



One molecule can change everything

ANNUAL AND SUSTAINABILITY REPORT 2021



We are here to lead change toward chemistry that advances everyday life for the better.



With every molecule of our being.

Perstorp believes in improving everyday life – making it safer, more convenient and more environmentally sound for billions of people all over the world. As one of the world’s leading sustainable solutions providers, focusing on the global Resins & Coatings, Engineered Fluids and Animal Nutrition markets, our innovative solutions provide essential properties for products used everywhere, every day. Our products can be found in everything – from your car and mobile phone to towering wind turbines and the local dairy farm. Put simply, we work to make good products even better, with a clear sustainability agenda.

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Perstorp in brief

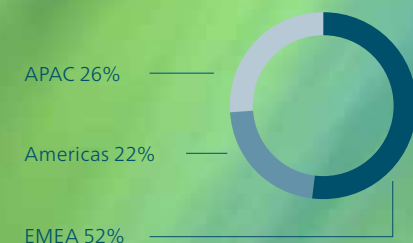
1,450
employees worldwide

13.5
Billion SEK Turnover

2.513
Billion SEK
EBITDA excl. non-recurring items

50%
No. 1 position of
50% of portfolio

NET SALES BY GEOGRAPHY, 2021



World leader in selected specialty chemicals niches

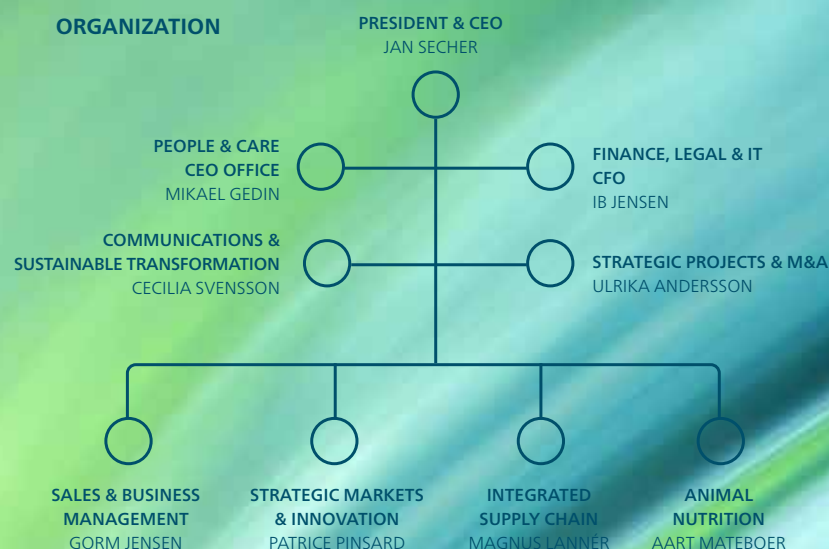
- The sustainable solutions provider for our prioritized market segments Resins & Coatings, Engineered Fluids and Animal Nutrition
- Integrated polyols and oxo platforms enable the efficient utilization of side streams
- Focused innovation for our core segments, closely linked to our customers
- Strongly committed to sustainability and our Finite Material Neutral ambition
- Globally present with production plants in Europe, Asia and North America
- Since December 2005, Perstorp has been controlled by PAI Partners, a leading European private equity company

Global presence

Perstorp is the operator of 7 production units in Europe, Asia and North America with sales representation in all major markets and more than 50 agents.



ORGANIZATION



Highlights in 2021

Improved outlook on credit rating

Both Moody's and S&P Global Ratings have in 2021 improved their outlook on Perstorp's credit rating. The rating actions are due to improvements in Perstorp's leverage reflecting currently strong EBITDA performance and improvements in the company's liquidity profile. Moody's Investors Service ("Moody's") changed the outlook on Perstorp Holding AB rating to stable from the negative outlook given in March 2020. S&P Global Ratings announced the move of Perstorp from "negative" to "stable" outlook on strong results and deleveraging. In addition, S&P affirmed a 'B-' issuer credit rating.

Acquisition of DMPA® from GEO strengthens specialty position within Resins & Coatings

Perstorp further emphasized its commitment as the sustainable specialty solution provider within the Resins and Coatings segment, when pursuing the acquisition of DMPA® from GEO. Bis-MPA™ and DMPA® enable a technology shift from solvent to waterborne formulations within markets such as Polyurethane dispersions, PUDs, and waterborne Alkyds and Perstorp's strategic presence in these markets will now be significantly strengthened. This acquisition will both allow further development of our offering and enable long term investments to safeguard future availability.

Project Air received EUR 30 million from the Swedish Energy Agency to reduce carbon emissions

Project Air is an industrial concept to produce methanol from a large variety of recovered end-of-life streams and hydrogen from electrolysis. Methanol is one of the most important raw materials for the chemical industry, and up until now, only limited competitive sources of sustainable methanol exist on the market. The project is carried out by Perstorp in cooperation with partners Uniper (Germany) and Fortum (Finland), with the aim of reducing carbon emissions by up to half million tons annually. Project Air has in 2021 been allocated EUR 30 million by the Swedish Energy Agency, and is now applying for EU Innovation Fund to realize the project.

Approval of Science Based emission reduction targets

In December 2021, Perstorp's science-based emission reduction targets in line with Paris Climate Agreement were approved by the SBTi's Target Validation Team. The targets have been set for both direct and indirect emissions (scope 1, 2 and 3 according to the GHG protocol) and are calculated with projected future expansion and growth considered. Perstorp has committed to reduce:

- Absolute Scope 1 and 2 GHG emissions by 46% by 2030 from a 2019 base year, which is in line with the global 1.5°C trajectory
- Scope 3 GHG emissions by 28% per ton sold product within the same timeframe in line with the global 2.0° trajectory

As support to reaching the CO₂ reduction targets, implementation of Internal Carbon Pricing (ICP) tool has been conducted as a guiding principle to support decision making and drive positive change in our business and operations. Furthermore, to support decisions on how to keep pace with the development in ESG area in the coming years, Perstorp initiated development of a Materiality Matrix, highlighting the most material ESG aspects. In addition, a gap analysis was conducted as well as a renewed alignment with the UN Sustainable Development Goals.

Increased production capacity for 2-Ethylhexanoic Acid (2-EHA)

Perstorp will substantially expand its production capacity of 2-Ethylhexanoic Acid (2-EHA) from 2022, to meet increasing market needs. The investment and expansion are within the framework of Perstorp's existing production plants and implementation already started in 2021.

2-EHA is one of the flagship products of the Perstorp Group, which has the largest 2-EHA production capacity in the world. 2-EHA, a colorless liquid with one carboxylic group based on a C8 carbon chain, is widely used in esters for PVB film plasticizers and synthetic lubricants. It is also used in the production of metal soaps for paint driers, in automotive coolants and PVC stabilizers. Other application areas include wood preservatives, catalysts for polyurethane and pharmaceuticals.

Launch of Emoltene™ 100 Pro; a durable DPHP plasticizer based on renewable material

Perstorp was pioneering in the PVC market with the introduction of a general-purpose plasticizer partly based on renewable raw material using a traceable mass balance concept. Emoltene™ 100 Pro is a dipropylheptyl phthalate (DPHP) designed to support sustainable sourcing of renewable and recycled raw materials and reduction of carbon dioxide emission throughout the value chain.

Facilitating uncomplicated adoption by users, Emoltene™ 100 Pro is ready to be dropped straight into existing flexible PVC formulations. Users can expect the same performance as Perstorp's existing Emoltene™ 100 plasticizer, with the added benefit of a lower carbon footprint. Emoltene™ 100 Pro will be available in two grades, with different levels of renewable content based on mass balance: the first, containing 14 percent is available now, the second, with 71 percent is expected to become available in the near future.

Senior recruitments

Three senior recruitments were made to reinforce the Executive Leadership Team; Aart Mateboer as EVP Animal Nutrition, Patrice Pinsard as EVP Strategic Markets & Innovation and Ib Jensen as CFO.

Aart Mateboer has 30 years' broad management experience with Akzo-Nobel, Cargill and Dupont in R&D, supply chain and marketing & sales role and most recently as Vice President of Animal Nutrition at IFF – International Flavors and Fragrances. Patrice Pinsard most recently came from the position as President at Adhoc Valu SAS and previously had various executive positions at Solvay, COGNIS and Henkel. Ib Jensen most recently came from the position as CFO at Arxada, a carve-out of Lonza. Previous experience include CFO and executive roles within Finance and IT at companies such as Lonza, Syngenta, Danisco and LEGO.

Intensive focus on safety has paid back

Perstorp made great progress in our health and safety efforts during 2021 and as a result, the OSHA rate decreased to a record low of 0.45. The gap between contractor and own employee OSHA rate was closed on the lowest level since the measurement started, a result of dedicated work by many employees.

Multiple production records

During 2021, several production records were hit globally, which was one of the underlying pre-requisites for the outstanding financial result of the year; yearly production records for most products at site Perstorp, several 7 days production records at site Stenungsund and additional production records in Zibo, Castellanza and Bruchhausen.

Outstanding year leads transition to an exciting new future

The year was one of the best in Perstorp's history as we navigated and became accustomed to the changing market that presents significant opportunities for our business going forward.

Our sales in 2021 amounted SEK 13,537 m, which is an increase of 47 percent compared with the previous year and EBITDA excluding non-recurring items amounted to SEK 2,513 m corresponding to an EBITDA margin of 18.6 percent. This is our highest EBITDA and EBITDA margin ever in Perstorp's modern history.

PROACTIVELY TAKING ADVANTAGE OF OPPORTUNITIES

2020 was a difficult year where we encountered significant challenges, but we took the bold decision to not cut costs and scale back our business any more than absolutely necessary. This meant that we were ready to capitalize on the significant opportunities during the market upturn in 2021. We re-worked our strategy by drawing on learnings from 2020 to increase our focus on specialties, our three focus market segments and emphasize our journey to become the sustainable solutions provider. The new strategic direction was implemented during the first half of the year. In 2021, we certainly had a much better balance sheet and greater readiness in terms of available funds compared to 2020.

While we operated in a favorable environment in 2021, I would like to highlight that our proactive approach to take advantage of the market opportunities available to us was crucial to our success. This included working pro-actively with our customer excellence programs including strategic pricing and development of a customer portal for simplified customer interaction, lead generation and digital sales capabilities.

Our drive toward commercial excellence was also fundamental to our success in 2021. We were proactive on pricing and were continuously ahead of the curve in terms of cost increases and supply-demand balance changes. Pricing power in our industry is now higher up in value chain due to volatile and higher material costs, which has meant that we have had to become more strategic in our pricing. Our new pricing office was crucial here along with our new pricing processes, data and digital tools to support and drive the organization. Strategic pricing certainly improved our profitability during the year and helped us to more than compensate for major increases in raw material costs.

UNPRECEDENTED CHALLENGES WERE WELL MANAGED

The Covid-19 pandemic continued to have significant impact in markets around the world in 2021 but despite these impacts, we made constructive improvements in our company. We managed greater absences from work as well as supply chain issues to deliver products under challenging circumstances. We dealt with raw material shortages and product availability well to serve customers in a strategic way. Our new and customer service organization was also able to work more efficiently due to improved processes compared to last year.

Despite the supply chain challenges and running at full capacity throughout the year, we had less unscheduled interruptions and stoppages in our plants for the second year in row. I would say that this is to a great extent due to the structural improvements in terms of our operational excellence programs throughout our production sites. These have included new types of production plans, increased use of production data and improved use of loading capacity and as well allocating more funds to general maintenance of our operations to make them more reliable and efficient. In addition, we continued our digital transformation as the more sophisticated use of data is helping to improve many areas of our operations.

During 2021, we hit production records in many of our sites, and the TMP production at our Perstorp site hit records both in the fourth quarter and for the full year.

TOWARD BECOMING THE SUSTAINABLE SOLUTIONS PROVIDER

We have taken step towards creating a more sustainable business and offering, which I see as crucial to our overall long-term stability and profitability. Our sustainability and ESG performance already compares very well with other companies in our industry, but we have ambitions to further develop our sustainability leadership. I believe that Perstorp has an important role to play in the sustainability transformation of our industry and society in general. We adhere to the global frameworks and are a proud signatory of UN Global Compact and its 10 principles, as well as supporting the UN Sustainable Development Goals.

We committed to the Science Based Targets initiative (SBTi) during the year and our science-based emission reduction targets for Scope 1, 2 and 3 that are aligned with the Paris Climate Agreement 1.5 °C scenario were approved in December 2021. We also launched new ambitious sustainability targets to integrate sustainability throughout our business and organization.

Our Pro-Environment product portfolio, which reduce CO₂ emissions and are based on renewable or recycled materials, continued



"We are creating a more sustainable business and offering, which I see as crucial to our overall long-term stability and profitability."

its strong performance during 2021 and e.g. reached record levels in Q4 with +26% Y/Y. Our Pro-Environment solutions enable the sustainable transformation of various industries and end products. We have estimated that Perstorp Pro-Environment products enabled our customers to save XXXX tons of CO₂ compared with standard products in 2021. Our positioning is strong and I am convinced that much of Perstorp's future lies in Pro-Environment products, and this is an important transition for us. Our plant at Perstorp is already switching all our Polyols to entirely Pro-Environment products during 2022.

We are also transforming our operations to become more sustainable. This includes investing in sustainability improvements in our existing operations and in new plants, such as our new state-of-the-art Penta plant in New Gujarat, India, which will produce a renewable grade of Voxtar™ with up to 60 percent less carbon emissions.

We made great progress in strengthening our health and safety culture and decreased our OSHA rate in 2021 to a record low of 0.4 compared with our target of 0.8. This is part of how we focus on acting responsibly in all situations, which is deeply rooted in our values and how we do business. Moreover, I see our success with health and safety as proof that when Perstorp focuses on something – we deliver.

DRIVING GROWTH IN OUR FOCUS SEGMENTS

We further strengthened our specialty position within resins and coatings through the acquisition of the Di-Methylopropionic Acid (DMPA®) business from GEO. This acquisition further emphasized our commitment as the sustainable specialty solution provider within the resins and coatings segment.

In engineering fluids, our new Iso-C9 acid expanded our offering to increase our competitiveness. We see huge growth potential in



engineering fluids due to the societal shift to electric vehicles and the recovery of the aviation market for example.

It's been a challenging year for Animal Nutrition as they are one step further down in the value chain and were unable to pass on raw material costs to our customers. But our medium long-term belief is that there are significant value creation opportunities for us, with several new innovative products to be launched in the coming years.

THE 'NEW NORMAL' FAVORS PERSTORP

I firmly believe that 2021 wasn't a one off in terms of success for Perstorp. We expect the trends of the market situation that we saw during the year to become the 'new normal' and will continue to shape the future. This includes a less global and more regional supply base, which suits Perstorp well as we are already an established regional player in Europe, the US and Asia.

As industry in general seeks to become more sustainable, a whole new world of opportunities is opening for Perstorp. The more sustainability commitments made by companies further down value chain, the better the market will be for us as they will require companies like Perstorp to provide the green alternatives and products to achieve their sustainability ambitions. Furthermore, the economic outlook looks brighter going forward, which will further benefit our business.

OUTLOOK FOR 2022 AND BEYOND

We will continue our proactive approach toward challenges such as increased costs for raw materials and energy as well as for continued supply chain issues in 2022. Our important focus areas will continue to be sustainability, health and safety, digital transformation, and expansion with our new plant in India and new application areas that include our Pro-Environment offering.

We are still faced with uncertainty in 2022, but I believe we are well equipped to react to geopolitical externalities in the best possible way. I look forward to driving our ambitious change agenda together with our partners to continue to capitalize on the significant opportunities that are available to us in 2022 and beyond.

