrive from the Materiality Analysis (see page 10), and the annual Strategy and Budget Meetings with all companies. The strategy focuses on:

- Reducing risks and costs through preventive measures, risk assessments and investments in modern technology. Issues involving energy, climate and chemicals have been assigned particular priority.
- Generating business opportunities through responsible conduct, and developing resource-efficient production methods and products.

- Working systematically with the help of ISO standards for the environment, quality, occupational health and safety and energy. HEXPOL also applies the Lean Manufacturing, 5s and internal management system concepts.
- Being a good corporate citizen and as such engaging current employees and attracting new ones.
- Applying sound business principles and good business ethics. Active efforts to prevent corruption are an important feature of this work.
- Being open in communication about sustainable development – in terms of both successes and setbacks.
- Integrating sustainability issues into HEXPOL's strategic planning and business model.

### Focus on material issues

In accordance with the GRI Standards we have identified the material sustainability issues of HEXPOL's activities, products and services. The figure on page 10 shows issues that are ranked according to the significance for the Group's interested parties and for the HEXPOL's business strategy. All issues that are shown in the figure are presented, discussed and evaluated in the Sustainability Report. The issues given the highest priority are included in the Group-wide objectives and/or as commitments in "Materializing Our Values".

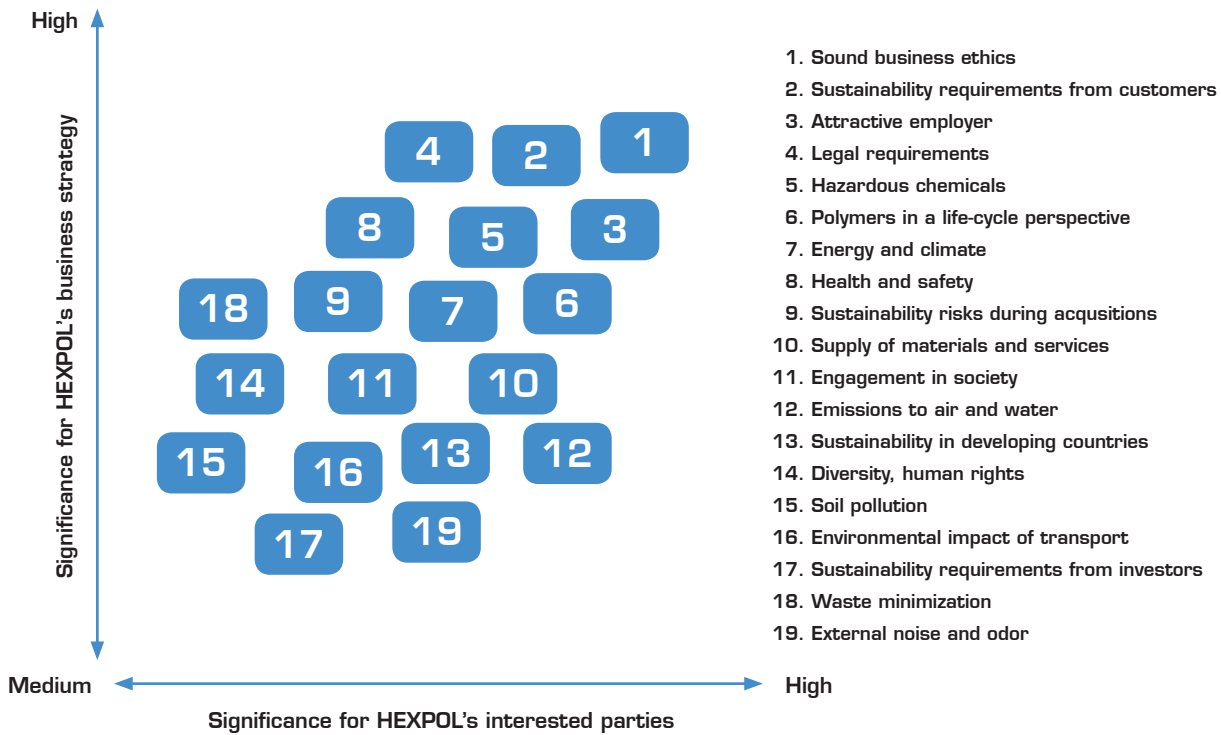
### Analyses of risks and opportunities

The Group's analyses of risks and opportunities include the consequences of developments in terms of legislation, stakeholder requirements and expectations and scientific advances in sustainability. Environmental risks in conjunction with the acquisition of other companies are a prioritized area. The issues involved could be soil pollution and breaches of environmental legislation. Opportunities are, for example, associated with our capability to develop more environment-friendly polymer compounds and other products. Read more about environmental risks and opportunities on pages 25–26.

### Continuous improvement

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 OHSAS 18001, continuous improvement is a core concept and HEXPOL's 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 HEXPOL 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 improve their process quality, productivity and performance.

**Governance, follow-up and communication**

Sustainable development is a feature of HEXPOL's strategic planning and budget process. Practical work – involving the environment, occupational health and safety, social issues and business ethics – is decentralised and the heads of Group companies are responsible for directing and following up this work. 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, goal fulfilment and how the companies performed and of key performance indicators during the year. At Group level, matters related to strategy, risks, follow-up and sustainability reporting, as well as sustainability issues, are addressed in conjunction with corporate acquisitions.

HEXPOL communicates its sustainable development activities in this Sustainability Report in accordance with the EU Directive on disclosure of non-financial information and the Global Reporting Initiative (GRI). The Group's performance in the climate area is reported in accordance with the Carbon Disclosure Project (CDP). Activities that support Global Compact are reported according to the UN framework Communication On Progress (COP; see pages 48–49). The sustainability work is regularly scrutinised by independent institutions and investors, and expectations concerning transparency and performance are steadily increasing.

**EXAMPLES OF ACTIVITIES THAT CONTRIBUTE TO SUSTAINABLE DEVELOPMENT**

**2012**

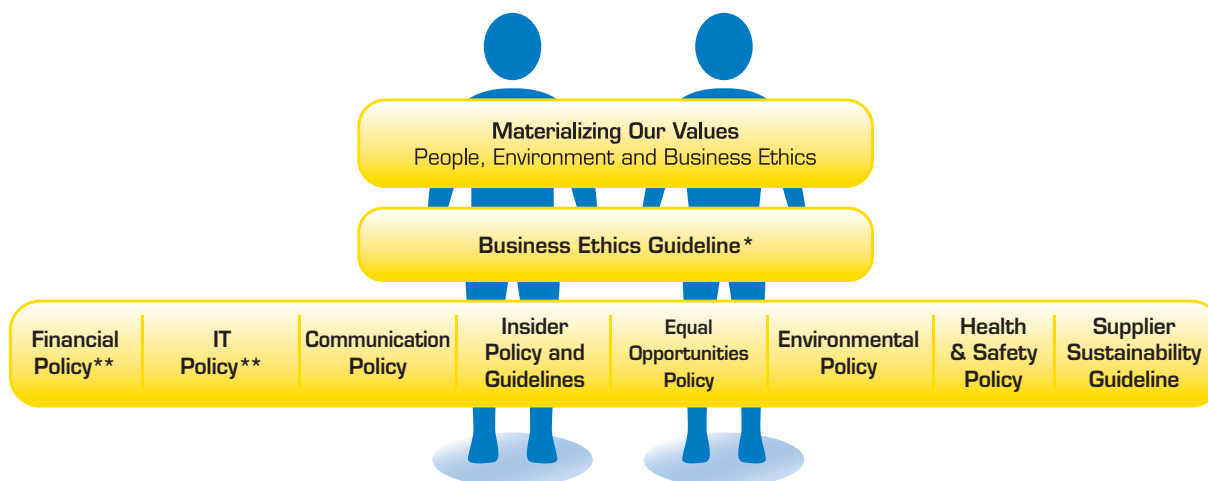
- Stricter Group objectives for sustainable development introduced.
- 88 percent of facilities certified in accordance with ISO 14001.
- Two units certified according to OHSAS 18001.
- Greater social involvement in several countries.
- Many measures aimed at energy efficiency introduced.
- Safer work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

**2013**

- Materializing Our Values introduced.
- Increased use of biofuels.
- Energy-efficiency enhancements yield positive results.
- Continued phase-out of hazardous chemicals.
- Activities to rouse the interest of students in the polymer industry.
- Adaptations to GRI G4 initiated.

**2014**

- Supplier Sustainability Guideline introduced.
- Sustainability objectives updated.
- Update of Materializing Our Values – whistleblowing.
- 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.



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

**IMPORTANT GUIDELINES AND STANDARDS**

Laws, guidelines, standards, global objectives and voluntary initiatives form the foundation for sustainability work. The Group’s fundamental values – which are based, among other things, on the Global Compact – are applied in the same way in all operations throughout the world.

**Materializing Our Values**

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 was updated during 2017.

The Board of Directors, the CEO and the Executive Management Group 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.

In a number of areas covered by Materializing Our Values, a practice of zero tolerance is applied to nonconformity. 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. During 2017, no incidents, that may be associated with corruption, were noted and the managements of the Group companies are working actively on these issues through education, policies, control and monitoring.

**Business Ethics Guideline**

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 Programme, in which all managers in the Group confirm with their signatures that they are complying with the rules. The managers participate in compulsory training programmes in the area. There is zero tolerance of non-compliance in respect of business ethics.

**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 NAFTA Safety Programme.

Since 2015 online training courses are implemented, which included 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.

**Zero tolerance to corruption**

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

- HEXPOL spread shared values in the form of “Materializing Our Values”. Group company management teams are responsible for further conveying the values in their organisation. As mentioned above, senior executives are targets for an advanced on-going training programme.
- HEXPOL monitor costs, expenditure and revenues on an on-going basis.
- HEXPOL pay particular attention to ethical issues in our relationships with partners. Standard business practice must be observed in each individual country, but if business practice does not comply with “Materializing Our Values”, we must refrain from doing business or take alternative relevant actions.
- 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 2017.

**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, one case was registered that not led to further action.

**International standards**

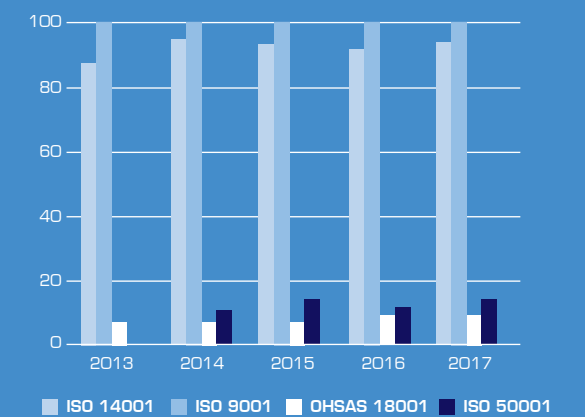
The international standards ISO 14001 (environment) and ISO 9001 (quality) are implemented at the Group’s manufacturing units. In addition to this, OHSAS 18001 (work environment) and ISO 50001 (energy) standards are used at a number of sites. The standard for Social Responsibility (ISO 26000) provides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

The experience from environmental certification (ISO 14001) is positive, with risks and costs diminishing, while confidence among stakeholders is rising. One of the Group objectives aims at certification of the environmental management systems

and all operational units except three are ISO 14001 certified. Certification is planned within 6–12 months. The systems are now updated in accordance with the requirements of the new version of ISO 14001 (ISO 14001:2015). The transition is already finalized at 18 plants and this work will be completed no later than during 2018. Internal and external environmental audits allow the environmental work to be reviewed and improved, and in 2017, 184 internal (153) and 47 external (43) environmental audits were conducted.

The standard applied for the work environment (OHSAS 18001) is implemented at two sites in Sri Lanka, and at two sites in the UK and the Czech Republic. 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 IN HEXPOL**  
(% of total number of facilities)



**Legal and other requirements**

HEXPOL is subject to comprehensive legislation, including a ban on the formation of cartels, export and import ordinances during international business transactions, trade embargoes and economic sanctions. Legislation governing the environment and occupational health and safety areas is substantial and most of the production units are subject to permit obligations in accordance with legislation in the country concerned. In addition, a number of the Group’s products are subject to various environmental requirements. The majority of customers impose their own sustainable development demands.

**Supplier Sustainability Guideline**

This document informs HEXPOL’s suppliers about our view on environmental and occupational health and safety matters, human rights and business ethics. We expect that the suppliers comply with the Guideline.

## VALUE CREATED FOR STAKEHOLDERS DURING 2017

| Stakeholder group | Aims, requirements and expectations  | Value created   |
|-------------------|--|---|
| Customers         | HEXPOL believes that the commitment to sustainability strengthen the customer relationships. Many customers require that HEXPOL has implemented a code of conduct and certified management systems. Other requirements include the phasing-out of hazardous chemicals and sustainability measures in our supply chain  | HEXPOL's sustainability work is frequently reviewed by its customers. Last year 19 sites (27) were targeted for evaluations and audits. The results were good and we received positive feedback.  |
| Consumers         | The majority of HEXPOL's products are aimed at industrial customers. It is therefore likely that the end consumers are not aware of HEXPOL as a part the supply chain.   | Indirect activities through requirements and dialogue with our industrial customers.  |
| Employees         | Health, safety, compensation, benefits, personal development, wellbeing, social situation and business ethics. It is important for us to keep and develop our employees and attract new ones.  | The frequency of accidents was equal compared with previous year. Training and competency development totalled 94,200 h (79,000). About 3,200 employees (2,600) participated in performance appraisal reviews. Positive employee satisfaction survey results. Personnel expenditures during 2017 were 1,569 MSEK (1,448). |
| Suppliers         | HEXPOL endeavors to have long-term and transparent relationships with suppliers. The aim is to ensure the right quality, financial stability and sustainable development for both parties.   | The HEXPOL Supplier Sustainability Guideline was implemented in 2015. Over the past three years, more than 1,200 suppliers of raw materials have been assessed.   |
| Shareholders      | The aim is for the sustainability work to create value for shareholders. HEXPOL ensures this, for example, through efficient resource usage and investments in new environmentally sustainable technology. The integration of sustainability issues in business operations, such as more environmentally sustainable products, reduces risks and creates business opportunities. | We had meetings with investors and responded to sustainability questionnaires. Our CDP and sustainability reports to provide transparent information to "green investors". Frequent reporting of status to the Corporate Board. The price of the HEXPOL Class B share fell by 1 percent during 2017.                      |
| Society           | Social engagement is an important aspect and something that is expected by local communities where the Group operates. As a global company, the Group is expected to undertake measures that contribute to national and global sustainable development goals.  | As described elsewhere in the Sustainability Report, the Group's companies contributed in numerous ways to local communities. During 2017 HEXPOL's tax expenses were 441 MSEK (516).  |
| Authorities       | Compliance with legislation is crucial to HEXPOL.  | There were no material breaches of relevant legislation during 2017. See details in the environmental section of the Sustainability Report.   |

## UN Sustainable Development Goals

The view on the role of business in sustainable development has changed and this is something that is clearly expressed in the UN Sustainable Development Goals. The goals were presented at the end of 2015 and expectations of business operations are high. This applies both to responsible behaviour and development of products and services that favours sustainable development. In this report we have linked HEXPOL's sustainability objectives to the UN goals.

## VALUE FOR THE STAKEHOLDERS

The stakeholders' requirements and expectations are important, and HEXPOL actively participates 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. HEXPOL's relationship to its customers is characterised 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 4,400 employees. This is accomplished through measures such as performance reviews and Human Resources surveys.

