



VILOKAN[®]
GROUP

SUSTAINABILITY REPORT

2022



ABOUT THE REPORT

Vilokan AB (556641–7324) with subsidiaries in Sweden, Norway, Finland and the USA presents its Sustainability Report for 2022. The Report reflects the company's sustainability performance in the period 1 January 2022 to 31 December 2022. This is our first sustainability report and it has been prepared and produced in accordance with the requirements of the Swedish Annual Accounts Act and using the GRI standard, Foundation 2021, as a framework. The sustainability report has been approved by the Board of Directors and has been reviewed and examined by Öhrlings PricewaterhouseCoopers AB, the company's auditor, to ensure compliance with the Swedish Annual Accounts Act (1995:1554). If you have any questions about the report, please feel free to contact Carl-Magnus Bondhus, CFO, at info@vilokan.se.



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A WORD FROM THE CEO

The world is still feeling the direct and indirect effects of the pandemic which, among other things, led to supply chain disruptions and resource shortages. Sadly, 2022 was also the year when war came to Europe. Russia's invasion of Ukraine triggered a serious energy crisis, created major economic upheaval and is causing sharply rising inflation.

The shifts in the current global landscape are severely impacting logistics and production chains and have driven up commodity prices. During this period, Vilokan has done its utmost to mitigate the impact of these disruptions in the global supply chains. But while demand is volatile, supply is constrained and logistics unreliable, we must rethink our approach to secure the supplies we need. We view this as a good opportunity to create more sustainable, circular solutions and services for our customers.

Vilokan is working actively with various partners, suppliers and producers to reassess existing solutions and potential use of local resources. The transformation of linear supply chains into autonomous supply chain ecosystems is a clear trend. These are far more mobile and able to respond more swiftly to the ever-changing market. We must reap the benefits of this.

Taking this trend as a starting point, we are convinced that it will be even more important for the players in the market and industry to future-proof their operations and reduce the impact of external factors. With our closed-loop systems for industrial water purification operating onsite at customers' facilities, recycling and reusing the water and chemicals, we are demonstrating that recycling is the best option for producers and consumers.

SUSTAINABLE VISION

We are driven by our goal and our vision to contribute to a sustainable and future-proof world. It must be possible to recycle and reuse all industrial wastewater and all raw materials that are used in closed-loop cycles and in recycled products. This way, we are reducing negative impacts on the natural environment. We are helping to minimise the industry's impact on the external environment and use of drinking water, energy, new materials and other resources that are necessary in production processes.

Sustainability and profitability are linked. Strong profitability provides opportunities to make the investments that are needed to be at the forefront and consciously create sustainable, future-proof circular economy solutions.

Valuable usable water and other raw materials must be managed in the best possible way, from both a circular economy and value creation perspective.

GROWING DEMAND FOR OUR SERVICES

Despite the challenges of the past year, Vilokan Group has continued to expand and grow strong. Our turnover increased by more than 100% year-on-year. We set an ambitious agenda at the beginning of the year and I can report with great pride that, thanks to our competent and experienced workforce, we have managed not only to continue providing our customers with our services and products through these challenging times, but also to strongly grow our business. This would not have been possible without the efforts of our employees, whose daily commitment and dedication to their work help us achieve our goals. I am tremendously proud of our employees. They inspire me.

SUSTAINABLE AMBITIONS

Our bar is set high with the aim of leading the transition towards recycling, a circular economy and closed-loop systems. I realise that this can only be achieved if we are able to gradually implement concrete actions and improvements throughout our circular value chain in the Vilokan Group. In order to succeed, we need to start by exploring how our environmental, social and economic challenges are interconnected and benefit from strong and system-wide partnerships. Collaborative relationships are more important than ever if we are to overcome these challenges.

We must move proactively from words to action and resolutely drive our positive impacts on the environment and communities by continuing to make sustainability and the circular economy key drivers of our business and decision-making processes. We want to nurture a culture of sustainability within the company and collaborate across our value chain and with customers to support them on their sustainability journeys.

SUSTAINABLE FUTURE

As I reflect on our achievements in the past year and think about the future, I look forward to continuing to build on our strong foundation to meet our targets and deliver on our sustainability commitments. That said, I am aware that we have a long journey ahead of us. The transition that our customers and the industry need to undergo is going to take time. Combined efforts, innovative products and business models, and more proactive, non-traditional collaborations with partners are crucial to speeding up the transition to a more sustainable future.

It is our aim to be a leader within our industry and we are committed to playing our part in driving rapid, system-wide changes to create a circular economy and do what we can to help customers move forward with their sustainability initiatives.

I am confident that, together with our customers, suppliers and partners, Vilokan will play a key role in leading the transition towards a sustainable future.



