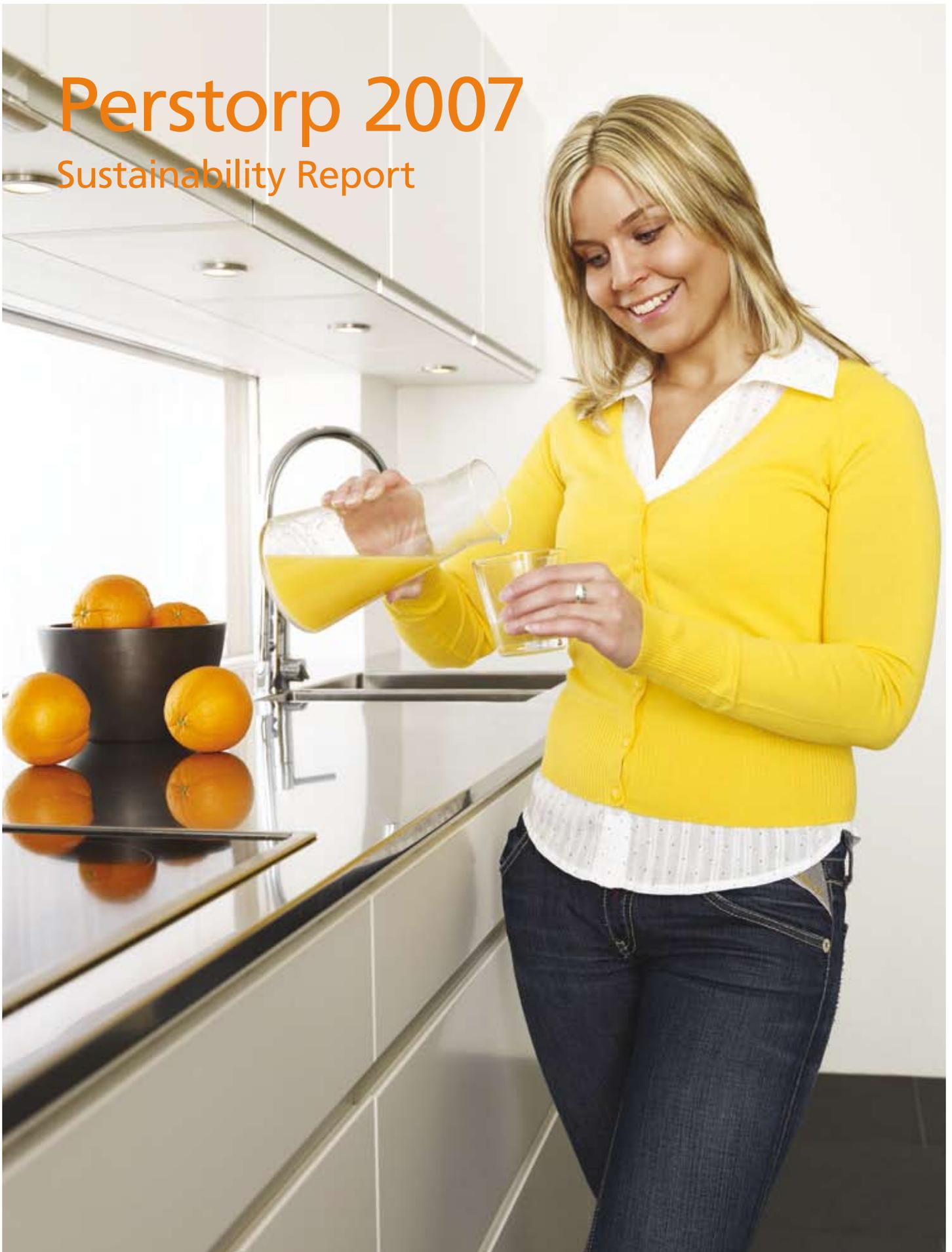


# Perstorp 2007

## Sustainability Report



# Welcome to Perstorp's world

Perstorp is a leading supplier of advanced specialty chemical products. People all around the world meet Perstorp's products in their everyday life in a variety of applications – in their homes, on the road, at work or during leisure time.

Perstorp's direct customers are active in a wide range of industries producing paint, plastics, autos, food, construction materials and engineering products. Perstorp provides valuable properties and environmental benefits for products produced in a large number of industries and used by many different consumers.

Perstorp has established leading positions in selected segments of the specialty chemicals market in Europe and other large regions. The base for activities is extensive know-how in organic chemistry, especially aldehyde chemistry.

Perstorp focuses on continuous innovation to create added value for customers, and the Group aims to be at the leading edge of development within eco-adapted products and systems.

Perstorp has production sites in 12 countries in Europe, North and South America and in Asia. The Group has around 2,000 employees and a head office in Perstorp, Sweden where the company was founded 125 years ago. Since 2005 the Group has been controlled by PAI partners, a leading European private equity company.

## In the home

At home you meet Perstorp in eco-adapted paints both inside and outside, and on other surfaces such as flooring and white goods. Other Perstorp products contribute to longer life for bread and cheese or to make packaging for other foods.

## On the farm

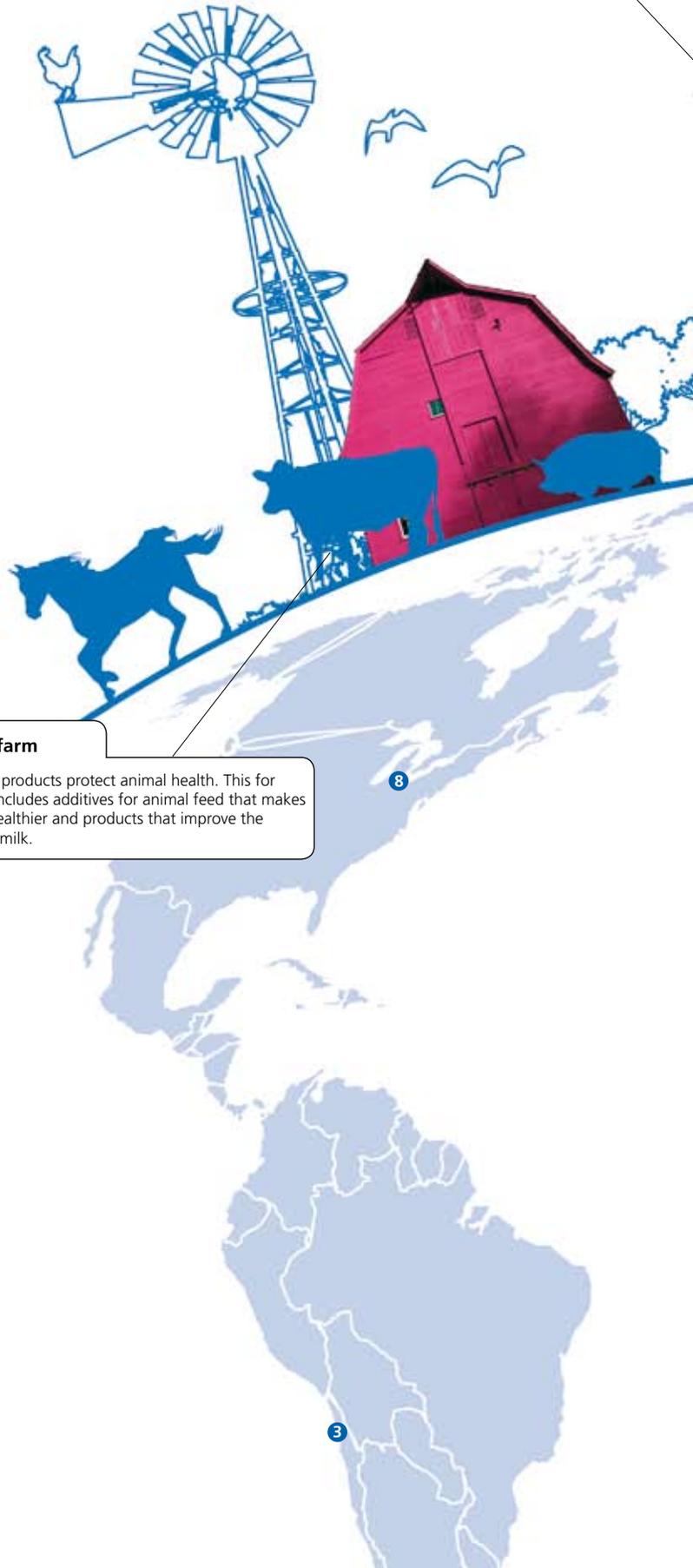
Perstorp's products protect animal health. This for example includes additives for animal feed that makes animals healthier and products that improve the quality of milk.

## Communication with Perstorp

If you would like to pass on your views about Sustainability Report 2007 or have questions about Perstorp's work in this area, please contact Cecilia Nilsson, Communications Manager, [cecilia.nilsson@perstorp.com](mailto:cecilia.nilsson@perstorp.com)

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### In the office

Scratch-resistant computer screens and keyboards and electronics inside PCs are just some of the application areas where Perstorp contributes its knowledge and products. Other applications include protective coatings for office furniture and durable floor surfaces. The office building can be fireproofed using Perstorp's products.

### In your car

Coatings, shatter-free windscreens and robust interior components are just some examples of Perstorp's products. A growing application area is bio-based fuel which benefits the environment.

### In your free time

You can enjoy exercise more with shoes that cushion against hard surfaces, tents that keep out the rain and reinforced helmets that protect you when you climb a mountain. Together with weather-resistant wake-boards, high-performance wheels for inlines and durable golf balls, these are examples of products that receive valuable properties through special chemicals supplied by Perstorp. Finally, quake your thirst with water from a PET bottle made using Perstorp's products.

## Perstorp everywhere

Thirteen production sites in twelve countries

1. Bruchhausen
2. Castellanza
3. El Salto
4. Gent
5. Perstorp
6. Singapore
7. Stenungsund
8. Toledo
9. Ulsan
10. Vapi
11. Warrington
12. Waspik
13. Zibo

## 2007 in brief

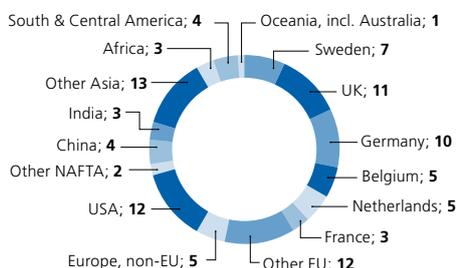
For Perstorp, 2007 was a successful year with a positive earnings trend and several investment projects implemented to achieve further growth. From a sustainability perspective, the year was also characterized by positive efforts.