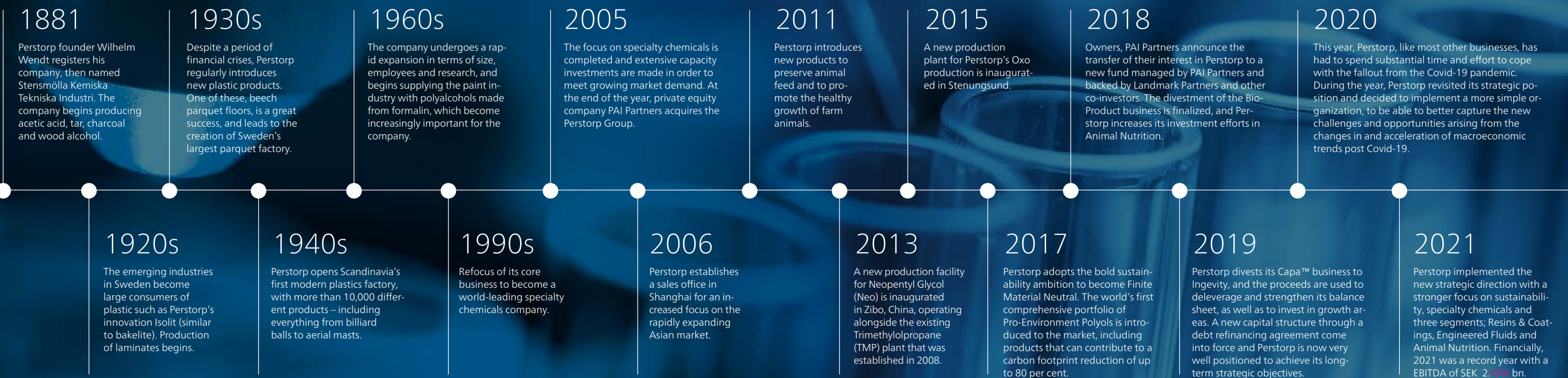
Malmö, April 2022
Jan Secher

Focused forward

with a history of innovation

Founded by Wilhelm Wendt in Perstorp, in southern Sweden 140 years ago, we are still leading the way in our industry. Our founder might never have imagined the success of the modern enterprise we know as Perstorp today, a global specialty chemicals' company with products benefitting millions of people all over the world, every day.

You could compare a successful company with a great white shark. In its prime, it expands its territory, but if it dares to sit still for too long, it dies. Perstorp has a long track record of successfully reinventing itself through the years in order to remain relevant for its time.



The essential role of chemistry

Although the modern science of chemistry did not emerge until the 16th century, humans have engaged in chemistry for much longer than recorded history. After all – human beings along with all other beings are chemistry.

FUNDAMENTAL TO MODERN LIFE

In modern times, chemistry has enabled us to live longer, healthier and richer lives than in previous centuries. We may not realize it, but our breakfast bread, the screen we work in front of and the fabrics in the sheets we sleep on at night would all be impossible to produce, were it not for chemistry. Both in our daily lives and in the complex processes of modern industrial plants and high-tech companies, chemistry is ever present. And so is Perstorp.

A world where humans do not engage in chemistry is inconceivable. Since chemistry is so intimately linked to progress, science and civilization, we must however make sure that we handle the power it gives us in a responsible and sustainable way.

CHEMISTRY IS PART OF THE SOLUTION

When chemicals are discussed today, it is often in the context of their negative impact on the environment or health issues. The microplastics in the oceans, or harmful substances used in agriculture or as food additives are examples of general concerns. But while there are certain chemicals that in the wrong place become harmful, there are many more that are beneficial, and even essential for our societies and the ongoing transition toward a more sustainable planet.

Thanks to chemistry, the air and water in many European cities are cleaner today than 100 years ago. Chemistry will also play a key role in tackling climate change. This highlights a very important fact about chemistry – the solution to a chemical problem quite often requires ‘better’ and more sustainable chemicals.

THOUGHTFUL CHEMISTRY

In this Annual Report, you can read about how Perstorp and our products overcome modern day challenges and how we contribute toward a more sustainable world by developing the chemistry of the future.

Thoughtful chemistry is Perstorp’s pathway to creating sustainable value. Using our expertise in chemistry and engineering, we help to transform basic materials into high-value products that give our customers a competitive advantage.

ADVANCING EVERYDAY LIFE

Perstorp’s products and solutions advance everyday life almost everywhere – in the pockets, homes, offices and communities of practically every human being on the planet. Among many things we:

... make paint dry faster

... enable coating without solvents

... make cables softer and more durable

...improve energy efficiency in refrigerators

... support animal health and welfare

...and we are finding ways to do all these things in more sustainable ways.

We focus our innovation on real societal needs. Many of our products are required for a more sustainable society, with demographic changes, urbanization and the need to combat climate change.

Global macro trends shape our business

Our business and the market segments we serve are shaped by a variety of global macro trends – some of them are more affected by the ongoing Covid-19 pandemic than others. Most of these macro trends create both challenges and opportunities for the chemical industry:



The electrification of mobility



Urbanization driving the development of city structures



Changing food consumption patterns



Regionalization, with a continued high level of geopolitical tension



Accelerating sustainability regulations as well as customer expectations

THE COVID-19 MACRO CONTEXT IN PERSPECTIVE

If the world economy in 2020 was globally overshadowed by the Covid-19 pandemic, 2021 became a year characterized by a fast recovery in many markets. The IMF estimated that about \$16.5 trillion worth of fiscal stimulus was announced globally since the outbreak of the pandemic, in order to bolster the negative economic impact of Covid-19. Several of Perstorp's end market segments have recovered accordingly and in particular consumer goods spending has boomed.

The focus on climate change and the need for sustainability has increasingly come to the forefront as people think more about health and their broader relationship with nature. With respect to consumption preferences, the trend toward a stronger emphasis on experience versus ownership of physical goods continues. This supports the development of service models and a sharing economy, facilitated by technology. New regulations and governments increasingly connecting their spending to address climate change will support growth in renewable sources of energy, recycling and sustainable products.

Geopolitical tensions and conflicts are expected to continue and catch political attention, leading to a stronger emphasis on national independence and security. Major disruptions in global supply chains have led to significant shortages of key goods and components. Companies have realized the risk of having either a single supplier or suppliers that are located in the same region or country. The strive toward efficiency through longer and leaner supply chains has therefore instead become a trade-off between efficiency and resilience, leading to global trade becoming more regional.

For the chemical industry, these macro trends will redefine several markets, which may require new ways of working and even new business models. For example, the electrification of mobility, urbanization, changing food consumption patterns and regionalization, and first and foremost, climate change. The need for agility preparedness and ability to act on and take advantage of what is happening in the outside world, rather than reacting, is more important than ever.

Of the current macro trends, changing demographics, urbanization and climate change are three trends that both have a profound impact on Perstorp's business but also present significant opportunities.

Changing demographics



The global population is approaching eight billion people, with more people living healthier, richer and longer lives than ever before. Due to advances in healthcare, among other things, the average life expectancy in many industrialized countries has increased, with more countries expected to follow a similar trend as they become wealthier.

IMPLICATIONS AND RESPONSE

A larger and more wealthy population naturally increases the demand for food and other resources. Sustainably feeding and providing resources to over eight billion people requires greater efficiency, better preservation techniques and reduced waste. This is where modern chemistry comes in.

At Perstorp, we produce additives that can improve gut health and performance for farm animals, preservatives for feed and food, and organic salt fertilizers. These products support healthier animals, higher food yields and reduced resource consumption in food production. Many of our solutions also promote resource efficiency in a wide range of other industries.

Rapid urbanization



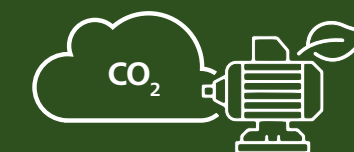
Over half the world's population now lives in urban areas and urbanization looks set to continue in the future. Cities facilitate interaction between people, the exchange of goods and ideas, and less need for long distance travel. However, they also place greater demands on infrastructure such as power grids and sanitation, and more careful planning and resource utilization with a focus on people's health.

IMPLICATIONS AND RESPONSE

The challenge of delivering clean water and electricity to an urban population of millions, or even tens of millions, is significant and improved chemical products and ingredients are essential to enable urbanization. More densely populated areas are more sensitive to disturbances, such as a power fault in a major city may affect thousands of people, which highlights the importance of reliability.

Perstorp produces a number of products and ingredients that help make urban life easier and safer, in a number of areas – from environmentally friendly refrigeration and air conditioning, and biodegradable deicers to durable solvent-free coatings and phthalate-free plasticizers used in cables, flooring and other construction materials.

Climate change and resource scarcity



The future for all life on Earth heavily depends on how climate change is managed in the coming decades. The chemical industry will play a major role in contributing to overcoming what is arguably the greatest issue of our time. It typically does this indirectly by producing chemical products that enable customers to reduce their direct emissions, but there is also a gradual shift toward renewable raw materials and value-based circularity.

IMPLICATIONS AND RESPONSE

High-performance lubricants and biodegradable transformer fluids enable wind turbines to operate. This is just one example of the essential role the chemical industry plays in a low-carbon society.

Perstorp is also developing and producing a broad range of products based on renewable raw materials – our Pro-Environment Solutions – that reduce our own carbon footprint and to help others reduce theirs. The range of Pro-Environment products has gradually been developed and now includes more than 25 different products and grades.

Strategy 2022–2026

In response to unprecedented challenges in the wake of Covid-19, Perstorp redefined its business strategy to become the sustainable solutions provider, focusing on the global Resins & Coatings, Engineered Fluids and Animal Nutrition market segments. Our ambition is clear – to create value and enable resilient long-term growth until 2026 and beyond.

STRATEGY INSIGHT THROUGH MACRO ANALYSIS

The Covid-19 pandemic brought general market uncertainty and initially reduced the global demand for chemicals. The market recovered strongly in 2021, but Perstorp still took the opportunity to review its strategic position through an extensive macro analysis with global subject matter experts and several strategic 'deep dives' to redefine what kind of company we want Perstorp to be and how we get there.

KEY MACRO TRENDS SHAPING OUR BUSINESS

Several global trends are creating challenges – but also providing significant opportunities – for our business. These include:

- The electrification of mobility
- Urbanization driving the development of city structures
- Changing food consumption patterns
- Greater regionalization with continued geopolitical tension
- Accelerating Sustainability regulations as well as customer expectations

OUR MISSION

"We are the sustainable solutions provider, focusing on the global Resins & Coatings, Engineered Fluids and Animal Nutrition markets."

OUR FINANCIAL TARGETS

Organic sales growth

>3%

EBITDA

>17%

of net sales and 2,500 MSEK

Cash conversion ratio

>80%

of net sales

Average working capital

≥15%

Return on capital employed

>20%

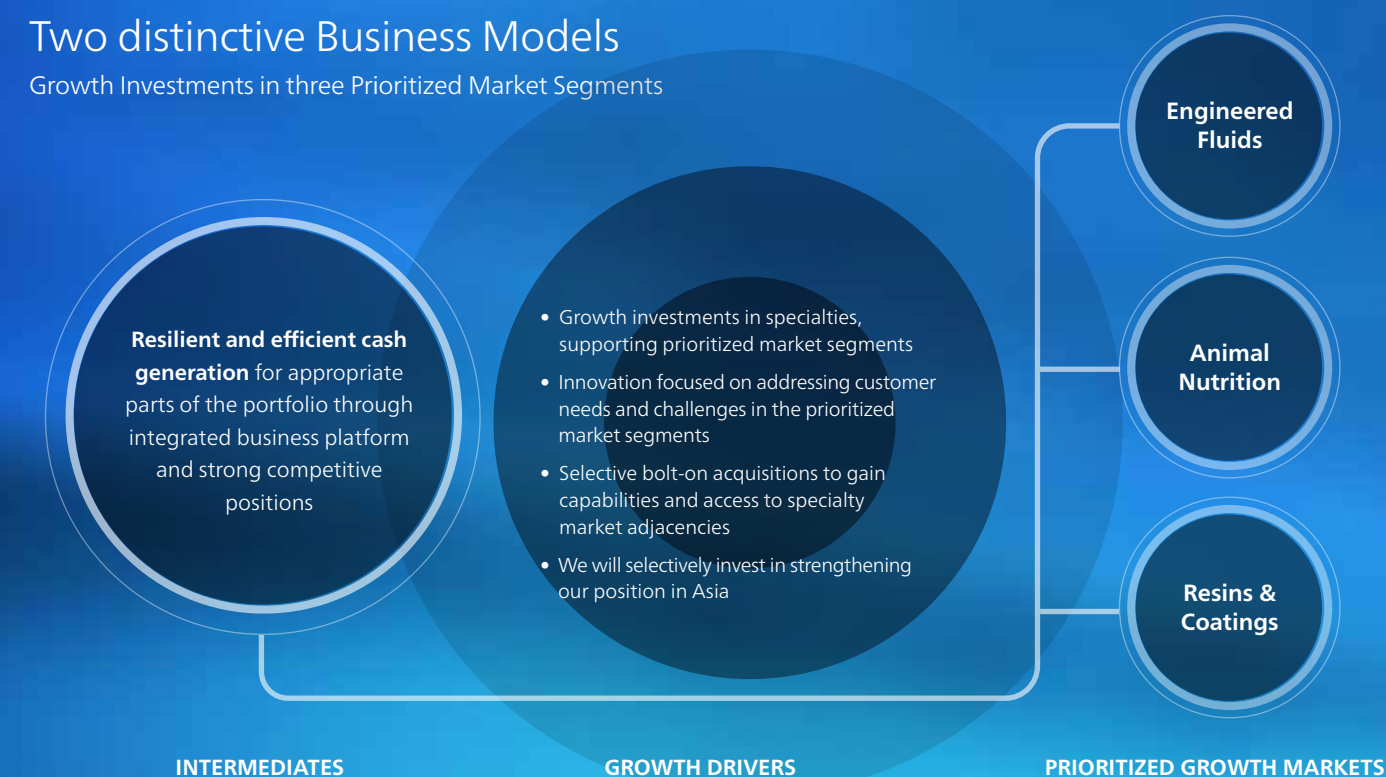
Specialty and sustainability focused transition at the core

- Increased focus on our specialties and prioritized markets
- Sustainability at the core of our business
- Increased focus on Asia
- Investing in efficiency and availability



Two distinctive Business Models

Growth Investments in three Prioritized Market Segments



Increased focus on our Specialties and prioritized markets

Our current portfolio is made up of both intermediate and specialty chemicals. Intermediates tend to be of larger volume with minimal variation from producer to producer, and are effected by fluctuating raw material costs and supply/demand dynamics.

Specialties on the other hand are solutions that are customizable and often with unique properties, which means that they typically have low or limited competition and their price is decoupled from raw material costs.

While Intermediates are still a very important part of Perstorp's

business, we are accelerating the shift toward an increased share of specialty products within our three prioritized market segments, especially in niches where we see growth opportunities above average market growth. Specialty products have shown to bring greater economic stability and resilience over time, as well as more favorable opportunities to build future growth and help differentiate us in the market. They also offer our customers unique benefits and help them achieve their performance as well as sustainability ambitions.

Examples of fast growing niches for Perstorp's products:

Resins & Coatings

- PUD
- Powder Coatings
- UV Resins

Engineered Fluids

- Di-Electric
- Refrigeration

Animal Nutrition

CASE STORY:

Acquisition of Di-Methylolpropionic Acid business

In 2021, Perstorp acquired GEO's Di-Methylolpropionic Acid (DMPA®) business. The acquisition further emphasizes Perstorp's commitment as the sustainable specialty solution provider within the Resins and Coatings segment through a leading presence in Polyurethane and Alkyds dispersions and the waterborne coating markets.

The acquisition will allow Perstorp to make further investments in innovation and additional capacities that help its customers and society in general by driving the shift toward renewable raw mate-

rials and sustainable technologies. Bis-MPA has represented a key building block in Perstorp's offering for over 20 years and enables a technological shift from solvent to waterborne formulations.

"Additives for waterborne resins and coatings technologies are a key area for future growth, and we see great potential in the market for Bis-MPA™ together with the acquired DMPA®. This acquisition will both allow further development of our offering and enable long-term investments to safeguard future availability," says Jan Secher, President and CEO of Perstorp Group.

Becoming the sustainable solutions provider

We are committed to reducing the environmental footprint of our operations and our product by working toward our Finite Material Neutral objective and reducing our greenhouse gas emissions through our science-based reduction targets. We abide by external sustainability frameworks, which also help shape our strategy. These include the Paris Climate Agreement, the UN Sustainable Development Goals, and alignment with the EU Green Deal – including EU Chemicals strategy for Sustainability and Fit for 55.