- Maintain good contacts with neighbours, authorities, mass media, schools, universities and other representatives of society.

The table above shows value created for various stakeholder groups during 2017.

## RELEVANT INFORMATION TO OWNERS AND INVESTORS

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. HEXPOL applies 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 2017 on pages 64-69 and is available at [www.hexpol.com](http://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.

In the area of sustainable development we provide information through the Annual Report, the Sustainability Report, the Carbon Disclosure Project and UN Communication On Progress.

**PROFESSIONAL CUSTOMER RELATIONS**

HEXPOL's relationship to its customers is characterized by professionalism, a high service level and quality awareness. In accordance with Materializing Our Values, the Group focuses 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.

Customer requirements related to sustainable development have increased in recent years and in 2017, 94 percent of our companies reported various types of customer requirements. For example, ISO 14001, hazardous substances, product declarations, conflict minerals, social responsibility and compliance with the customer's code of conduct. At 53 percent (65) of the Group's production units, customers conducted evaluations (audits, questionnaires) to check compliance with the requirements. The outcome was positive with constructive suggestions for improvement.

**SUSTAINABILITY REQUIREMENTS FROM CUSTOMERS:**

| Type of requirement                | % of total number of companies reporting sustainability requirements |      |      |
|------------------------------------|--|------|------|
|                                    | 2017   | 2016 | 2015 |
| Implementation of ISO 14001        | 61   | 58   | 48   |
| Phasing-out of hazardous chemicals | 61   | 65   | 59   |
| Compliance with REACH and RoHS     | 47   | 47   | 27   |
| Environmental product declarations | 64   | 50   | 45   |
| Code of conduct                    | 67   | 67   | 48   |
| Conflict minerals                  | 67   | 70   | 55   |
| Other sustainability requirements  | 31   | 32   | 31   |

**GOALS 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 systematically and the objectives are linked to UN's Agenda 2030 and the Sustainable Development Goals (SDGs). Performance measures showing the trends are briefly presented in the table on page 15. More details are found elsewhere in the Sustainability Report.

**SUSTAINABLE SUPPLIERS**

Collaboration with suppliers that manage environmental issues, work environment, social responsibility and business ethics in a responsible way is important for us. The basic principle is that the suppliers should have a code of conduct at the same level of ambitions as HEXPOL Materializing Our Values. During 2015 a set of new guidelines were introduced – HEXPOL Supplier Sustainability Guideline – that cover the entire sustainability area and clarify the expectations of suppliers. The guidelines include the following areas:

- Environment and work environment – We require compliance with legislation and a documented and systematic approach to prevent environmental and health impacts.
- Human rights – Requirements regarding discrimination, equal opportunities, child labor and right to collective bargaining.

- Business Ethics – Requirements regarding anti-bribery, cartels and sound business and marketing practices.
- Supply Chain Practices – Requirements that the supplier shall take actions to ensure that its suppliers comply with the HEXPOL guidelines, or a comparable standard, as well as to assess their performance against it.

The objective is that the Guideline should reduce risks and contribute to sustainable development. At the same time we strive for elimination of all unnecessary bureaucracy. Our activities to support a sustainable supply chain will continue and so far the response to the guidelines has been positive.



| Objective   | UN Sustainable Development Goals   | Status  | Trend |
|---|--|---|-------|
| Energy consumption (GWh/net sales) is to be reduced continuously. Within the framework of ISO 14001, many of the production units are working with detailed targets for increased energy efficiency.  | Affordable and clean energy  | Work involving energy surveys and measures to increase efficiency continued. In a five-year perspective energy efficiency has increased. Since 2010, the performance measure for energy consumption shows a reduction of about 25 percent.  | ▲     |
| Emissions of carbon dioxide (tonnes/net sales) are to be reduced by 15 percent by the end of 2018 compared with the average for 2010-2011. This target pertains to carbon emissions resulting from the use of energy. There are various types of local targets. | Climate action   | The use of biofuels, purchases of green electricity and energy optimisation reduce emissions of greenhouse gases. This is being countered by increased operations in countries where purchased electricity is generated from fossil energy. In a five-year perspective, the performance measure is moving in the right direction. | ▲     |
| 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.  | Industry, innovation and infrastructure  | Slightly more than 90 percent of the subsidiaries are ISO 14001 certified.  | ▲     |
| 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.         | Industry, innovation and infrastructure. Responsible consumption and production. | Activities to limit the use of particularly hazardous substances are continuously implemented. The development of environmentally compatible products continues and in this report there are a number of examples of products that generate both environmental and business value.  | ▲     |
| 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.   | Decent work and economic growth.   | Systems for reporting near misses are in place in most of the units. In a five-year perspective, the performance measure is virtually unchanged and it is relatively high in an industrial perspective.   | ▶     |
| Supplier Sustainability Guideline is to be applied in the supply chain.   | Responsible production and consumption   | Assessments are performed through self-declarations, questionnaires, site visits and formal audits. Over the past three years, more than 1,200 suppliers of raw materials have been assessed.   | ▲     |

▲ TARGET ALREADY ACHIEVED

▲ POSITIVE TREND, TARGET POSSIBLE TO ACHIEVE

▶ NO CHANGE

▼ NEGATIVE TREND, TARGET NOT ACHIEVED

## MATERIALIZING OUR VALUES

At HEXPOL we recognize that our activities have an impact on people and the environment, both locally and globally, but we are convinced that we can contribute to sustainable development being responsible citizens.

Our primary objective is to create profitable growth and a prerequisite for doing that is to show responsibility for people and the environment, and to demonstrate sound business ethics. The commitments – Materializing Our Values – are deeply rooted in our corporate culture and strategy, meaning that we strive to limit the Group's impact on the climate and to offer a safe and stimulating work environment for our employees worldwide. It is equally important that HEXPOL is associated with credibility and healthy values in our contacts with, customers, suppliers and business partners.

"Materializing Our Values" represents the Group's Code of Conduct and states the fundamental principles governing relations with employees, business partners and other stakeholders.

Materializing Our Values is based on UN Global Compact. The guidelines offer direction to those activities in the Group in respect of legal, finance and accounting, conflicts of interest, labor conditions, and social aspects as well as good business ethics.

The guidelines were updated in 2017 and you can find the document on our website [www.hexpol.com](http://www.hexpol.com).

To order printed copies please contact the Group Headquarter at [info@hexpol.com](mailto:info@hexpol.com).



# ENVIROMENTAL RESPONSIBILITY

## FOCUS ON MATERIAL ASPECTS



Work on multiple environmental issues continued during the year. Important driving forces were to reduce environmental impact and to comply with environmental legislation in the countries served by the Group. Other activities were targeted at generating business value from the environmental measures. Better husbandry of resources through more efficient use of energy, water and raw materials are examples of how environmental and business value interact. Environmentally compatible product development is another high-priority area in which HEXPOL's expertise and technology can contribute to the customers' environmental work. The Group has set a number of long-term objectives in the environmental area.

## CORE TECHNOLOGIES, PRODUCTS AND ENVIRONMENTAL ASPECTS

### Rubber compounding

The HEXPOL Rubber Compounding businesses offer a comprehensive range of products:

- Rubber Compounding – Custom compounds and formulation development.
- Rubber Compounding for roll-covering applications.
- Specialty Products – A comprehensive line of custom and standardized performance additives and color concentrates.
- Tire & Toll – Large-volume rubber compounds for tread, retread, sidewall, coating stocks, bead, inner liner, bladder, and white compounds.
- Curing envelopes and tubes for re-treading.

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, HEXPOL Compounding's 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 are processed further by

customers through, for example, extrusion, injection moulding and compression moulding to give the components their final shape. Continuous or discontinuous vulcanization gives the end products their elasticity properties. HEXPOL Rubber Compounding's production units have sophisticated quality assurance systems. The production process is computerized to ensure efficiency and quality.

### 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 compounds based on SBS, SEBS).
- 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.

### TP compounding

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

### Silicone compounding

The business has grown and now it has more than 60 customers. Key focus has been to further expand the product portfolio. In 2017, HEXPOL Silicone Compounding focused on continuous process improvements with significant capital investments in material handling systems, automatic cutting equipment, new screening capabilities, weighing systems and an upgraded process control system.

### Gaskets

HEXPOL Gaskets 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 decimetres 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 thermoplastics. 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

Key environmental aspects that affect HEXPOL's core technologies and operations include the use of resources in the form of 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 informa-

## POLYMER COMPOUNDS IN A LIFE-CYCLE PERSPECTIVE

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, plasticisers, 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 below.

### Synthetic rubber

About 60 percent of world production of synthetic rubber is used for tire manufacture. HEXPOL's rubber product portfolio contains around 85 percent synthetic rubber, the remainder being natural rubber. Synthetic rubber is a product of the petroleum industry and our 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 is, for example, associated with products that contribute to energy saving and reduction of noise and vibration.

### Natural rubber

The rubber tree *Hevea brasiliensis* requires a tropical climate. Today, more than 90 percent of all 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.

An overview of the production process for natural rubber shows that the environmental impact 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 and natural rubber makes up around 15 percent of the total use of rubber polymers and around 11 percent of the total use of polymers.

### 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. One thing that TPEs materials have in common is that they are completely recyclable. TPEs can also be combined with natural materials, for example, cork.

### 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 remoulded into new products.

Conventional thermoplastics 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. In recent years composite materials have been obtained from the combination of recycled thermoplastics and biodegradable waste of little economic value, for example, rice husks and recycled cotton. Life-cycle analyses show that such composites exhibit a significantly reduced environmental impact during the materials acquisition and processing phases compared to conventional virgin thermoplastics. In HEXPOL, the RheVision line utilises bio-fibre reinforced polypropylene and the result is a lower carbon footprint compared to traditional thermoplastic products.

tion about how environmental aspects are ranked is found in the materiality analysis on page 10.

**ENVIRONMENTAL LEGISLATION**

HEXPOL 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, the US, Mexico, Sri Lanka and China have environmental licences 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 in excess of 30 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 efficiency, sustainability report) or other national or international legislation affects most of the Group's operations and products. One third of the units are subject to producer responsibility legislation for packaging.

The following events related to legislation and ordinances occurred during the year:

- The EU Energy Efficiency Directive became effective in 2015 and, within the framework of the Directive, HEXPOL's facilities in Europe are subject to requirements for energy surveys and reports to supervisory authorities. At the units concerned, energy surveys have been conducted or will be implemented over the coming four-year period. Status reports have been submitted to the Swedish Energy Agency. Alternatively, the requirements stipulated in the directive can be fulfilled by introducing the ISO 50001 energy management system. In the EU, ISO 50001 has been implemented at two units in Germany and one in the Czech Republic. A couple of other units are working to introduce the management system.
- The CLP Regulation, which became effective in 2015, concerns the classification, labelling and packaging of chemical substances and compounds that are put on the market in the EU. At HEXPOL, the regulation resulted in many measures during 2015-2017, such as new classification of chemical products, while labelling and safety data sheets have been updated.
- Supervisory authorities conducted inspections at 15 of the units. No material deviations from environmental legislation were noted. A preliminary hearing concerning infringement of environmental legislation, involving Gislaved Gummi AB, was rescinded by the public prosecutor.

**ENERGY CONSUMPTION**

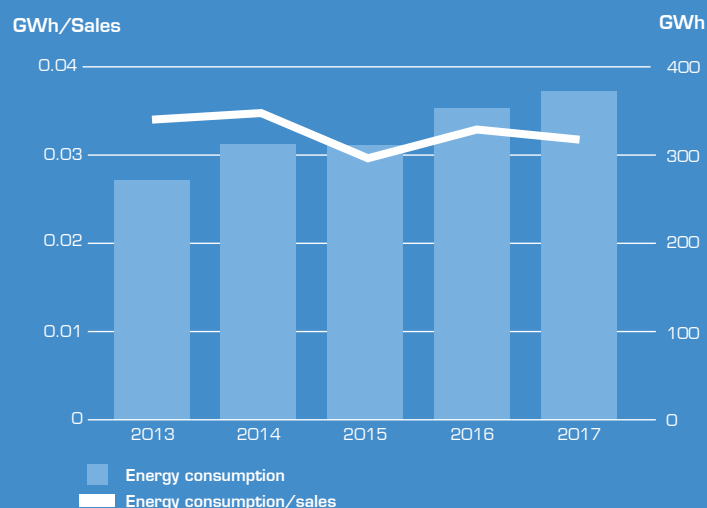
The use of energy is an important environmental aspect for HEXPOL. In 2017, 379 GWh (355) was needed for the operations. The energy cost was 221 MSEK (224) and energy consumption caused emission of 141,000 tonnes of the greenhouse gas carbon dioxide. Mixing equipment, presses, and other heavy production equipment, have a major contribution to the energy usage, but, in this context, compressed air, cooling, lighting, ventilation and moving of materials are also important factors. Close to 75 percent (73) of the energy usage was based on purchased electricity, 15 percent (16) on natural gas and the rest derived from other sources. The use of biofuels and fossil-free electricity amounted to 17 percent (11).

The Group is growing both in terms of number of units and production volume, and with this follows increased 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.

During the year energy saving measures were implemented, such as:

- Energy audits according to the EU Energy Efficiency Directive were continued. So far 10 plants have carried out audits and another three have audits in their pipelines.
- Continued use of the ISO 50001 energy management system at five sites in Sri Lanka, Czech Republic and Germany.
- 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.
- Energy curtailment programmes together with energy supply companies. This reduces capacity costs.

**ENERGY CONSUMPTION**



- Changes in internal processes to minimize change-over times. Lower unnecessary idle time when energy is being used.
- Recirculation of dust collection air through HEPA filters back into facility to prevent heat and cooling losses to environment.
- Detecting leaks in the compressed air systems in order to reduce unnecessary energy losses.
- Installation of cooling systems with improved energy efficiency.
- 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.
- 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. Pre-heating of presses.
- Reducing energy consumption during peak periods on the electricity network. Surplus energy sold to the local district-heating network in Gislaved, Sweden.

### WATER CONSUMPTION

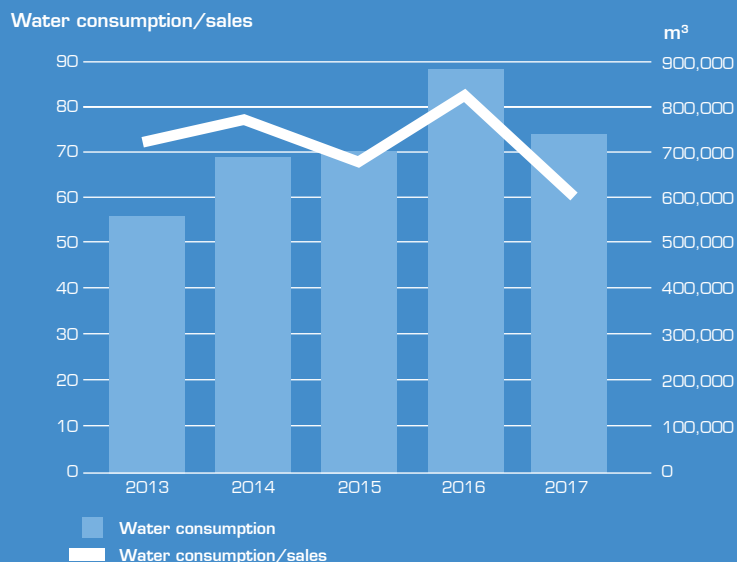
In 2017, around 341,000 m<sup>3</sup> (340,000) of municipal water was consumed, 98,000 m<sup>3</sup> (98,000) came from own wells and 296,000 m<sup>3</sup> (447,000) from rivers. In a five-year perspective the key performance indicator (m<sup>3</sup>/net sales) fluctuates but the overall consumption is more or less unchanged. The fluctuations can partly be associated with the need for cooling – a cool summer will reduce the use of cooling water. A number of actions have been taken to reduce the water consumption, such as search for leaking pipes, awareness programmes and technical measures. Most of the production facilities have installed closed-loop cooling systems for mixers and other types of equipment. The total cost of water was 4.4 MSEK (4.3).