- ➔ The rapeseed methyl ester (RME) plant for renewable fuel was started up in the second quarter of 2007. Perstorp BioProducts AB was formed to strengthen Perstorp's focus on renewable raw materials.
- ➔ A strategic decision was taken about the Group's largest-ever investment for manufacturing Valeric aldehyde and its derivatives, including a type of environmentally compatible plasticizer for PVC.
- ➔ The Penta factory in Bruchhausen restarted after the dust explosion in 2006.
- ➔ The first of three staff surveys was completed in the fall with a 90% response. Surveys will now be formed annually.
- ➔ The Take Care project started with the goal of reducing accidents. The project is based on behavior-based safety.
- ➔ A new steam boiler for burning waste was started at the Perstorp production site.

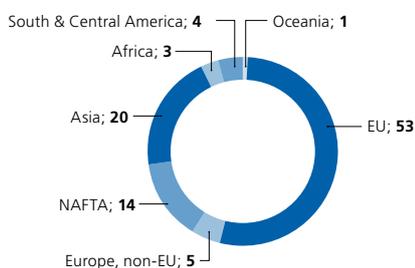
### Key figures in summary

SEK m unless otherwise stated	2007	2006
Net sales	8,583	7,273
Operating earnings before depreciation and amortization (EBITDA)	1,365	1,091

### Net sales per market, pro forma, %



### Sales per region, pro forma, %



Hampus Carlsson, process engineer at Perstorp's production plant in Stenungsund.

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### Perstorp's reports for 2007

For 2007, Perstorp is publishing an Annual Report and a Sustainability Report. Both reports are available at [www.perstorp.com](http://www.perstorp.com), where they can also be ordered in printed form. Perstorp's reports for 2006 were published in April 2007.

## Sustainable growth with responsibilities

2007 was a successful year for the Perstorp Group and we did many important things to secure our future in the form of capacity investments, company acquisitions and product launches. All of these efforts were characterized by a sense of responsibility and consideration for the long term. This is our perspective for everything we do.

### Profitable growth

My main assignment as President is to ensure that Perstorp creates value through high and profitable growth. In my view the conditions for achieving this are very favorable: Perstorp has broad knowledge of the chemicals industry and strong positions on global markets. We have identified growth opportunities within existing and new areas, not least due to goal-oriented investment in eco-adapted products and systems.

### Sustainable creation of value

Perstorp aims to create value in a sustainable way, and in my view there is no contradiction between being a profitable business and taking responsibility throughout the process. One way of taking responsibility is as a global chemicals group offering our customers, and our customers' customers, eco-sustainable products. We have a clear goal when developing processes, products and applications – they must have properties as good as existing ones, but there should be clear benefits for the environment, health and safety. You can say that Perstorp's products help other companies, further along the chain of value, to act more sustainably.

### Safe & motivated employees

Another way of taking responsibility is to ensure that our employees feel safe, secure and well

motivated in their workplaces. We already have a high level of safety awareness in our business, but we still decided in 2007 to start a project, to my great satisfaction, aimed at improving safety behavior at a deeper level. Our goal is that by 2010 there will be no serious accidents at all within the Perstorp Group, and we believe that the only way to achieve this is to raise our staff's awareness of their own behavior. The major company acquisitions we completed at the end of 2007 and start of 2008 have also added a higher level of safety awareness to the Group.

### Building responsible relationships

Perstorp is, and will always be, a company that takes its responsibilities. We see clearly how this builds trust and enables us to form long-term positive relationships with all of the people around us – customers, suppliers, staff, investors and the general public. These are the relationships that will secure our future development.

Perstorp, March 2008



Bo Dankis  
President and CEO



# Responsible business



Perstorp aims to create value in a sustainable way and there is no contradiction between being a profitable business that also takes responsibility throughout the entire process.

## **Perstorp Group's Code of Conduct**

- ➔ We respect the individual and stand for fairness, honesty, openness and trust. We encourage networking, participation and individual initiatives.
- ➔ It is our responsibility to provide safe and healthy working conditions and to prohibit harassment of any kind.
- ➔ We continuously work to reduce the impact of our operations on the environment, in keeping with our commitment to sustainable development.
- ➔ We create long-term value for our customers, shareholders, employees and society, recognizing that sustainable profit is essential to our success.
- ➔ We compete vigorously but fairly, and always within the framework of applicable laws. We do not engage in illegal industry collaboration.
- ➔ All business transactions shall be recorded in accordance with the company's accounting principles and local laws. We do not tolerate bribery in any form. All employees are expected to avoid situations in which their personal interests may come into conflict with the company's interests.

One of Perstorp's three core values is responsibility, which shall permeate all the activities and decisions of the company and its staff in both the short and long perspective. The company's Code of Conduct and participation in the UN Global Compact initiative contribute to sustainable and responsible actions.

### **Perstorp's vision**

Perstorp's vision is for the Group to be the recognized global leader in creating resource-efficient and environmentally sustainable solutions for customers. Activities are carried out in selected niches within organic and polymer chemistry.

### **Perstorp's strategy**

To achieve its vision, Perstorp has formulated three main strategies to develop business:

#### **Secure competitiveness**

Perstorp will secure competitiveness for its key products by caring for key customers and defending and strengthening its technological leadership.

#### **Optimizing production apparatus**

Perstorp will optimize the production structure through continued high accessibility and reliability, which mainly entails safeguarding our access to raw materials and a conscious selection of global regions that are suitable for the production of Group products, based on such parameters as cost efficiency and availability.

#### **Capture growth opportunities**

Perstorp will capture growth opportunities on its markets. Through focused innovation and market development the Group will achieve high organic growth. Strategic acquisitions will be aimed at further increasing volumes, geographical presence and technologies, and

creating opportunities to grow within new, complementary areas of business activity.

### **The Group's overall goals for the environment, health & safety**

The Perstorp Group's goals for 2008 are to launch at least five new products or applications that have a reduced environmental impact, to reduce the Group's energy use per ton for the major product groups by 2% compared with 2007, and to reduce water consumption and waste compared with 2007.

Each production unit adds its own EHS goals, focusing on the environmental impact caused by its own consumption of raw materials, energy and water. Other key parameters include emissions to air and water and minimization and recirculation of waste.

Perstorp's goals for safety in the working environment are formulated regarding the number of work-related accidents, resulting in at least one day's sick leave, per 1 million working hours. For 2008 the target is less than 4. The target for the number of environmental accidents in 2008 is zero.

### **Global trends**

Perstorp serves customers in a wide variety of industries across the globe, which places large demands on monitoring global trends and strategic planning. Perstorp has noted a number of key trends that are expected to have

significant effects on the Group's markets in the future. Accordingly, appropriate actions are being taken in the strategic planning and management of operating activities. These trends can be summarized as follows:

#### **High & fluctuating prices for raw materials**

Ongoing growth in the global economy indicates that access to raw materials may become more limited in the future. Consequently, prices during the foreseeable future are expected to remain high and become more volatile than previously.

#### **Longer, more integrated chains of value**

The value chains from raw material to end product are becoming longer, which is creating the need for greater integration both forward and backward. The aim is not to get caught between strong raw material suppliers and price pressured end-product manufacturers. Longer value chains generate increased price flexibility and create better conditions for strong cash flows.

#### **Stronger, more specialized firms**

Consolidation among customers and suppliers is increasing, which is leading to the establishment of large, more specialized players. The geographic location of business operations will be controlled to a greater extent by cost considerations and other competitive advantages.

#### **Increased environmental awareness**

Awareness of the environment and the need for

sustainable development is expected to increase among politicians and the general public, subjecting the chemicals industry to ever greater demands.

However, this will also create new and growing markets for environmentally compatible processes, products and services.

#### Increased product differentiation

Increased segmentation of customers and markets will boost demand for more differentiated products. Large groups of new customers will bring new values and new needs. This, in turn, will lead to shorter product lifecycles and place greater demands on product and applications development.

#### UN Global Compact

The Perstorp Group has been an active participant in the UN Global Compact since the spring, 2004. The compact sets ten principles covering human rights, the environment, working conditions and anti-corruption.

In 2007 Perstorp's President, Bo Dankis, participated in a Global Compact meeting for leading international politicians and businessmen. Perstorp sponsored Global Compact in 2007 with a contribution of USD 1,000. See [www.unglobalcompact.org](http://www.unglobalcompact.org) for more information.

Perstorp also participates in the chemicals industry's Responsible Care program.

#### Code of Conduct

The Perstorp Group's Code of Conduct, based among other things on the ten principles in the UN Global Compact, defines the business principles that shall permeate the Group's operations. In 2007 all of the Group's production sites responded to a survey concerning the Code of Conduct.

In 2007 there were no cases of discrimination, child labor or enforced labor, and no measures were therefore taken in any of these areas. There

were no cases of corruption and therefore no measures, such as training, were carried out in this area either.

#### Awards in 2007

In 2007 the Group's sites received a number of awards for various types of performance. A former employee of the production site in Castellanza, Italy, received the Medal of Master of Work from the President of Italy.

The production site at El Salto, Chile, received an award for its work on safety from the Chilean Institute for Safety. Through its continuous efforts to clean local waterways, Perstorp's production site in Toledo, USA, was given the Founder Award from the Partners for Clean Stream. The Toledo plant was also given an award for its commitment to sustainable development through the recycling of electronics. For the second year running, the plant in Vapi, India, received an award for the good order maintained at its production plant.

#### Governance & measurement

##### Perstorp's policies

The Perstorp Group has adopted a policy for the environment, health and safety, and a policy for Human Resources. They can be read in full at [www.perstorp.com](http://www.perstorp.com). Parts of the policies are presented under each heading below.

##### Staff survey

Within the framework of the Perstorp Group's personnel management and development, the PMD process (People Management and Development), a staff survey is performed annually. The purpose of the survey is to produce information that managers and departments can use to discuss how work can be carried out more efficiently.

The staff survey is for all employees in the Group and is translated into 8 languages in order to increase understanding and thus boost response frequency. A survey was completed in 2007. Each department has produced a plan

based on the results of surveys, with the aim of making improvements in 2008.

#### Management systems

The Perstorp Group's management system specifies internal requirements and work methods for managing operations. Audits are conducted on all production units in accordance with Perstorp's global internal standards, which include ISO 14001, OHSAS 18001, the chemical industry's Responsible Care program, safety and elimination of risks.

In 2007 an internal technical standard continued to be developed concerning the Group's requirements for safety at production sites. The management system is being adapted to match new products and REACH, the EU's legislation regarding chemicals.

#### GRI Index

Perstorp has chosen to use the Global Reporting Initiative, GRI, and the latest version of Sustainability Reporting Guidelines 3.0 as the starting point for this sustainability report.

GRI establishes 154 indicators, of which 42 (sections 1-4) focus on a description of business, accounting principles and corporate governance. The other 112 indicators concern the reporting of economic, environmental and social consequences of the company's activities and performance, including 33 indicators concerning Disclosures on Management Approach that highlight how sustainability is governed by policies, targets and training. Of these 112 indicators, 82 are core indicators that all companies and organizations should comply with.