Johan Brandberg, CEO

SUSTAINABILITY YEAR IN REVIEW



STRONGER FOCUS ON SUSTAINABILITY

There has been a stronger focus on sustainability during the year and a materiality assessment was carried out. This will help us determine which issues are most significant and have the greatest impact.



STAKEHOLDER DIALOGUES

As part of the materiality assessment, we have conducted dialogues with a selection of stakeholders to include their perspectives on sustainability. This will provide us with a broader and more comprehensive picture for decision-making and help us create long-term relationships.



CORE VALUES

During 2022, the Group undertook an extensive core values project, aimed at strengthening the general perception of our corporate culture and drawing together around our values: Flexible, Personal, Developing, Respect and Diversity (more details can be found on page 9).



STRENGTHENING THE ORGANISATION

A restructuring process was undertaken across the Group and the business areas during the year. The former CEO of Vilokan Recycling Technology, Johan Brandberg, was appointed CEO of the Group, and new business area managers were appointed to two of the three business areas. Carl-Magnus Bondhus joined Vilokan as its new CFO, and Maria Åhman was appointed Head of Sustainability & COO at Arom-Dekor Kemi AB.



LARGEST EVER GLYCOL RECYCLING CONTRACT

In 2022, Vilokan Technology signed a contract to set up the world's largest facility for the recovery of glycol and water purification. It will be built at Syracuse Hancock International Airport (SYR), New York, USA. This project consolidates Vilokan's position in the de-icing fluid recycling sector. The facility will have the capacity to treat 75,000 m³ water per year and produce 5,000 metric tonnes of glycol annually. This is equivalent to a CO₂ reduction of approximately 25,000 metric tonnes per year.



NEW SUPPLIERS OF RAW MATERIALS

Russia has been the world's largest exporter of urea, which is the main raw material in AdBlue. Following on from Russia's invasion of Ukraine in February 2022, we quickly secured new suppliers.



PRODUCT DEVELOPMENT

We are continuing to extend our range of eco-labelled products. We will ramp up the pace in 2023 and the target is to have the Nordic Swan Ecolabel for 45% of our alkaline products by the end of 2023. Marketing of our products based on recycled de-icing fluid (monopropylene glycol) will be stepped up in 2023.



SATISFIED CUSTOMERS ARE PROOF THAT OUR STRATEGY IS WORKING

Every year, we send out a survey to all of Arom-dekor's customers. The overall score for the satisfaction index in the 2022 survey was 8.5 out of 10.



SUSTAINABLE SOCIETY

Vilokan was hailed as a true pioneer when it launched its first cleaning and recycling solutions for the Scandinavian automotive industry in the 1980s. That was a different era; there was scant awareness of the impacts of the automotive industry on the air, land and water. It was still considered perfectly acceptable to smoke inside your car with young children on the backseat. The company has since evolved into a group with production units and customers in many parts of the world, with environmental technology, water treatment, recycled raw materials and recycling still firmly at its heart.

Vilokan Group is aiding the transition towards a more sustainable society today by introducing closed-loop systems for waste streams and enabling water and other raw materials to be managed efficiently and effectively, from both a circular economy and value creation perspective. The Technology business area develops cost-effective waste management and raw material recycling solutions, and the Solutions business area can deploy the systems and recycling solutions to return purified water and recycled raw materials to the customer's operations, as well as provide the Fluids business area with the residual recycled raw material for reprocessing into new products.




TECHNOLOGY

Technical solutions

New products


FLUIDS

 **VILOKAN**
GROUP


SOLUTIONS

Recycled materials



VISION, MISSION



VISION

A pure future



MISSION

Using our accumulated knowledge and experience in the Vilokan Group, we deliver recycling solutions and products that minimise harm to the environment and achieve future sustainability, both environmentally and economically.

OUR VALUES



FLEXIBLE

We want to be known for our straightforward approach with short decision paths. We are responsive to our customers' interests and see them as challenges, not obstacles. A flexible company creates excitement and dynamism, while achieving the customer's wishes. We see opportunities in all events.



PERSONAL

We are a personable company. Through an honest and direct dialogue with each other, our customers and suppliers, we create and maintain long-lasting and good relationships.



DEVELOPING

We will be a company that stands for development at all levels, internally and externally. A company that stands for the equal value of every human being, with opportunities to progress and develop, and act with autonomy. We will be a workplace where employees feel happy and satisfied and where we invest in the future by developing efficient, effective, recirculating solutions and future-proof product areas. We endeavour to ensure everyone feels happy at work.