However, we cannot do this alone and value chain collaboration is essential. We must build more sustainable value chains together with our customers, suppliers, partners and peers. According to the Perstorp Macro Study, demand for sustainability will be a key driver of the chemicals market and its investments in the many years to come, as all actors in the value chain seek more sustainable solutions to meet their growing ambitions in the area. This involves shifting from fossil-based raw materials to circular and/or bio-based, which will be critical enablers for our business and the entire value chain going forward.

Read more in the Sustainability section of this report on pages XX to XX.

Increased focus on Asia

Asia remains a strong driver of global growth and we will increase our focus on developing our business organically and potentially through M&A in the region. Our new strategy is targeting the growing Asian market by both making investments in our production capacity as well as in growing our share of specialty products and focusing on our prioritized market segments.

We will be focusing on innovation to address customer needs in our prioritized market segments. In addition, selected bolt-on acquisitions will be considered to gain capabilities and access to specialty market adjacencies in order to build up a substantially larger share of Specialties compared with Intermediates in our Asian markets.

CASE STORY:

Project Elephant

Perstorp is constructing a state-of-the-art greenfield plant in Gujarat, India, for the production of Penta, Di-Penta and Calcium Formate. The plant will strengthen Perstorp's production capabilities and will capture strong local growth by increasing the abilities to better serve both our current and new Penta customers in India, South East Asia and Japan.

Pre-Marketing activities have been kicked off, such as participation in trade shows, sampling, various customer communication, and when the Covid-19 situation allows, customer visits to the plant.

Investing in efficiency and availability

Perstorp has a global production footprint with fundamentally efficient and flexible platforms. In order to further improve competitiveness, we will continue to make efficiency investments in our platforms to increase reliability and availability and to maximize value generation. This involves developing cost competitive, reliable and sustainable manufacturing systems where data can make us faster, safer, more stable in our production and increase output.

Areas of strengths for Perstorp's production platforms

ACCELERATING USE OF DATA

Use of existing data, and identifying more data sources, will open up for production stability, efficiency gains and quality improvement.

PRODUCTION STREAM OPTIMIZATION

Ability to extract value from side streams, e.g. Formates, given superior product quality and application expertise.

OPERATIONAL EXCELLENCE

Deployment of Operational Excellence at all production sites including standardization of working processes and efficiency improvements, with activities increasingly linked to the company's digital transformation.

CASE STORY:

Driving operational excellence for increased competitiveness in Stenungsund, Sweden

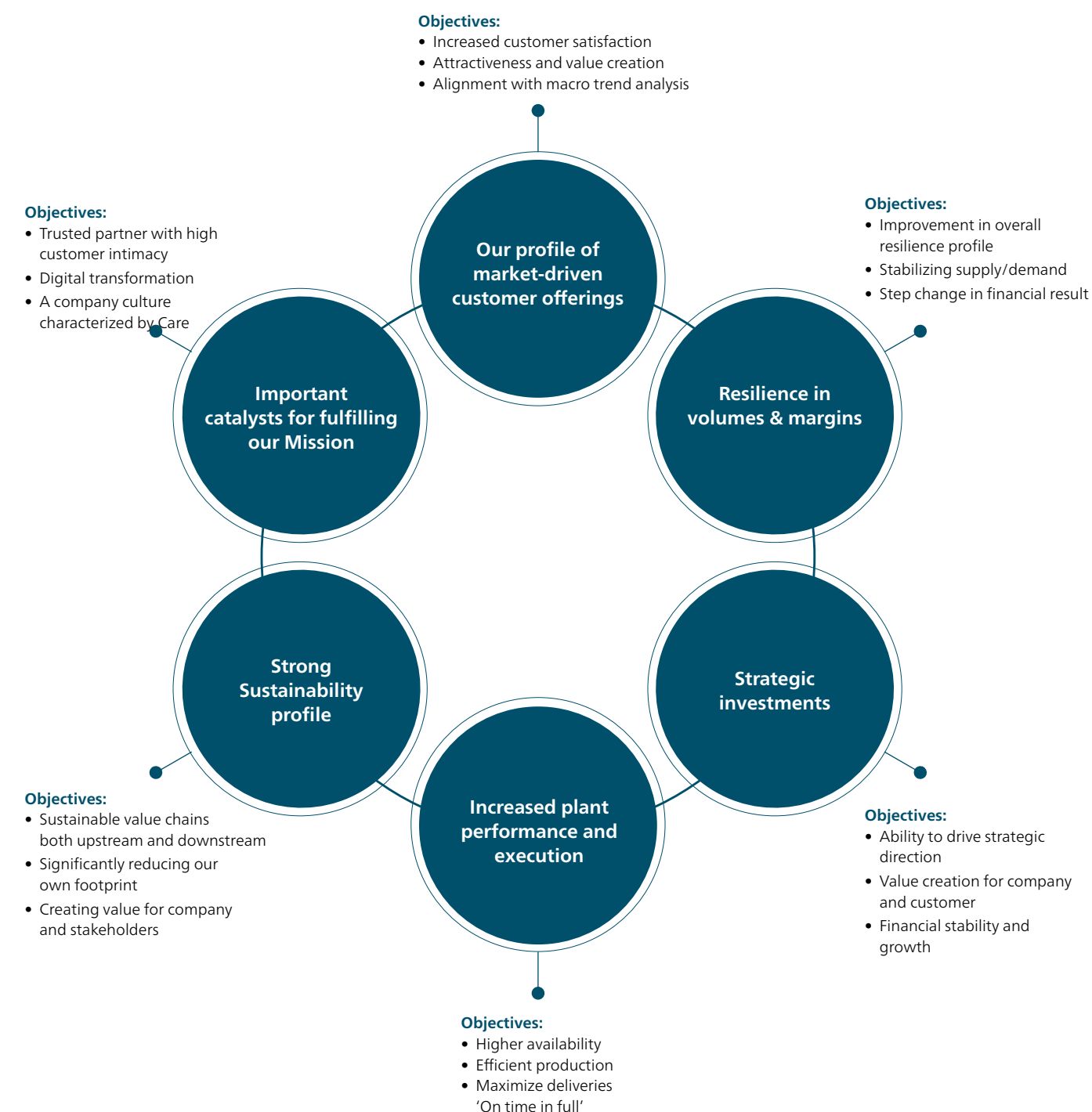
As part of Perstorp's global Operational Excellence program, systemic improvements were made to improve efficiency, reliability and availability of product at the company's Stenungsund site in southwest Sweden in 2021.

The work reduced direct variable production costs through a variety of activities and efficiency measures during the year. Better planned maintenance means that interruptions get fixed quicker and there is less downtime. Throughput time was significantly reduced, which has also freed up substantial capacity in the plant.



The cornerstones of creating tomorrow's business

Our strategy is based on six cornerstones – each with their own objectives going forward:



A market focused business model

With its offering to the market, Perstorp addresses essential needs in targeted growth markets and ultimately improves the quality of everyday life for many people around the globe. We are developing our current and future market segments with the objective to deliver above average market growth and profitability in the coming years. This involves evolving our business by discovering and developing business opportunities to create our next new focus segments. We are also driving business growth in strategic segments through investments in selected specialties, strategic mergers & acquisitions and focused market positioning, especially in within sustainability.

Providing our customers and partners with our extensive application knowledge is essential to help improving and developing their processes. We will also continue to focus on the important touch points along our the customers' buying journey and strengthen the Perstorp brand experience in these touch points.

DEVELOPING OUR FOCUS SEGMENTS

By 2026, we aim to have increased our share of sales from specialty products substantially, with increased customer intimacy. We will do this by:

- Developing in-depth increased segment expertise in selected strategic markets with a focus on application knowledge.
- Prioritizing projects that favor sustainable specialties in strategic segments and the Asian region.
- Developing a customer centricity model throughout the Perstorp organization and redesign the customer journey.
- Developing marketing channel expertise and effective content management to drive growth through the creation of strategic-aligned touchpoints.
- Creating an inclusive innovation model with customers, suppliers and partners.
- Creating innovative and sustainable value propositions including performances, services and marketing, fulfilling customers' current and future unmet needs in strategic markets.
- Enabling digital transformation to create new business models.
- Divesting non-core and non-sustainable activities, acquiring new portfolios and specialty companies enabling us to go into down-stream solutions.

Innovation drives our business into the future

Our innovation is focused on exploring new opportunities and collaborating closely with the business and operations to support our customers and plants. Guided by long-term drivers, customers and legislative needs for substitution, we extend our portfolio with complementary, safe and sustainable products, applications and technologies that drive the development of our business.

We consider value chain extension into formulated products and/or services where we can make a difference. We also look to develop new strategic segments with good growth, competitive market positions and strong business performance. Perstorp has extensive collaboration with external networks that include universities, institutes and industry for exploring and developing processes, products, applications and competences.

Innovation is also important for sustainability and the development of products and sustainable manufacturing systems with a reduced footprint. This helps us to develop circular systems and replace unsustainable chemicals with sustainable alternatives. Before end of 2022, the majority of our polyols produced at our Perstorp site will be converted to Pro-Environment versions.

Customer Excellence

Perstorp not only delivers value through its products and solutions but also through longstanding and stable customer relationships and strong market positions. We always strive to serve customers in the very best way possible, and the customer facing teams do their utmost to secure that customers get what they need.

Utilizing digital services and tools is a natural step to further advance the support and service to customers. We are now in the process of implementing a systematic and structured approach to our strategic pricing with the objective to ensure consistent margin uplift for the company through value-based differentiated pricing logic and services. This includes sales training and increasing our internal understanding of the value we bring to customers. Furthermore, we are looking into how to serve customers more efficiently and increase the convenience for how they can manage their business and interactions with Perstorp through a digital customer portal.

Drawing on data

Digital Transformation has been defined as an important catalyst for the transformation of Perstorp that brings concrete business outcomes, such as service improvements and operational efficiency. One important focus area is to improve the way we collect and make use of data throughout the company. Our objective is to make data a valuable company asset – to enable us to better predict and draw accurate conclusions on our markets and business performance. We are already doing this in some parts of our business, but we intend to apply it to our entire business. Data accessibility and quality is also a base for driving and developing sustainability improvements.

An improved approach to data will create value for Perstorp and transform how we do business by:

- Ensuring data is trustworthy, accessible and has the right qualities.
- Promoting digital competence, tools and expertise to explore and find value.
- Making the necessary resources and processes available to ensure accessibility, quality and security.

CASE STORY:

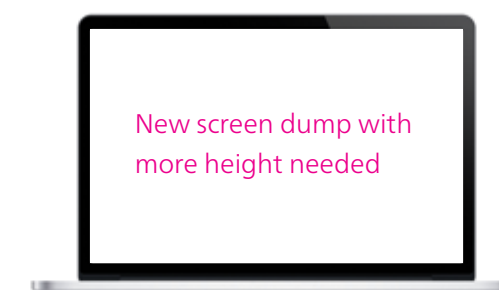
Development of a digital customer portal – MyPerstorp™

Our sales and support teams spend a lot of time securing that our customers get what they need, and every issue – small or big – is attended to. With the help of increased use of digital tools, we see that some of the tasks that we serve our customers with could be done more efficiently, reducing both waiting time for the customer and administration time from Perstorp's perspective.

To serve customers more efficiently and increase the convenience for how they can manage their business and interactions with Perstorp, a new digital customer portal was developed. The portal is called MyPerstorp™ and has been tested with customers starting January 2022, with the aim of finding a solution where customers could enter a web-based customer portal for their convenience to:

- get an instant overview of the current order and shipping status
- order and re-order products in a few clicks
- adjust an order
- get instant access to essential product information

MyPerstorp will be further developed and gradually rolled out during 2022 and onwards.



Resins & Coatings

Perstorp has almost seven decades of experience working with resins and coatings that can protect structures, increase durability and enhance both the processability and appearance of a range of surfaces for customers in various industries and end applications.

Key drivers shaping our markets

- Improving living standards
- Resource efficiency
- Growing need for safe infrastructure
- Intensified search for sustainable chemistry

Strengths of Perstorp's offering

- Relationships with innovators throughout the value chain
- Broad portfolio of products with low carbon footprint
- Leading market positions

BENEFITING CUSTOMERS AND SOCIETY

Perstorp's resins and coatings help customers achieve their business goals by preserving value and maintaining functionality. For example, coatings can protect and preserve high-capital investments such as a ship or building, and make existing assets look like new, which contributes toward a more sustainable future by helping to extend their useful lifespan. Additionally, coatings are a relatively affordable way of increasing the value of an asset. Functional coatings can give surfaces new properties, such as scratch resistant wood flooring to withstand wear and tear or protective resistance and natural feel for synthetic leather.

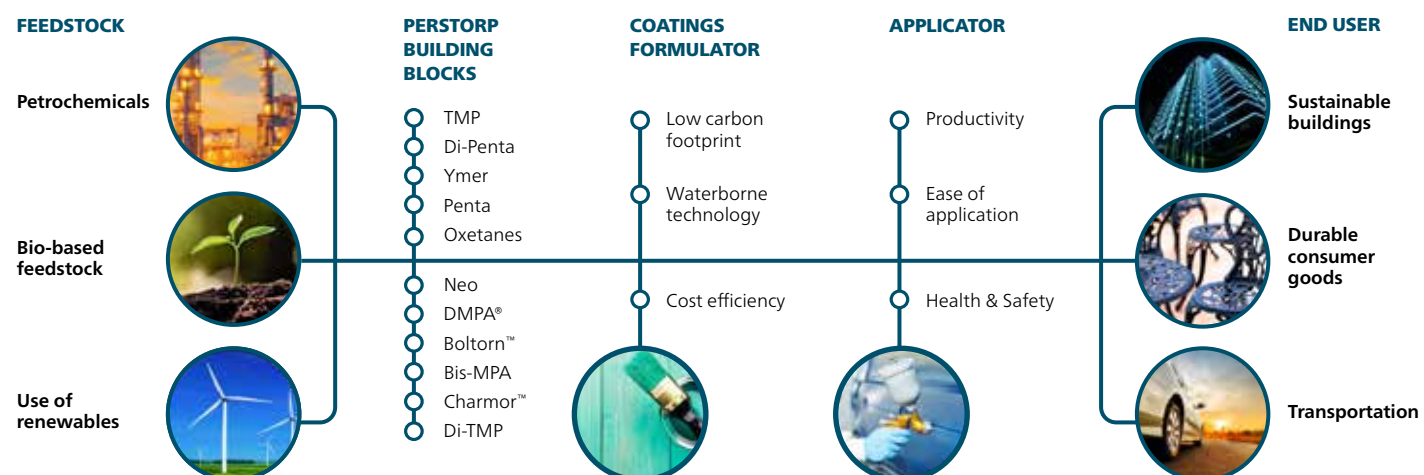
OUR OFFERING

Our expertise, market leadership, global presence and solid portfolio of building blocks allow our customers to focus on what they do best – creating winning resin and coating formulas. We deliver products within various market segments, including waterborne and solvent borne alkyds, powder polyesters, unsaturated polyesters, liquid polyesters and UV curables. Through our ISCC certified Pro-Environment portfolio, we provide renewable alternatives for several products to ensure a significant carbon footprint reduction. The positive developments seen in the past years continues for the Passive Fire Protection segment (intumescent paints) as well as for the Radiation curing segment.

Perstorp's acquisition of GEO's Di-Methylolpropionic Acid [DMPA®] business at the end of 2021, further emphasizes the company's strategic presence in Polyurethane and Alkyds dispersions – and marks a vital step to becoming a specialty leader in various waterborne coating markets.

Resins & Coatings value chain

Perstorp is located at a first key step of value creation, turning feedstocks into value-added building blocks for resin manufacturing.



Our Resins & Coatings sub-segments



Alkyds

Perstorp helps alkyd resin producers to cost-effectively meet the growing demand from consumers for improved performance, sustainability and safety – including meeting low-VOC legislation and reducing carbon footprint.