The 2007 Annual Report of the Perstorp Group also provides details of GRI indicators fulfilled by the Group (pages 28-31).

Perstorp applies level C and has decided not to perform an external audit.

#### Reporting principles

Details about work on the environment, health

and safety at Perstorp's production units have been collected for the 2007 calendar year. Data has been collected electronically, via questionnaires and through information being entered directly in the Group's database (EHS Frango). Each production unit has its own co-ordinator for environment, health and safety work, who assisted in the data collection. Thereafter, those legally responsible reviewed and approved the information.

The Group function for the Environment, Health and Safety within Perstorp then prepared summaries and reports that were used as supporting materials for the sustainability report.

Data constitutes information reported to various authorities and that used in the internal control of the company, as well as information collected specifically for this report.

Each production unit prepares monthly reports of the number of employees, personnel turnover, overtime, sickness absence, succession planning and development plans that are entered in a database that Human Resources uses for following up key data. These supporting materials were used for summaries in the sustainability report. Personnel data was also collected via questionnaires.

The environmental data pertains to those units that were wholly owned by Perstorp during the entire 2007 calendar year. Acquisitions and divestments made during the year are not included. Comparison figures for previous years have been adjusted to correspond to 2007 operations. Key data is reported primarily as absolute figures, but in certain cases, relative figures are reported.

## Perstorp's unique molecules

Molecules are at the heart of Perstorp's business. But the most important ones are the billions of molecules that organize themselves every morning into over two thousand very important people – the Perstorp staff who creates winning formulas for the Group's customers and the world in general.

Perstorp's unique molecules are its key strengths and core values: focused innovation, reliability and responsibility. These core values in combination are present throughout Perstorp's working methods and solutions, helping to create Winning Formulas.

### Focused innovation

Focused innovation means that Perstorp places value in developing working methods, responsibility and processes that provide mutual benefits for customers and the company. It never means innovation for the sake of innovation, but rather innovation aimed at finding the best value-creating solution. Perstorp focuses on niche sectors of the chemicals industry, in which the company has the potential to become a world leader and drive development around well-defined customer and environmental requirements.

### Reliability

Perstorp emphasizes the importance of keeping its promises to customers. This entails continuously striving to ensure that processes and performance standards meet customer expectations. It means that Perstorp offers reliable low-risk solutions delivered with high precision. Delivering what we promise, both as individuals and as a group, is critical for Perstorp's success and builds customer confidence and loyalty.

### Responsibility

Perstorp offers environmentally sustainable products, services and solutions that meet all customer requirements. Perstorp provides secure processes and works with distinct safety awareness. Our employees are well trained and qualified for their assignments, prepared to accept responsibility and to solve emerging questions whenever required. Perstorp is an organization that cares about its customers, employees, society and the environment.

Winning Formulas shows clearly what the Perstorp Group stands for.

# Responsibility for the environment



Perstorp works determinedly and with a strong focus to develop and improve products and processes that contribute to a better environment, both during production and in use.

## Key events in 2007

- ➔ Start of new steam boiler for burning waste at Perstorp.
- ➔ Start of two steam boilers at Stenungsund.
- ➔ Reduced use of energy in Gent, Belgium, by around 8% despite higher production.
- ➔ Start of Water Management, a survey of water issues at all production sites.
- ➔ Increase in eco-related investment, up to around 17% of all investment.

## Policy for the environment

- ➔ Perstorp shall work with continuous improvement of processes and products to minimize the impact on people and the environment. The business shall be characterized by the following key phrases: taking care, eco-cycle and husbanding natural resources.
- ➔ Perstorp shall work to develop products with improved environmental aspects and reduced use of resources to ensure safe use by customers and throughout the entire life cycle. Perstorp shall provide up-to-date information to customers about the health and environmental aspects of products.

The Perstorp Group works determinedly and with a strong focus to develop and improve products and processes that contribute to a better environment, both during production and in use. Taking responsibility combined with high ambitions and a willingness to learn are important for Perstorp.

In recent years there has been an increased focus on environmental issues, among other things because of the connection between global warming and the use of fossil fuels. For Perstorp, management of environmental issues is essential for its business, which must be conducted in a sustainable manner, just as a heightened focus on environmental issues among customers and other interested parties creates new opportunities. Correct and innovative use of chemicals is one way of meeting the environmental challenges we all face.

For a long time now Perstorp has deliberately guided its product and application development into eco-adapted and resource-efficient solutions such as paint systems solvent-free coating systems, antibiotic-free animal feed, etc. A new focus area is biodiesel, for which a rapeseed methyl ester (RME) plant was brought into use in the spring of 2007.

Major price rises for energy are contributing to the continued efforts of the Perstorp Group to use different forms of biofuel for energy production at the Group's manufacturing sites.

Around 75% of the Group's raw materials are based on oil or natural gas, both of which saw

serious price increases during 2007. Despite a stabilization of raw material prices towards the end of 2007, Perstorp, like the rest of the chemicals industry, recorded a considerable rise in costs for raw materials in the past year. Perstorp is focusing hard on an assessment of new and renewable raw materials. Vegetable oils are one alternative, biobased ethanol is another.

Petrochemical raw materials will however remain Perstorp's, and the rest of the chemicals industry's, primary raw material for many years. The development of new, eco-adapted sustainable products, along with assessments of alternatives, must be performed with responsibility and from a global perspective. A sensitive environment and complex eco-system require more than quick solutions, especially as work must be combined with a determination to prevent bad working conditions for people all over the world.

The production site in Chile, El Salto, was added to Perstorp's environmental statistics for 2007, while several sites increased their outputs. This means that energy use, consumption of raw materials and certain emissions increased in 2007.



Alf Gunnarsson, Director Industrial Chemistry:

"Perstorp's development work has been characterized for a long time by consideration for the environment. During product, process and application development, demands regarding environmental impact must be met as a minimum requirement. One driving force for all development work is to find new products that have at least the same good properties as existing ones, but that have less environmental impact. This is a development towards more sustainable products with less environmental effect both in the production process and in use.

One concrete example of outside demands that are driving this type of product development is the coatings industry's demand for reduced use of solvents and their choosing water-based systems instead. Several of our products enable this because of their specific properties. Within coating applications, for example, we have performed several development projects in close partnership with paint producers.

The use of renewable raw materials in the long term will be decisive for the chemical industry's future. Green chemistry, which is a part of this, is also something we take seriously, especially in the development of production processes based on fermentation and enzyme systems. This is a part of the future that is already happening."

#### Environment targets 2008, Energy & Water

Specific energy consumption shall be reduced by 2% compared with the outcome in 2007 <sup>1)</sup>

Consumption of water and the amount of waste water produced shall be lower than in 2007

<sup>1)</sup> The target applies to energy use per ton for the largest product groups.

## Economical resource management

### Energy

Energy use within the Perstorp Group increased by around 20% during 2007, compared with 2006. Of total energy used by the Group, around 14% (17%) came from renewable fuels. The proportion of fuel oil increased to around 13% (5%). The unit in El Salto, Chile, has not gained access to natural gas as planned due to export restrictions in Argentina, and has therefore used fuel oil. This contributed to the increased use of fuel oil in 2007.

Projects are under way within the Group to enhance energy efficiency and save energy. Energy-saving measures were taken at a number of units during the year. The production unit in Perstorp, which accounts for approximately 30% of the Group's energy use, is taking part in the Program for Improving Energy Efficiency in Energy-intensive Industries (PFE), which is administered by the Swedish Energy Agency. The unit in Gent, Belgium, is following a similar program and thanks to specific measures alongside increased orders the unit managed to cut energy use by around 8% in 2007 while raising the production volume by 10%.

A new combined boiler for oil and liquid residual products came into operation at Perstorp in 2007. This plant features advanced flue gas treatment, which contributes to reduced emissions of sulfur dioxide, dust particles and other substances generated by burning oil and liquid residue. The recycling of liquid residue as energy reduces the need to burn oil.

In the middle of 2007, the unit in Stenungsund started up two new steam boilers to replace existing boilers.

### Raw materials, auxiliary chemicals, packaging & purified water

Perstorp uses a large number of substances as raw materials in its processes. The raw materials used most extensively are methanol, propylene, oxygen and natural gas. These are refined into products some of which, such as formalin and butyraldehyde, are important constituents in Perstorp's onward refinement chain. The main auxiliary chemicals include sulfuric acid, sodium hydroxide, ammonia and formic acid.

Projects are constantly in progress at the plants to reduce raw material consumption. Disruptions that lead to increased raw material consumption are registered at the plants, and measures are taken to minimize such disruptions.

Production gives rise to extensive bulk deliveries, and various packaging materials are used for smaller delivery quantities. The plants endeavor to deliver as much as possible in bulk form to reduce amounts of packaging materials.

During 2007, the Perstorp Group used 18 million cubic meters of purified water (20). Of this amount, 15.1 Mm<sup>3</sup> was surface water, 1.8 Mm<sup>3</sup> was groundwater, 0.8 Mm<sup>3</sup> was from the municipal supply and 0.1 Mm<sup>3</sup> was supplied from other external sources.

During 2007, Perstorp started a Water Management project to survey the water situation at all production units. The aim is to spotlight efficient management and recirculation of process water. The survey is also intended to determine the degree of contamination of the outgoing wastewater and the situation in the recipients that receive treated wastewater.

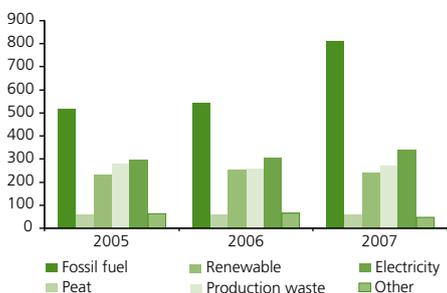
### Land use

A number of the Perstorp Group's plants are located in major industrial complexes, where land use has been optimized by gathering a number of plants in one place, enabling key equipment to be shared. Examples include the facilities in Perstorp, Castellanza in Italy and Ulsan in Korea. The Group's process facilities cover around 175 hectares, and the Group owns an additional approximately 300 hectares of land adjacent to its units.

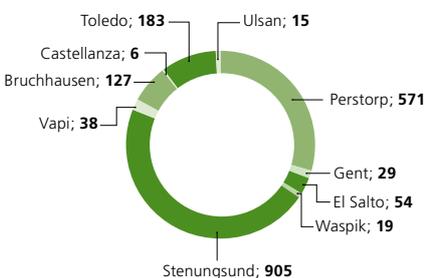
The Group's largest unit is located in the Perstorp Industrial Park in Perstorp, where chemical production in some form has gone on since 1881. The Perstorp Group also regulates a number of lakes and ponds east of the industrial park. The wealth of wetlands, ponds and small lakes enhances the natural value of the surrounding area. Water from the lakes flows through the industrial park in the Ybbarp River, which is the recipient for treated process wastewater from the industrial park. The Ybbarp River joins the Rönne River, which flows through two designated Natura 2000 areas.

