

SUSTAINABILITY REPORT

ARLA PLAST GROUP

2020

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THE ACCOUNTING PERIOD FOR THIS PUBLICATION IS THE CALENDAR YEAR 2018.
THE STATUTORY SUSTAINABILITY REPORT REGARDING ARLA PLAST AB WITH SUBSIDIARIES IS PUBLISHED ONCE A YEAR.
ALL FACTS IN THIS REPORT HAVE BEEN REVIEWED BY ARLA PLAST´S INTERNAL AUDITOR.

Step By Step Towards A Better World

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

In order to ensure another successful 50 years, we need to think long term as well as we need to meet and exceed the sustainability expectations of our suppliers, customers, employees, owners and the society around us. No dimension may be forgotten, says CEO Henrik Håkansson.

Arla Plast has been profitable every year through its history. Through financial strength we have the means to invest into and develop the company.

All interaction with customers and suppliers is characterized by high ethical standards.

Our long-term focus on high quality products ensures long duration of our products and minimizes the need of replacement products. We work continuously with material efficiency by recycling all waste material through regrinding as well as we together with our customers strive towards thinner material gauges.

We work hard to offer our employees an excellent work environment and we communicate regularly with our employees, amongst other through employee surveys, to ensure that we are on the right path.

There is a regular interaction with our neighbours to evaluate if we can improve the perception of our operations in the neighbourhood.

We contribute to several non-profit welfare organisations as well as to local sport and other organisations. As the biggest employer in Borensberg, we have a responsibility to support the local interests.

Finally, we are humble in evaluating ourselves and thereby we all the time strive towards even better sustainability, says Håkansson.



HENRIK HÅKANSSON, CEO, ARLA PLAST

Business Model

Arla Plast was founded in Borensberg in 1969 by Arne Larsson. In 1973 Arne purchased the first extruder to produce ABS, this was the beginning of Arla Plast as an extrusion company.



Arne Larsson, the founder of Arla Plast

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

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

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

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

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

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

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

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

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

Our opaque polycarbonate sheets are often used for the production of luxury luggage, wall cladding or for different types of packaging.

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

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

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





Policy

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

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

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

Human Rights & Anti-Corruption

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

The material is divided in

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

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



SIGNIFICANT RISKS AND HOW WE HANDLE THESE

HUMAN RIGHTS

Policy

Guidelines in Arla Plast Way.

Significant risks

The supply chain uses child labour or inhuman working conditions.

Performance review

Follow up in supplier assessments of our key suppliers.

How to handle

All employees and agents have been trained in "Arla Plast Way". Depending on the situation. Management should be informed for required actions.

Status and comment

No known cases.

ANTI-CORRUPTION

Policy

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

Significant risks

Impact on contacts with suppliers and customers.

Performance review

Cost follow-up, contract follow-up.

How to handle

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

Status and comment

No known cases.

From raw material to plastic sheets to regrind

Material assessment

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

The upstream raw materials come from all over the world and our suppliers are committed to complying with international human rights, labor rights and anti-corruption measures. In 2018, 70% of our raw material suppliers had the ISO14001 and ISO9001 certification.

Transport

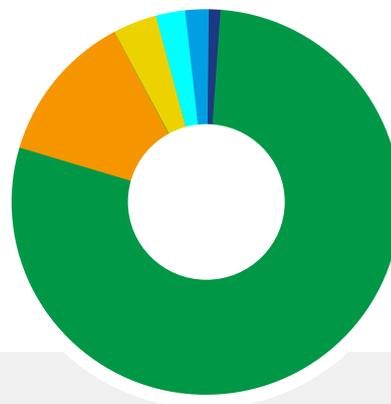
The main raw materials for our plastic sheet production is transported by sea to the large ports in Europe. From there they are transported to our plant in Sweden or the Czech Republic by truck. Our main suppliers are located within the European Union.

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

Subcontractors

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

We inform all subcontractors about our work environment policies and routines.



An example of the Polycarbonate value chain. Diagram of spread in purchase value.

Recycling

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

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



Environmental Aspects

Environmental report

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

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

Energy consumption Arla Plast AB Borensberg

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

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

Renewable electricity

Arla Plast AB Borensberg acquires renewable electricity produced by water power with zero emission. Arla Plast have also carried out an energy survey at the Borensberg plant. As a result of the investigation, we have begun to replace older fluorescent lamps in the premises with energy-efficient lighting.

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

ENERGY CONSUMPTION

ARLA PLAST AB BORENSBERG

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

2013	1,01
2014	0,93
2015	0,89
2016	0,88
2017	0,91
2018	0,95

ARLA PLAST S.R.O KADAŇ

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

2013	1,24
2014	1,26
2015	1,14
2016	1,07
2017	1,11
2018	1,24

ARLA PLAST S.R.O PEHLŘIMOV

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

2013	2,45
2014	1,11
2015	1,13
2016	1,11
2017	1,14
2018	1,10



Waste

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

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

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

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

ENVIRONMENTALLY HAZARDOUS WASTE

ARLA PLAST AB BORENSBERG

Volume per tonne of plastic produced (Liter)

	2014	2015	2016	2017	2018
Waste oil include other hazardous waste	1,67	1,45	1,75	1,55	0,81

ARLA PLAST S.R.O KADAN^y

Volume per tonne of plastic produced (Liter)