Powder polyesters

Perstorp offers a comprehensive product portfolio for powder coating solutions for a variety of indoor and outdoor applications.



Intumescent coatings

Our carbon donor for intumescent coating systems support fire protection for steel and wood structures, reduce time for people to evacuate safely while protecting property in the event of a fire.



Liquid saturated polyesters

Perstorp's product portfolio and service offering for high-performance liquid polyesters significantly reduces environmental impact and customer costs.



Liquid unsaturated polyester

Our unique portfolio, including allyl ethers, significantly improves performance, while our new drop-in renewable polyols reduce customer carbon footprint.



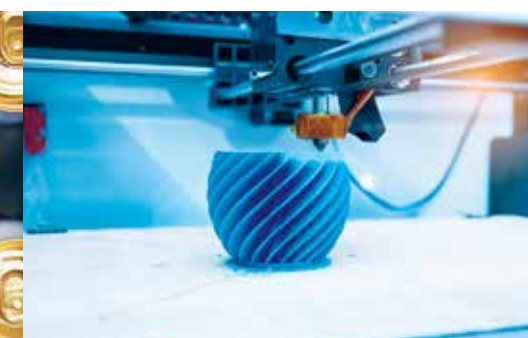
Polyurethane dispersions (PUD)

Our PUD building block products, such as Ymer™, Bis-MPA™, DMPA® and renewable polyalcohols give resin producers the flexibility to choose the exact properties they require while promoting sustainability.



Cationic curing

We provide the best building blocks for cationic formulation to meet the most demanding printing and coating applications on tricky surfaces with the highest demand on adhesion, low migration and final print quality.



Radiation curing

Perstorp offers a unique portfolio of polyols and specialty building blocks to design and develop superior and customizable UV curable monomers and oligomers.

Engineered Fluids

Perstorp is a global leader in offering building blocks for polyol ester synthetic lubricants. Our broad portfolio of carboxylic acids and polyols combined with a deep expertise allows us to deliver the most optimal solution for current and future synthetic lubricant applications.

Key drivers shaping our markets

- Increasing performance and durability requirements
- High energy efficiency
- Substitution of mineral oils
- Environmental and fire safety concerns

Strengths of Perstorp's offering

- Highly innovative solutions
- Broad portfolio of products to reduce green house gas emissions
- Integrated with Perstorp's efficient Oxo and Polyols supply platforms

BENEFITING CUSTOMERS AND SOCIETY

Synthetic lubricants have many different beneficial applications in society that promote sustainability, safety and a more circular economy.

This includes more environmentally responsible polyols esters that can replace mineral oils, and lubricants that reduce the risk of fire, promote safe aviation by being resistant to both extreme heat and cold, or enable more environmentally friendly air conditioners. They can also reduce the need for oil changes and maintenance, which helps avoid leaks and optimizes the lifecycle of equipment.

Synthetic lubricants offer higher and more predictable performance properties and can be engineered to best suit specific and complex applications. The switch toward synthetic lubricants is driven by the requirements of increasingly sophisticated and complex end products as well as by legislation and environmental concern.

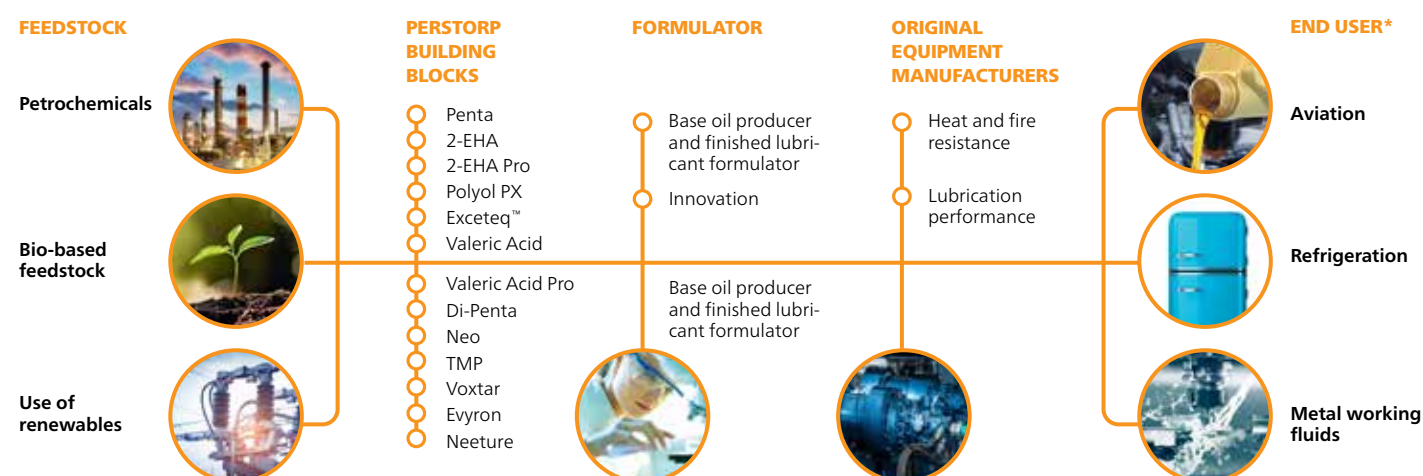
OUR OFFERING

Perstorp is a one-stop shop for high quality materials for polyol ester base stock. We offer the broadest portfolio of polyols, alcohols and acids on the global market, which combined with our deep expertise, helps customers find the most optimal solution for their particular application. In 2021, we strengthened our dedicated team that works closely with customers and industry partners in the value chain to ensure we continue to develop the necessary optimal solutions for the future.

During the year, we have put more efforts and resources behind our Pro-Environment solutions. In accordance with our aim to be a leader in renewable products and solutions, as well as proactively nudging the industry to greener solutions, we will continue to develop and launch more sustainable products in the coming years.

Synthetic lubricants & engineered fluids value chain

Perstorp is located at a first key step of value creation, turning feedstocks into value-added building blocks for resin manufacturing.



* Final lubricant adds, e.g. lubrication for fuel efficiency, less maintenance due to durability, fire-safety, bio-degradability etc.

Our Engineered Fluids sub-segments



Refrigeration lubricants

Perstorp is the world's largest producer of raw materials for key base stock (POE) used in refrigeration lubricants, and has an unrivaled polyol portfolio combined with a strong acid portfolio, including sustainable alternatives. Supporting the sustainable transformation in the cooling industry, Perstorp is the world's largest producer of key raw materials for polyol esters.



Aviation turbine oils

Synthetic lubricants are important to maintain reliability and safety for air traveling and smooth air freight operations, Perstorp is the largest producer of the key raw materials for high-end aviation turbine oils.



Transformer oils and di-electric fluids

Perstorp is the world's largest producer of the key raw materials for high end polyol ester based transformer oils and di-electric fluids.



Metalworking fluids

As a major supplier of neopolyols, Oxo alcohols, acids for synthetic esters and TMP (Trimethylol propane), Perstorp is an industry leader and offers cutting-edge sustainable alternatives. To reduce the environmental impact and offer a safer working environment.



Automotive engine oils

Perstorp's broad portfolio of top-quality neopolyols, oxo alcohols, acids for synthetic esters (POEs) and TMP (Trimethylol propane) benefits producers of synthetic base stock for automotive engine oils.



Hydraulic fluids

Perstorp offers top-quality neopolyols, oxo alcohols, acids for synthetic esters and TMP (Trimethylol propane) to the hydraulic fluids market.

Animal Nutrition

Devoted to success in animal gut health and feed preservation.

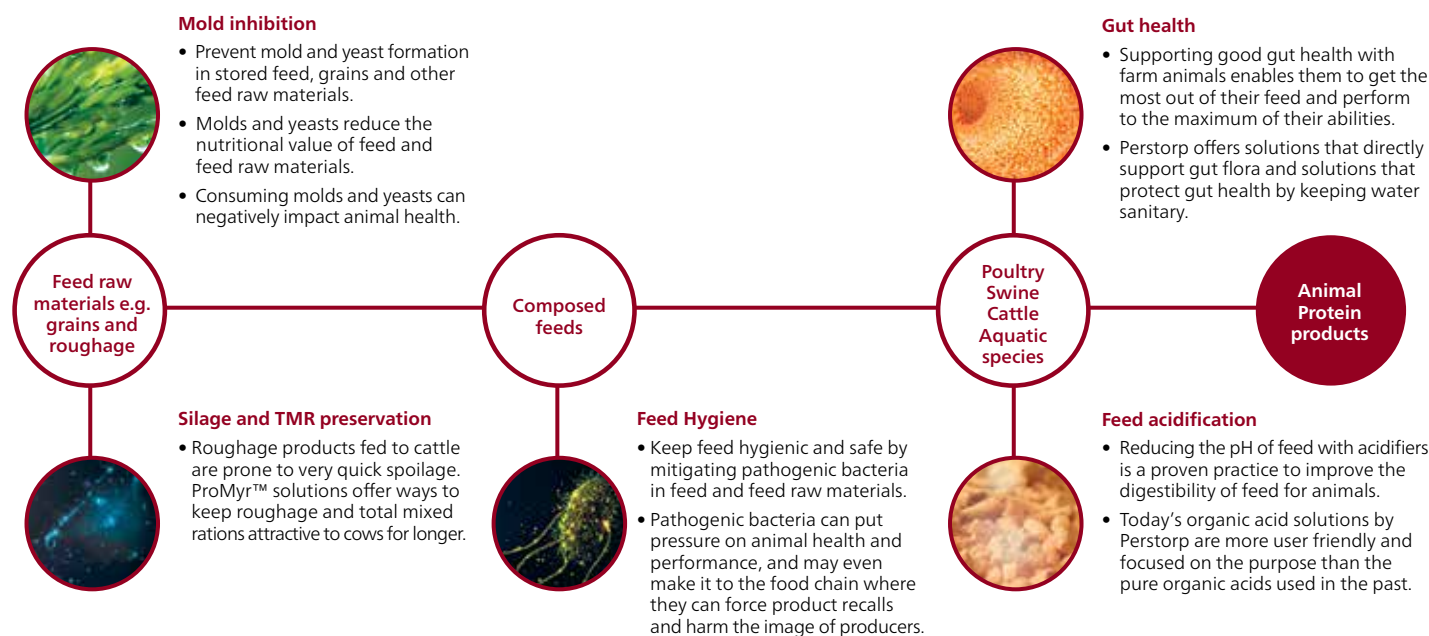
Key drivers shaping our markets

- Growing global demand for animal protein
- Pressure to reduce the use of antibiotics
- Increasing focus on food safety
- Sustainable animal protein production
- Digitalization and automation of the industry

Strengths of Perstorp's offering

- Dedicated global organization
- One of only a few producers of key organic acids
- Innovative and experienced specialists in animal health and nutrition
- Working in animal nutrition additives since the 1960's

Feed to fork value chain



PERSTORP PROVIDES SOLUTIONS TO THE ANIMAL NUTRITION INDUSTRY THAT:

Support animal gut health and improve feed utilization to meet the increasing demand for animal protein while requiring less feed ingredients and reducing the need for antibiotics.

Help to keep animals safe from feed spoiling agents such as pathogenic bacteria (e.g. Salmonella), molds and yeasts.

Provide customers with a competitive advantage and unique selling points for their feed.

ANIMAL NUTRITION IN 2021

The ambitious targets set for the portfolio of existing products, as well as for new products, requires large investments. The SkyTrain program has been running since 2020 with the aim of increasing the production capacity for Animal Nutrition products in Waspik, the Netherlands. The upcoming line of products is created with customer demand and customer convenience in mind, and will give Perstorp Animal Nutrition a stronger market position over time, with a first launch in early 2022.

Pioneering tributyrins solution ProPhorce™ celebrated 10 years of commercial application in 2021. ProPhorce™ SR quickly became one of the company's star products to support gut health and performance. The innovative application of the esterification process ensured odorless butyric acid that is released where it is of most benefit to the animals, which revolutionized the market. Over the course of a decade, it has become one of the means of choice, with more than 20 billion broilers treated and used in more than 50 countries worldwide. To mark the occasion, Perstorp organized a series of activities to celebrate and commemorate the product's accomplishments.

Feed costs traditionally comprise up to 70% of the costs of animal production. Consequently preventing feed waste due to spoilage or contamination, and setting the animals up for successful utilization of the feed's nutrients are major keys to success. The goal is to require less feed per animal and still get better results with healthy animals. Small gains per animal can make a tremendous difference in yearly results. That is why we are so passionate at finding the best solutions for our customers and developing the answers for the challenges and customer demands of the future!



Our culture drives performance

At Perstorp, we nurture a company culture with a strong element of Care that contributes to driving both financial performance and customer value.

PURPOSE AND PROMISE

It is important that all our employees understand Perstorp's reason for being, and that they feel inspired in their everyday at work. Our purpose enables us to ensure that we create chemistry that advances everyday life for the better. We fulfill our purpose through our promise – to give our customers a competitive edge to advance everyday life.

We have been in business for 140 years and we have always strived to be in sync with the world around us and reinvented ourselves several times to anticipate and meet customer needs.

OUR VISION

As the world is changing at an ever-changing pace, what is 'best' today might be acceptable tomorrow but inadequate next year. This is why it is important to have a vision to strive toward and to constantly develop as a company.

Perstorp's vision is to become the first choice for companies seeking a competitive edge from chemistry that advances everyday life. This involves focused innovation in our product portfolio and processes, as well as in how we approach and respond to our customers.

OUR MISSION

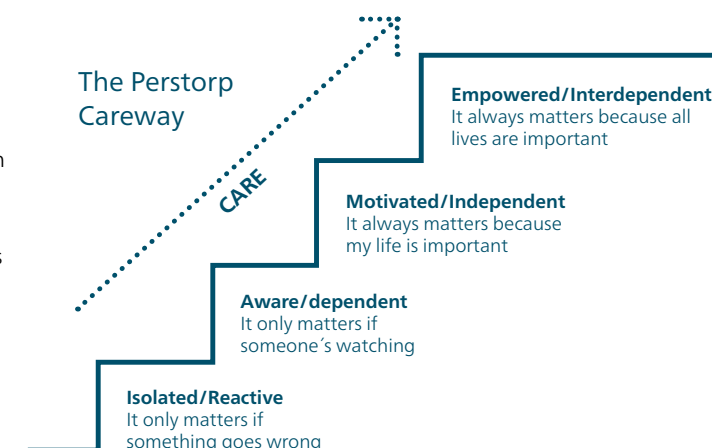
Perstorp adopted a Mission in 2021, as an outcome of a strategic review process: "We are the sustainable solutions provider, focusing on the global Resins & Coatings, Engineered Fluids and Animal Nutrition markets". The Mission defines what Perstorp aspires to become and is more thoroughly described in the strategy section of this report.

"We are the sustainable solutions provider, focusing on the global Resins & Coatings, Engineered Fluids and Animal Nutrition markets."

CARE IN EVERYTHING WE DO

We are committed to ensuring healthy and safe workplaces – 365 days a year. Everyone in the company, regardless of position, task or location, is included in our ambition to become a caring company – in all aspects. Care is an integral part of our culture and is one of our core values.

We have created our own way of defining Care with a strong focus on leadership and how we support our employees in the ever-changing and challenging work environment – the Perstorp Careway. The Careway defines the maturity level of our organization in terms of caring behaviors, and we are working to raise the level of maturity throughout our entire company.



OUR VALUES

Perstorp's values guide the way we work internally, as well as with our business partners, surrounding communities and stakeholders. We have built our company culture on our values, to create a working environment where ideas can blossom, and people can thrive.



Care

Lead with heart

As the core of everything we do, Care is about safety, health and life, 365 days a year – for everyone, including our employees, customers, suppliers and other stakeholders.

Responsibility

Do right

We have a responsibility to not only follow the rules, but to do what's right by advancing everyday life through a long-term holistic approach to create value.

Reliability

Keep the promise

We are always there for our customers, partners and colleagues, and reliably deliver on our promises and the expectations of others.

Focused Innovation

Make it better

A focus on innovation ensures we constantly look for improvements and make things better for people and the planet – in those areas and instances where it really matters.