Another Natura 2000 area is located to the south of the unit in Bruchhausen, Germany, along the Ruhr River.

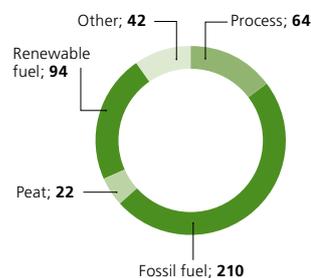
Distribution of energy type, GWh



Raw material consumption per plant, ktons



Carbon dioxide, kton/year per fuel type



## Emissions & environmental impact

### Climate impact

#### Carbon dioxide emissions

During 2007, Perstorp's total carbon dioxide emissions increased by 17% to 432 ktons (369). The increase was attributable to increased production volumes at Stenungsund and increased reporting by an additional plant, El Salto in Chile. Recalculated per ton of product, emissions have been fairly constant over time: 0.26 tons of CO<sub>2</sub> per ton of product in 2007 against 0.25 in 2006. Carbon dioxide from transport is not included in these figures.

Perstorp initiated efforts to reduce its impact on the greenhouse effect some years ago – for example by building a biofuel boiler at the Group's largest unit in Perstorp in 1991, which significantly cut the use of fossil fuels by enabling coal firing to be phased out. The biofuel boiler, along with oil-fired reserve boilers, supplies steam to some twenty plants at Perstorp Industrial Park, and has the highest carbon dioxide emission of all the Group's facilities. As of 2006, the biofuel boiler also burns animal by-products – a carbon-dioxide-neutral fuel with good combustion properties.

During 2005, an oil-fired steam boiler at the Vapi plant in India was replaced with a steam boiler fired with briquettes made from residual products from sugar-cane cultivation. Just over 70% of the plant's energy requirement consisted of renewable fuels during 2007.

In 2006 the Group applied for carbon dioxide emission rights for the years 2008-2012. A decision regarding the Swedish units was received in early 2008.

#### Leakage of ozone-depleting substances

Perstorp uses cooling agents of the CFC/HCFC/HFC types in its climate control and cooling facilities.

The Group's installed HCFCs totaled approximately 1.6 tons in 2007, and the corresponding leakage of HCFCs amounted to roughly 1.1 tons during the year, primarily due to a malfunction in a cooling plant at the unit in Castellanza, Italy. Leakages also occurred at the plants in Toledo in the US, Vapi in India and Ulsan in Korea.

The Group's installed amount of HFCs was slightly less than 1.6 tons in 2007. Leakage during the year amounted to approximately 140 kg.

#### Emissions of volatile organic compounds (VOC)

The Perstorp Group's emissions of volatile organic compounds primarily derive from the production plants. A number of treatment plants for catalytic combustion of atmospheric emissions are installed at Perstorp's units, and this type of treatment technology is today the most commonly used within the Group. However, both wet scrubber technology and thermal incineration are used at a certain number of plants.

During 2007, VOC emissions to air from the Perstorp Group was around 178 tons (179).

Methanol represents Perstorp's single largest emission category of volatile organic compounds – 51 tons in 2007 (47). While a number of the Group's plants emit small quantities of

methanol, emissions during 2007 were highest at the units in Perstorp (including the storage tanks at Höganäs), Bruchhausen in Germany and Vapi in India. The second largest emission category comprises dimethyl ether – 28 tons in 2007 (32) – primarily emitted from the plants in Perstorp and Toledo, Ohio, USA.

Propylene/ethylene/propane represents the Company's third highest emission category – 22 tons in 2007 (35) released by the plant in Stenungsund.

#### Emissions of sulfur dioxide & nitrogen oxides

Perstorp's sulfur dioxide emissions primarily derive from the combustion of fuel containing sulfur at the company's units. The Group's sulfur dioxide emissions in 2007 were 328 tons (77). The increase was mainly due to the use of fuel oil at the El Salto plant in Chile, which did not have access to natural gas due to export restrictions in Argentina.

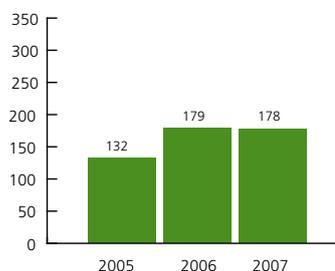
Extensive measures have been taken in recent years at the company's unit in Vapi, India, where a large proportion of oil has been replaced with biofuel. Fuel oil was used at the unit in Bruchhausen, Germany, in 2007.

Emissions of nitrogen oxide mainly come from incineration plants. In 2007 emissions of nitrogen oxide climbed to 212 tons (173).

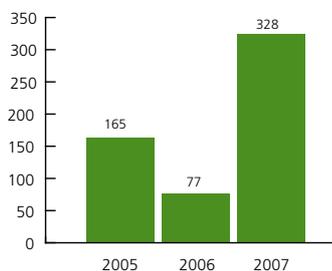
#### Waste

The units within the Perstorp Group have efficient source-sorting systems and procedures for ensuring that only approved transport and waste-handling companies are used.

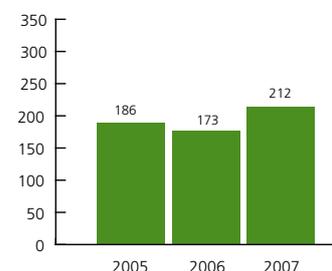
Emissions of volatile organic compounds (VOC), tons



Emissions of sulfur dioxide, tons



Emissions of nitrogen oxides, tons



The total quantity of waste within the Perstorp Group in 2007 amounted to 64 kton (86). The fall was due to reclassification of non-hazardous waste as a bi-product at the Perstorp and Stenungsund plants as there is a market for these products, while some bi-products can be used as energy raw material.

The largest waste fractions consist of process-related recycled methanol from the Perstorp unit, and reactive mother lye at the units in Perstorp and Bruchhausen, Germany. These fractions are used for internal energy recovery.

The Perstorp unit receives liquid residual products from the units in Stenungsund and Gent, Belgium. Recycling of liquid residual products as an energy source reduced oil requirements. The catalytic plant in Perstorp accepts used catalysts from its customers for reprocessing, whereby molybdenum is recovered.

**Waterborne contaminants**

The Perstorp Group's main waterborne emissions come from the Group's plants in Perstorp, Sweden, Toledo, USA, and El Salto, Chile. The plants at Perstorp and Stenungsund, Sweden, Castellanza, Italy, Vapi, India, and Ulsan, Korea, treat their emissions in wastewater treatment plants within their plant areas, while other units are connected to municipal wastewater treatment plants.

**Soil & groundwater contamination**

During 2002, soil and groundwater contamination was discovered at the Neopentyl glycol plant at the unit in Perstorp, and decontamination work has been under way since then. Regular follow-up inspections are performed and reported to the supervisory authority. Two of the three clean-up target values have been met, and the decontamination is expected to be completed within a year or two.

Local ground contamination was treated during the year at the units in India and the US.

At the Perstorp plant an inventory was made in 2007 in accordance with the MIFO model (MIFO is a Swedish acronym meaning Method for making an Inventory of Contaminated Areas), developed by the Swedish Environmental Protection Agency to enable a simple, standardized way of classifying risk in Sweden. The purpose of the inventory is to establish where the risks are concerning land contamination from current or previous industrial activity. Four areas within the Perstorp Industrial Park have been classified for further monitoring. Proposals for a survey of the areas were submitted to the environmental authorities in 2007.

**Noise**

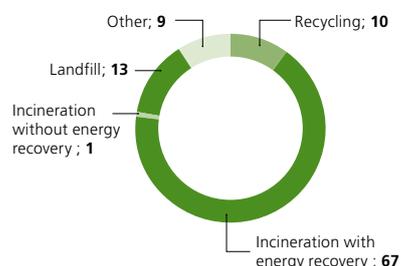
Within the Perstorp Group, external noise is in most cases no longer a problem for individual

plants, which are normally covered by conditions for external noise applicable to industrial plants. Historically, extensive noise-reduction measures have been implemented to reduce noise from the plants. The noise situation is assessed regularly and in 2007 surveys were performed at Bruchhausen, Germany, El Salto, Chile, and Stenungsund.

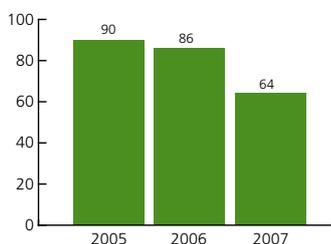
**Transportation**

Perstorp participates in the Forum for Sustainable Transport, a group of companies that, together with the Swedish National Road Administration, is working for the sustainable development of transportation. They view transportation as a self-evident component of their sustainability work and actively assume their responsibilities as purchasers of heavy transports by road. The group has undertaken to establish and implement a purchasing tool for sustainable transportation during 2006-2007. The tool should be ready for use in 2008.

**Total waste, per treatment, %**



**Total waste, kton**



## Environmental economics

### Environmental costs

During 2007, the Group's environmental and occupational-related costs totaled SEK 55.6 m (59.5), corresponding to 0.6% (0.8) of the Group's net sales.

Costs for waste management amounted to SEK 17.7 m (18.8). During the year, the Group paid approximately SEK 18.5 m (23.5) for wastewater and around SEK 16 m (16) for administration of environmental work. The administrative expenses also include costs for environmental personnel, maintenance of environmental management systems and external consulting services.

There was no reason to make any significant financial provision for environmental activities during 2007.

### Environmental debt

Perstorp's financial reporting is based on the "going-concern principle," which is reflected in how possible environmental debts are assessed.

The Group complies with decisions issued by public authorities and implements measures both proactively to prevent environmental impact and reactively in the event of environmental problems.

### Investments in environment, health & safety

Total environment-related investments during 2007, including investments for treating and preventing emissions, investments in safety and fire protection and investments in improvements to the work environment, amounted to

SEK 95.3 m (57.5), which corresponds to approximately 17.8% (10.9) of the Group's total investments.

By far the major portion of environment-related investments occurred in Perstorp and Bruchhausen, Germany. In Perstorp, environmental investments primarily related to energy-production projects, improved fire safety and improved working environment. In Bruchhausen the main projects related to improved fire safety and a bagging line for micronized Pentaerythritol products. At Stenungsund a project was carried out to increase fire safety and improve the working environment.

The Ybbarp River, which is the recipient for treated process wastewater, flows through the Perstorp Industrial Park.