Access to good quality water is essential for HEXPOL, and with regard to the use of a natural resources, there are many good 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.

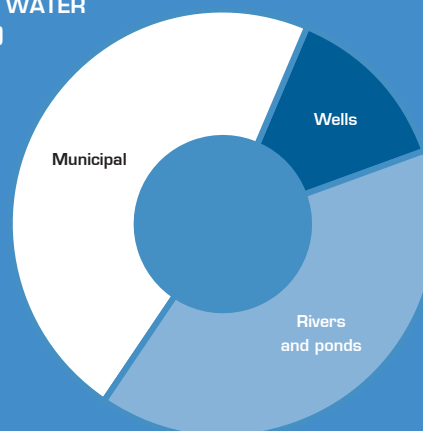
Emissions to wastewater from the manufacturing processes are limited and the indoor premises are normally not fitted with sewers. Wastewater therefore mainly consists of organic materials and nutrients from sanitary facilities and cleaning. Discharges of cooling water, that has not been in contact with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

tainment and spill-kits are installed at the units. Measurements of storm water and wastewater showed that the concentration of pollutants complied with the legal limits.

### WATER CONSUMPTION



### SOURCES OF WATER (% OF TOTAL)

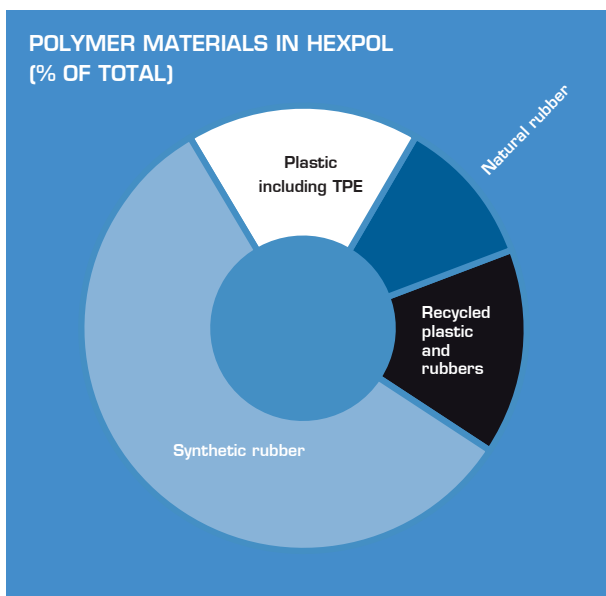


### POLYMERS AND OTHER CHEMICAL PRODUCTS

Most of the Group's manufacturing processes are based on the use of polymers, softening agents, fillers, and a large number of chemical substances. The recipes depend on the desired technical properties of the final products. 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 the above-mentioned raw materials, polyurethane plastics, thermoplastic elastomer compounds (TPE), metals, solvents and dyes are

used. 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 11 percent (7) of total polymer consumption. The use of recycled polymers accounted for about 15 percent (18). 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**

At HEXPOL thousands of recipes and chemical substances are used. The Group 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 placed by our customers.

**Precautionary work**

Around ten chemicals, that are identified in the REACH SVHC List (Substances of Very High Concern Candidate List), are used in HEXPOL. Precautionary activities have high priority and during 2017 more than ten chemicals were phased-out, or had their usage reduced. Efforts to reduce the risks involves, for example, certain phthalates, solvents, biocides and accelerators. Other examples of chemicals that we have focus on are ETU, DPG, DINP, DOTG and aromatic oils (see Definitions).

The substitution work is complicated since there is no global harmonised legislation and substances that are banned in one country may be accepted in parts of the world. 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) extender oils are used to facilitate the processing of the rubber compounds. They are also an essential component for the technical performance of tyres 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 tyres 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 88 percent (89) of the extender oils have a low PAH concentration and we strive to convince customers that more environment-friendly options are available.

**EMISSIONS TO THE ATMOSPHERE**

**Climate changing gases**

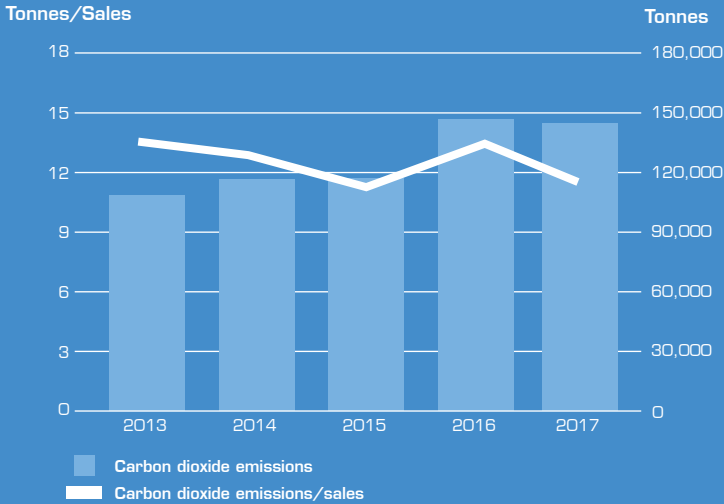
HEXPOL's aim is to reduce the emission of the greenhouse gas carbon dioxide from energy consumption. The emissions are results from the use of fossil fuels (oil, natural gas and propane) and purchased electricity. During 2017 the emissions amounted 141,000 tonnes (143,000). The indirect emissions through purchase of electricity dominated and accounted for 89 percent (88) of the total amount of carbon dioxide. In a five-year perspective the key performance indicator for carbon dioxide emission (tonnes CO<sub>2</sub>/net sales) has been reduced. The indicator is impacted by several positive and negative factors, for example:

- Increased production, increased used 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 China. As a result our indirect emissions are highly affected by electricity that is produces from fossil sources (coal, fuel oil) in these countries.
- HEXPOL's increased use of fossil-free electricity, and use of biomass (wood, sawdust) in Sri Lanka, continually reduces the emissions of carbon dioxide.
- The on-going energy-efficiency projects contribute to a lower carbon footprint.

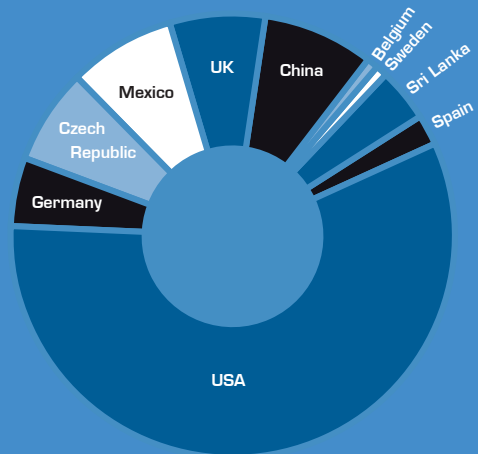
**Other air emissions**

Energy consumption caused 12 tonnes (9) of atmospheric emissions of sulphur dioxide and nitrogen oxide. 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 51 tonnes (30) and were caused by the manufacture of polyurethane wheels. The total amount of installed

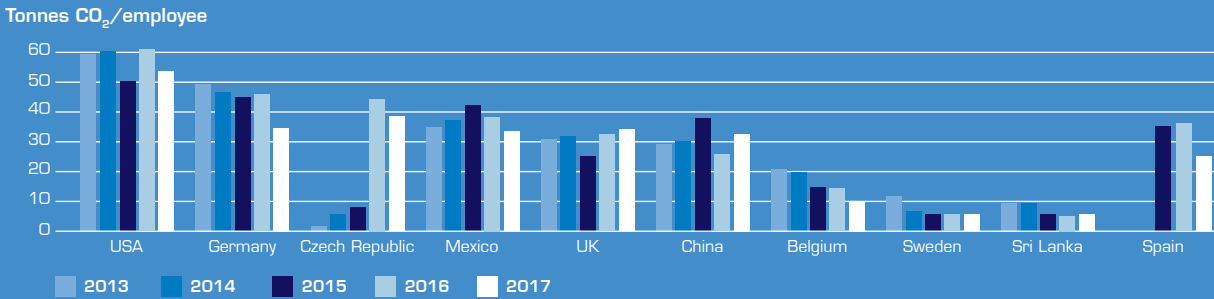
CARBON DIOXIDE EMISSIONS



CARBON DIOXIDE EMISSIONS PER COUNTRY (% OF TOTAL)



CARBON DIOXIDE EMISSIONS PER EMPLOYEE



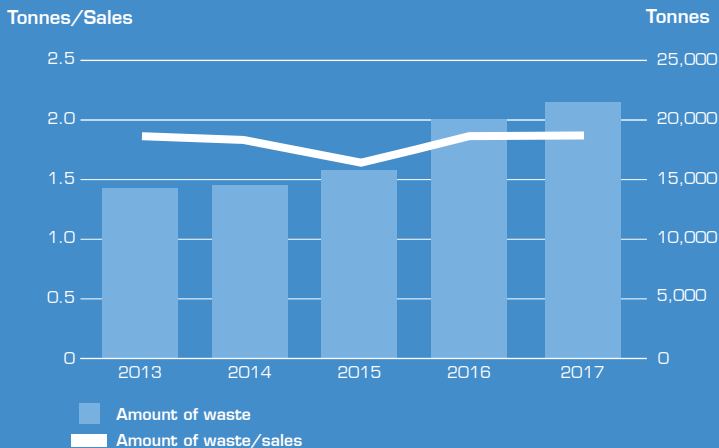
cooling agents is approximately one tonne. No emissions of such ozone-degrading gases (CFC/HCFC) occurred during the year.

RESOURCE-EFFICIENT USE OF MATERIALS

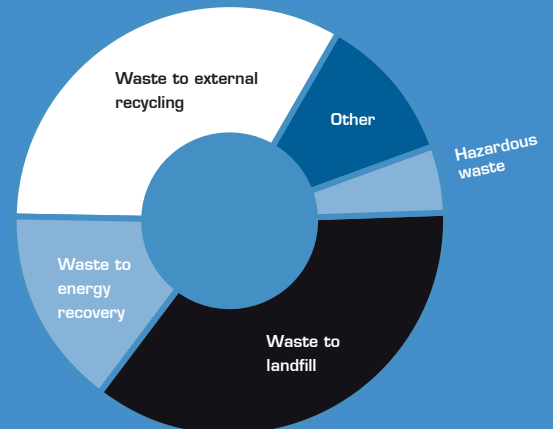
By minimizing scrap, improving waste sorting at source and reducing the overall amount of waste, the units are using raw materials in a more efficient way. Examples of actions that are

beneficial from an environmental point of view include internal recycling of process waste and the utilization of purchased recycled polymers. During 2017, purchased recycled material accounted for about 15 percent (18) of the total volume of polymer raw materials. It is mainly RheTech (USA) that uses recycled plastic on a large scale, but also the tyre plant in Sri Lanka uses notable amounts of recycled rubber. In an on-going project,

AMOUNT OF WASTE



WASTE CATEGORIES (% OF TOTAL)



conducted at the Group's units in the US, a significant amount of carbon black was recycled from dust filters and used in certain products.

During 2017, the total volume of waste was 22,000 tonnes (20,000), of which hazardous waste accounted for 1,040 tonnes (810). In a five-year perspective, the KPI for waste (tonnes/sales) shows an unchanged situation. The cost of waste management amounted to 19.0 MSEK (18.4).

**OPPORTUNITIES FROM "GREENER" PRODUCTS**

The interest in the cleantech concept – products and services that both create environmental and business benefits – increases in society. As a

result many of HEXPOL's customers are taking actions to improve the environmental performance of their products. Actions may, for example, include measures to reduce the risks associated with hazardous chemical substances, reducing fuel consumption in vehicles, increasing energy efficiency in industrial processes, or increase the use of fossil-free or renewable materials.

There are a number of good examples where products that are developed by HEXPOL create environmental and business opportunities:

- RheTech in the US uses recycled polymers. The product line RheVision is based on renewable materials. The polypropylene plastic is reinforced

**HEXPOL TPE AND WILDO DEVELOP GREEN SOLUTIONS FOR OUTDOOR LIFE**

**Global Thermoplastic Elastomers compounding group HEXPOL TPE worked with Wildo Sweden AB on the development of a bio-based TPE for their iconic Fold-A-Cup.**

"The Scandinavian and Nordic countries have long fostered a culture of sustainability and 'green' thinking is not new," says Klas Dannäs, Global R&D Coordinator at HEXPOL TPE.

"What we're doing with the development of our biobased TPEs is creating new possibilities to achieve these goals. Dryflex Green TPEs make it easier for customers to meet application and material demands, while deploying global resources in a sustainable way.

We also recognise that using renewable resources brings with it a responsibility to ensure that they are managed in an ethical way. In this regard, we are working closely with our suppliers to ensure they operate in a responsible manner with good environmental practices that comply with social and environmental demands. We continue to trial new and emerging raw material combinations and further test the possibilities of Dryflex Green TPE compounds. We've found that as the requirements can vary greatly for each application, there is a need for highly customised formulations. For example, working with Wildo Sweden AB, we developed a bespoke Dryflex Green TPE compound for their Fold-A-Cup product. We had several interesting properties to meet, the TPE compound needs to display the correct behaviour during repeated folding and opening of the cup. It should be flexible, yet rigid enough to withstand temperatures from hot or cold drinks. We also needed to consider haptics and of course the raw materials we used had to be compliant with food contact."

Lena-Marie Johannisson, project manager at Wildo commented "Being an outdoor product



producer we always strive to be part of something bigger. With the outdoor as our platform we understand the importance of respecting the environment and surroundings around us. We need to make sure that we can enjoy our planet now and in the future".

Wildo's history started more than 35 years ago when the Fold-A-Cup and Camp-A-Box was developed - outdoor utensils that are functional, durable and lightweight, and can be used over and over again. At that time, it was pioneering in contrast to the buy and throw away-thought as well as the heavy options that were around. Making many small steps by keeping the production in Sweden, well selected suppliers and short transports, recycling and re-usage of boxes as well as easy designed packages has been natural choices in their production. It also enables close contact with their suppliers, they understand and can relate to Wildo's products.

The question of developing a bio material together with HEXPOL TPE was brought up, "It was not hard to leap into this further, knowing that they, as well as us, would never compromise with the quality of the material," adds Johannisson. "This was what we had been looking for! Working for more sustainable material reducing the fossil recourses is not a luxury we can choose but a necessary way to go. Wildo has now started with a first step to a green choice, but there will be more to come."

with fibres from, for instance, Agave cactus, coconut or rice shells. The raw materials are considered as waste but are instead reused for the production of plastic products. In the products RheTech may use up to 15 percent of biological material and combined with recycled polymers, more than half of the product may consist of recycled material.