CULTURE RELATES TO PERFORMANCE

Our values unify the Perstorp culture and drive our organization, actions and results. This core strength combined with an outside-in market approach truly sets us apart from our competitors. We are convinced that this fuels our vision – to be the first choice for companies seeking a competitive edge to advance everyday life.

A place to learn, develop and make a difference

As a global team of scientists, engineers and business professionals working to drive sustainable innovation and progress in chemistry, we believe that every individual can make a significant difference. Perstorp has the ambition to be a modern and attractive employer, that empowers and offers development opportunities to enable all employees to be at their best when at work.

WELCOME TO PERSTORP

Although we have operations in several countries, we are still considered a relatively small company – with 1,450 individuals contributing toward annual net sales of around SEK **XX.X** bn. This means that nobody stays anonymous at Perstorp, and everyone's performance really counts.

With sites located from Toledo in the West (US) to Zibo in the East (China) and with our roots in Perstorp, Sweden, we have a diverse workforce. Perstorp takes a proactive approach to diversity, including gender equality. We have a diversity policy, as well as targets for diversity and equal opportunity – such as 'women among new managers and senior managers' and 'non-Swedes among new senior managers'.

WORKING AT PERSTORP

Perstorp is a global company with a long history and strong culture. We aim to empower employees by providing opportunities to develop and grow, as well as giving them the autonomy to decide what is best for our customers and our company.

Through our global presence, Perstorp's employees have the chance to work with cross-functional teams in many different ways, and thus connect with colleagues around the globe.

COVID-19 MITIGATION AND NEW WAYS OF WORKING

Perstorp continued to closely monitor the Covid-19 situation throughout 2021, and actions were taken to avoid disruption to our business and to protect the health of our employees. The additional quality and hygiene measures implemented throughout production sites and offices during 2020 remained.

All employees that were able to work remotely from home have done so when it was stipulated by official regulations. Thereafter a hybrid-model was implemented with work partly from a Perstorp

office and partly from home, bringing together the best learnings made during the first 18 months of the pandemic. The model has been designed for performance, flexibility and a good work-life balance.

THE IMPORTANCE OF COMMUNICATION

The Covid-19 pandemic continued to place tough demands on our teams and individuals during 2021. Many employees continued to work from home for much of the year, not being able to physically meet with colleagues. Perstorp continued to develop its communication channels, directed at both employees and managers. Major events were held digitally, such as the annual Perstorp Leadership Meeting and All Employee Meeting for the implementation of the new strategic direction. Many employees participated in internal and external communication activities to encourage networking and the sharing of experience.

GROWING WITH PERSTORP

To realize the full potential of our employees, Perstorp offers a wide variety of training courses, leadership programs, talent management, skill development and individualized development plans. In 2021, like in 2020, the majority of these activities took place remotely via digital tools.

Every employee reviews their performance with their immediate manager in order to set and follow up targets, and to discuss their career ambitions. This is done on a regular basis through the Group-wide Performance Management & Development process (PMD).

Perstorp aims to recruit the majority of critical roles internally, including both leaders, specialists and project manager roles. To be able to fulfill this ambition, we employ a thorough annual talent management process where we identify and develop employees with a specific development potential. These employees with the willingness and ability to advance, are added to a talent pool from which we recruit for critical roles.

EMPLOYEE SURVEY TOOL FOR CLOSER MONITORING

A new employee survey tool was introduced in 2020, which involves conducting surveys on a monthly basis throughout the company. From 2021, we have made benchmark comparisons, and the whole concept encourages the closer monitoring of organizational performance measures.

ACCOUNTABILITY AND EMPOWERMENT

Perstorp is a customer-centric company, which means that we always put customers first to create substantial long-term customer value. At the same time, our work begins internally with our people, culture and leadership – to promote both accountability and empowerment.

Accountability is essential to the way we work as we take ownership for our shared future. We also want employees to be empowered to have the confidence to make the decisions needed for the best of the company.

TALENT, COMPETENCE AND CULTURE

Talent is essential to the success of an organization and there is intense competition for talent. New competences and jobs are emerging with the sustainability and digital transformations in society. The competitive landscape for recruiting and retaining the right future competences through talented employees is getting tighter.

To achieve real and lasting success, Perstorp must excel both in terms of competence and culture. For an organization dominated by engineers, the need for competence is obvious but our culture is equally as important. Without a culture that drives motivated and empowered employees to make the right decisions at the right time, Perstorp will not realize its full potential.

DIGITAL MEETINGS/INTERNAL CHANNELS/EMPLOYEES IMAGES WANTED

DIGITAL MEETINGS/INTERNAL CHANNELS/EMPLOYEES IMAGES WANTED

LEADERSHIP AT PERSTORP

In recent years, we have successfully transformed how we do business and operate our company, and the transformation continues. Our employees must be prepared and equipped accordingly, in order to take accountability and to adapt to and lead change.

Perstorp invests in leaders that can develop other leaders, our employees and the company. We offer leadership programs that provide opportunities for personal development and empower our leaders to get the best from their employees – to promote the development of our entire company.

We strive to build a high-performance culture and are very clear about expected employee and manager behavior. Perstorp's leadership behaviors are based on our values Care, Responsibility, Reliability and Focused Innovation. We encourage the following leadership behavior:

CARE

- Act with integrity
- Create psychological safety

RESPONSIBILITY

- Proactively lead change
- Act strategically
- Drive cross-functional collaboration

RELIABILITY

- Provide a seamless customer experience
- Deliver results
- Make clear decisions

FOCUSED INNOVATION

- Promote a learning culture
- Lead and develop others

140 years of remarkable innovation

At Perstorp, we've spent 140 years thinking about tomorrow, constantly reinventing ourselves, finding new ways of using materials and developing smart solutions to advance everyday life in an ever-changing world.



Humble beginnings

Our journey began in 1881 when Wilhelm Wendt built the first small-scale plant for dry distillation of beech wood in the village of Perstorp in southern Sweden. At the time, many people were doubtful of his idea to 'make money out of smoke'. Little did they know that the plant laid the basis for what 140 years later would be a global specialty chemicals company with products that benefit millions of people all over the world, every day.



Isolit innovation drives growth

In 1917, the first isolit plastic products for electronics were developed, building on their electrically insulating properties. The radio boom in the 1920s and 1930s drove Perstorp's success in isolit products, which were also used to manufacture everything from the laminate plates for mounting electrical components, to knobs, displays and decorative speaker protectors.



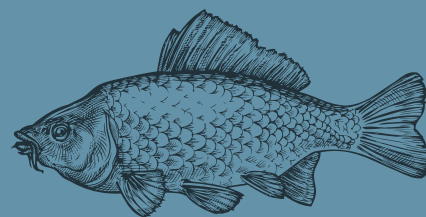
Plastic fantastic

In the 1920s, Perstorp began to build a strong national – and later international – market position within plastics, both as a producer of molding compounds and as a manufacturer of plastic components and products for industry and consumer use. This continued to be an important part of the business for many years. One of the iconic plastic products developed was the green garbage can, which can still be found on most driveways in Sweden and was designed to help improve the collectors' working conditions.



Largest fish farm in Scandinavia

In the 1930s, Perstorp owned the largest fish farm in Scandinavia with over 800 hectares of small lakes. Carp and other fish were shipped in tanks by train to Stockholm, Gothenburg and cities in Europe. During World War II, the fish farmed by Perstorp became an important part of Sweden's food supply, delivering 25 tons of fish a year. As new fishing techniques such as trawling were developed, fish farming became less profitable and Perstorp delivered its last carp fish in 1950.



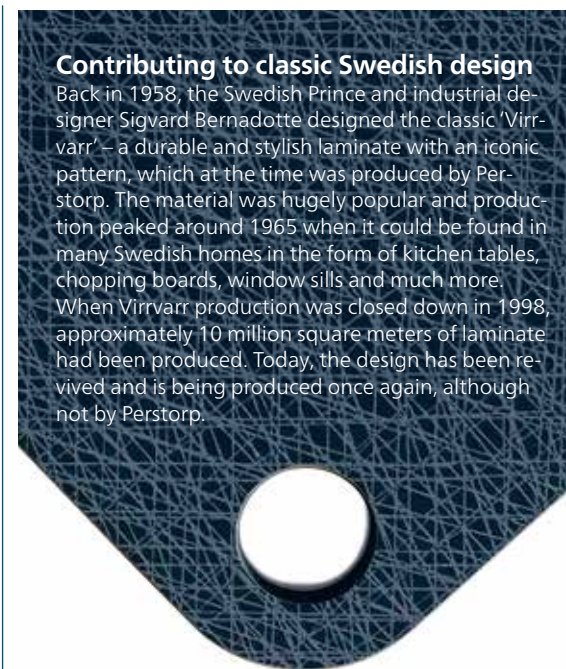
Decorative silverisolit for royal weddings and astronauts

Wilhelmina, one of Perstorp founder Wilhelm Wendt's 12 children, became the first woman in Sweden to be granted the title of Master Silversmith. In the mid-1940s she returned to Perstorp village, where she combined her silversmith work with isolit – the first plastic product developed by Perstorp. With the name 'silverisolit', she created decorative products such as plates, bowls and serving dishes. Silverisolit became so popular, that the Swedish Royal Court ordered a product as a wedding gift for Prince Rainier III of Monaco and Grace Kelly, and NASA presented silverisolit products to its astronauts the after the first moon landing in July 1969.



Contributing to classic Swedish design

Back in 1958, the Swedish Prince and industrial designer Sigvard Bernadotte designed the classic 'Virrvarr' – a durable and stylish laminate with an iconic pattern, which at the time was produced by Perstorp. The material was hugely popular and production peaked around 1965 when it could be found in many Swedish homes in the form of kitchen tables, chopping boards, window sills and much more. When Virrvarr production was closed down in 1998, approximately 10 million square meters of laminate had been produced. Today, the design has been revived and is being produced once again, although not by Perstorp.

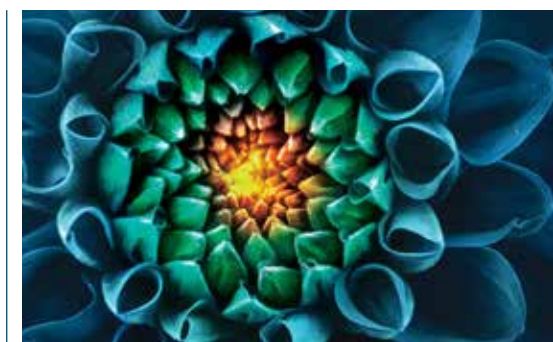


The Perstorp name is born

By 1966, 'Stensmölle Kemiska Tekniska Industri' had been around for 85 years and the company was undergoing a rapid expansion in terms of size, employees and research – truly creating the foundation for modern chemistry. While evolving into a more modern corporation, the decision was taken to also modernize the name of the company. The name 'Perstorp AB' sees the light of day for the first time. With the new name, came a new logo, but did you know that the symbol inside the Perstorp 'P' is based on the alchemist's symbol for acetic acid – our first chemical product.

Sustainability pioneer

Back in the 1980s, Perstorp became one of the first companies in Sweden to hire a Sustainability Manager and to publish a Sustainability Report. With our roots in circular thinking, even our current bold ambition to become Finite Material Neutral can be traced back to one of our very first products in the 1800s – formalin – which was produced from residual products from charcoal production. What we do matters and each step we take toward sustainability is good for everyone and the planet.



Focused Innovation over time

Looking back over the last 140 years, we see a series of ground-breaking innovations, which have shaped the history of Perstorp – from creating formalin from charcoal in the 1800s, which led to the first plastic material in Scandinavia, to the first renewable Penta, Voxtar™, in 2010. Or even more recently, we launched Project Air – our initiative to produce sustainable methanol using residue streams and renewable raw materials for a climate-neutral chemical industry. For us, Focused Innovation is therefore much more than invention, it is finding what truly matters to people and for the planet, and making things better tomorrow than they are today.

The sustainable solutions provider

At Perstorp, we aspire to make a significant positive impact in society by enabling sustainable solutions everywhere we are present. We drive sustainable innovation in the industry, at the same time as we continue to transform our own operations.

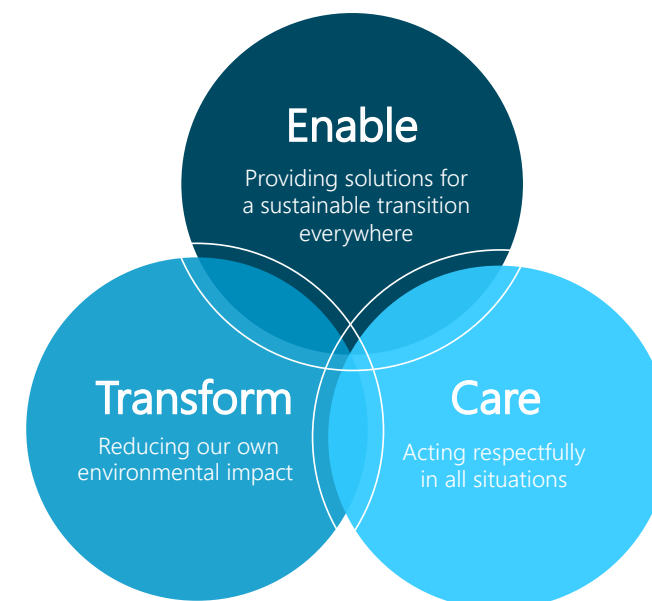
Our strategy

Perstorp's sustainability strategy guides us to do the right things in the right way. Sustainability for us involves working with all the aspects that will make our company relevant and successful for at least another 140 years. This includes our ambitions to become Finite Material Neutral.

Our priorities are based on a sustainability materiality analysis, taking our stakeholders' perspectives as well as our company's sustainability related impact, risks and opportunities into account (more information on our 2021 materiality analysis can be found on page XX). Our priorities are also aligned with the UN Sustainable Development Goals and the Paris climate agreement.

OUR MISSION

"As the sustainable solutions provider we drive the sustainability transformation in society, focusing on the global Resins & Coatings, Engineered Fluids and Animal Nutrition markets."



Our sustainability approach

Our approach to sustainability is made up of three elements – Enable, Transform and Care. We work with all three simultaneously to ensure a holistic approach to optimize our sustainability work.

Enable

Our products are used by and required for the sustainable transformation of many industries and end products. This gives us the opportunity to drive change within entire global value chains by supporting new sustainable solutions (read more on page XX).

Transform

As the chemical industry has a large environmental footprint, the sustainability transformation in our industry will have a significant positive impact. This is our responsibility and a prerequisite for society's ability to survive and thrive in the long-term (read more on page XX).

Care

We operate in an industry where accidents can have severe consequences and where our business and decisions impact many people. Therefore, health and safety is a top priority, and acting respectfully and fair with regards to people, environment and society are deeply rooted in our values and how we do business. (read more on page XX).

Sustainability governance

Perstorp's Board of Directors are ultimately responsible for our financial and non-financial performance, including sustainability, which is a regular topic at Board Meetings. The strategic and operational management of sustainability is delegated to the Executive Leadership Team (ELT) and headed by the EVP Communications & Sustainable Transformation, who is a member of the ELT. In early 2021, the role of VP Sustainability was created to drive, develop and oversee Group sustainability work. A cross-functional sustainability team drives our ambitions and builds internal processes and capabilities.

Perstorp is also in the process of linking the incentive plan of each member of the Management Team to performance on relevant sustainability indicators. This will be launched in 2022.

Perstorp's main sustainability-related policies are our Code of Conduct, Sustainability Policy, Responsible Care Policy, Health and Safety Policy, Environmental Policy Security Policy, Anti-Bribery Policy, Policy on Competitive Matters, Vendor Policy, Global Travel Policy and General Data Protection Policy. Our Code of Conduct was updated in 2021 (read more on page XX).

The Perstorp Group is third-party certified to the ISO 9001:2015 quality management system and the ISO 14001:2015 environmental management system. We are also a signatory of the global chemical industry's commitment Responsible Care. Perstorp is a member of the International Sustainability and Carbon Certifica-

tion (ISCC) Association and the manufacturer of Pro-Environment products that are certified to ISCC PLUS. Since 2004, Perstorp has been a signatory to the UN Global Compact, which requires us to commit and adhere to its ten principles relating to human rights, labor, the environment and anti-corruption. Finally, Perstorp annually reports to EcoVadis and last year received a Silver medal for its sustainability work.