Investments in environment, health & safety		
SEK m, unless stated otherwise	2007	2006
Safety and fire protection	60.0	5.7
Work environment	8.9	7.6
External environment	26.4	44.2
<b>Total investments</b>	<b>95.3</b>	<b>57.5</b>
% of Perstorp's total investments	17.8	10.9

Environmental costs		
SEK m, unless stated otherwise	2007	2006
Wastewater	18.5	23.5
Hazardous waste	11.3	8.7
Other waste	6.4	10.1
Soil decontamination	0.2	0.0
Administration	15.9	15.7
Fees to authorities	3.3	1.5
<b>Total costs</b>	<b>55.6</b>	<b>59.5</b>
% of net sales	0.6	0.8

# Safety



Work on safety within Perstorp covers the working environment, minimization of accidents and development of products that contribute to improved safety for people, animals and the environment.

## Key events in 2007

- ➔ Reduction in number of serious work-related accidents to 13 (23 in 2006).
- ➔ Reduced sick leave for Group's Swedish units.
- ➔ Update of global database for registration of risks, incidents and accidents.
- ➔ Start of Take Care project to reduce work-related accidents.

## Policy for safety

- ➔ A healthy and safe working environment where the wellbeing of staff has highest priority.
- ➔ Top priority for preventing serious accidents through risk analysis, preventive measures, emergency preparedness and long-term technical planning.

Work on safety is a prioritized area within Perstorp. It covers the working environment, minimization of accidents and development of products that contribute to improved safety for people, animals and the environment.

Work on safety is a prioritized area within the Perstorp Group. This includes area the Group can affect directly, such as the working environment of staff and safety during the use of products that Perstorp produces and sells. Work covers the development of new products that in various ways contribute to improved safety for people, animals and the environment.

Perstorp's ultimate responsibility is to ensure that staff at all plants have a safe and secure workplace where they can work without the risk of injury. Each individual is responsible for following rules and using the safety equipment provided. Preventative measures have a high priority, both in terms of safety and health.

Perstorp also has a responsibility to have the highest possible level of knowledge about the products made by the Group and all health, safety and environmental aspects. This knowledge shall be the basis for handling production and be shared with customers and transport providers in order to minimize risks.

## Working environment

### Project Take Care

Towards the end of 2007 a project was started within the Perstorp Group with the target of

eliminating by 2010 all work-related accidents that cause sick leave of one day or more. This project, called Take Care, aims at changing staff behavior and thus reducing the number of accidents in the workplace. Take Care will be implemented initially at the plants in Perstorp and Stenungsund in Sweden, Toledo in the US, and Bruchhausen in Germany. The project is based on behavior-based safety.

### Work-related accidents

During the past year, before the start of the Take Care project, work intensified on reducing the number of work-related accidents.

Training, risk analysis and other preventive measures at the Group's production plants were carried out. A reduction in work-related accidents resulting in at least one day's sick leave was noted, down from 23 in 2006 to 13 in 2007. This represents 4.4 accidents (8.4) per 1 million working hours.

### Global database for risks & accidents

Risks, accidents and incidents are registered in a global database. This database is the source system for registration and assessment for distribution of all information and knowledge about hazardous situations throughout the Group. In

2007 an updated version of the database was formed. It included a simplified procedure for reporting incidents. The new database will be implemented at the start of 2008.

### Sickness absence

The Perstorp Group prioritizes preventive work to reduce sickness absence among employees. This work consists of several components, such as clear values, work environment issues, training and information, fitness activities, talks in the PMD process, opinion surveys and facilitating early contacts with healthcare providers. Through systematic work with these various components, Perstorp strives to minimize sickness absence.

For 2007, the Group reported a low incidence of sickness absence, compared with similar operations.

For Swedish units, the figure was slightly lower, 2.4% (2.6%). Corresponding comparative figures are not yet available for units outside Sweden.

### Physical fitness

Within the Group, organizational efficiency, strong leadership and a good psycho-social and

Work-related injuries	Result			Target
	2005	2006	2007	2008
LTAR <sup>1)</sup>	5.9	8.4	4.4	<4
No. of environmental accidents <sup>2)</sup>	19	8	10	0

<sup>1)</sup> LTAR (Lost Time Accident Rate) = number of work-related accidents of at least one day's absence per 1 million working hours.

<sup>2)</sup> Environmental accidents = accidents that have affected the environment outside walled-off area.

physical work environment are considered central for the health and satisfaction of employees in the workplace.

The staff survey carried out in 2007 and goal and development discussions in the PMD process give an indication of the physical and mental wellbeing of Perstorp's employees. The Perstorp Group encourages various forms of physical fitness activities to take a certain amount of responsibility for the health of staff. Activities vary between the different units throughout the world.

#### Company healthcare services

Ensuring the availability of a high-quality company healthcare service at all of the Group's facilities is important for Perstorp. This is necessary for ensuring a sound work environment and active rehabilitation for the Group's employees. A good company healthcare service can also engage in preventive work environment efforts to promote good health among employees.

The methods for providing company healthcare differ greatly among Group units depending on such factors as the unit's size and geographical location. At the Group's largest facility, the unit in Perstorp, the company has its own healthcare service, while all other units have contracts with external suppliers. In many cases, these contracts include expanded services in areas related to the work environment, such as ergonomic issues, work-related stress and action programs for rehabilitation.

## Safety

### Fires, explosions & environmental accidents

Ten environmental accidents occurred during the year, all of which were characterized by spillage that could be sanitized without lasting effects on the environment.

Fourteen fire incidents occurred during the year. All of them could be extinguished by Perstorp's staff on site. Seven of the incidents occurred in insulation that had been contaminated and had caught fire due to the heat from hot pipes.

### Product care

Product care is a concept from the Responsible Care program and includes all the knowledge that the company must have regarding the environmental, health and safety concerns that can be linked to its products. Customers must also be given advice and instructions for safe transport, storage and use of our products, and where suitable measures to take care of products and their packaging.

### Product safety

A product survey is performed to establish the properties of the products. Information is obtained from technical and scientific sources, as well as through our own physical, chemical and toxicological studies. Regular searches for information continue to be made for well known products so that Perstorp always has access to the latest knowledge.

To make risk assessments for products, know-

ledge is required about how the user or the environment are exposed for the chemical product. When the risk is assessed it is possible to indicate how the product can be handled to ensure that the risk is as low as possible.

### REACH

REACH (Registration, Evaluation, Authorization of Chemicals), the most comprehensive legislation ever adopted in the history of the EU, came into effect on June 1, 2007. This places a clear responsibility on companies to produce data about chemical substances and make risk assessments and propose measures for handling risks. Chemicals with certain dangerous properties shall not be used without special permission. The law states that safer alternatives shall be considered when testing hazardous chemicals. If the alternative is economically and technically feasible, the more hazardous chemical shall not be selected.

Perstorp is now working intensively to implement REACH throughout the Group and preparations are taking place for pre-registration of all commercial products during the second half of 2008 along with preparations for registration of the Group's high volume products, over 1,000 tons, starting in January 2009. This work is being performed in dialogue with customers and suppliers.

### Products that enhance safety for people, animals & the environment

Several of Perstorp's products contribute to enhanced safety for people, animals and the

#### Sickness absence as a percentage of ordinary working time, %

	2007		2006	
	Group	Swedish operations	Group	Swedish operations
<b>Total</b>	<b>2.4</b>	<b>2.4</b>	<b>2.4</b>	<b>2.6</b>
Uninterrupted sickness absence of 60 days or more	*)	1.2	*)	1.2
<b>Sickness absence by gender</b>				
Men	*)	2.1	*)	2.2
Women	*)	2.9	*)	3.3
<b>Sickness absence by age</b>				
29 years or younger	*)	2.3	*)	1.3
Between 30-49	*)	2.5	*)	2.1
50 years or older	*)	2.1	*)	3.9

\*) There are no confirmed figures for foreign units pertaining to the distribution among long-term and short-term sickness absence, sickness absence by gender and age distribution.

environment. The chemical 2-Ethylhexanoic acid is used to make plastic film that is included in safety glass for cars, for example, which prevents shattering, thus avoiding cuts resulting from collisions. Boltorn W3000 is an additive in alkyd coatings that enables organic solvents to be replaced with water.

During 2007 and early 2008 the Perstorp Group acquired two businesses producing Purified Isophthalic Acid (PIA) and caprolactones. PIA is used, among other things, to extend the durability of powder coatings and make them more attractive. Caprolactones are used among other things to produce waterborne varnishes and the outer layer of leather. This makes products last longer and improves their appearance without burdening the environment.

Perstorp's products within its Performance Additives business unit, aimed at applications in the food and feed sector, progressed well during the year. In the long term, rising demand for this type of product is driven by stricter requirements for food quality and animal management and by prohibitions against antibiotics as an additive.

FAMIQS is a quality and safety standard for feed additives. The production units in Castellanza, Italy and Bruchhausen, Germany, as well as Perstorp and Stenungsund in Sweden, are all certified in accordance with this standard.

#### Technology transfer

Perstorp continues to be the world's leading supplier of production plants and catalysts for the manufacture of formalin. The formalin process is marketed under the name Perstorp Formox. Perstorp supports its customers actively and over the long-term with advice for optimizing formalin production. Perstorp's repurchasing of formalin catalysts results in maximal recycling of raw materials and safe handling of residual products.

Extensive technology transfer between Perstorp's production units results in significant improvements in productivity, quality and environmental impact in all plants. Experience from Perstorp benefits customers when they handle and use Perstorp's products.

#### Corporate Risk Management

Overall risk management takes place in close co-operation between the Insurance Management unit within Corporate Finance and Global ESHQ. Technical risk inspections are performed regularly at each production unit in co-operation with an independent party and helps provide information for decisions regarding improvements. Various aspects of the business are assessed and evaluated. This work makes it possible to follow up and quantify the improvements prompted by the inspections.



Håkan Kihlberg, Site Manager at the production site in Perstorp:

"For me as Site Manager it is very important that everyone who works at Site Perstorp can feel safe in their working environment and will not come to any harm. It is the employer's responsibility to ensure that the workplace is as safe and secure as possible. Rules and technical statutes are the prerequisite for this.

It is very important that employees understand the risks at the workplace and work accordingly. I believe strongly in our Take Care project and the focus on human behavior and how we can change the way we act to improve safety. Using the observations of the work situation made by our trained safety coaches, we can have good discussions about how to enhance safety.

My belief is that this type of discussion will be a natural part of the working day for all employees. The worst thing I can imagine is that someone gets seriously hurt at work. By concentrating on how to act more safely I hope we can avoid such an accident ever occurring."

#### Training in environment, health & safety, number of participants

	2007	2006	2005
Safety, fire prevention, etc.	1,010	1,072	626
Working environment	1,379	908	1,386
Environmental training	414	401	286
<b>Total no. of participants</b>	<b>2,803</b>	<b>2,381</b>	<b>2,298</b>
<b>Total no. of hours</b>	<b>29,815</b>	<b>21,446</b>	<b>21,696</b>

# Responsibility for employees



Given opportunities for individual development, staff contribute to ensuring Perstorp's progress and to creating value for customers.