- The requirements for the weight reduction are, for example, met by the product group HexLight (microdense materials). The density of the rubber profiles is reduced up to 30 percent. This contributes to lower fuel consumption in vehicles.
- Products (envelopes) for re-treading of automotive tyres prolong the life of tyres and thereby reduce the environmental impact.
- HEXPOL TPE Compounding has launched product line Dryflex Green. A thermoplastic elastomer based on raw materials from renewable sources.
- HEXPOL has developed a type of EPDM rubber with low electrical conductivity, which is something the automotive industry demands. The risk of electrolytic corrosion occurs when the use of light aluminium and magnesium alloys increase in cars. Door strips containing the new type of EPDM reduce the risk of corrosion. The material performs very well during processing.

- Recycled polymers are used in materials in mud flaps, mats and bumpers for the automotive industry.
- HEXPOL Engineered Products manufactures rubber gaskets that are used in plate heat exchangers saving energy worldwide. The gaskets also contribute to energy saving, less climate impact and secure handling of chemicals and food products.
- Thermoplastic elastomers (TPE) are easy to recycle and are used in many applications, such as 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.
- TPE 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.
- 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.

## HEXPOL TPE HELPS GRUND GO GREEN

**With advances in technical properties and a growing number of manufacturers and materials, we are seeing bioplastics move into new application areas and playing an increasingly important role in the evolution of the plastics industry. Grund GmbH & Co. KG is one of the companies expanding their traditional product offering by using Dryflex Green thermoplastic elastomers from HEXPOL TPE in their new generation bed slat holders.**

For the bed slat holders it was important that the TPE was efficient to process, with good flowability. It needed to be easy to colour and the compression set properties also needed to be considered.

Dryflex Green is a family of biobased thermoplastic elastomers (TPE). They are opening up previously unreachable design solutions to the biobased thermoplastic market by covering a wider range of hardnesses, including softer grades from 20 Shore A through to 55 Shore D, while incorporating high levels of renewable content to over 90%. The biobased content derives from raw materials such as polymers, fillers, plasticizers or additives. HEXPOL TPE has also developed compounds using organic fillers from plants, crops or trees; these give

additional organic appearance and haptics. The biobased content is achieved by use of truly sustainable raw materials and feedstocks with recognised certifications such as ISCC+.

Customers demand is moving towards sustainable materials. They want products that give the performance they need while also being environmentally friendly and responsibly produced. Dryflex Green TPEs gives the properties that customers are looking for.

Thomas Köppl, Manager Central Technology & Development Center HEXPOL TPE, commented "We are working with several customers that want to add a 'green' line to their existing portfolios. We can see that Dryflex Green TPEs are giving manufacturers of applications such as household goods, sports equipment, toys and infant care new opportunities for sustainability".





## RHEVISION – THE GREEN ALTERNATIVE IN REINFORCED THERMOPLASTICS

**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%.

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.

### SUSTAINABILITY-RELATED RISKS

#### Environmental legislation

*Risk:* 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. So far, the R&D departments have reformulated a number of recipes and the use of several substances 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.

*Risk management:* The Group is working systematically to analyse 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.

#### Health and safety legislation

*Risk:* 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.

*Risk management:* 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.

#### Contaminated soil

*Risk:* 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 2017. 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. How-

ever, there are no legal requirements for remediation of this land that affect the Group.

*Risk management:* 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 groundwater 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.

#### **Hazardous substances in buildings and installations**

*Risk:* The roofs of some buildings are constructed of Eternit tiles that contain asbestos fibres. The risks are considered minor and do not require actions to be taken until the roofs are to be replaced. 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.

*Risk management:* Regular assessments of the presence of asbestos and PCB are made in conjunction with acquisitions. In accordance with the legislation in different countries inventories have been carried out and relevant precautions have been taken. Further actions are currently not applicable.

#### **Climate-related risks**

*Risk:* Three of the units have identified flooding as a climate-related risk and certain precautions have already been taken. Three facilities are located in areas that could be exposed to extreme weather.

*Risk management:* 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**

*Risk:* 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.

*Risk management:* The Group is taken an active role within the area and is offering knowledge that contributes to environmental friendly product development. Many of the Group's "green" products give good business benefits, for example Dryflex Green which consists of bio-based raw materials.

#### **Human rights**

*Risks:* The risk for any violation of the human rights at HEXPOL's 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.

*Risk management:* 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**

*Risk:* The Group has operations in both industrialised and developing countries. No matter where the operations are, there is a risk that sound business principles are not applied. In the Materiality Analysis (see page 10) 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.

*Risk management:* 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 Programme 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.

## SCIENCE-BASED CLIMATE TARGETS

**“The Paris Agreement is a global accord on climate change that was adopted in December 2015. The agreement includes an action plan to limit global warming to well below 2°C. The plan encompasses the period from 2020 and onwards. The most important points in the agreement concern a long-term global climate goal, that world leaders are to draw up comprehensive national action plans, and that countries are to report on the progress they make towards fulfilling the plans. Another important element of the agreement is that developed countries are to contribute climate financing to help developing countries,”** says Torbjörn Brorson, head of sustainable development at HEXPOL and professor at Lund University.

“Climate change is an important global issue that impacts us all. There are high expectations on the actions taken by the business sector, and companies can contribute their own climate goals, action plans and measures, and also by developing climate-smart products. HEXPOL has long had a climate goal that is based on what is deemed reasonable and possible to achieve. The concept of science-based climate targets appeared a few years ago and I wanted to investigate how the concept could be used at HEXPOL,” continues Torbjörn.

“To dig deeper into the underlying theory and the application of science-based climate targets, a student was brought in from the International Institute for Industrial Environmental Economics (IIIEE) at Lund University. Jelena Mnacakanjan from Hungary was interested in the topic and wrote her master’s dissertation in 2017 with the title Science-Based Targets for a Low Carbon Economy – Drivers and Barriers for Global Companies.”

The Science Based Targets initiative was started by the UN, the World Wildlife Fund (WWF) and the World Resources Institute, and aims to persuade the world’s companies to adopt the climate goals in the UN’s Paris Agreement. So far, just over 320 companies have had their targets assessed and approved and in many cases companies are making long-term and demanding commitments.

Jelena Mnacakanjan observed in her research that HEXPOL already conducts advanced



Jelena Mnacakanjan at the IIIEE at Lund University successfully defended her degree project on science-based climate targets.

sustainability work and that the introduction of science-based climate targets would not have any dramatic implications for the Group. However, she stresses several advantages, including a more long-term commitment to reduce climate impact. Other benefits are the potential to more clearly communicate climate work, and to be exposed to external examinations of how climate performance develops over time. Jelena also recommended that HEXPOL should expand the collection of emissions data to include transportation, deliveries, raw materials and other sources of emissions that are at present not part of the Group’s reporting.

“Jelena presented an excellent degree project that increased understanding of the concept of science-based climate targets. We are yet to decide whether HEXPOL should apply for this type of target. We can see both advantages and disadvantages with this and as usual our ambition is to avoid an increased administrative burden. Regardless of this, Jelena’s dissertation included a great many good points that we have already taken on board,” concludes Torbjörn Brorson.

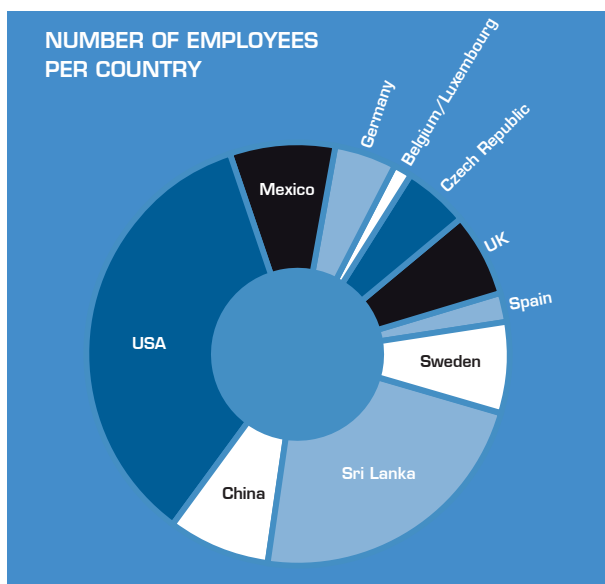
SOCIAL  
RESPONSIBILITY

DIVERSITY,  
COMPETENCE,  
COMMITMENT  
AND WELL-BEING

Materializing Our Values applies in the same way throughout the world and the Group aims to be a good neighbour and corporate citizen. The basic idea is that these ambitions will contribute to attracting, developing and retaining committed and competent employees. Among other measures, HEXPOL is therefore working to develop managers and train employees. Work environment efforts focus on preventive measures. The Group's suppliers are expected to apply a code of conduct corresponding to Materializing Our Values.

## EMPLOYEES

At the end of the financial year, the number of employees was 4,389 (4,140), of whom 2,955 (2,679) worked in HEXPOL Compounding and 1,429 (1,456) in HEXPOL Engineered Products. The Parent Company had five employees (5). HEXPOL is a global Group and 93 percent (93) of the employees work outside Sweden. Of the employees, 43 percent work in the United States/Mexico, 28 percent in Europe and 29 percent in Asia.



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 labour legislation. No employee may be discriminated due to gender, religion, age, physical or mental disability, sexual orientation, nationality, political opinions or origin.

HEXPOL encourages diversity and distances itself from all forms of discrimination. Questions regarding equal rights have been decentralised and formal equality plans exist at about 60 percent of the units.

"Materializing Our Values" recognizes 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 HEXPOL is active. All employees are covered by collective agreements at about one third of the units and this applies in Sweden, Sri Lanka, Germany, Spain and China. For other units, the affiliation to trade unions is between 0 and 75 percent.

A significant share of the people employed in the global polymer industry are men, something that also applies to HEXPOL. In the Group, 14 percent (13) of the employees are women. The units in Sweden and China account for the highest share (about 35 percent), with the lowest proportion in Sri Lanka (5 percent). The proportion of females is 57 percent (43) on the Board of Directors and 17 percent (17) in Group management. The proportion of females in the local management teams averages 14 percent (15). 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 recruitments to various positions. During the year, nothing arose that showed that the Group had breached the guidelines concerning human rights, equal opportunities or diversity.

## SAFE WORK ENVIRONMENT

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 programmes, registration of incidents and technical improvements. Creating a good work environment and well-being are the responsibilities of executive management and improvement programmes are conducted in cooperation with employees and their representatives. About half of the units have reward systems in place for improvements made in the environmental and working environment fields.

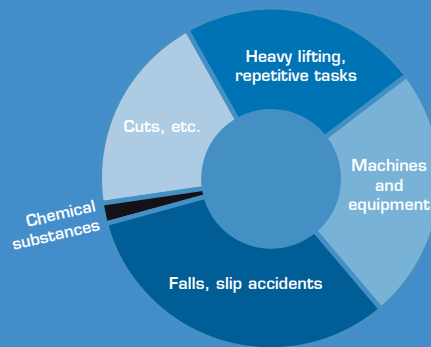
During 2017, there were 138 occupational accidents (127) resulting in more than one day's absence from work. Total absence due to accidents amounted to 1,672 days (2,319). Over five years, the average accident rate for absence per million hours worked is 14.1. The outcome of 2017 was above average and amounted to 15.2. The frequency is at the same level as heavy manufacturing industry and the causes of accidents consist primarily of falls, equipment-related, manual handling and cuts. Two accidents involving contractors were reported and 23 work-related illnesses (13) were confirmed. Impaired hearing, allergies and injury to muscles and skeleton are examples of illnesses that occurred during the year.

We cannot demonstrate a clear downward trend in the number of work accidents and additional

actions are needed. Here are some examples of proactive activities:

- One good example of a proactive approach is found in the HEXPOL Compounding Safety Programme. The programme is applied at the NAFTA plants in USA and Mexico (see below).
- Systems to record near misses have been introduced in 86 percent (82) of the units and are being used in an efficient way. A total of 448 near misses (308) were registered, resulting in preventive and remedial measures to reduce the risk of accidents.
- Another good example is the OHSAS 18001 occupational health and safety system, which is implemented in Sri Lanka, at one company in UK and one company in the Czech Republic.
- Many of the units manage health and safety in a systematic way within the legal frameworks of their respective countries.
- The safety committees are important and such organisations exist in 92 percent (94) of the facilities.
- Other continuous activities include risk analyses, occupational health and safety monitoring, technical measures, training, health checks and safety rounds. Special health checks of the workforce are conducted at the few units handling isocyanates. Other types of recurring health checks are common in the Group.

CAUSES OF OCCUPATIONAL ACCIDENTS 2017 (% OF TOTAL)



ACCIDENTS AT WORK 2013 – 2017

|                          | 2017  | 2016  | 2015  | 2014  | 2013  |
|--------------------------|-------|-------|-------|-------|-------|
| Lost Work Cases (LWC)    | 138   | 127   | 111   | 104   | 68    |
| Lost Work Days (LWD)     | 1,672 | 2,319 | 2,058 | 1,875 | 1,016 |
| LWC/million worked hours | 15.2  | 15.1  | 15.9  | 14.3  | 10.0  |
| LWD/million worked hours | 184   | 275   | 295   | 257   | 150   |

## HEXPOL COMPOUNDING NAFTA SAFETY PROGRAM

The HEXPOL Compounding NAFTA safety team focuses on keeping associates safe. The mission statement of the team is simple: "Develop a world class safety culture."

The key building blocks of the safety program are:

- Awareness and Communication
- Corrective Action Process
- Preventive Action Process
- Cardinal Safety Rules
- Internal Safety Audits

The NAFTA safety team conducts weekly conference calls, and every campus 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 reoccurrence?

Every month, each site conducts a monthly safety communication meeting with all associates. This is a campus wide meeting where all prior month NAFTA recordable injuries; near-miss safety incidents; internal safety audit results; and any other applicable safety topics are presented to help educate the work force.

During 2017 associates from one site traveled to another site to perform safety audits.

All safety findings and observations were documented, and corrective actions were implemented by the site being audited.

Through October 2017, the NAFTA safety incident rate has improved versus the 2016 safety incident rate by 27%. A continuous improvement approach has been taken by the NAFTA safety team. The goal is to send associates home in the same condition as when they arrived at work.

The safety team decided the next logical step to the NAFTA safety program was to include the sales team, as well as any associate who travels for HEXPOL business purposes. The safety program needed to be expanded to include every aspect of the business. The National Safety Council offers an online defensive driving program, and the team opted to have every associate who drives a vehicle for HEXPOL business take (and pass) the course. Over four hundred associates have taken and passed the defensive driving course.

As the NAFTA safety team shapes the safety landscape for 2018, a huge focus will be on 24/7 safety. Keeping associates safe at work will continue to be a major focus. However, the team will also educate associates on the importance of being safe at home.

- Training programmes involving the environment, occupational health and safety are conducted regularly and amounted an average of 9.8 hours (8.5) per person during 2017. The training programmes pertained to protection against fire and accidents, evacuation exercises, safe management of chemical products, use of personal protective equipment and much more. A key target group for this type of training programme is new employees.

The Burton campus (USA) was honoured with the Geauga Safety Council "2017 Group Award" for being the employer with the lowest accident rate in the Group. The company was going the entire year without a lost time accident.