Innovation drives our sustainability work

Innovation is a major driver for the development of more sustainable products and processes. Perstorp is a part of various R&D collaborations with academia, SMEs, research institutes and other partners to develop more sustainable solutions. New products are developed in line with a safe and sustainable by design approach and are often based on renewable or recycled materials that enable circularity. Innovation also focuses on developing more efficient production processes that reduce our own environmental impact.

All of our current external research collaborations, including 16 consortia and over 160 partners and with a total R&D budget of over 500 MSEK, are executed in line with our sustainability strategy. This includes topics such as bio-based raw materials and de-fossilization, chemical recycling, CO₂/carbon capture and utilization (CCU), process intensification (electrochemistry, heterogeneous catalysis) as well as industrial biotechnology.

Sustainability highlights 2021

New science-based climate targets – we committed to the Science Based Targets initiative (SBTi) and our science-based emission reduction targets for Scope 1, 2 and 3 that are aligned with the Paris Climate Agreement 1.5 °C scenario were approved in December 2021 (read more on page XX).

New Sustainability targets – a framework for corporate sustainability targets was developed and the first targets set (read more on page XX).

New (Eco) Toxic impact targets – aligned with the EU Chemicals Strategy for Sustainability were launched for 2030 (read more on page XX).

Internal carbon pricing system launched – that will drive investments toward projects that reduce CO₂ (read more on page XX).

Satisfactory health and safety performance in 2021 – we strengthened our general health & safety culture maturity and lowered our OSHA recordable rate for 2021 to 0.XX compared with our target of 0.8 (read more on page XX).

Revised Code of Conduct – our code was revised in 2021 to better reflect our business practices including the addition of our core value Care (read more on page XX).

Introduction of Pevalen™ Pro – our new non-phthalate plasticizer is based on renewable material according to a mass balance concept, with a reduced carbon footprint (read more on page XX).

Collaboration developed more sustainable alkyd paint – the more sustainable paint was developed as part of the Gothenburg City's fossil-free, low-climate impact buildings initiative (read more on page XX).

Even more details and data on our 2021 sustainability achievements can be found on pages XX-XX.

An evolving policy and regulatory landscape for the chemicals industry

With 96 percent of manufactured goods relying on chemicals, the chemical industry greatly influences, and is influenced by, the rapid developments in sustainability. The European Union is paving the way, but similar developments are also expected in the Americas and Asia. The below initiatives are expected to shape Perstorp’s and the industry’s future. Being part of the solution and able to influence such policy will be crucial to long-term success.

EU Green Deal – a coordinated set of policies and legislation aiming for decoupled economic growth and net-zero emissions in the EU by 2050. Perstorp will contribute to the ambition of achieving climate neutrality by improving our own as well as our customers’ climate performance. An important theme is circular economy, where Perstorp is aligning by developing solutions that help ensure the end products where our chemicals are used can be reused or recycled. The Green Deal also includes a zero-pollution ambition for a toxic-free environment to which we are aligning and contributing.

Finite Material Neutral

Our long-term ambition is to become Finite Material Neutral, which is a very bold ambition. It reflects the areas where Perstorp has its greatest footprint for its operations and becoming Finite Material Neutral will involve switching to alternative resources that are abundant and/or renewable, or closing loops, and recycling or reusing those that are finite.

Finite materials are non-renewable resources that cannot be created or produced once the original stores are depleted, or that are used up at a faster rate than nature can replenish them.

Fit for 55’ – covers key EU climate legislative proposals and policy initiatives. The aim is to achieve the EU Green Deal and reduce emissions by 55 percent by 2030. Perstorp has excellent opportunities to contribute, for example by working towards our Finite Material Neutral ambition and reaching our Science Based Targets for 2030, aligned with the Paris Climate Agreement 1.5 °C scenario.

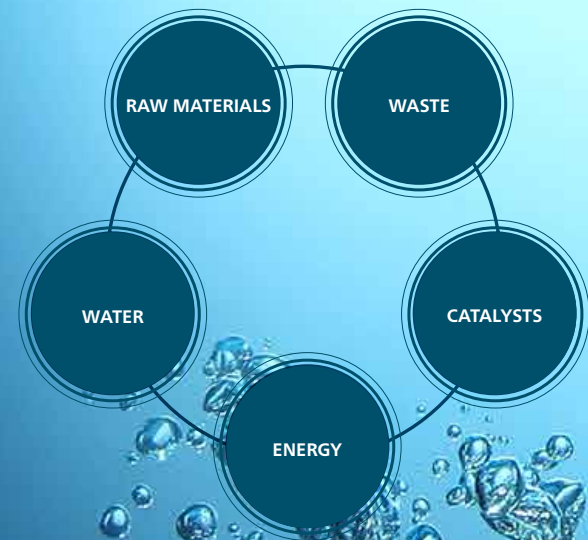
EU Chemicals strategy for sustainability – a part of the Green Deal package, that works toward the EU zero-pollution ambition and is closely linked to REACH by prohibiting hazardous substances from consumer products. As REACH addresses the production and use of chemical substances, and their potential impacts on both human health and the environment, Perstorp has a key role to play by bringing more safe and sustainable products to the market. Our (eco) toxic impact targets are a first and important step to align our business with this ambition.

Perstorp works with the following focus areas to become Finite Material Neutral:

- Raw materials** – switch to 100 percent renewable, recycled or reclaimed raw materials.
- Energy** – improve energy efficiency and use only renewable or recovered energy.
- Water** – reduce our total water footprint and ensure that we do not affect the environment or human health negatively through our water use or water effluents.
- Waste** – prevent, reduce, recycle and eliminate waste in all phases of its value chain.
- Catalysts** – reduce our use of catalysts, and only use reclaimed or recycled catalysts.

Working toward reduced environmental impact

Our journey to become Finite Material Neutral will significantly reduce Perstorp’s environmental impact as well as give our customers a competitive edge in meeting the global demand for more sustainable solutions. At Perstorp, we focus our innovation on how our products and solutions provide and/or enable more sustainable alternatives compared to the standard market offering. Innovation also involves exploring increased resource efficiency and value-based circularity.



Contributing to the UN Sustainable Development Goals (SDGs)

Perstorp is committed to the SDGs and Agenda 2030. By providing more sustainable solutions that enable innovation in virtually all industries, the chemical industry can contribute to a more sustainable society. Our industry is critical for the global sustainability

transformation due to its ability to provide solutions that can directly support many of the SDGs. Our business has significant potential to make a meaningful positive contribution to SDGs 3, 6, 7, 12 and 13, which is explained below.



Target 3.9

What we do
By working actively with our production processes and products, we substantially contribute to reducing the number of deaths and illnesses from hazardous chemicals, as well as air, water and soil pollution. We have recently set new (eco) toxic impact targets on our products to ensure that our employees, customers and end-users are not negatively affected by the chemicals we use and produce. Comprehensive occupational and environmental safety measures at all production sites (and similar requirements on our suppliers) also reduce the risk both of handling hazardous chemicals and causing human harm through pollution.



Targets 6.3 and 6.4

What we do
We proactively limit all kinds of pollution to water, from our production as well as our products. We work to increase water-use efficiency and water recycling across all production sites and ensure that our freshwater withdrawals do not interfere with the need for safe and affordable drinking water and food production. None of our sites are based in areas of water scarcity.



Targets 7.2 and 7.3

What we do
Much of the transition to a low-carbon society relies on a major switch to renewable energy within all sectors to ensure accessible and affordable clean energy for all. Perstorp contributes to this shift by switching the energy sources at its sites to renewable alternatives, which will be accelerated in the coming years. A large proportion of our procured electricity also comes from renewable sources. Another way to meet the future increased demand for clean energy is to improve energy efficiency, which we continuously work with in our operations. In addition, many of our products, such as synthetic lubricants and engineered fluids, are directly geared to reduce energy consumption further down the value chain.



Targets 12.2, 12.4, 12.5 and 12.6

What we do
To ensure sustainable and responsible production, Perstorp needs to transform production processes as well as natural resources used throughout the value chain. Therefore, we have set an ambition to be finite material neutral and we proactively work to improve resource efficiency in our own operations and place requirements on our suppliers. We constantly innovate to promote resource efficiency, waste minimization and the use of renewable or recycled materials and sustainable technologies. With our targets on (eco) toxic impact we are also stepping up our management of chemicals and minimizing their adverse impacts on human health and the environment. The products we develop shall have a lower environmental impact and be based on renewable or recycled resources. We increasingly offer products to customers that promote recyclability and circularity.












Targets 13.1 and 13.3

What we do
As a leading chemicals company, we have a responsibility to take action on climate change. We have set comprehensive and ambitious Science Based Targets to reduce the climate impact of our operations and our value chain in line with the Paris Climate Agreement 1.5 °C scenario. We also raise customer awareness on how our products can help them to reduce their carbon footprint.

Our 2030 targets

During 2021, Perstorp worked to further define the areas where we need to transform our own operations, in order to set 2030 targets to guide our sustainability ambitions. For some of the areas, targets have been set, for others this will be done during 2022.

In 2022, we will also define targets that ensure we continue to be an enabler of the sustainable transformation, as well as targets to ensure we don’t stop caring for fundamental rights and responsibilities.

Target area	Indicator	Target
   Greenhouse gases	Absolute emissions of CO ₂ equivalents in scope 1-2	-46.2%
	Emissions of CO ₂ equivalents per ton sold products in scope 3	-27.8%
  Water	Fresh water consumption	To be defined during 2022
  Waste	Generation of hazardous and non-hazardous waste	To be defined during 2022
  Toxicity	Products reaching the consumer or professional market that are chemicals of concern	0
	New developed products that are safe and sustainable chemicals	100%

All targets are set compared to base year 2019.

Enable – Providing solutions for a sustainable transformation everywhere

Our products are used by and required for the sustainable transformation of many industries and end products. This gives us the opportunity to drive change within entire global value chains by supporting new sustainable solutions.

DRIVING SUSTAINABLE TRANSFORMATION THROUGH FOCUSED INNOVATION

Our approach to innovation includes developing new products, applications to meet the needs of our customers, existing products and our production processes.

We do this by:

- Innovating to solve our customers' problems to support the sustainable transformation of their processes and application development – to contribute toward a more sustainable society.
- Pioneering our Pro-Environment products that reduce CO₂ emissions and are based on renewable or recycled materials.
- Providing downstream sustainability benefits through our products, for example enabling recyclability, increased durability, safe materials, reduced energy consumption, etc.

Ideally, we combine these aspects, to provide products that both contribute toward sustainability downstream and that have a lower environmental impact. An example of this is our product Pevalen™ Pro, which is a non-phthalate plasticizer made from renewable material.

PIONEERING PRO-ENVIRONMENT SOLUTIONS

Our Pro-Environment products range enables our customers to bring renewable products with reduced carbon footprint to their respective end markets. The Pro-Environment product portfolio also contributes to Perstorp achieving Finite Material Neutral and aligning with the Paris agreement by driving the shift toward renewable raw materials and energy.

The criteria for a Pro-Environment product are:

- Partly or fully renewable or recycled origin
- Carbon footprint reduction
- ISCC PLUS certified
- Based on an ISCC certified mass balance concept applying chemical and physical traceability

Perstorp's Pro-Environment Solutions consist of four groups of products – Polyols, Specialty Products, Acids and Plasticizers.

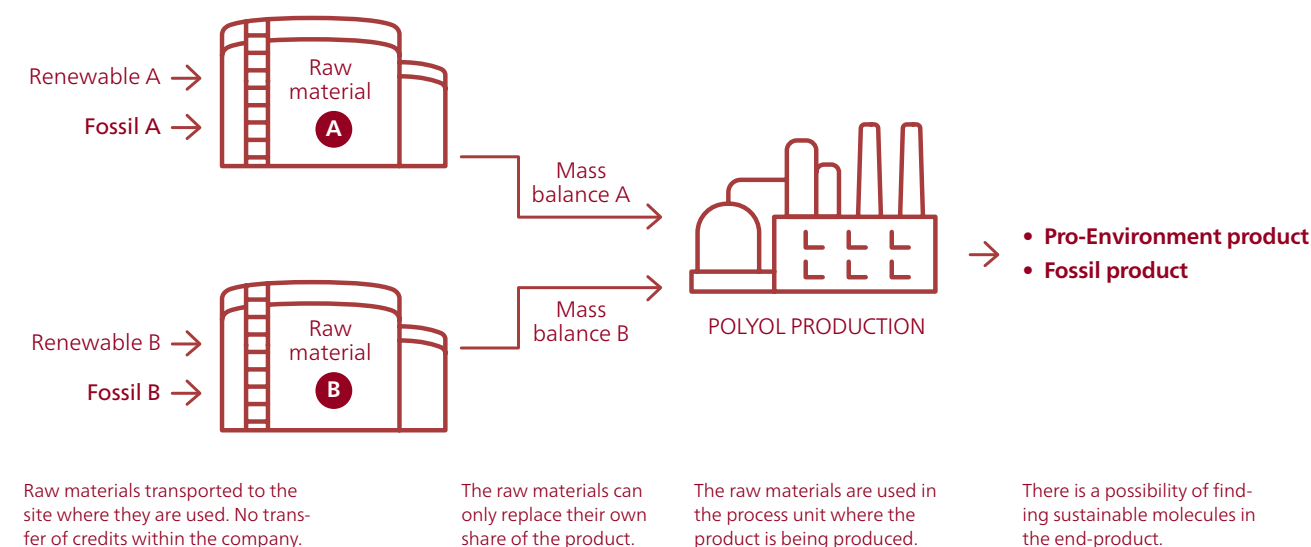
THE MASS BALANCE CONCEPT

Today these products are produced according to a mass balance concept. Mass balance involves mixing fossil and recycled or renewable materials in our existing systems and processes while keeping track of their quantities and allocating them to specific products.

We apply chemical and physical traceability to mass balance to indicate that a product contains recycled or renewable material. By applying traceable mass balance, we ensure transparent and traceable processes verified by third party certification (ISCC – Interna-

tional Sustainability & Carbon Certification) and that a gradual shift from fossil to fully recycled and/or renewable feedstock is taking place for that actual product.

Furthermore, our Pro-Environment products are drop-in, meaning that they are chemically identical, to the fossil-based products they can substitute. This avoids the need for customers to alter their products, equipment or processes when switching to more sustainable solutions.



DOWNSTREAM SUSTAINABILITY CONTRIBUTION

As a remarkable 96 percent of all manufactured goods rely on chemical products, opting for sustainable building blocks can have a huge impact throughout an entire value chain. Our products contribute toward sustainability in many ways for our customers' products – by improving durability, recyclability, substitution and material safety.

AKESTRA™ – UPCYCLED PET

Akestra™ is an example of enabling the upcycling of post-consumer recycling polyethylene terephthalate (PET) to replace virgin polystyrene (PS) and polypropylene (PP) in food packaging when heat resistance is required (hotfill food applications such as fruit purées and jams). Due to current food safety, post-consumer recycled PP or PS cannot be used in food packaging and recycled PET cannot meet the technical requirements needed. By providing heat resistance, Akestra™ can enable recycled PET to be used, which replaces virgin PS or PP.

SUSTAINABLE BUILDING BLOCKS FOR ENGINEERED FLUIDS

Majority of Perstorp's building blocks for polyol ester base oils come in Pro-Environment grades. These provide downstream sustainability benefits, such as reducing CO₂ emissions. Polyol ester based synthetic lubricants can be used as high-efficiency coolants, as lubricants to reduce friction between machine parts and in the thermal management of electric vehicle batteries.

Pevalen™ Pro – same performance, lower footprint

Pevalen™ Pro is a bio-attributed plasticizer based on our mass balance concept, ready to be dropped into existing formulations with Pevalen™. It is a true non-phthalate plasticizer for flexible PVC, designed for close to consumer applications, with performance better or equal to traditional general-purpose plasticizers.