## Key events in 2007

- ➔ New organization for work on internal brand building.
- ➔ Focus on e-learning to strengthen internal culture and core values.
- ➔ Completion of staff survey, with 90% response frequency.
- ➔ New concept for advertising jobs in Sweden.
- ➔ New organization and new methods for the Group's technology function, Global Technology.

## Policy for Human Resources

- ➔ One-on-one discussions between employee and manager pave the way for each individual's personal development. Focus on training shall support long-term development of both the company and the individual.
- ➔ Perstorp encourages and supports internal recruitment and work rotation.
- ➔ Preventive corporate healthcare and fitness programs support the health of the individual.
- ➔ Perstorp respects membership of a trade union and the right to collective agreements. Perstorp works against discrimination and encourages diversity.

Committed employees, given opportunities for individual development within the framework for the company's ambitions, contribute to assuring the continued development of Perstorp and the creation of value for customers.

Perstorp competes in globalized markets where the pace of change is getting faster and becoming commonplace. The Perstorp Group is also in a phase of organic and acquisition-related growth, which sets demands on the commitment and skills of staff. It is therefore very important that the company's employees are given the conditions and opportunities to develop, and that the internal culture is strong. This internal culture, based on three core values, gives Perstorp its strength: focused innovation, reliability and responsibility. This is what Perstorp calls Winning Formulas.

Competence procurement plays a vital role in ensuring the Group has qualified and motivated employees, both in the short and long term. In the long term, the company has a responsibility to market the chemicals industry as a progressive workplace of the future for young people. Work on competence procurement, like the efforts focused on developing individual staff, is guided by clearly defined processes.

### Development of internal culture

During the past year work was carried out to further intensify internal brand building and thus construct an even stronger corporate culture. To achieve improved local support at the units, a new organization was formed with local

brand ambassadors at each production site. These ambassadors have the task of communicating Group initiatives but will mainly manage local culture-building activities.

During the year workshops were carried out based on the principle of "simplify and exemplify". Each individual was given a simplified version of the Group's core values. Then in groups they made links with their own values by producing everyday examples of each core value. These examples were then used for storytelling, and successful examples were spread around the Group via internal information channels.

In 2007 the Group began an e-learning project with the focus again on core values and individual behavior. Each staff member at the Swedish units attended an interactive training course during the fall. This training will be introduced at other Perstorp sites in 2008.

### Employee survey 2007

In the fall of 2007 a staff survey was performed and all employees in the Group were asked to answer 39 questions. The purpose is to create information that managers can use to establish a dialogue about how each team can improve the efficiency of the way it works.

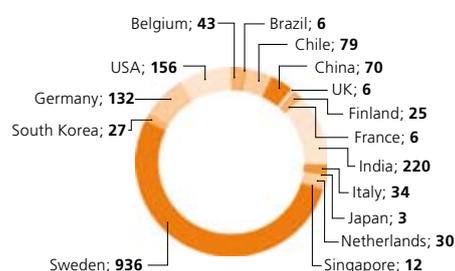
The response frequency of over 90% indicates that commitment among staff at all functions and in all countries is very strong. The results at the general level are very satisfactory, with a total index of performance capability at 3.6 (on a scale of 1-5). Very high scores were noted in, for example, job satisfaction at the workplace, content of the work and Perstorp as an employer. Areas for improvement include leadership, workload and stress.

### Competence supply

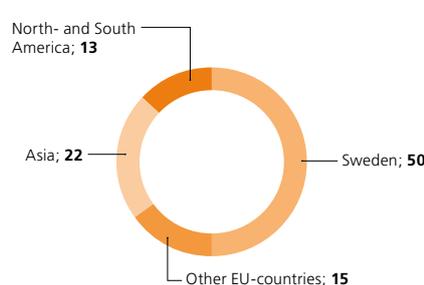
The Group works in both the short and long term to procure competence. In both perspectives the Group has a responsibility to inform interested parties accurately about what the company stands for and which opportunities are on offer.

In the long perspective, efforts are mainly focused on young people. In this work there are resources primarily at the Swedish units where the company can communicate with young people for the first time in local elementary schools. An important goal in these early contacts is to give students a fair picture of a modern industrial environment. Perstorp works actively to inform students at secondary school about the advantages of technical upper secondary education in general and chemistry in par-

Average number of full-time employees per country



Geographic distribution of employees, %



Age structure, Group, %	
	2007
29 years or younger	8
Between 30-49 years	64
50 years or older	28

Measurement of the age structure started in 2007, so there are no comparable figures from previous years.

ticalar. This is a natural part of the entrance process for the company's own, independent high school, Perstorp Gymnasium.

Several of the Group's production sites cooperate closely with schools and universities to awaken young peoples' interest in working in the chemical process industry.

The Group's recruitment work is quality-assured in a special process, which is reviewed regularly. This recruitment process supports responsible and reliable activities by providing procedures for handling applications, tests and contacts with job seekers.

In the latter part of 2007 a profile advertising campaign was performed in Sweden in which Perstorp's positive impact on everyday life was highlighted. Storytelling was used to promote the Group's three core values and create interest in working for Perstorp. A total of 50 engineers were sought in the ads, and by the start of 2008 around half of these positions had been filled.

Competence development is stimulated by encouraging internal mobility in both the short and long term. Job rotation has been a focus for the Group for several years and more and more staff are taking the opportunity to try new jobs.

The structure of the formal education level within the Group has changed in the past two years. The reason for this is retirements, while the number of new recruits with college education is increasing.

**Global process for staff development**

A systematic approach, a long-term perspective and participation must be the essential characteristics in development of the Group's employees. This work is therefore pursued within the framework of a group-wide PMD (People Management and Development) process that consists of four steps:

- ➔ Full year review and establishment of goals
- ➔ Personnel and leadership surveys
- ➔ Midyear review and individual development plans
- ➔ Personnel planning

Goal and evaluation talks increase the employee's involvement in his or her own development and formulation of goals. In the 2007 staff survey, 79% of all employees reported that they had had one evaluation talk with their immediate supervisor in the preceding year. In 2006 the figure was 65%.

One goal is that there should be individual development plans for all employees. During 2007, such plans were established for 37% (32) of all employees.

In 2008 a project will be performed to revitalize and further develop the process of staff development.

**Talent Management**

In 2007 the Group started a scheme called Talent Management aimed at utilizing and developing the various skills that exist among staff. Within the framework of Talent Manage-

ment the basis for three new career paths have been developed at the Global Technology department. The traditional role of manager has been clarified in order to stress the importance of leadership, while new careers for specialists and project managers have been created. Specialists working on the Group's most important competence areas will in this way have the possibility to further develop their competence while they will be expected to work in networks across geographical and organizational boundaries and distribute knowledge throughout the company. Project managers have always had strong roles at Perstorp. A straightforward career path has now been established for project managers and the competence requirements at each level have been established.

As a consequence of the new roles, working methods and the organization have been changed within Global Technology. It is still too early to assess the new methods, but the intention is that these three career paths will also be introduced in other parts of the Group in 2008.

**Diversity & equality**

Perstorp's personnel policy is based on the principle that all individuals shall have equal opportunities to develop at work. The company's management is also convinced that diversity in the workplace in the form of age, gender, nationality and educational background creates a climate that in the long term contributes to increased creativity, productivity and satisfaction.

Work aimed at increasing diversity within the Group is carried out on several levels. For example, two members of the senior executive team

Basic education, % of all employees			
	2007	2006	2005
Basic school	10	17	22
Upper secondary school	56	56	50
College or university	34	27	28

Proportion of women who are members of company boards & management						
	2007			2006		
	Total	of whom women	%	Total	of whom women	%
Board members	119	4	3	95	2	2
Other senior executives	131	32	24	95	20	21

The Board members category comprises ordinary members of the boards of all companies within the Group. The same person may be counted several times if he or she is a member of the board of more than one company.

The Other senior executives category comprises the Group's executive management team, management teams within each function, the management teams of major subsidiaries and the president of all other companies within the Group.

come from outside Sweden. The newly acquired businesses in Singapore and the UK, plus the joint venture in China, mean that the proportion of Swedish employees has been reduced and it will become more important to ensure that everyone receives the same opportunities for development and career progress. Continued focus on job rotation between the Group's sites throughout the world will help both the Group and the individual employee to develop. There are several examples of both short-term and long-term assignments overseas within the Group.

A large portion of the Perstorp Group's employees work in production, or close to it, and traditionally more men apply for these jobs than women. The proportion of women working for Perstorp remains at the same level. A positive improvement can be noted among the number of women managers.

At the Swedish units the proportion of women managers increased in 2007 to 27% (23%). The biggest contribution to this change was at the production site in Stenungsund. A positive development can also be noted among the proportion of women represented in senior management positions, management teams at Group functions, and the management teams and CEOs at the larger Group companies (see table on page 22). Parental leave at the Group's Swedish units was at about the same level in 2007 as in 2006. However, the proportion of men at the Swedish units taking parental leave for care of a sick child climbed to 33% (25%).

A new equality plan for 2008 at the Swedish units has been developed by the company and trade unions in partnership.



Ann-Christin Lindberg, Director Technology Oxo, Global Technology:

"Global Technology Oxo, the Group's process development and investment organization for Oxo activities, is based at Stenungsund. The new model of three career paths has started here, but not yet been formalized into the naming of specialists. The model contains three career paths: specialist, manager and project manager. This will improve things by creating clarity and understanding for the strength of being different and thus making a different contribution to our shared goals.

Personally I believe strongly in an organization with three different career paths for employees. It gives scope for everyone to develop with advantages for both the company and the individual.

We make changes at the rate at which we find the right formula for change. Initially, this takes time and we have not had the time due to the implementation of large ongoing projects. It will be necessary for managers especially to give space to specialists and focus on leadership more. This is not as obvious as it might sound considering the traditional role of the manager with the demands for knowledge in the field where they are acting as manager."

Average number of employees				
Country	2007		2006	
	Total	of whom, men	Total	of whom, men
Sweden				
Parent Company	9	8	9	8
Subsidiaries	927	644	895	618
Belgium	43	34	40	32
Brazil	6	4	6	4
Chile	79	74	65	61
Finland	25	13	25	13
France	6	4	5	3
India	220	212	240	233
Italy	34	26	36	28
Japan	3	2	3	2
China	70	47	3	2
Netherlands	30	21	29	20
Singapore	12	7	4	1
United Kingdom	6	4	6	4
South Korea	27	23	29	26
Germany	132	116	132	116
USA	156	138	148	130
<b>Total</b>	<b>1,785</b>	<b>1,377</b>	<b>1,675</b>	<b>1,301</b>

#### Personnel turnover, Group, %

	2007	2006
Personnel turnover	4,0	5,2

Personnel turnover refers to % of average numbers of employees who left the Group.