**EMPLOYEE DEVELOPMENT**

By working in networks and project organisations, the overall level of competency is enhanced and, for this reason, many projects are implemented with participants from various cultures, with knowledge in different areas. This could be technology and product development or purchasing and marketing. At our annual conferences for the Group's top management, the topics discussed include strategic issues, the outcome of projects, finances, markets, products and sustainable development.

Training and competency development occur continuously in Group companies and totalled 94,200 hours (79,000) in 2017. This corresponds to 21 hours (19) per employee. About 3,170 employees (2,650)

participated in developmental discussions or other form of performance reviews. Surveys of employee views of the work situation are conducted at several of the units and 15 surveys were conducted during the year. The results show that employees are satisfied with the company and their own situation, but also areas that can be improved, such as better internal communication and feedback, reduction of overtime, improved safety and personal development opportunities.

**Personal development and remuneration**

Job satisfaction, employment security and opportunities for personal advancement are important factors for many employees. Furthermore it is important that the remuneration levels are on market terms and are competitive. Basic principles for HEXPOL are that wage formation should comply with legislation, at least match the minimum wage levels in the countries in which HEXPOL is active and be fully market based. Variable remuneration linked to the performance that a person can influence is paid to employees in certain parts of the Group. Personnel costs during 2017 totalled 1,569 MSEK (1,448).

**SOCIAL INVOLVEMENT**

HEXPOL engages in social activities throughout the world. These include "open houses" for employees and their families (10 open houses during 2017), contacts and projects with schools and universities (21 activities during 2017), and financial support for sports, health care and associations. From a strategic perspective, it is important that

**QUERÉTARO & AGUASCALIENTES LEADERSHIP TRAINING PROGRAM**

During 2017, the Queretaro and Aguascalientes Management Teams in Mexico participated in a Leadership Skills Development Program.

This program consisted of several assessments to determine skills and personality factors; also 6 workshops with topics like Leadership with the Power of Coaching, High Performing Teams, Delegation, Follow-Up and Effective Feedback, among others. Executive Coaching was administered to a group of selected participants. To encourage the team to give and receive feedback to facilitate personal growth were also a part of the curriculum.

This training was provided in two different groups, one for Aguascalientes and another one for Querétaro. The program concluded with Team Building activities for the plants.

HEXPOL is highly committed with leadership development, we grow our business by growing our people.



young people and students are informed about the future opportunities offered by the polymer industry. Many of the Group's units are active in contacts with schools and universities, for example, on field trips, development projects, theses and internships. In total, several hundred students participated in activities at the Group's units.

During the year, the units in Sweden, Sri Lanka, USA, China, Mexico and Czech Republic undertook several activities to create interest among primary and secondary school students, and engineering students, for future job positions in the polymer industry. The students got, for example, help with career planning, they could participate in graduate programmes and were briefed on HEXPOL's technology and values.

More formal research collaborations with universities were conducted, for example, at Elastomeric Engineering in Sri Lanka, at RheTech in the US and at HEXPOL Compounding in Belgium. The Group collaborates, since long, with the International Institute for Industrial Environmental Economics (IIIEE) at Lund University in Sweden (see page 27).

## HEXPOL COMPOUNDING WINS 2017 ARPM SAFETY AWARD

**The Association For Rubber Products Manufacturers (ARPM) recently named HEXPOL Compounding a 2017 Safety Award Winner. The HEXPOL Compounding – Burton Rubber Processing campus, in Burton, OH, received a Silver Achievement Award during the 2017 Environmental Health and Safety (EHS) Summit in Columbus, OH, on July 20.**

"I'm very proud of our team, they are very committed in making the right decisions to be safe every day, and our performance reflects it," said John Gorrell, General Manager of HEXPOL's Burton campus. "Our commitment and primary goal is to promote and support a culture of health and safety for our associates' benefit. They are our greatest asset by far. We are never satisfied and are always working to be better because of them."

As one of two companies to receive a Silver Achievement Award, HEXPOL Compounding was recognised for having no OSHA recordable occupational injuries or illnesses involving lost workdays or restricted work activity during 2016.

The prestigious Safety Awards Program, sponsored by ARPM, is a way to recognise safety in the rubber industry and award

facilities that have achieved a level of safety performance above the industry average. Awards were based on data reported on companies annual OSHA 300 Log of Work-Related Injuries and Illnesses. ARPM reported that they received three times as many applications this year compared to 2016.

The Environmental Health and Safety Summit is an annual event hosted by the Association for Rubber Products Manufacturers and is designed to share best leadership and safety practices with industry professionals hoping to achieve world-class safety within their companies. The 2017 EHS Summit doubled its attendance from prior years.





## HEXPOL SUPPLIES RELIEF FOR MEXICO EARTHQUAKE VICTIMS

**Two powerful earthquakes struck Mexico September 7th and 19th 2017 with a magnitude of 8.1 and 7.1 respectively. These affected 5 different States (Morelos, Oaxaca, Chiapas, Puebla, Estado de Mexico) as well as Mexico city. These events also caused a lot of damage to many buildings, making more than 2 million persons lose their homes.**

HEXPOL is committed with social responsibility by joining the cause through donations of supplies directly to the most needed people. A Relief Fund was approved by the NAFTA management by assigning an important amount from each facility in Mexico (Querétaro &

Aguascalientes) showing that people helping people is one of our main values in our HEXPOL family. US employees are also being part of this Relief Fund by making the great effort to donate money.

Help is getting directly to the victims thanks to the management of funds by HEXPOL Mexico teams in both plants, which have identified places and specific needs to deliver the main required items like medicine, construction tools, gloves, safety equipment, insulin, flashlights, cleaning and hygienic kits, tarpaulins, food, water, blankets, construction materials, etc.

Donations have been divided between Morelos, Oaxaca, Puebla and Mexico City with HEXPOL representatives overseeing the delivery of all goods.

## HEXPOL COMPOUNDING KENNEDALE RECEIVES SUPPLIER AWARD

HEXPOL's Joey Young, General Manager HEXPOL Compounding Kennedale attended a Valmet suppliers meetings beginning of May 2017 and HEXPOL Kennedale was awarded the Most Sustainable Supplier out of over 10,000 suppliers. This was due to HEXPOL's dedication to programs that have a positive impact on the environment including reducing energy consumption and landfill reduction programs, among many others.



ECONOMIC  
RESPONSIBILITY

INVESTMENTS,  
COSTS, SAVINGS  
AND DISTRIBUTED  
VALUE

**2017 IN BRIEF**

2017 was HEXPOL's best year to date, with a sales increase of 12 percent and improved earnings. HEXPOL improved the positions in the principal markets and further improved the operating profit. During 2017, sales increased to 12,230 MSEK (10,879). Operating profit increased to 1,986 MSEK (1,921) and operating margin amounted to 16.2 percent (17.7).

| KEY FIGURES                   | 2017   | 2016   | 2015   |
|-------------------------------|--------|--------|--------|
| Sales, MSEK                   | 12,230 | 10,879 | 11,229 |
| Operating profit (EBIT), MSEK | 1,986  | 1,921  | 1,964  |
| Operating margin, %           | 16.2   | 17.7   | 17.5   |
| Profit before tax, MSEK       | 1,968  | 1,913  | 1,943  |
| Profit after tax, MSEK        | 1,527  | 1,397  | 1,393  |
| Earnings per share, SEK       | 4.44   | 4.06   | 4.05   |
| Equity/assets ratio, %        | 68     | 77     | 72     |
| Return on capital employed, % | 25.1   | 26.8   | 28.6   |

**SUSTAINABLE DEVELOPMENT AND FINANCE**

**Investments, costs and savings**

During 2017 the sustainability-related investments amounted to 43.5 MSEK (18.1). The main areas for investments were installation of emission abatement equipment, upgrade of production equipment and preventive health and safety actions.

The overall cost for environmental and workplace measures amounted to 29.4 MSEK (27.7). 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 65 percent (67) of the total costs.

Environmental and work-environment-related measures resulted in savings of 9.8 MSEK (10.8). Energy-efficiency projects and improved waste management and increased recycling contributed to the savings. Savings were also a long-term result of investments in previous years.

**FINANCIAL VALUE FOR STAKEHOLDERS**

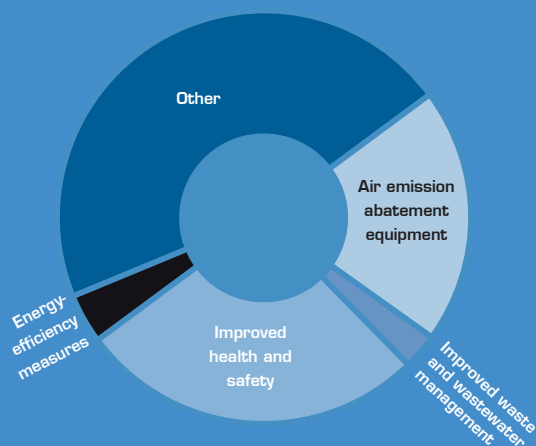
HEXPOL affects a broad range of stakeholders. We have an economic impact on society and create opportunities for customers, suppliers, employees and society. The business generates a financial value that is distributed among the various stakeholders. Sourcing represent a large expenditure item, wages 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 HEXPOL is active.

During 2017, the Group had net sales of 12,230 MSEK (10,879) of which 3,658 (2,559) MSEK was distributed according to the table.

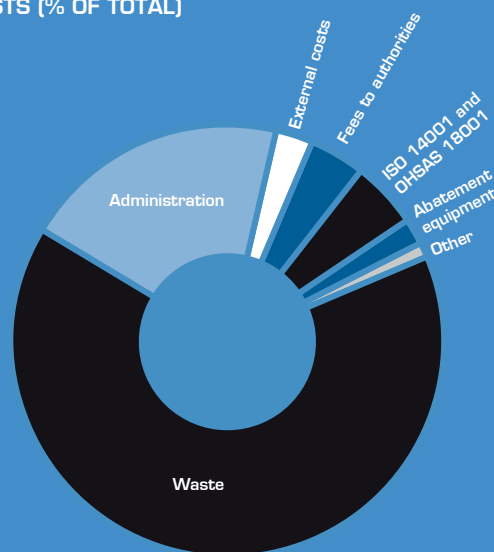
**FINANCIAL VALUE FOR STAKEHOLDERS, MSEK**

| Stakeholder  | 2017         | 2016         | 2015         | Comments                    |
|--------------|--------------|--------------|--------------|-----------------------------|
| Employees    | 1,569        | 1,448        | 1,385        | Salaries and benefits       |
| Shareholders | 1,635        | 585          | 413          | Dividend                    |
| Creditors    | 13           | 10           | 18           | Interest expenses           |
| Society      | 441          | 516          | 550          | Total reported tax expenses |
| <b>Total</b> | <b>3,658</b> | <b>2,559</b> | <b>2,366</b> |                             |

**SUSTAINABILITY-RELATED INVESTMENTS (% OF TOTAL)**



**SUSTAINABILITY-RELATED COSTS (% OF TOTAL)**



HIGHLIGHTS  
DURING  
2017

SMALL AND BIG  
STEPS TOWARDS  
SUSTAINABLE  
DEVELOPMENT

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

#### Belgium

- At the Eupen unit an energy audit was carried out. Measures were taken to reduce the consumption of electricity.

#### China

- Gislaved Gummi in Qingdao kept focus on energy saving projects, for example, continued to increase the double daylight operations to reduce energy consumption. Implemented safety improvements and continued with the 5S and TPM programmes. Passed ISO 9001 and 14001 annual audits. The company was awarded for advancements in safety during 2017.
- Compared to previous year, Stellana in Qingdao reduced the energy consumption per tonne by 20 percent and the amount of solid hazardous waste with 40 percent. Recycling programmes were implemented.
- The Foshan unit rebuilt the waste storage area and arranged a special room for hazardous material. Occupational risk assessments continued and one result was improved ventilation around the mixers.

#### Czech Republic

- The Unicov unit installed new scales for carbon black and white fillers at Line 1.
- The Lesina unit decreased power consumption and achieved certification according to ISO 50001.

#### Germany

- The Lichtenfels sites updated ISO 9001 and ISO 14001 to the latest versions. An external company was contracted to support the health and safety work.
- The Hückelhoven unit performed a survey, in co-operation with the company doctor, regarding stress at work with the entire team. The company signed an agreement with the energy supplier to switch to 100 percent fossil-free energy, starting in 2018.

#### Mexico

- The unit in Aguascalientes has implemented a safety programme. As a part of the programme there is a safety mentor and a forklift mentor. The mentor programme acts as a foundation in the safety culture and there was a significant improvement with reduced number of accidents.
- The Querétaro unit implemented ISO 14001:2015 and trained new auditors in ISO 14001 and ISO 9001. Training was given to all staff to reinforce the importance of safety and environment.

#### Spain

- ISO 14001:2015 and ISO 9001:2015 was successfully certified at the compounding unit in Barcelona. Continued work to remove nitrosamine generators, hazardous substances and phthalates. Continued a recycling programme of wooden pallets and cardboard boxes using returnable containers and pallets (metallic and plastic pallets). New collectors for used oil, cardboard, paper, plastic, wood and metal.

#### Sri Lanka

- The Horana unit worked together with the University of Sri Jayewardenepura for introducing a nylon product using recycled materials. Also a study of alternative mould releasing agents was carried out.
- The Bokundara site reduced energy consumption by 9 percent by installing a condensate recovery system at the biomass boiler.

#### Sweden

- Gislaved Gummi improved the secondary containment for oils and chemicals. LED lamps were installed at several places. Another energy saving measure was the installation of "quick gates" at the warehouse. The cooling system at the extruder was rebuilt to a closed loop system.
- At Stellana in Laxå several measures have been taken over the years to increase energy efficiency, reduce the carbon footprint and reduce the waste volumes. The work continued during 2017.
- At the Åmål site an energy audit was conducted. The customers are demanding more and more fossil-free products and 47 projects connected to Dryflex Green were initiated. This corresponds to a potential volume of around 4,000 tonnes.

#### United Kingdom

- The HEXPOL TPE unit in Middleton signed up for Operation Clean Sweap, with the British Plastic Federation.
- The HEXPOL Compounding unit in Dukinfield was recertified according to ISO 14001 and OHSAS 18001. Transition to ISO 14001:2015 and ISO 9001:2015 is in the pipeline.
- Berwin in Dukinfield was recertified according to the new version of ISO 9001 and ISO 14001. The company completed an ESOS survey (Energy Savings Opportunity Scheme).
- Berwin in Lydney introduced monthly environmental management meetings.
- FlexiCell in Dukinfield rebuilt the salt bath to reduce the risk for fire.

#### USA

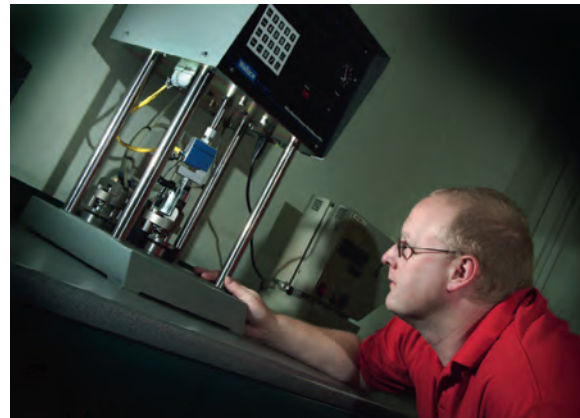
- At the Statesville plant new forklift trucks were leased. The lifts are electronically monitored for incidents, daily checklists and authorized operators. A Safety Mentor position was added to grow the safety culture. Quarterly surveys of associates for moral, safety and productivity. Engagement in society, for example, cooked and served meal for Fire fighters, EMS, Police and Sheriff's Department. Raised money for "Relay for Life" for cancer research.