Pevalen™ Pro offers the same outstanding performance as Pevalen™, as it's the same innovative molecule. However, this is very different in the way that it is made. Every part of the engineering process has been carefully considered, and the result is a Pevalen™ molecule that relies more on renewable content, which in turn reduces the carbon footprint and environmental impact.

“We believe that flexible PVC with Pevalen Pro is the perfect combination as it offers precisely what brand owners and consumers are looking for – a high-performance product with a significantly lower environmental footprint,” says Betty Lu, VP Oxo chemicals. “So far we can offer Pevalen™ Pro up to 36 percent of renewable content. In 2022, we will work with our selected partners with the aim to launch our 100 percent renewable Pevalen™ Pro.”

Perstorp develops sustainable paint for Gothenburg City

Through collaboration with the paint manufacturer Gjöco, Perstorp developed a more sustainable alkyd paint for the Gothenburg City's fossil-free, low-climate impact buildings initiative. Perstorp drew on its experience of developing alkyd resins for industry, including paint companies such as Gjöco, to develop a more sustainable next-generation wood coating for outdoor applications.

Unlike typical products on the market that contain a high proportion of fossil-based materials, the paint contains an extraordinarily high proportion of non-fossil material. This is due to the use of alkyd emulsion, which is based on Perstorp's renewable polyols, Voxstar™ and Eviron™. Thorough tests by the Danish Technological Institute showed outstanding results in extreme weather condition tests for both warm and cold climates.

“This paint is a great example of how industry can support larger sustainability initiatives such as Gothenburg's fossil-free, low-climate impact buildings initiative,” says Anna Berggren, Vice President Sustainability.

Expanded Ymer™ range to broaden sustainability application areas

In 2021, Perstorp expanded its Ymer™ nonionic dispersing monomer range for greater sustainability with two additional grades – N90 and N180. The Ymer range now includes three different grades that allow no/low solvent Polyurethane Dispersions (PUD) and reduce the amount of harmful amines.

The N90 and N180 grades have longer and shorter ethoxylated ion chains respectively for different application areas. This has an impact on various properties for in the final formulation and enables our customers to broaden their formulation window. The grades can be used for applications such as coated textiles and coated artificial leather as well as glass-fiber sizing.

“Ymer reduces the need to use solvents that contribute to Volatile Organic Compounds (VOCs), which has a negative impact on environment,” explains Jenny Klevås Global Marketing Director at Resins & Coatings. “This enables our customers to manufacture products that are less harmful to both people and the environment.”

Transform – Reducing our own environmental impact

As the chemical industry has a large environmental footprint, the sustainability transformation in our industry will have a significant positive impact. This is our responsibility and a prerequisite for society's ability to survive and thrive in the long-term.

OUR ENVIRONMENTAL TARGETS 2030

We have a holistic way of working with reducing our environmental footprint and are in the process of developing and launching 2030 targets for our four Transform focus areas – Climate, Water, Waste and (Eco) Toxic impact.

CLIMATE

Specialty chemicals manufacturing involves energy intensive processes and Perstorp production sites use significant amounts of energy. We therefore focus on energy efficiency and the transition to renewable energy at our sites.

In 2021, we committed to the Science Based Targets initiative (SBTi) and our science-based emission reduction targets for our scope 1, 2 and 3 emissions were approved. Our targets are aligned with the Paris climate agreement 1.5 °C scenario.

CLIMATE TARGETS 2030

- Scope 1 & 2 emissions – absolute CO₂ reduction of 46.2 percent between 2019 and 2030.
- Scope 3 emissions – CO₂ reduction of 27.8 percent per ton product sold between 2019 and 2030 .

(ECO) TOXIC IMPACT

We work continuously to ensure that all the chemicals we launch on the market are safe for humans and the environment. We also want to future proof Perstorp by making sure we have safe and sustainable products that meet increasing demands from brand owners as well as adhering to the EU Chemicals Strategy for Sustainability (part of EU Green Deal). Safe chemicals in the market also enable circularity as they are easier to process and recycle. Our (eco) toxic impact targets 2030 were launched in 2021.

(ECO) TOXIC IMPACT TARGETS 2030

- No chemicals of concern should reach the consumer or professional market.
- Newly developed products should be safe and sustainable by design.

WATER

Perstorp's production sites all use water to some extent – as a solvent for chemical reactions, a carrier for products, a heat-transfer medium or for cooling. Water is part of our overall Finite Material Neutral ambition and we work to reduce our water footprint through efficiency and re-use technologies.

WATER TARGET 2030

- A target to reduce our freshwater consumption is being developed and will be launched in 2022.

What are Perstorp's scope 1, 2 and 3 emissions?

Scope 1 emissions – Direct emissions from production sites.
Scope 2 emissions – Indirect emissions from purchased energy.
Scope 3 emissions – Indirect emissions mainly related to raw materials, transport, waste and end of life of products.

What is Perstorp's (eco) toxic impact?

The (eco) toxic impact is the impact that chemicals produced by Perstorp have on human health and the environment.
(eco) toxic is derived from both eco-toxicology and toxicology. Eco-toxicology refers to the impact chemicals have on the environment, and toxicology to the impact on humans.

CHEMICALS OF CONCERN

At Perstorp, we use the 'chemicals of concern' concept, which is wider than substances of very high concern (SVHC). If we produce a chemical of concern, we ensure it is only used as an intermediate.

We always ensure the safe use of all the chemicals we put on the market throughout the value chain and continuously drive the development of minimizing hazards in our product portfolio. Any new intermediate products that are of concern will only be marketed if they can accelerate the sustainable transformation.

OUR NEW CAPEX BUDGET

In 2021, we established a new CAPEX budget that is dedicated to Perstorp investments in projects with sustainability benefits. This includes everything from large investment projects in our processes to smaller improvements such as installing more energy efficient windows and electric vehicle charging stations. The size of the CAPEX budget was significantly increased in 2022.

The CAPEX budget is intended to enable investments that have sustainability benefits and take us toward our 2030 goals. Our CAPEX investments can also have lower ROI requirements to ensure we prioritize sustainability-driven investments.

Project Air – Chemistry for climate neutrality

Project Air is an initiative to make the chemical industry climate neutral, with far-reaching benefits throughout industrial value chains. Together with partners Fortum and Uniper, Perstorp will produce 200,000 tons of sustainable methanol for chemical manufacturing using circular production methods. This will reduce carbon dioxide emissions in various value chains by up to 500,000 tons per year, corresponding to the annual emissions of around 340,000 new cars running on fossil fuel.

During 2021, Project Air made good progress. An organization was formed to drive the project in the next intensive phase and collaboration between the project partners deepened. In March, the project was allocated approximately EUR 30 million by the Swedish Energy Agency.

Perstorp puts an internal price on carbon emissions

Perstorp began developing Internal Carbon Pricing (ICP) in 2019 by engaging with various functions in the business and the mechanism was launched at the end of 2021. ICP puts an internal price on CO₂ emissions that helps the company to make informed business decisions.

“ICP will be implemented for all our strategic investments related to expansions and improvements going forward,” explains Anna Berggren, Vice President Sustainability. “It will help us to make informed decisions that support our journey towards our climate targets in 2030 and beyond.”

An example could be projects that reduce energy consumption. Historically these projects have often not had a strong enough business case to be realized but internal carbon pricing will promote in this type of project.

Setting (eco) toxic targets

As sustainability efforts often tend to focus on CO₂ emissions and resource use, tangible targets for toxicity are often lacking among chemical companies. Perstorp launched two new targets to drive its work with (eco) toxicity in 2021.

The targets are aligned with the EU’s zero pollution ambition in the EU Chemicals strategy for sustainability and the EU Taxonomy Regulation (objective 5 pollution prevention and control) and support the UN Sustainable Development Goals 3, 6 and 12.

“Our new (eco) toxic targets demonstrate our commitment to reducing impact on humans and the environment, and they make our position on toxicity clear to customers,” says Christoffer Paulsson, Vice President Regulatory Affairs. “We will firm up on these new targets in the coming years, but they will certainly help guide us to establish more stringent testing, screening and reviewing processes for our products – both existing products and those under development.”

Care – Acting respectfully in all situations



We operate in an industry where accidents can have severe consequences and where our business and decisions impact many people. Therefore, health and safety is a top priority, and acting respectfully and fair with regards to people, environment and society are deeply rooted in our values and how we do business.

RESPONSIBLE BUSINESS

As a responsible business, we also have to be a responsible employer, buyer, business partner and corporate citizen, as well as operating our company in a thoughtful manner – to bring ‘Thoughtful Chemistry’ to the market. We believe that managing our business responsibly is the basis for long-term business success. We work continuously with sustainability with the aim of making gradual progress, which often involves working on multiple fronts – including responsible sourcing, anti-corruption and sustainability governance.

CARE 365: EMPLOYEE HEALTH & SAFETY

We seek to constantly strengthen our health and safety culture maturity since we believe this is the foundation for a healthy and safe workplace. In 2021, we made good progress and our OSHA recordable rate was 0.XX compared with our target of 0.8. We have also succeeded in our ambition to reduce our contractor incident (OSHA) rate to the same level as our own employees (see the Case Story on page XX).

We have a comprehensive plan for the development of a strong health and safety culture and to ensure continuous development, we work with the ‘Perstorp Careway’, which is a model that focuses on the characteristics and behaviors of organizations with a strong health and safety culture. We measure the development of our health and safety culture throughout our company through internal assessments and our Careway development progressed according to plan in 2021.

We have adapted to the ongoing Covid-19 pandemic by often going beyond national requirements to protect the health of our employees. Additional quality and hygiene measures have been implemented at our production sites and offices, employees that

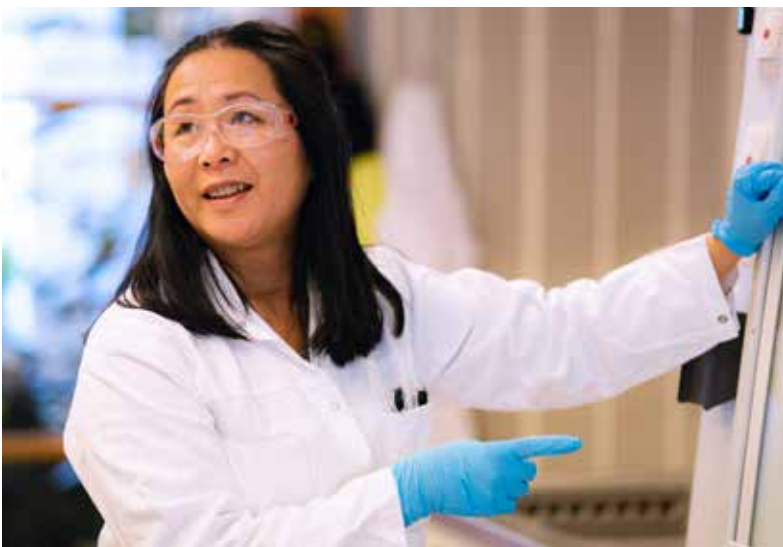
can work remotely from home have done so and social distancing has been applied everywhere. We had no major outbreaks in 2021 and our efforts have been well received by our employees.

MENTAL WELL-BEING AND PREVENTATIVE HEALTHCARE

In 2021, we launched a new training for all managers regarding work environment and health and we piloted a new way of working with and following up occupational illness. This included greater focus on mental wellbeing and preventative healthcare. In addition, our performance management process has been improved to facilitate better discussions between manager and employee with regards to health.

RESPONSIBLE SOURCING

It is essential that we co-operate and co-innovate with our value chain partners to reduce our own footprint and develop a more sustainable industry. An important part of this work is to address the risks



of negative impacts or unlawful practices and in our supply chains.

Our suppliers must acknowledge our Vendor Policy, which is based on our Code of Conduct and includes human rights, labor standards, anti-corruption and environmental responsibility. All large spend and/or high-risk suppliers are systematically assessed using a self-assessment tool. Around 80 percent of Perstorp’s total spend, including our main suppliers of raw materials, is covered by this approach.

ETHICAL BUSINESS PRACTICES

Perstorp’s Code of Conduct includes our business principles related to anti-corruption, anti-competitive behavior and public policy. This overall guidance is complemented by more specific policies and procedures, such as a specific anti-bribery policy. Perstorp also expects its suppliers, distributors and other business partners with which it has close relations, to act according to our business principles.

The legal department has developed a series of e-learning modules to enable a more in-depth focus on different aspects of business ethics, especially for those employees in positions of increased risk exposure, such as procurement and sales. 98 colleagues completed our Preventing Anti-Competitive practices e-learning training in 2021.

OUR REVISED CODE OF CONDUCT

We revised our Code of Conduct in 2021 to better reflect our developed business practices including the addition of our fourth core value – Care. The updated internal version of the Code of Conduct also provides the reader with more guidance by linking to all the related policies to the different parts of the code. In 2022, we will launch an updated e-learning, which will also be available in Hindi to reflect our developing operations in India.

ANTI-CORRUPTION

In 2021, we revised and updated our Anti-corruption Policy. This process involved conducting an anti-bribery and anti-corruption awareness questionnaire with approximately 110 colleagues in the Group. We also ran our Anti-corruption e-learning training during year, which 278 employees completed.

SAFEGUARDING SENSITIVE INFORMATION

In a digitalized world, we must protect our business data and handle information responsibly. We work to minimize the risk of sensitive information ending up in the wrong hands through accidental information sharing, theft, coercion, bribery etc. Perstorp has a dedicated Head of Data Privacy and Information Security at Group level to address the protection of information related to our business and personnel.

WHISTLEBLOWER FUNCTION

Employees are encouraged to correct or report non-compliance with the Perstorp Code of Conduct through our internal whistleblowing function. The function enables the anonymous reporting of any suspected misconduct. Alleged non-compliance can also be reported to an immediate manager, or to the Head of HR or Head of Legal.

In 2021, one incident was reported related to international trade. In response to the report, several procedures were further developed, and the incident was resolved and closed by the end of 2021.

During the year, a project group was established to develop a new whistleblowing function. The new function will be launched in the summer 2022 to meet new legal regulations.

EMPLOYEE DEVELOPMENT

We aim to empower employees by providing opportunities to develop and grow. We offer a wide variety of training courses, leadership programs, talent management, skill development and individualized development plans. In 2021, the majority of these activities took place remotely via digital tools. Every employee regularly reviews their performance with their immediate manager – to set and follow up targets, and to discuss their career ambitions.

Perstorp aims to recruit the majority of critical roles internally, including both leaders and specialists. In 2021, we restarted our Talent Management and succession process and reviewed how we can further improve our work with learning and development within the Group.

DIVERSITY AND EQUALITY

Perstorp strives to be an equal opportunity employer. We aim to be able to have at least one representative from each sex with the right competences invited to the final round of interviews. For leadership positions, we aim to have at least one “non-Swedish” applicant with the right competence invited to the final round of interviews.

In 2021, Perstorp announced it will increase the proportion of females in senior management from 25 percent to 31 percent and non-Swedes from 28 percent to 31 percent. The overall gender target for all employees is a 60/40 male/female ratio by 2025.

Improving contractor safety

Perstorp has successfully improved contractor safety by working with the entire contractor lifecycle and by establishing long-term relationships with preferred contractors. The injury rate for contractors was comparable to Perstorp employees at the end of 2021.

In 2019, the injury rate for contractors was over four times higher than for employees and Perstorp set about closing this gap. A comprehensive initiative was launched to work throughout the contractor lifecycle – from procurement and induction to monitoring, coaching and evaluation.

Contractors are now selected based on their safety competence and previous performance. Once on site, Perstorp monitors their work and behavior against our internal safety standards, and contractors are subject to reprimands and even removal from site if they do not meet our standards. Finally, contractors are evaluated on their safety performance to assess if they can be used again in the future.

“This process will help us to establish long-term relationships with contractors that share our high standards of health and safety,” says Eva Trulsson, Vice President Responsible Care. “Our contractor relationships should be based on respect, trust and dialogue, where the dialogue works both ways as we can also learn a great deal from our partners to improve how we work with health and safety.”