	2014	2015	2016	2017	2018
Waste oil include other hazardous waste	0,94	1,41	1,20	1,01	0,66

ARLA PLAST S.R.O PEHLRIMOV^y

Volume per tonne of plastic produced (Liter)

	2014	2015	2016	2017	2018
Waste oil include other hazardous waste	0,41	0,27	0,50	0,73	0,16

ENVIRONMENTAL

<i>Policy</i>	Arla Plast Policy VL06, internal routines, working ways and ISO 14001.
<i>Significant risks</i>	Energy consumption, hazardous waste.
<i>Performance review</i>	Internal and external audits, monthly follow-up.
<i>How to handle</i>	Action plans in the management team or aspect register. Deviation management during the process to measure, follow up and improve.
<i>Status and comment</i>	Energy consumption higher 2018 than budget and are related to lower order volume that increased numbers of start-ups. Lower volym on hazardous from Borensberg because of no shipment of waste oil or emulsions between October to December.

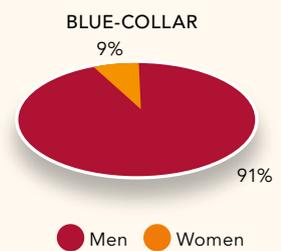
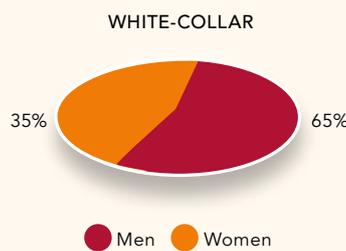
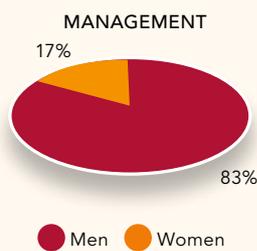
Our Co-Workers

At the end of 2018, the number of employees at Arla Plast was approximately 262 people. In Sweden 144 people were employed and in Czech Republic 118.

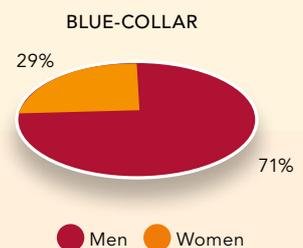
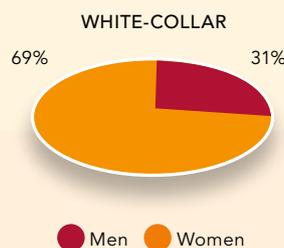
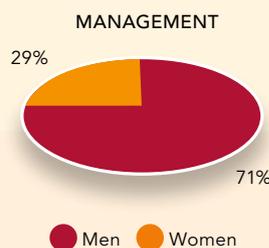
Arla Plast has an equality policy that states that Arla Plast should – utilize the resources that are available

among all employees working in the company, strive for an even representation of men and women, good ethics, the equal value of all people and an open and honest exchange of ideas for our actions.

**ARLA PLAST AB
BORENSBERG**



**ARLA PLAST S.R.O
KADAŇ
PEHLRIMOV**



Education and development of skills

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

Healthcare

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

Work environment

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

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



Sick leave

ARLA PLAST GROUP	ARLA PLAST AB SWEDEN	ARLA PLAST AB S.R.O
Blue collar	Blue collar	Blue collar
% Sick leave 6,6%	% Sick leave 7,5%	% Sick leave 5,6%
Total Sick leave hours 25 755	Total Sick leave hours 14 898	Total Sick leave hours 10 857
Total planned work hours 391 766	Total planned work hours 199 517	Total planned work hours 192 249
White Collar	White Collar	White Collar
% Sick leave 2,5%	% Sick leave 1,2%	% Sick leave 3,6%
Total Sick leave hours 3 194	Total Sick leave hours 940	Total Sick leave hours 2 254
Total planned work hours 143 013	Total planned work hours 81 343	Total planned work hours 61 670
Total	Total	Total
% Sick leave 5,4%	% Sick leave 5,6%	% Sick leave 5,2%
Total Sick leave hours 28 949	Total Sick leave hours 15 838	Total Sick leave hours 13 111
Total planned work hours 534 779	Total planned work hours 280 860	Total planned work hours 253 919

Status and Comment: We see that the work environment work that is going on gives results and we need to continue the work.

SIGNIFICANT RISKS AND HOW WE HANDLE THESE

SOCIAL CONDITIONS AND EMPLOYEES

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

Neighbours

It is important for Arla Plast to have an open dialogue with our neighbours. Arla Plast Borensberg invites all neighbours to have a conversation once a year. During this meeting the planning for the coming year is discussed along with the effects of environmental improvements. A positive outcome from these meetings are improved communication if problems should arise.



Social Responsibility

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

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

Arla Plast has also contributed to the charity organisation “MSF – Mediciens sans frontieres”.

THE AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of Arla Plast AB (legal registration number 556131-2611)

Engagement and responsibility

The Board of Directors is responsible for that the statutory sustainability report has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination of the statutory sustainability report has been conducted in accordance with FAR's auditing standard RevR 12 – “The auditor's report on the statutory sustainability report”.

This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

We believe that the examination has provided us with sufficient basis for our opinions.

Opinion

A statutory sustainability report has been prepared.

Borensberg June 14, 2019

Ernst & Young AB
Clas Tegidius



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

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

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

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