## Highlights during 2017

- The Jonesborough unit has removed additional materials to be disposed off at landfill. Storm water run-off systems have been upgraded and approved by the authorities. Recertification according to ISO 14001:2015.
- The Muscle Shoals plant was successfully recertified according to ISO 14001:2015.
- The Santa Fe unit recycled over 54 tonnes of scrap cardboard, rubber, collector dust, used oil, metal, etc. The plants saved about 50,000 Euros on electricity. Successful recertification according to ISO 14001:2015. Carried out an extensive training programme in personal development for the employees.
- Valley Processing in Los Angeles reduced the use of electricity from fossil sources.
- The Kennedale unit changed the way that they load trucks outside to reduce forklift carbon footprint and improved safety. Implemented the usage for Positive Air Respirators to reduce health hazards due to exposure of skin irritants. Incorporated bump caps and hearing protection required throughout entire plant to decrease effects of head knocker hazards and exposure to high noise levels. Awarded "Most Sustainable Supplier" from Valmet.
- At the Dyersburg campus internal safety audits are carried out every week. Lock-out/tag-out continued as a major emphasis with improved training, communication signage and focus. The plan to become landfill-free continued and reduction of waste streams to landfill declined by 65 percent. The use of dynamic cooling on mixers remains a priority to aid in the reduction of water usage. The focus on people development continued with programmes such as the mentoring programme, now being rolled out NAFTA wide, and a dedicated training room with multiple opportunities for associate growth. The Dyersburg campus continued with presence in the community through contributions and volunteers donating time to work.
- The Stellana site in Lake Geneva got approval by a customer to use BDO (1,4-butane diol) rather than the hazardous MOCA as a curative. Recertification according to ISO 14001:2015.
- The Burton facility implemented a new sustainability programme. The company has reduced the volume of waste that is sent to landfill. It is now able to recycle baghouse dust and use it as a fuel source in the production of cement. Burton is also able to recycle raw material bags in a Waste Energy Programme. The Burton campus received the prestigious honour of being selected for the "2017 Top Workplaces". The company was awarded the "2017 Safety Silver Achievement Award" by the Association for Rubber Products Manufacturers (ARPM) for having no OSHA recordable occupational injuries or illnesses involving lost workdays, or restricted work activity.
- Gold Key in Middlefield maintained its ISO 14001 certification. The company hired an EH&S Manager and implemented a Safety Mentor to drive safety and environmental projects with increased associate engagement. Continued to

improve the recycling programme. Gold Key is now recycling all scrap rubber, dust, used oil, cardboard, paper and plastic, scrap metal, used plastic containers and wooden pallets. Continued to reduce waste streams with a "zero" landfill goal. Continued with the energy curtailment and wastewater management programmes. Implemented bump caps for all associates, offered Safe Driving classes for associates and implemented a contractor safety programme. Supported DDC Clinic for terminally ill children. Arranged Career Awareness Days for High School Students. Participated in local school events, Police Gun Safety & Drug awareness Programme, Middlefield Chamber of Commerce and local baseball and football teams.

- The Kardoes unit achieved certification according to ISO 14001:2015. Monthly Safety Communication Meetings with staff were conducted, including looking across actions from other facilities injuries and near misses.
- The RheTech Whitmore Lake and Fowlerville plants renewed the ISO 14001 certificates.
- RheTech Colors installed LED lamps and completed installation of a vacuum loading system that will improve ergonomics for the employees. A system was installed to avoid manual cutting of bags. The HEXPOL Leadership Programme improved employee involvement and increased motivation.



## BURTON RUBBER PROCESSING LISTED AMONG TOP WORKPLACES IN NORTHEAST OHIO THIRD CONSECUTIVE YEAR

**HEXPOL Compounding LLC (Burton Rubber Processing) was honored in the Cleveland Plain Dealer's Top Workplaces listing for the third consecutive year. Ranked number six in the 2017 Top Workplaces listing among Northeast Ohio midsize companies, Burton Rubber Processing again demonstrated the company's commitment to its associates, valued customers, and community.**

Burton Rubber Processing, located in Burton, Ohio, was founded in 1957, with approximately 250 associates currently working at the campus.

"Receiving this recognition is a testament to the daily efforts and pride every associate takes in their contributions to our great organization," said John Gorrell, General Manager, Burton Rubber Processing. "I'm very proud of our team for their loyalty to making us one of the best mid-size companies to work for in Northeast Ohio. It's a privilege to serve alongside each of them."

Engaged employees agree that they are motivated to do excellent work and deliver quality products and services to their customers. Survey results certainly support this premise, with respondents indicating that the HEXPOL Burton Rubber Processing campus is comprised of individuals who are dedicated to HEXPOL through meaningful work and a vibrant connection with the company. They stressed the benefits of a positive culture and the support provided through personal and leadership development programs. Respondents also have a strong belief that HEXPOL Compounding is moving in the right direction.

"It is truly an honor for our company to be recognized for the third consecutive year as one of the best mid-size companies to work for in Northeast Ohio," Gorrell said. "There is an enormous amount of respect and admiration among the entire team. We genuinely believe in the possibilities of our associates and are indebted to their extraordinary contributions that enable us to be highly successful."



ABOUT THE  
SUSTAINABILITY  
REPORT

SCOPE AND  
REPORTING  
PRINCIPLES



**PURPOSE**

The purpose of this report is to provide an overview of HEXPOL’s sustainability performance during the calendar year of 2017, and, where practicable, provide a comparison to the performance during previous years. The report describes our impacts on our environment, people, our local communities and the economic contribution the company makes in the areas in which we operate. The aim is to provide a focused report that supports the needs of HEXPOL and our stakeholders.

**SCOPE AND BOUNDARY**

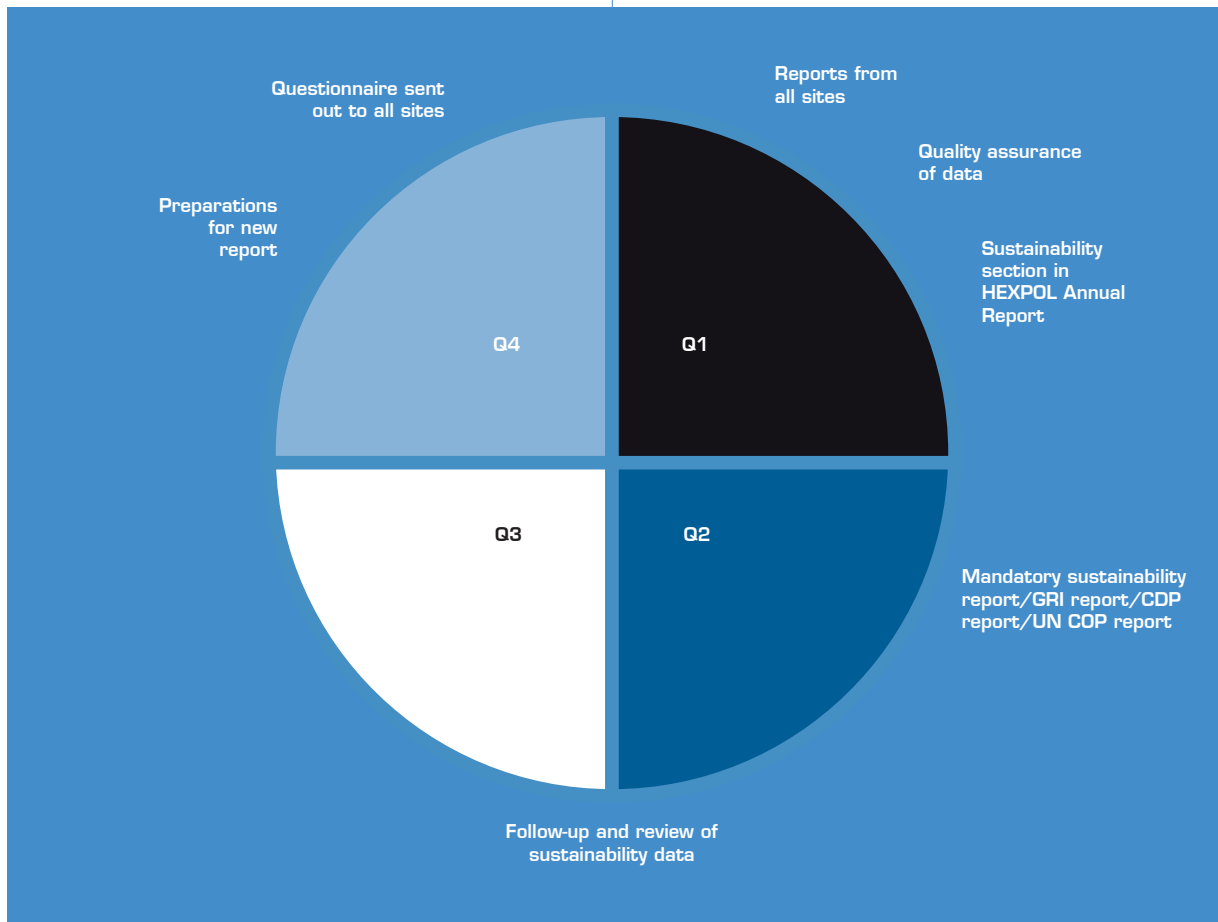
The Sustainability Report covers performance relating to the environment, health, safety and social conditions at the production units worldwide. Operations that belonged to the Group for most of the fiscal year are included in the report. A total of 36 (34) manufacturing sites throughout the world contributed to the report. A small site in HEXPOL Silicone Compounding, and another small site in RheTech, were not included in the report. Companies located at the same site are reported as one unit. The table on page 42 shows all units that formed the HEXPOL Group by the end of 2017 and to which extent they are included in the Sustainability Report.

**REPORTING PRINCIPLES**

The annual reporting cycle is shown in the figure below. Each unit supplies data to the HEXPOL head office in accordance with the Group’s questionnaire for sustainability reporting.

All unit managers are responsible for the primary quality-assurance of the data provided. The second level of quality control is carried out at the head office, where incoming information is reviewed and compared with data from previous years. Additional assessment of sustainability data is carried out during visits at selected units during the year. Sustainability data, that was presented in the Board of Director’s Report (Annual Report), was briefly audited by the financial auditors.

Emissions of carbon dioxide, sulphur dioxide and nitrogen oxide from direct energy consumption have been measured using conversion factors based on the energy content and quality of the fuel used. CO<sub>2</sub> emissions from indirect energy consumption – mainly electricity – are measured based on emission factors from the UK Department for Environment, Food and Rural Affairs (DEFRA) (Conversion Factors for Company Reporting 2015) for the countries in which HEXPOL conducts operations. Updated conversion factors were applied during the year, with the previous factors from 2010 replaced with new factors from 2015. In most cases, this resulted in a reduction in the size of the emissions. 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.



| Operating unit                                | Location               | No of employees | Building area (m <sup>2</sup> ) | Environmental licence | Included in Sustainability Report |
|---|------------------------|-----------------|---------------------------------|-----------------------|-----------------------------------|
| HEXPOL Compounding North Carolina             | Statesville, USA       | 92              | 3,400                           | Yes                   | Yes                               |
| GoldKey Processing                            | Middlefield, USA       | 201             | 13,900                          | Yes                   | Yes                               |
| HEXPOL Compounding – Burton Rubber Processing | Burton, USA            | 250             | 20,800                          | Yes                   | Yes                               |
| HEXPOL Compounding – Burton Rubber Processing | Jonesborough, USA      | 112             | 9,800                           | Yes                   | Yes                               |
| HEXPOL Compounding – Colonial Rubber Works    | Dyersburg, USA         | 218             | 45,700                          | Yes                   | Yes                               |
| Chase Elastomer                               | Kennedale, USA         | 86              | 7,200                           | Yes                   | Yes                               |
| HEXPOL Compounding – California               | Santa Fe Springs, USA  | 44              | 3,250                           | Yes                   | Yes                               |
| HEXPOL Compounding CA                         | Los Angeles, USA       | 92              | 7,060                           | Yes                   | Yes                               |
| Robbins                                       | Muscle Shoals, USA     | 50              | 22,600                          | Yes                   | Yes                               |
| HEXPOL Compounding Aguascalientes             | Aguascalientes, Mexico | 149             | 6,500                           | Yes                   | Yes                               |
| HEXPOL Compounding Querétaro                  | Querétaro, Mexico      | 190             | 12,400                          | Yes                   | Yes                               |
| HEXPOL Compounding Belgium                    | Eupen, Belgium         | 79              | 4,200                           | Yes                   | Yes                               |
| HEXPOL Compounding Germany                    | Hückelhoven, Germany   | 70              | 6,300                           | Yes                   | Yes                               |
| HEXPOL Compounding Czech Republic             | Unicov, Czech Republic | 113             | 7,900                           | Yes                   | Yes                               |
| HEXPOL Compounding Lesina                     | Lesina, Czech Republic | 131             | 7,350                           | No                    | Yes                               |
| HEXPOL Compounding UK                         | Dukinfield, UK         | 59              | 2,870                           | Yes                   | Yes                               |
| HEXPOL Compounding Qingdao                    | Qingdao, China         | 77              | 6,200                           | Yes                   | Yes                               |
| HEXPOL Compounding/TPE Foshan                 | Foshan, China          | 55              | 4,950                           | Yes                   | Yes                               |
| HEXPOL TPE Sweden                             | Åmål, Sweden           | 75              | 5,300                           | Yes                   | Yes                               |
| HEXPOL TPE UK                                 | Manchester, UK         | 46              | 4,500                           | No                    | Yes                               |
| HEXPOL TPE Germany                            | Lichtenfels, Germany   | 142             | 7,210                           | No                    | Yes                               |
| Kardoes Rubber                                | LaFayette, USA         | 75              | 13,700                          | Yes                   | Yes                               |
| Hexpol Compounding Spain                      | Barcelona, Spain       | 84              | 12,400                          | Yes                   | Yes                               |
| RheTech Compounding                           | Whitmore Lake, USA     | 107             | 10,800                          | Yes                   | Yes                               |
| RheTech Compounding                           | Fowlerville, USA       | 43              | 5,700                           | Yes                   | Yes                               |
| RheTech Colors                                | Sandusky, USA          | 41              | 6,500                           | Yes                   | Yes                               |
| Berwin Rubber                                 | Dukinfield, UK         | 90              | 7,300                           | Yes                   | Yes                               |
| Berwin Industrial Polymers                    | Lydney, UK             | 76              | 5,900                           | Yes                   | Yes                               |
| Flexi-Cell                                    | Dukinfield, UK         | 14              | 2,100                           | No                    | Yes                               |
| Gislaved Gummi                                | Gislaved, Sweden       | 133             | 20,000                          | Yes                   | Yes                               |
| Gislaved Gummi Lanka                          | Bokundara, Sri Lanka   | 502             | 9,300                           | Yes                   | Yes                               |
| Gislaved Gummi China                          | Qingdao, China         | 144             | 8,400                           | Yes                   | Yes                               |
| Stellana Sweden                               | Laxå, Sweden           | 84              | 12,100                          | Yes                   | Yes                               |
| Stellana US                                   | Lake Geneva, USA       | 77              | 7,500                           | Yes                   | Yes                               |
| Stellana China                                | Qingdao, China         | 64              | 3,500                           | Yes                   | Yes                               |
| HEXPOL Elastomeric                            | Horana, Sri Lanka      | 513             | 11,400                          | Yes                   | Yes                               |



# GLOBAL REPORTING INITIATIVE (GRI) INDEX

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

The GRI Guidelines are the most widely accepted and used standard for sustainability reporting. If an organisation wishes to demonstrate that the report is "in accordance" with the Guidelines, it must self-declare how GRI's Guidelines have been applied in their sustainability report. HEXPOL reports under the Core option and have selected material aspects and associated indicators.