RESPECT

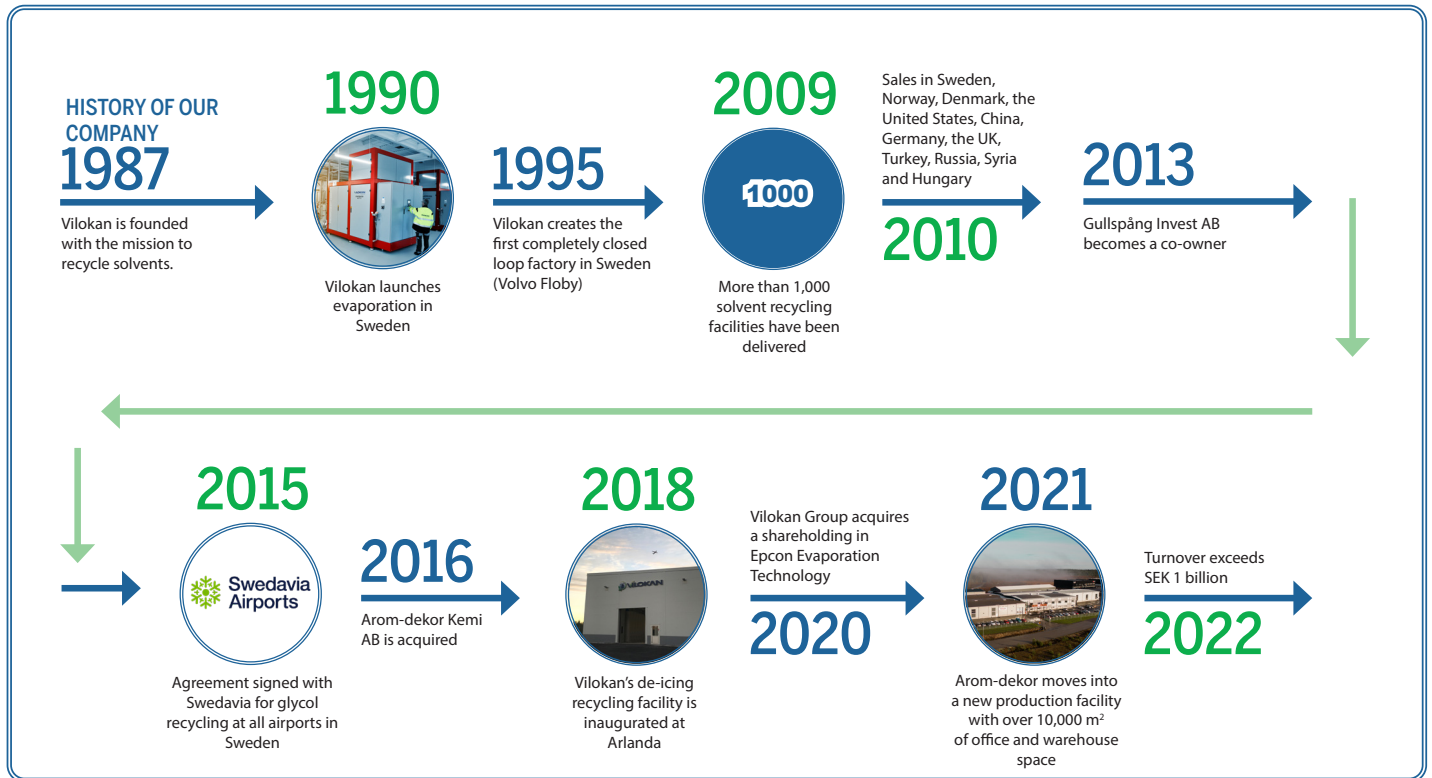
We will respect each other and we will respect our mission. Vilokan will be a workplace that employees want to go to.



DIVERSITY

Vilokan is a company that stands for diversity and sees different origins, backgrounds and experiences as an asset. This gives the company greater competence and breadth.