Corporate Governance Report



The Perstorp Group's core values of focused innovation, reliability and responsibility are also central to corporate governance. Corporate governance includes the continual process of controlling and improving decision-making and business strategies, defining clear areas of responsibility and identifying and evaluating opportunities and risks for the Group. The overall aim is to maintain and develop order so that the business is controlled reliably and we are well equipped to face the development challenges and changes of the future. Corporate governance within the Perstorp Group is performed through the Annual General Meeting, the Board of directors and the President in accordance with the Swedish Companies Act. The Group does not have a formal requirement to follow the Swedish code of corporate governance.

GENERAL MEETING

The General Meeting is the forum where shareholders make certain decisions about Perstorp Holding AB and its subgroup subsidiaries. The Annual General Meeting was held on May 18th, 2021, at which the annual report for the 2020 financial year was adopted together with the proposal for distribution of profits. The Board of Directors was re-elected at the meeting.

BOARD OF DIRECTORS

As of the end of 2021, the Board of Directors consists of six members, all nominated and elected by the company owners. The individuals re-elected to the Board at the 2021 Annual General Meeting are Tore Bertilsson, Fabrice Foulletier, Jan Secher, Karin Markides, Ragnar Hellenius and Claes Gard. In addition to the aforementioned individuals, the Board also includes three employee representatives. The Board's responsibilities are regulated by the Swedish Companies Act and the formal working procedures, which are approved by the Board once per year. These procedures outline the Board's assignments and which decisions must be taken at Board level. The working procedures also regulate the division of responsibility between the Board, its committees and the President. The Chairman leads the Board's work. The division of responsibilities among Board members does not extend beyond certain special assignments for the Chairman. During 2021, eight scheduled Board meetings were held, as well as one statutory convening meeting. Minutes were kept at all meetings. On average, attendance at Board meetings for ordinary Board members was 89%. Other employees also attended meetings, either to make presentations or give specialist informa-

tion prior to key decisions. Every month the Board received a written report presenting and analyzing the development of the Group and the earnings and financial position. Preparatory materials were sent to Board members before each Board meeting. The President was also in continuous contact with the Chairman of the Board.

The following points were addressed at each Board meeting:

- Responsible Care report, status report from the President
- Financial position and outlook
- Investment decision for projects worth more than SEK 15 m

OTHER IMPORTANT MATTERS

In addition to these fixed agenda items, several main subjects such as the impact of Covid-19, budget, forecasts and financing and were addressed during the year. The Perstorp Group's core values of focused innovation, reliability, responsibility and Care are also central to corporate governance. Corporate governance includes the continual process of controlling and improving decision-making and business strategies, defining clear areas of responsibility and identifying and evaluating opportunities and risks for the Group. The overall aim is to maintain and develop order so that the business is controlled reliably and we are well equipped to face the development challenges and changes of the future. Corporate governance within the Perstorp Group is performed through the Annual General Meeting, the Board of directors and the President in accordance with the Swedish Companies Act. The Group does not have a formal requirement to follow the Swedish code of corporate governance.

AUDIT COMMITTEE

The Board is served by an Audit Committee, which focuses on securing the quality of the Group's financial reporting and risk management, and the committee is therefore also close to the development of control instruments for internal control. An important activity is to follow up and assess the external audit. The committee does not have decision-making rights. Decisions shall be made by the Board. At the end of 2021, the Audit Committee consisted of the following members: Tore Bertilsson, Fabrice Foulletier, Ragnar Hellenius and Claes Gard. During the year, the committee held six ordinary meetings.

REMUNERATION COMMITTEE

The Board is also served by a Remuneration Committee. This committee's task is to propose principles for remuneration and other employment terms for the President and senior executives. The committee also prepares the terms for global incentive schemes and makes an assessment of the schemes. The committee has certain decision-making powers. At the end of 2021, the Remuneration Committee consisted of Board members, Tore Bertilsson, Fabrice Foulletier and Ragnar Hellenius. The committee held two ordinary meetings during the year, at which minutes were taken.

PRESIDENT & EXECUTIVE LEADERSHIP TEAM

The President of the Group, Jan Secher, is also elected by the Board as the CEO of the parent company. He exercises ongoing control of the Group. All the Executive Vice Presidents report to him; EVP Sales & Business Management, EVP Strategic Markets & Innovation, EVP Animal Nutrition, EVP Integrated Supply Chain, EVP Strategic Projects and M&A, EVP Communications & Sustainable Transformation, EVP Finance, Legal & IT and EVP People & Care and CEO Office. The President manages the business in accordance with the instructions concerning the division of responsibilities between the Board and President adopted by the Board. The work of the President and Board is assessed annually.

EXTERNAL AUDITORS

Perstorp's auditor is elected for a term of office of one year. Auditing firm PricewaterhouseCoopers AB (PwC) is the appointed auditor of the company with Michael Bengtsson being the lead auditor. The Board's and Group Management's aim is to have a close relationship with the auditors, to the extent that they shall be kept well informed about relevant issues concerning the accounts, reporting procedures and management of the company's/Group's assets.

There is, therefore, a continuous dialogue with the auditors and they participate in at least one Board meeting per year. The auditors receive the minutes of Board meetings, documents relating to Board decisions, and the monthly financial reports for the Group. During 2021, PwC performed assignments relating to the audit in addition to regular auditing work. On all those occasions, the Group emphasized that the additional services should not compromise the independence of the audit, which was also been carefully examined by PricewaterhouseCoopers.

INTERNAL CONTROL

For Perstorp, the concept of internal control is fundamental and involves the Group's capability of implementing an effective system for control and follow-up of the company's activities. It also involves ensuring that rules are followed, both with regard to external legislation/regulation and internal guidelines/control documents. An important part of the practical work on internal controls, furthermore, is to identify risks and ensure that they are managed efficiently. The purpose is to minimize risk exposure as far as possible in selected areas while also ensuring the opportunities are exploited as desired. The Group's organization is adapted to meet the requirements for good internal control and working methods are characterized by organizational transparency with a clear division of responsibility.

The Group's financial reporting manual, together with the business systems, are important control instruments that enable reliable consolidation and financial reporting. Group reports are produced once per month following well-established procedures, and the outcome is always presented in a report that includes extensive analysis. Work on the year-end accounts involves a number of people at Group, department and company level, and the summarized results are reported back continually to management functions and the Board. For several years, the Group has performed an extensive annual self-assessment of internal controls, with the majority of the subsidiaries assessed yearly. The purpose is to identify key control points for the various departments, analyze procedures, follow development in relation to previous activity and thus ensure that internal controls are at a good level and remain so. The continued implementation of a new ERP system in several of our companies has led to improved capabilities for performing and ensuring good internal control. The assessment has been complemented with a partly expanded verification operation by the company's auditors for certain areas. In relation to this, special follow-up and site visits has been carried out from the central finance function within the Group. Work aimed at securing good internal control is a constantly ongoing process.

Board of Directors 2021



TORE BERTILSSON

Member and Chairman of the Board of Directors since 2015.
Born 1951.

OTHER BOARD ASSIGNMENTS
Chairman of the Board of Directors of Semcon AB, Försäkringsbolaget PRI Pensionsgaranti and AB Ludvig Svensson and Salinity. Member of the Board of Directors of INGKA Holding BV.



JAN SECHER

President and CEO Perstorp Holding AB, CEO and member of the Board of Directors since 2013.
Born 1957.

OTHER BOARD ASSIGNMENTS
Member of the Board of Directors of Elekta AB, IKEM and CEFIC (The European Chemical Industry Council). Chairman of the Board of Directors of Peak Management AG



FABRICE FOULETIER

Partner, PAI partners
Member of the Board of Directors since 2006.
Born 1975.

OTHER BOARD ASSIGNMENTS
Partner at PAI Partners SAS. Member of the Board of Directors of Yonderland Group, Euromedia Group , Areas and WFC.



KARIN MARKIDES

Member of the Board of Directors since 2010.
Born 1951.

OTHER BOARD ASSIGNMENTS
Professor, Chairman of the Board of Directors of DTU, the Technical University of Denmark. Member of the Board of Directors of the Swedish Knowledge Foundation, and of Einride AB.



CLAES GARD

Member of the Board of Directors since 2009.
Born 1953.



RAGNAR HELLENIUS

Partner, PAI partners. Head of the Nordic team. Member of the Board of Directors since 2009.
Born 1967.

OTHER BOARD ASSIGNMENTS
Partner at PAI Partners SAS. Member of the Board of Directors Atos Medical AB and Lary 1-4 AB.



JESPER FAHLÉN

Senior Project Manager
Born 1975.
Member of the Board since 2019. Appointed by the Boards of PTK of Perstorp and Stenungsund.



GERRY ACKERT

Operating Technician and Chairman of IF Metall.
Born 1972.
Member of the Board since 2017. Appointed by the Boards of IF Metall Perstorp and Stenungsund.



HEIDI WALENIUSSEN-ENGLUND

Quality Manager
Born 1971.
Member of the Board since 2020. Appointed by the Boards of PTK of Perstorp and Stenungsund.

DEPUTIES

SIMON FRÖJD
Deputy trade union representative

ANDERS MAGNUSSON
Deputy trade union representative

RONNY NILSSON
Deputy trade union representative

AUDITORS

MATS ÅKERLUND
Authorized Public Accountant – PricewaterhouseCoopers.

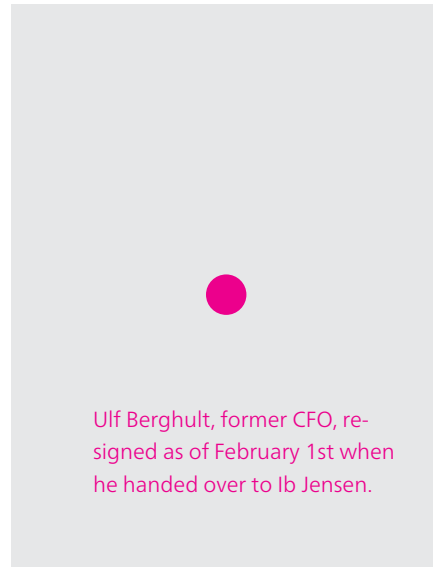
Born 1971.
OTHER AUDIT ASSIGNMENTS
Catena Fastigheter, Copenhagen Malmö Port and INVISIO.

please add KlaraBo

Executive Leadership Team 2021



JAN SECHER
President and CEO.
a.i. Executive Vice President Strategic Markets & Innovation
Born: 1957.
Active in the Group since 2013.
Education and professional experience: Master of Science in Industrial Marketing and Finance from Linköping University. Previously CEO of Ferrostaal AG, Clariant and SICPA.



Ulf Berghult, former CFO, re-signed as of February 1st when he handed over to Ib Jensen.

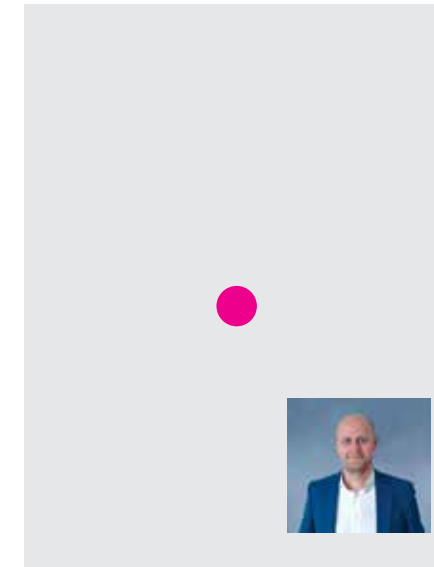
IB JENSEN
CFO and Executive Vice President – Finance, Legal and IT
Born: 1963
Active in the Group since 2021
Education and professional experience: B. Com Accounting + B. Com Finance & Banking. Leadership training from Ashridge, INSEAD and IMD. Before joining Perstorp, previously CFO at Arxada, Senior Vice President Finance & IT Lonza and various senior positions within companies such as Syngenta, Danisco and LEGO



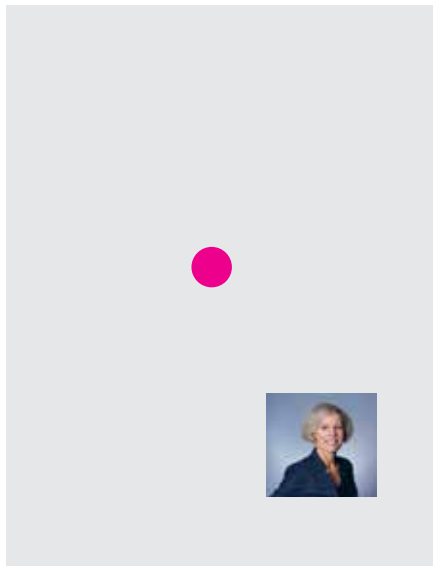
GORM JENSEN
Executive Vice President of Sales & Business Management
Born: 1962.
Active in the Group since 2014.
Education and professional experience: Diploma in Economics and in International Marketing, Aalborg School of Economics. Previously, Vice President of Spolchemie, Vice President at Huntsman and several senior positions at ICI.



AART MATEBOER
Executive Vice President Animal Nutrition
Born: 1959
Active in the Group since 2021
Education and professional experience: Master degree in Chemistry from the Free University Amsterdam. Over 30 years' broad management experience with blue chip companies like Akzo-Nobel, Cargill and Dupont in R&D, supply chain and marketing & sales roles. Previously Vice President Animal Nutrition at IFF (formerly Danisco/Dupont).



MAGNUS LANNÉR
Executive Vice President Integrated Supply Chain
Born: 1969.
Active in the Group since 2008.
Education and professional experience: Master of Science in Chemical Engineering from Lund University. Previously held various positions within the Perstorp Group, including as Deputy Business Group Head, BG Coating additives and General Manager, Shandong Fufeng Perstorp Chemicals Co. Ltd. Previously CEO of Vencorex Holding.



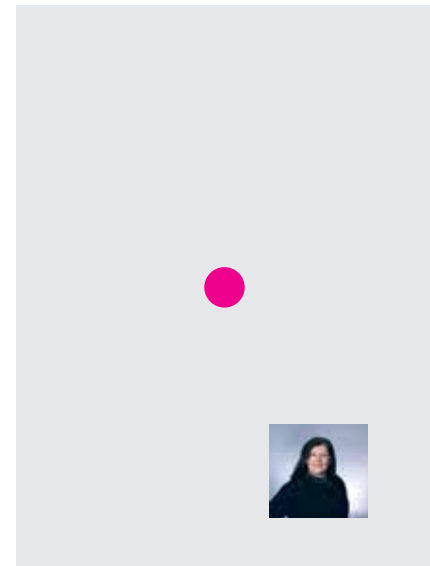
ULRIKA ANDERSSON
Executive Vice President of Strategic Projects & M&A
Born: 1968.
Active in the Group since 1996.
Education and professional experience: MBA Business & Economics Stockholm School of Economics
Several senior positions within Perstorp Group, as Group Controller, Head of several Business Units and most recently as Executive Vice President Specialty Polyols & Solutions.



PATRICE PINSARD
Executive Vice President of Strategic Markets & Innovation
Born: 19XX
Active in the Group since 2021
Education and professional experience: PhD in Fine Chemicals from Université de Rennes and an MSc in Chemical Engineering from Ecole Nationale de Chimie de Rennes. Several senior positions in companies such as Solvay, Rhodia and Cognis, most recently as Global EVP Coatings, Industrial Solutions & Amines at Solvay.



MIKAEL GEDIN
Executive Vice President People & Care and CEO office
Born: 1969.
Active in the Group since 2009.
Education and professional experience: Bachelor's degree in Business Administration (marketing) and a Bachelor's degree in Psychology, both from Lund University. Executive Diploma from Stockholm School of Economics. Executive MBA, General Management from Copenhagen Business School. Previously Executive Vice President of Human Resources and Communications, Executive Vice President of Sales and Customer Service and Executive Vice President Regions and Group Management at Perstorp, and Vice President Human Resources and Operational Excellence of ABB AB.



CECILIA SVENSSON
Executive Vice President Communications & Sustainable Transformation
Born: 1965.
Active in the Group since 2014.
Education and professional experience: Master's in Business Administration & Economics from Lund University. Executive Diploma from Copenhagen Business School. Previously Vice President Communications at Perstorp, Vice President Marketing at Atos Medical and several senior positions in the pharmaceutical industry and at IKEA Group.