The following tables show the degree to which HEXPOL meets the minimum reporting requirements in accordance with GRI G4. AR refers to page numbers in the HEXPOL Annual Report 2017. SR refers to this Sustainability Report.

## GENERAL STANDARD DISCLOSURES

| Terminology according to GRI                      | Requirement or Indicator   | Reference/Comment      |
|---|--|------------------------|
| <b>Strategy and Analysis</b>                      |  |                        |
| G4-1  | Statement from the CEO about the relevance of sustainability to the organisation and the organisation's strategy for addressing sustainability.  | AR 9                   |
| G4-2  | Description of key impacts, risks, and opportunities.  | SR 10, 25–26; AR 48–51 |
| <b>Organisational Profile</b>                     |  |                        |
| G4-3  | Name of the organisation.  | HEXPOL AB              |
| G4-4  | Primary brands, products, and services.  | AR 16–43               |
| G4-5  | Location of HEXPOL's headquarters.   | Malmö, Sweden          |
| G4-6  | Number of countries where HEXPOL operates, and names of countries where either the organisation has significant operations or that are specifically relevant to the sustainability topics covered in the report. | SR 42                  |
| G4-7  | Nature of ownership and legal form.  | AR 14–15               |
| G4-8  | HEXPOL's markets and customers.  | AR 16–43               |
| G4-9  | Scale of organisation: Total number of employees, total number of operations, net sales, debt and equity, quantity of products or services provided.   | AR 16–43               |
| G4-10   | Employees (contract, gender, region, variations, etc).   | SR 28                  |
| G4-11   | Percentage of total employees covered by collective bargaining agreements.   | SR 29                  |
| G4-12   | HEXPOL's supply chain.   | SR 13                  |
| G4-13   | Significant changes during the reporting period regarding the HEXPOL's size, structure, ownership, or its supply chain.  | SR 41–42               |
| G4-14   | Whether and how the precautionary approach or principle is addressed.  | SR 17–32               |
| G4-15   | Externally developed economic, environmental and social charters, principles, or other initiatives to which the organisation subscribes or which it endorses.  | SR 11–13               |
| G4-16   | Memberships of associations and national or international advocacy organisations in which HEXPOL is active.  | SR 11–13               |
| <b>Identified Material Aspects and Boundaries</b> |  |                        |
| G4-17   | Entities included in HEXPOL's consolidated financial statements. Entities that are not covered by the sustainability report.   | AR 87                  |
| G4-18   | Process for defining the report content and the Aspect Boundaries. How HEXPOL has implemented the Reporting Principles for Defining Report Content.  | SR 41–42               |
| G4-19   | All the material Aspects identified in the process for defining report content.  | SR 10                  |
| G4-20   | Whether the Aspect is material within HEXPOL. Any specific limitation regarding the Aspect Boundary within HEXPOL.   | SR 9–10                |
| G4-21   | Aspect Boundary outside HEXPOL. Any specific limitation regarding the Aspect Boundary outside HEXPOL.  | SR 9–10                |
| G4-22   | Effect of any restatements of information provided in previous reports, and the reasons for such restatements.   | SR 41                  |
| G4-23   | Significant changes from previous reporting periods in the Scope and Aspect Boundaries.  | SR 41                  |

| Terminology according to GRI  | Requirement or Indicator   | Reference/Comment                            |
|-------------------------------|--|--|
| <b>Stakeholder Engagement</b> |  |  |
| G4-24                         | List of stakeholder groups engaged by HEXPOL.  | SR 13  |
| G4-25                         | Basis for identification and selection of stakeholders with whom to engage.  | SR 13  |
| G4-26                         | HEXPOL's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group.                             | SR 13  |
| G4-27                         | Key topics and concerns that have been raised through stakeholder engagement, and how HEXPOL has responded to those key topics and concerns. | SR 13  |
| <b>Report Profile</b>         |  |  |
| G4-28                         | Reporting period.  | 2017 (full year)                             |
| G4-29                         | Date of most recent previous report.   | April 2017                                   |
| G4-30                         | Reporting cycle.   | Annual, SR 41                                |
| G4-31                         | Contact point for questions regarding the report or its contents.  | Torbjörn Brorson                             |
| <b>GRI Content Index</b>      |  |  |
| G4-32                         | 'In accordance' option HEXPOL has chosen. GRI Content Index.   | Core, this table shows the GRI Content Index |
| G4-33                         | Policy and current practice with regard to seeking external assurance for the report.  | No external verification                     |
| <b>Governance</b>             |  |  |
| G4-34                         | HEXPOL's governance structure for sustainability aspects.  | SR 10  |
| <b>Ethics and Integrity</b>   |  |  |
| G4-56                         | HEXPOL's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.                                   | SR 11–13                                     |
| <b>Economy</b>                |  |  |
| G4-EC1                        | Direct economic value generated and distributed.   | SR 35  |
| G4-EC2                        | Financial implications and other risks and opportunities for HEXPOL's activities due to climate change.                                      | SR 26  |
| G4-EC3                        | Coverage of HEXPOL's defined benefit plan obligations.   | AR 80  |
| G4-EC4                        | Financial assistance received from government.   | None during 2017                             |

**ENVIRONMENTAL**

|                  |  |          |
|------------------|--|----------|
| <b>Materials</b> |  |          |
| G4-EN1           | Materials used by weight or volume.                        | SR 20–21 |
| G4-EN2           | Percentage of materials that are recycled input materials. | SR 20–21 |
| <b>Energy</b>    |  |          |
| G4-EN3           | Energy consumption within HEXPOL (direct).                 | SR 19    |
| G4-EN4           | Energy consumption out side HEXPOL (indirect).             | SR 19    |
| G4-EN5           | Energy intensity   | SR 19    |
| G4-EN6           | Reduction of energy consumption.                           | SR 19–20 |
| G4-EN7           | Reductions in energy consumption in products and services. | SR 23–24 |
| <b>Water</b>     |  |          |
| G4-EN8           | Total water withdrawal per source.                         | SR 20    |

| Terminology according to GRI             | Requirement or Indicator   | Reference/Comment |
|--|--|-------------------|
| <b>Emissions</b>                         |  |                   |
| G4-EN15                                  | Direct greenhouse gas (GHG) emissions (scope 1).   | SR 21             |
| G4-EN17                                  | Other indirect greenhouse gas (GHG) emissions (scope 3).   | SR 21             |
| G4-EN18                                  | Greenhouse gas (GHG) emissions intensity.  | SR 21–22          |
| G4-EN19                                  | Reduction of greenhouse gas (GHG) emissions.   | SR 21             |
| G4-EN20                                  | Emissions of ozone-depleting substances (ODS).   | SR 21–22          |
| G4-EN21                                  | NOx, SO2 and other significant air emissions.  | SR 21             |
| <b>Effluents and waste</b>               |  |                   |
| G4-EN22                                  | Total water discharge by quality and destination.  | SR 20             |
| G4-EN23                                  | Total weight of waste by type and disposal method.   | SR 22–23          |
| G4-EN24                                  | Total number and volume of significant spills.   | None during 2017  |
| <b>Products and Services</b>             |  |                   |
| G4-EN27                                  | Extent of impact mitigation of environmental impacts of products and services.   | SR 23–24          |
| <b>Compliance</b>                        |  |                   |
| G4-EN29                                  | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations. | SR 19             |
| <b>Overall</b>                           |  |                   |
| G4-EN31                                  | Total environmental protection expenditures and investments by type.   | SR 35             |
| <b>Supplier Environmental Assessment</b> |  |                   |
| G4-EN32                                  | Percentage of new suppliers that were screened using environmental criteria.   | SR 13 (partly)    |

## SOCIAL

|  |  |                |
|--|--|----------------|
| <b>Employment</b>                              |  |                |
| G4-LA1   | Total number and rates of new employee hires and employee turnover by age group, gender and region.                  | Not reported   |
| <b>Occupational Health and Safety</b>          |  |                |
| G4-LA5   | Percentage of total workforce represented in formal joint management-worker H&S committee.                           | SR 29          |
| G4-LA6   | Type of injury and rates of injury, occupational diseases, lost days, fatalities.                                    | SR 29–30       |
| <b>Training and Education</b>                  |  |                |
| G4-LA9   | Average hours of training per year per employee.   | SR 31          |
| G4-LA11  | Percentage of employees receiving regular performance and career development reviews.                                | SR 31          |
| <b>Diversity and Equal Opportunity</b>         |  |                |
| G4-LA12  | Composition of governance bodies and break down of employees per category with reference to indicators of diversity. | SR 29          |
| <b>Supplier Assessment for Labor Practices</b> |  |                |
| G4-LA14  | Percentage of new suppliers that were screened using labor practices criteria.                                       | SR 13 (partly) |

| Terminology according to GRI | Requirement or Indicator | Reference/Comment |
|------------------------------|--------------------------|-------------------|
|------------------------------|--------------------------|-------------------|

## HUMAN RIGHTS

| <b>Non-discrimination</b>                               |  |                |
|---|--|----------------|
| G4-HR3  | Total number of incidents of discrimination and corrective actions taken.  | SR 29          |
| <b>Freedom of Association and Collective Bargaining</b> |  |                |
| G4-HR4  | Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated. | SR 26 (partly) |
| <b>Child labor</b>                                      |  |                |
| G4-HR5  | Operations and suppliers identified as having significant risk for incident of child labor.  | SR 26 (partly) |
| <b>Forced or Compulsory Labor</b>                       |  |                |
| G4-HR6  | Operations and suppliers identified as having significant risk for forced or compulsory labor.                                       | SR 26 (partly) |
| <b>Supplier Human Rights Assessment</b>                 |  |                |
| G4-HR10   | Total number and percentage of operations that have been subject to human rights reviews or impact assessments.                      | SR 13 (partly) |

## SOCIETY

| <b>Local Communities</b> |  |                 |
|--------------------------|--|-----------------|
| G4-S01                   | Percentage of operations with implemented local community engagement.  | SR 31–32, 37–38 |
| <b>Anti-corruption</b>   |  |                 |
| G4-S04                   | Communication and training on anti-corruption policies and procedures. | SR 11–12        |

GLOBAL  
COMPACT

COMMUNICATION  
ON PROGRESS



## TEN PRINCIPLES ON RESPONSIBLE BUSINESS PRACTICE

In 2015 HEXPOL joined the UN initiative for responsible business – Global Compact. This means the Group is a part of a global network of more than 12,900 organisations, 9,600 of which are businesses in 160 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 co-ordinating 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 Mikael Fryklund 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 Communication On Progress, we use GRI indicators (see pages 43–47). The table of cross-references below shows which indicators are relevant in the context.

## CROSS-REFERENCE LIST FOR HOW HEXPOL IS IMPLEMENTING THE GLOBAL COMPACT PRINCIPLES

| The Global Compact Principles   | GRI indicators                       |
|---|--------------------------------------|
| <b>Human rights</b>   |                                      |
| 1. Businesses should support and respect internationally proclaimed human rights.   | G4-HR2, G4-HR7, G4-S01               |
| 2. Businesses should make sure they are not complicit in human rights abuses.   | G4-HR1, G4-HR10-11                   |
| <b>Labour</b>   |                                      |
| 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining. | G4-11, G4-HR4                        |
| 4. Businesses should work to eliminate all forms of forced and compulsory labour.   | G4-HR6                               |
| 5. Businesses should work for the effective abolition of child labour.  | G4-HR5                               |
| 6. Businesses should work to eliminate all discrimination in respect of employment and occupation.                          | G4-10, G4-LA1, 9, 11, G4-HR3         |
| <b>Environment</b>  |                                      |
| 7. Businesses should support a precautionary approach to environmental challenges.  | G4-EN1, 3, 8, 15, 17, 20, 21, 27, 31 |
| 8. Businesses should undertake initiatives to promote greater environmental responsibility.                                 | G4-EN1-10, 15-24, 27                 |
| 9. Businesses should encourage the development and diffusion of environmentally friendly technologies.                      | G4-EN6, 7, 19, 27                    |
| <b>Environment</b>  |                                      |
| 10. Businesses should work against corruption in all its forms, including extortion and bribery.                            | G4-56, 58, G4-S04, 5                 |



# DEFINITIONS

**ATEX** EU Directive concerning potentially explosive atmospheres. Explosive atmospheres in the workplace 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 organisation's report.

**CARBON DIOXIDE (CO<sub>2</sub>)** Carbon dioxide is formed in all carbon combustion processes. The gas is released in substantial amounts when petroleum products are used. It is likely that atmospheric emissions of carbon dioxide increase global warming (greenhouse effect).

**CDP CARBON DISCLOSURE PROJECT.** A voluntary scheme for reporting on an organisation's impact on the climate.

**CFC/HCFC** Coolants such as chlorofluorocarbons (CFC) and hydrochlorofluorocarbons (HCFC) have a negative effect on the environment as a result of their ozone-depleting properties and climate impact.

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

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

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

**CODE OF CONDUCT** The behaviour 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** Columbite, tantalite, cassiterite, gold and wolframite originating from the Democratic Republic of the Congo or nearby countries are referred to as conflict minerals. The term refers to the ongoing armed conflicts in the region, in which mining operations are often involved and which have resulted in human rights violations.

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

**CSR/CR** Corporate social responsibility and corporate responsibility are terms used to describe a company's approach to issues concerning the

environment, social responsibility, financial responsibility and business ethics. These terms are often used interchangeably with 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 child-care 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 otoluidine emissions that are associated with health risks.

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

**ENVIRONMENTAL ASPECTS** The parts of an organisation's activities, products or services that interact with the environment.

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

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

**FREEDOM OF ASSOCIATION** Refers to the right of employees to lawfully join associations of their own choosing, peacefully associate, organise or bargain collectively.

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

**GHS** Globally Harmonised System of Classification and Labelling of Chemicals.

**GLOBAL COMPACT** A UN initiative in the area of corporate social responsibility. Participating organisations 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)** GRI is an organisation working toward a method for overall reporting and assessment of an operation, including the social and environmental perspectives, as well as financial aspects.

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

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

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

**HCFC/CFC** Substances that deplete the atmospheric ozone layer.

**ISO 14001** International standard for environmental management systems introduced in 1996. Some 345,000 organisations worldwide currently hold ISO 14001 certification. An updated third version of the standard was published in 2015 (ISO 14001:2015). See also “environmental management system”.

**ISO 26000** International standard providing guidance on how organisations can manage issues pertaining to social responsibility. The standard was introduced in 2010 and provided guidance in the formulation of HEXPOL's Code of Conduct.

**ISO 50001** International standard for energy management system.

**KPI** Key Performance Indicator

**LANDFILL** Solid waste material sent to a landfill.

**LEAN MANUFACTURING** Systematic method for managing resources in an efficient manner. The purpose of lean manufacturing is to identify all factors in a production process that do not create customer value.