#### Leadership development Participants

Certified Leadership Program	18 (39)
Winning Formulas in practice	101
Project management	51
Leadership development in part of Group	12 (42)
<b>Total 2007</b>	<b>182</b>

Figures in brackets are for 2006.

# Responsible relationships



A long-term perspective and responsibility are important ingredients when Perstorp forms relationships with the interested parties the company comes into contact with.

## Key events in 2007

- ➔ Perstorp employee selected as chairman of FormaCare.
- ➔ Several permit applications submitted and approved for Perstorp production units.

## Policy for responsible relations

- ➔ Perstorp shall work to establish long-term customer relations and active co-operation in order to create environmental improvements and resource-efficient solutions for customers' products and processes.
- ➔ Suppliers, contractors, consultants and transporters are expected to follow Perstorp demands concerning the environment, health and safety, where compliance determines future commitment.

A long-term perspective and responsibility are important ingredients when Perstorp forms relationships with the interested parties the company comes into contact with. Good communication with all parties is also a priority.

Good and responsible relations with all interested parties are of the greatest importance for Perstorp, and a long-term perspective is central. The Group's three core values of focused innovation, reliability and responsibility play an important role in the relationships Perstorp builds with the outside world. Good communication with stakeholders is essential and adheres to the Group's four basic principles for communication: active, open, correct and comprehensive.

#### **Customers**

The Perstorp Group has a broad product portfolio and broad geographical distribution among the customer base. There is therefore no significant dependence upon one specific customer. The Group's ten largest customers account for around 25% of net sales. Around 800 customers make purchases in excess of SEK 1 million each. Customer relations shall be characterized by a long-term perspective and Perstorp strives to be a reliable partner that takes responsibility for processes and its own actions in order to create customer loyalty.

Each year a Customer Satisfaction Index is produced to measure Perstorp's performance as viewed by customers. At the end of 2006 a survey of customers in West Europe and NAFTA was performed and the result was 4.09 on a scale of 1-5. At the end of 2007 a similar survey was performed on other markets, but the results have not yet been analyzed.

#### **Agents & distributors**

Perstorp works with agents and distributors in over 60 centers throughout the world who act as Perstorp's representatives in areas where the

Group does not have its own sales office. Here, too, the Group strives for long-term relations in which the representatives share Perstorp's values when promoting the company's products and messages.

#### **Suppliers**

The Perstorp Group strives for long-term relationships with its suppliers. Long-term contracts are signed with several suppliers of the largest volumes of raw materials. For relations to succeed, suppliers must share Perstorp's views on the environment, health and safety. Before Perstorp approves a new supplier, the supplier must therefore answer a questionnaire relating to environmental and safety issues. Perstorp also requires the supplier to submit its environmental policy and requests permission to conduct an environmental audit. This then becomes part of the total assessment in approving a new supplier.

Suppliers of raw materials and packaging undergo an annual evaluation of product quality, delivery times, packaging and documentation.

#### **Industry organizations**

The Perstorp Group monitors events at the national and international levels in the area of chemical product safety. At the national level, the company participates in the Swedish Plastics and Chemicals Federation. At the international level, the company participates in various sector groups in CEFIC, the European Chemical Industry Council, as well as other industry associations. A Perstorp employee is the chairman of the sector group for issues relating to formaldehyde, FormaCare.

#### **Competitors**

In accordance with the Group's Code of Conduct, Perstorp shall be a strong but fair competitor, acting within the law and not participating in illegal industry co-operation. Perstorp has a Competition Policy that includes legislative requirements relating to competition issues, as well as Perstorp's ethical rules applying to these matters.

#### **Schools & universities**

Contacts with schools and universities are important for the Perstorp Group, not least to support long-term recruitment efforts. The Group operates its own high school in Perstorp Municipality. The school offers a three-year chemical engineering program focused on chemical processes. The program includes ten week's of practical training, including two weeks at units outside Sweden, to give the students insight into working life.

The Perstorp Group also collaborates with primary and other high schools in the vicinity of the various production units, to present industry as a possible future workplace. This includes study visits, practical training and projects in the schools. The Group's production unit in Stenungsund collaborates with a local high school, where students with industrial process training complete one year of practical training with the company. The production unit in Toledo, Ohio, USA, sponsors a summer camp each year at a nearby university with a chemical theme. The units in Bruchhausen, Germany, Borgå, Finland, Castellanza, Italy, Gent, Belgium, Vapi, India and Perstorp, Sweden, work continuously with university exchange programs.

## Society

### Information for the general public

Environmental information to the public is provided in the Group's published reports, via mass media and the Internet and in various brochures. Major information campaigns for the public have been conducted in recent years at several of the Group's production units with regard to legal requirements and regulations for measures to prevent or limit the consequences of serious chemical accidents (Seveso Directive). In accordance with this legislation, Perstorp has also submitted safety reports to the authorities and updated them both every fifth year according to prevailing law and in conjunction with new permit applications. These requirements affect several of Perstorp's production units in Europe.

### Open House & study visits

Open House activities are arranged every few years at most of the Group's units. One such event was held at Bruchhausen, Germany, in 2007, in connection with the reopening of the plant destroyed by fire in 2006. The event was well attended and attracted many local residents, who were able to view production equipment and receive an explanation of how the fire broke out in 2006.

Group units also regularly receive visits from various stakeholder groups, including universities and colleges, politicians, companies, pensioners and associations of various types.

### Complaints

Questions and complaints from the public are registered and addressed in accordance with procedures in the management system (ISO 14001). The unit in Nol, which is part of the Stenungsund production unit, received one complaint about noise, while Stenungsund received several complaints regarding noise in conjunction with flaring. During the year, a few complaints about odors and noise were received at the unit in Castellanza, Italy.

### Authorities

A large chemicals company has many contacts with authorities in matters relating to the external environment, the work environment, fire safety and product care.

In emergency situations, the authorities are contacted immediately, and their advice and instructions are followed. The supervisory authority has substantial insight into and considerable knowledge of the company's operations.

The Group has production units in twelve countries. During 2007, the unit in India received renewed production permission for new products. The unit at Stenungsund received permission to change steam boilers and a permit to produce a new plasticizer. The unit at Perstorp has gained a permit to expand production to 15,000 tons of specialty polyols per year. The unit in Germany received permission to restart

production of Penta following the fire in 2006, and to invest in logistics and safety. The plant in Italy received renewed environmental permission in accordance with the European Integrated Pollution Prevention and Control directive.

The unit in Stenungsund has applied for a permit for a major expansion project to increase production capacity for aldehydes, alcohols, acids, plasticizers and RME, is seeking permission to build a new plant for production of phthalic anhydride. The unit in Stenungsund has upgraded safety reporting in accordance with the Seveso Directive for existing plants and the planned expansion project. The Stenungsund unit is also applying together with other local companies to build a new pier in Stenungsund harbor. The unit in Perstorp has also upgraded safety reporting in accordance with the Seveso Directive for its production of Neopentyl glycol. On one occasion the unit in Perstorp exceeded the guidance value for ammonia and phosphor pollutants in waste water leaving the treatment plant.

In 2007 the unit in Perstorp applied for a permit to expand production of Neopentyl glycol.

In 2007 none of the Group's units needed to pay any environmental penalties or corresponding fines, or fines for breaking any other laws or statutes.



# Environmental data

		Resource efficiency		Emissions to air							Waste	Waterborne emissions
Plant	Year	Consumed raw materials, kton/year	Energy use, GWh/year	CO <sub>2</sub> Kton/year	VOC ton/year	SO <sub>2</sub> ton/year	Nitrogen oxide, ton/year	CFC kg/year	HCFC kg/year	HFC kg/year	Waste, kton/year	COD before purification ton/year <sup>4)</sup>
Group <sup>1)</sup>	2005	1,577	1,444	356	132	165	186	5	344	61	90	7,760
	2006	1,597	1,483	369	179	77	173	4	1,072	58	86	8,170
	2007	1,947	1,769	432	178	328	212	0	1,120	136	64	9,170
Perstorp <sup>2)</sup>	2005	502	508	145	49	46	69	0	0	35	23	1,450
	2006	534	530	155	63	43	70	0	0	48	26	1,730
	2007	571	544	149	65	49	78	0	0	126	16	1,870
Stenungsund <sup>2) 5)</sup>	2005	684	351	121	38	0	52	0	0	25	35	140
	2006	720	415	130	62	0	58	0	0	7	29	140
	2007	905	459	145	51	0	72	0	0	11	5	130
Bruchhausen <sup>3)</sup>	2005	129	276	59	4	19	43	0	0	0	21	250
	2006	114	218	46	14	9	18	0	0	0	17	290
	2007	127	281	58	19	3	17	0	0	0	31	290
Gent <sup>3)</sup>	2005	23	29	5	1	0	4	0	0	0	6	1
	2006	23	28	4	1	0	4	0	8	0	6	1
	2007	29	26	4	1	0	4	0	0	0	4	1
Toledo <sup>3)</sup>	2005	175	153	19	15	0	19	0	17	0	1	3,500
	2006	147	173	23	16	0	23	0	25	0	1	3,500
	2007	183	190	25	16	0	25	0	6	0	2	3,800
Castellanza <sup>2)</sup>	2005	5	19	1	2	0	0	0	200	0	1	960
	2006	8	31	1	1	0	1	0	1,000	0	3	960
	2007	6	23	1	1	0	0	0	1,100	0	2	620
Vapi <sup>2)</sup>	2005	33	56	7	20	100		0	7	0	3	470
	2006	31	41	10	21	25		0	9	0	4	530
	2007	38	51	13	15	26		0	3	0	3	550
Ulsan <sup>2)</sup>	2005	25	52		0			0	120	0		90
	2006	22	46		0			0	30	0	0,3	87
	2007	15	33		0			0	11	0	0,1	67
El Salto <sup>3)</sup>	2005											
	2006											
	2007	54	161	37	10	250	15				2	1,840

Environmental data for the year for wholly-owned units.

If a cell is empty there is no data available.

<sup>1)</sup> The Perstorp Waspik B.V. plant in the Netherlands and YLA plant in the US are reported separately.

<sup>2)</sup> Waste water – internal treatment plant.

<sup>3)</sup> Waste water – municipal treatment.

<sup>4)</sup> Normal level of purification is over 90%.

<sup>5)</sup> Including the plant at Nol.

# GRI Index

## Comparison between Perstorp's Sustainability Reporting & GRI's guidelines

Perstorp's Sustainability Reporting is conducted in accordance with the GRI (Global Reporting Initiative) guidelines, level C. The table includes all core indicators (C) and the supplementary indicators (A) that are applicable to Perstorp's operations.

Perstorp considers its Annual Report and Sustainability Report as one entity. The following tables show how and on which pages the information can be found. See [www.globalreporting.org](http://www.globalreporting.org) for more information about GRI.