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

**NGO** Non-governmental organisation.

**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 human health and the environment. Cause acid rain and eutrophication.

**OHSAS 18001** An international occupational health and safety management system standard. It specifies the requirements that an organisation must meet when implementing a management system to address workplace risks to prevent injuries and ill health. OHSAS 18001 will be replaced by ISO 45001 during 2018.

**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.

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

**REACH** European Regulation on Registration, Evaluation, Authorisation 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 meets the needs of the present without compromising the abilities of future generations to meet their needs (Brundtland Commission, 1987).

**SUSTAINABLE DEVELOPMENT GOALS (SDGS)** The UN goals are officially known as Transforming our world: the 2030 Agenda for Sustainable Development, are an intergovernmental set of aspiration Goals with 169 targets.

**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** In accordance with a EU Directive, the Swedish government has decided that as of 2017, it will be mandatory for large companies to present sustainability reports. Sustainability reports are to contain the non-financial disclosures required to understand the company's performance, position and earnings as well as the consequences of its operations, including disclosures concerning the environment, employees and social conditions, respect for human rights and anti-corruption measures.

**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.

**SO<sub>2</sub> (SULPHUR DIOXIDE)** Sulphur dioxide is formed when petroleum products are burned. SO<sub>2</sub> 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 vulcanised rubber with the process benefits of thermoplastics.

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

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

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

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

# GROUP COMPANIES

## Head office



**HEXPOL AB**  
Skeppsbron 3  
SE-211 20 Malmö  
Sweden  
Tel: +46 40-25 46 60  
Fax: +46 40-25 46 89  
info@hexpol.com  
www.hexpol.com

## HEXPOL Compounding NAFTA



**HEXPOL Compounding NC Inc.**  
280 Crawford Road  
Statesville, NC 28625  
USA  
Tel: +1 704 872 1585  
Fax: +1 704 872 7243  
info.sta@hexpol.com  
www.hexpolcompounding.com



**GoldKey Processing, Inc.**  
14910 Madison Rd.  
Middlefield, OH 44062  
USA  
Tel: +1 440 632 0901  
Fax: +1 440 632 0929  
info.mid@hexpol.com  
www.hexpolcompounding.com



**HEXPOL Compounding - Burton Rubber Processing**  
260 Old State Route 34  
P.O. Box 377  
Jonesborough, TN 37659, USA  
Tel: +1 423 753 2196  
Fax: +1 423 753 3379  
info.jon@hexpol.com  
www.hexpolcompounding.com



**HEXPOL Compounding - Burton Rubber Processing**  
14330 Kinsman Rd.  
Burton, OH 44021  
USA  
Tel: +1 440 834 4644  
Fax: +1 440 834 5524  
info.btn@hexpol.com  
www.hexpolcompounding.com



**HEXPOL Compounding - Colonial Rubber Works**  
150 S. Connell Ave.  
Dyersburg, TN 38024  
USA  
Tel: +1 731 285 4353  
Fax: +1 731 287 3098  
info.dyr@hexpol.com  
www.hexpolcompounding.com



**Chase Elastomer**  
635 Tower Dr.  
Kennedale, TX 76060  
USA  
Tel: +1 817 483 9797  
Fax: +1 817 483 1978  
info.kdl@hexpol.com  
www.hexpolcompounding.com



**HEXPOL Compounding - California**  
8227 Sorensen Ave.  
Santa Fe Springs, CA 90670  
USA  
Tel: +1 562 945 1241  
Fax: +1 562 698 7818  
info.sfs@hexpol.com  
www.hexpolcompounding.com



**Robbins LLC**  
3415 Thompson St  
Muscle Shoals, AL 35661  
USA  
Tel: +1 256 383 5441  
Fax: +1 800 821 7918  
info@robbsllc.com  
www.robbsllc.com



**Kardoes Rubber**  
1061 Industrial Drive  
LaFayette, AL 36862  
USA  
Tel: +1 334 864 0777  
Fax: +1 334 864 0776  
info.laf@hexpol.com  
www.kardoesrubber.com



**HEXPOL Silicone Compounding**  
3939A Mogadore Industrial Parkway  
Mogadore, OH 44260  
USA  
Tel: +1 440 682 4039  
Fax: +1 440 682 4076  
info.mog@hexpol.com  
www.hexpolcompounding.com



**HEXPOL Compounding Mexico**  
Av Japón 302  
Parque Industrial San Francisco de Los Romo,  
Ags. C.P 20304, Mexico  
Tel: +52 449 139 3270  
Fax: +52 449 139 3289  
info.ags@hexpol.com  
www.hexpolcompounding.com



**HEXPOL Compounding Querétaro S.A. de C.V.**  
La Noria 115  
Parque Industrial Querétaro  
C.P. 76220, Santa Rosa Jauregui,  
Querétaro  
Mexico  
Tel: +52 442 211 3500  
info.qro@hexpol.com  
www.hexpolcompounding.com



**HEXPOL Compounding CA Inc.**  
491 Wilson Way  
City of Industry, CA 91744  
USA  
Tel: +1 626 961 0311  
Fax: +1 626 968 2026  
info.val@hexpol.com  
www.hexpolcompounding.com

## HEXPOL Compounding Europe



**HEXPOL Compounding HQ** sa  
Gewerbstrasse 8  
BE-4700 Eupen  
Belgium  
Tel: +32 87 59 61 50  
Fax: +32 87 59 61 69  
info.hq@hexpol.com  
www.hexpolcompounding.com



**HEXPOL Compounding Sprl**  
Industriestrasse 36  
BE-4700 Eupen  
Belgium  
Tel: +32 87 59 54 30  
Fax: +32 87 74 44 73  
info.eup@hexpol.com  
www.hexpolcompounding.com



**HEXPOL Compounding GmbH**  
Ottostrasse 34  
DE-41836 Hüchelhoven  
Germany  
Tel: +49 2433 9755 0  
Fax: +49 2433 9755 99  
info.huk@hexpol.com  
www.hexpolcompounding.com



**HEXPOL Compounding s.r.o**  
 Sumperska 1344  
 CZ-78391 Unicov  
 Czech Republic  
 Tel: +42 585 004 011  
 Fax: +42 585 053 568  
 info.uni@hexpol.com  
 www.hexpolcompounding.com



**Gislaved Gummi AB**  
 Box 522  
 SE-332 28 Gislaved  
 Sweden  
 Tel: +46 371 848 00  
 Fax: +46 371 848 88  
 info@gislavedgummi.com  
 www.gislavedgummi.com



**HEXPOL Compounding (UK) Ltd.**  
 Unit 3, Fifth Avenue  
 Tameside Park, Dukinfield  
 Cheshire, SK16 4PP  
 United Kingdom  
 Tel: +44 161 343 4433  
 Fax: +44 161 343 4422  
 info.duk@hexpol.com  
 www.hexpolcompounding.com



**HEXPOL Compounding S.L.U.**  
 Poligono Industrial La Bastida  
 Ctra. Molins de Rei a Caldes, Km. 13,2  
 08191 Rubi, Barcelona  
 Spain  
 Tel: +34 93 699 86 11  
 Fax: +34 93 6999251  
 info.bcn@hexpol.com  
 www.hexpolcompounding.com



**Flexi-Cell Ltd**  
 Broadway, Globe Lane Industrial  
 Estate,  
 Dukinfield, Cheshire, SK16 4UJ  
 United Kingdom  
 Tel: +44 161 342 1150  
 Fax: +44 161 343 1208  
 info@berwin-rubber.co.uk  
 www.hexpolcompounding.com



**Berwin Rubber Ltd**  
 Broadway, Globe Lane Industrial  
 Estate,  
 Dukinfield, Cheshire, SK16 4UJ  
 United Kingdom  
 Tel: +44 161 342 1150  
 Fax: +44 161 343 1208  
 Email: info@berwin-rubber.co.uk  
 www.hexpolcompounding.com



**Berwin Industrial Polymers Ltd**  
 Church Road, Lydney,  
 Gloucestershire GL15 5FG  
 United Kingdom  
 Tel: +44 1594 846 551  
 Fax: +44 1594 846 569  
 info@berwinip.co.uk  
 www.hexpolcompounding.com



**HEXPOL Compounding Lesina sro**  
 Lesina  
 35134 Skalná  
 Czech Republic  
 Tel: +420 354 524 911  
 Fax: +420 354 524 999  
 Email: lesina@hexpol.com  
 www.hexpolcompounding.com

## HEXPOL Compounding Asia



**HEXPOL Compounding (Qingdao)  
 Co. Ltd.**  
 899 Fenghuangshan Road  
 CN-266431 Huangdao, Qingdao  
 China  
 Tel: +86 532 8173 1118  
 Fax: +86 532 8173 1119  
 info.qdo@hexpol.com  
 www.hexpolcompounding.com



**HEXPOL Compounding (Foshan) Co. Ltd.**  
 No. 3 Xinhui Road  
 Wusha, Daliang, Shunde District  
 Foshan Guangdong CN-528333  
 China  
 Tel: +86 757 2291 5100  
 Fax: +86 757 2291 5149  
 info.fsc@hexpol.com  
 www.hexpolcompounding.com



**Gislaved Gummi Lanka (Private) Ltd.**  
 371 Colombo Road  
 Bokundara, Piliyandala  
 Sri Lanka  
 Tel: +94 11 421 2722  
 Fax: +94 11 421 2758  
 info-lk@gislavedgummi.com  
 www.gislavedgummi.com

## HEXPOL TP Compounding



**RheTech LLC**  
 1500 E. North Territorial Rd.  
 Whitmore Lake, MI 48189  
 USA  
 Tel: +1 734 769 0585  
 Fax: +1 734 769 3565  
 info@rhetechn.com  
 www.rhetechn.com



**RheTech LLC**  
 9201 West Grand River  
 Fowlerville, MI 48836  
 USA  
 Tel: +1 734 769 0585  
 Fax: +1 734 769 3565  
 info@rhetechn.com  
 www.rhetechn.com



**RheTech Colors**  
 2901 W. Monroe Street  
 Sandusky, OH 44870  
 USA  
 Tel: +1 419 626 5677  
 Fax: +1 419 626 1140  
 info@rhetechncolors.com  
 www.rhetechn.com



**RheTech Engineered Plastics**  
 221-A York Road  
 Blacksburg, SC 29702  
 USA  
 Tel: +1 864 839 6070  
 Fax: +1 864 839 6075  
 info@rhetechn.com  
 www.rhetechn.com

## HEXPOL TPE Compounding



**HEXPOL TPE GmbH**  
Plant 1  
Grünwaldstr. 13  
DE-96215 Lichtenfels  
Germany  
Tel: +49 9571 94894 0  
Fax: +49 9571 94894 90  
info.de@hexpolTPE.com  
www.hexpolTPE.com



**HEXPOL TPE GmbH**  
Plant 2  
Max-Planck-Str. 3  
DE-96215 Lichtenfels  
Germany  
Tel: +49 95 71 94 89 4-0  
Fax: +49 95 71 94 89 4-90  
info.de@hexpolTPE.com  
www.hexpolTPE.com



**HEXPOL TPE AB**  
Box 51, Gamla Örnäsgratan 15  
SE-692 22 Åmål  
Sweden  
Tel: +46 532 607 500  
Fax: +46 532 607 599  
info.se@hexpolTPE.com  
www.hexpolTPE.com



**HEXPOL TPE Ltd**  
Don Street, Middleton  
Manchester, M24 2GG  
United Kingdom  
Tel: +44 161 654 6616  
Fax: +44 161 654 2333  
info.uk@hexpolTPE.com  
www.hexpolTPE.com



**HEXPOL TPE CHINA**  
No. 3 Xinhui Road  
Wusha, Daliang, Shunde District  
Foshan Guangdong CN-528333  
China  
Tel: +86 757 2291 5100  
Fax: +86 757 2291 5149  
info.fsc@hexpolTPE.com  
www.hexpolTPE.com



**HEXPOL TPE North America**  
2901 W. Monroe Street  
Sandusky, OH 44870  
USA  
Tel: +1 419 626 5677  
Fax: +1 419 626 1140  
info.na@hexpolTPE.com  
www.hexpolTPE.com

**HEXPOL TPE**  
Sales office France  
Tel: +33 160 431717  
info.fr@hexpolTPE.com

**HEXPOL TPE**  
Sales office Belgium  
Tel: +32 87 595 448  
info.be@hexpolTPE.com

## HEXPOL Engineered Products



**Stellana AB**  
Box 54  
SE-695 22 Laxå  
Sweden  
Tel: +46 584 44 48 00  
Fax: +46 584 44 48 90  
info@stellana.se  
www.stellana.com



**Stellana Qingdao Co Ltd**  
No 899 Fenghuang Shan road  
Huangdao, Qingdao, 266431  
China  
Tel: +86 532 81731167  
Fax: +86 532 81731128  
www.stellana-cn.com



**Stellana U.S. Inc.**  
999 Wells Street  
Lake Geneva, WI 53147  
USA  
Tel: +1 262 348 5575  
Fax: +1 262 348 5570  
info@stellana.us  
www.stellana.com



**Elastomeric Engineering Co Ltd**  
51-54, IDB Industrial Estate  
Horana  
Sri Lanka  
Tel: +94 34 226 1051  
Fax: +94 34 226 2045  
info@elastomeric.lk  
www.elastomericgroup.com



**Gislaved Gummi AB**  
Box 522  
SE-332 28 Gislaved  
Sweden  
Tel: +46 371 848 00  
Fax: +46 371 848 88  
info@gislavedgummi.com  
www.gislavedgummi.com



**Gislaved Gummi Qingdao Co Ltd**  
No 899 Fenghuang Shan road  
Huangdao, Qingdao, 266431  
China  
Tel: +86 532 8173 1167  
Fax: +86 532 8173 1006  
info-cn@gislavedgummi.com  
www.gislavedgummi.com



**Gislaved Gummi Lanka (Private) Ltd**  
371 Colombo Road  
Bokundara, Piliyandala  
Sri Lanka  
Tel: +94 11 421 2722  
Fax: +94 11 421 2758  
info-lk@gislavedgummi.com  
www.gislavedgummi.com

**HEXPOL Wheels sales office/  
distribution center Germany**  
Stellana Deutschland GmbH  
Am Appenstedter Wäldchen 7  
D-21217 Seevetal/Meckelfeld  
Germany  
Tel: +49 40 703884710  
Fax: +49 40 703884766  
Email: info@stellana.com  
www.stellana.com

**HEXPOL Gaskets distribution center USA**  
Robbins LLC  
3415 Thompson St  
Muscle Shoals, AL 35661  
USA  
Tel: +1 256 383 5441  
Fax: +1 800 821 7918  
info@robbinsllc.com  
www.robbinsllc.com



Production: G-byran Sverige AB, www.g-byran.se  
Art Director, Project Manager: Anders Ohgren  
Texts: HEXPOL AB · Translation: HEXPOL AB and The Bugli Company.  
Photography: HEXPOL AB's subsidiaries, Pixhill.com,  
Shutterstock, among others.  
Printed in Sweden by Strokirk-Landströms.



A Material Difference

HEXPOL AB (publ), Skeppsbron 3, SE-211 20 Malmö, Sweden  
Tel. +46 (0)40-25 46 60 · Fax +46 (0)40-25 46 89  
[www.hexpol.com](http://www.hexpol.com)