AR = Annual Report 2007  
SR = Sustainability Report 2007

- ✓ Fully reported
- Partially reported
- Not reported
- Follows UN's Global Compact program

### 1. Vision & strategy

1.1	CEO's comments, vision and strategy regarding Perstorp's contribution to sustainable development	AR 2-3 + SR 5	✓
1.2	Description of key impacts, risks and opportunities	AR 29-30 + SR 7, 11-14	✓

### 2. Organizational profile

2.1	Name of the organization	AR 34	✓
2.2	Primary brands, products, and/or services	AR 10-27	✓
2.3	Operational structure of the organization	AR 6-7	✓
2.4	Location of organization's headquarters	AR 44 + SR 2	✓
2.5	Countries where the organization is active	AR 56-58 + SR 2-3	✓
2.6	Nature of ownership and legal form	AR 44 + SR 2	✓
2.7	Markets (including geographic breakdown and sectors)	AR 31 + SR 4	✓
2.8	Size of the organization: number of employees, net sales etc.	AR 34-35 + SR 4, 23	✓
2.9	Significant changes during the reporting period	AR 34-35	✓
2.10	Awards received in the reporting period	SR 8	✓

### 3. Report parameters

Report profile			
3.1	Reporting period	AR 4-5 + SR 4	✓
3.2	Date of most recent previous report	SR 4	✓
3.3	Reporting cycle	AR 39 + SR 4, 27	✓
3.4	Contact person for questions regarding the report	SR 2	✓

Report scope & boundary			
3.5	Process for defining report content	SR 8-9	✓
3.6	Boundary of the report	AR 44 + SR 27	✓
3.7	Specific limitations on the scope or boundary of the report	AR 44 + SR 27	✓
3.8	Basis for reporting on joint ventures, subsidiaries, etc.	AR 44-47	✓
3.9	Data measurement techniques and the bases of calculations	AR 44-47	✓
3.10	Comparability with previous reports	SR 9, 27	✓
3.11	Significant changes from previous reporting periods regarding scopes, boundary, etc.	AR 4-5	✓

GRI content index			
3.12	Table identifying the location of the Standard Disclosures in the report	SR 28-31	✓

Assurance			
3.13	Policy and current practice in regard to external assurance for the report.	SR 9	✓

### 4. Governance, commitments & engagement

Governance			
4.1	Governance structure of the organization	AR 36-37	✓
4.2	The Chairman of the Board role in the organization		—
4.3	Independent and/or non-executive board members	AR 62-63	✓
4.4	Mechanisms for shareholders and employees to provide recommendations, etc. to the board		—

4.5	Remuneration to senior executives	AR 56	✓
4.6	Processes for avoiding conflicts of interests in the board		—
4.7	Process for determining the qualifications of the board members		—
4.8	Mission, values, Code of Conduct, etc.	SR 6-9	✓
4.9	The board's monitoring of the sustainability work		—
4.10	Processes for evaluating the board's own performance		—

#### Commitments to external initiatives

4.11	Explanation of whether and how the precautionary principle is addressed	SR 16-19	✓
4.12	Association to external voluntary codes, principles or other initiatives	SR 6, 8	✓
4.13	Memberships in associations	SR 8, 25	✓

#### Stake holder engagement

4.14	List of stakeholder groups	SR 5, 24-26	✓
4.15	Basis for identification and selection of stakeholders with whom to engage		—
4.16	Approaches to stakeholder engagement	SR 24-26	✓
4.17	Key topics and concerns that have been raised through stakeholder engagement	SR 14, 25	●

#### Economic indicators

##### Economic performance

EC1 C	Direct economic value and distribution	AR 4-5	✓
EC2 C	Financial implications and other risks and opportunities for the organization's activities due to climate change		—
EC3 C	Coverage of the organization's defined benefit plan obligations	AR 54-55	✓
EC4 C	Significant financial assistance received from government		—

##### Market presence

EC5 A	Range of ratios of standard entry level wage compared to local minimum wage		—
EC6 C	Purchasing from local suppliers	SR 25	●
EC7 C	Local hiring and proportion of senior management hired from the local community	SR 22	✓

##### Indirect economic impacts

EC8 C	Infrastructure investments and services provided for public benefit	SR 25	●
EC9 A	Significant indirect economic impacts, including the extent of impacts		—

#### Environmental performance indicators

##### Materials

EN1 C	Materials used by weight or volume	SR 12, 27	✓
EN2 C	Percentage of materials used that are recycled input materials		—

##### Energy

EN3 C	Direct energy consumption by primary energy source	SR 12, 27	✓
EN4 C	Indirect energy consumption by primary source		—
EN5 A	Energy saved due to conservation and efficiency improvements	SR 12	●
EN6 A	Initiatives to provide energy-efficient or renewable energy-based products	SR 4, 11	✓
EN7 A	Initiatives to reduce indirect energy consumption and reductions achieved		—

##### Water

EN8 C	Total water withdrawal by source	SR 12	✓
EN9 A	Water sources significantly affected by withdrawal of water		—
EN10 A	Percentage and total volume of water recycled and reused		—

##### Biodiversity

EN11 C	Location and size of land owned in protected areas	SR 12	●
EN12 C	Factors that affect biodiversity		—
EN13 A	Habitats protected or restored		—
EN14 A	Strategies for managing impacts on biodiversity		—
EN15 A	Number of IUCN (International Union for Conservation of Nature and Natural Resources) Red List species		—

Emissions, effluents & waste			
EN16 C	Direct and indirect greenhouse gas emissions	SR 13, 27	✓
EN17 C	Other relevant indirect greenhouse gas emissions		—
EN18 A	Initiatives to reduce greenhouse gas emissions and reductions achieved	SR 13	●
EN19 C	Emissions of ozone-depleting compounds	SR 13, 27	✓
EN20 C	NO, SO and other significant air emissions	SR 13, 27	✓
EN21 C	Emissions to water	SR 27	✓
EN22 C	Waste, disposal method	SR 14, 27	✓
EN23 C	Significant spills	SR 18	✓
EN24 A	Hazardous waste transported, imported, exported or treated		—
EN25 A	Impact on water bodies		—

Products & services			
EN26 C	Initiatives to reduce environmental impacts of products and services	SR 11	●
EN27 C	Percentage of products sold and their packaging materials that are reclaimed		—

Compliance			
EN28 C	Fines and total number of non-monetary sanctions for non-compliance with applicable laws	SR 26	✓

Transport			
EN29 A	Environmental impact from transport	SR 14	●

Overall			
EN30 A	Total environmental protection expenditures and investments by type	SR 15	✓

## Social performance indicators

Employment			
LA1 C	Total workforce by employment type, employment contract, and region	SR 21, 23	●
LA2 C	Rate of employee turnover	SR 23	✓
LA3 A	Benefits provided to full-time employees	SR 18	●

Labor/Management relations			
LA4 C	Percentage of employees covered by collective bargaining agreements		—
LA5 C	Minimum notice period regarding operational changes		—

Occupational health & safety			
LA6 A	Percentage of total workforce represented in worker health and safety committees		—
LA7 C	Rates of injury, occupational diseases, lost days	SR 17	✓
LA8 C	Programs to assist workforce regarding serious diseases	SR 17	●
LA9 A	Health and safety topics covered in formal agreements with trade unions		—

Training & education			
LA10 C	Average hours of training per year per employee	SR 19	●
LA11 A	Programs for skills management and lifelong learning that support employee's career development	SR 22, 23	●
LA12 A	Percentage of employees receiving regular performance and career development reviews	SR 22	✓

Diversity & equal opportunity			
LA13 C	Composition of governance bodies and breakdown of employees by gender	AR 59 + SR 22-23	✓
LA14 C	Ratio of basic salary of men to women by employee category		—

## Human rights

Investment & procurement practices			
HR1 C	Human rights clauses in investment agreements		—
HR2 C	Suppliers that have undergone screening on human rights		—
HR3 A	Employee training on policies and procedures concerning aspects of human rights		—

Non-discrimination			
HR4 C	Total number of incidents of discrimination and actions taken	SR 8	✓

Freedom of association & collective bargaining			
HR5 C	Operations identified in which the right to exercise freedom of association and collective bargaining may be at risk		—
Child labor			
HR6 C	Operations where there is a risk for incidents of child labor and actions taken	SR 8	✓
Forced & compulsory labor			
HR7 C	Operations identified as having significant risk for incidents of forced or compulsory labour and actions taken	SR 8	✓
Security practices			
HR8 A	Percentage of security personnel trained in organization's policies and procedures concerning human rights		—
Indigenous rights			
HR9 A	Total number of incidents of violations involving rights of indigenous people		—
Society			
Community			
SO1 C	Programs for evaluating the impacts of operations on communities	SR 25-26	●
Corruption			
SO2 C	Business units analyzed for risks related to corruption	SR 8	✓
SO3 C	Employees trained in organization's anti-corruption policies and procedures	SR 8	✓
SO4 C	Actions taken in response to incidents of corruption	SR 8	✓
Public policy			
SO5 C	Participation in public policy development and lobbying		—
SO6 A	Financial and in-kind contributions to political parties, politicians and related institutions		—
Anti-competitive behavior			
SO7 A	Legal actions for anti-competitive behavior		—
Compliance			
SO8 C	Monetary value of fines for non-compliance with laws and regulations	SR 26	✓
Product responsibility			
Customer health & safety			
PR1 C	Life cycle stages in which health and safety impacts of products are assessed	SR 18	✓
PR2 A	Incidents of non-compliance with regulations concerning health and safety impacts of products	SR 26	✓
Product & service labeling			
PR3 C	Product labeling and information	SR 18	✓
PR4 A	Non-compliance with regulations for product information	SR 26	✓
PR5 A	Customer satisfaction, including results of surveys	SR 25	●
Marketing communications			
PR6 C	Programs for adherence to laws, standards and voluntary codes	SR 6, 25	●
PR7 A	Non-compliance with regulations concerning marketing communications		—
Customer privacy			
PR8 A	Complaints regarding breaches of customer privacy		—
Compliance			
PR9 C	Monetary value of fines for non-compliance with laws and regulations	SR 26	✓



## Your Winning Formula

The Perstorp Group is the world leader in several sectors of the specialty chemicals market. Few chemical companies in the world can rival its 125 years of success. Today we have a rich performance culture distilled from our long history and extensive knowledge in the chemical industry. That culture and knowledge base enables us to produce Winning Formulas for a wide variety of industries and applications.

Our products are used in the aerospace, marine, coatings, chemicals, plastics, engineering and construction industries. They can also be found in automotive, agricultural feed, food, packaging, textile, paper and electronics applications.

Our production plants are strategically located in Asia, Europe and North and South America and are supplemented by sales offices in all major markets. We can offer you a speedy regional support and a flexible attitude to suit your business needs.

If you want a chemical partner who can offer you focused innovation to enhance your product or application, which is delivered reliably and responsibly look no further. We have a winning formula waiting for you.