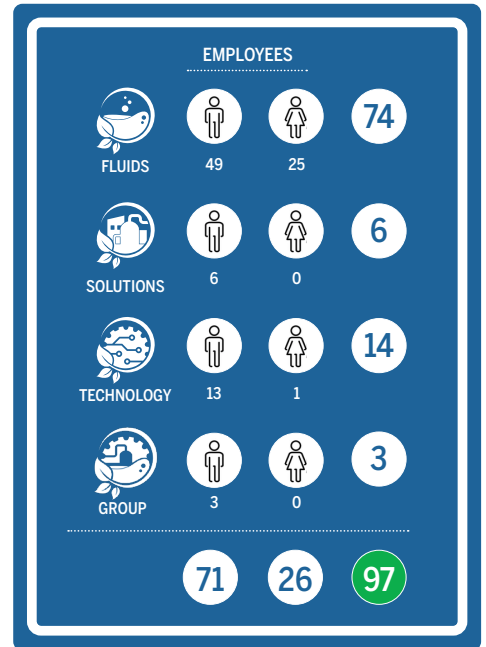
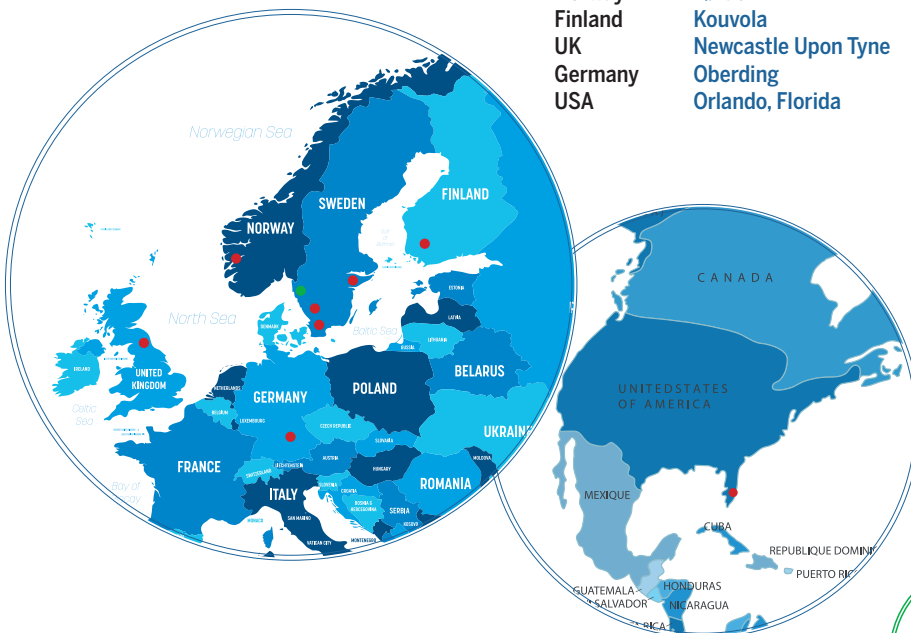
ABOUT VILOKAN



FIND US HERE

HQ Sweden Strömstad

- Sweden Sweden Sweden
- Norway
- Finland
- UK
- Germany
- USA
- Sexdrega
- Lund
- Arlanda
- Førde
- Kouvola
- Newcastle Upon Tyne
- Oberding
- Orlando, Florida



SUSTAINABILITY AT VILOKAN

Vilokan Group contributes to a more sustainable society with its closed-loop systems and solutions that allow water and other raw materials to be managed efficiently and effectively, from both a circular economy and value creation perspective. We have the resources and experience to serve large global groups of companies. We also engage in initiatives that allow very small players to share larger capacity solutions. We do this because we are convinced that a circular economy approach is essential to ensuring the well-being of future generations on this planet. We also do it because we have the knowledge and experience to make a great contribution to sustainable development.

Even in the chemical industry, where a large percentage of raw materials are neither recycled nor renewable today, a major shift toward greater use of recycled raw materials is taking place. Customers are increasingly demanding environmentally-friendly products, and this is creating greater opportunities for the Fluids business area, which largely uses recycled raw materials in its products.

VILOKAN HAS THREE MAIN AREAS OF FOCUS:

- 1 COMBATING CLIMATE CHANGE**
 Rising temperatures, extreme weather events and irreversible changes in ecosystems are starting to become a serious problem worldwide.
- 2 PREVENT WATER SHORTAGES AND UNTREATED OR POORLY PURIFIED WASTEWATER**
 Today, half of all the freshwater reserves on our planet are contaminated and almost half of the world's population lives in areas where there is an urgent shortage of water over at least some extended period each year. Industrial emissions often place a heavy load on treatment plants for wastewater from the whole of society, which limits opportunities to solve the water shortage problem. The emissions also have negative impacts on biodiversity.
- 3 INCREASE CLOSED-LOOP MANAGEMENT OF MATERIALS AND RESOURCES**
 New economic models that combine resource efficiency with business benefits are necessary for addressing climate change, biodiversity loss and water scarcity. Product and service development is an important part of the transition towards a more circular economy with recycled and renewable raw materials.

Vilokan may be a small cog in a large machine, but we are doing what we can to respond to these challenges. We have the technology to close the loop for industrial wastewater by purifying and reusing the water within the industrial processes. Closed-loop systems reduce industrial water consumption and create a more reliable supply of drinking water for the community. Through the Fluids business area, we also have the resources and channels to reach the market with purified products.

Our technology enables not only recycling of water but also recycling and purification of the materials contained in industrial wastewater, such as solvents, fertilizers, metals and proteins. Our technology saves resources and energy. Whatever amounts of materials are recycled and reused, those same amounts do not need to be produced using new materials. Other sectors and industries can also benefit from recycled raw materials, creating new ecosystems from recycled raw materials.



OUR EMPLOYEES

HEALTH, SAFETY AND WELL-BEING

Our main responsibility to our employees is to provide a safe and secure workplace. Safety rounds and training are a particularly important part of this, especially for chemicals handling operations. The majority of the injuries reported during the year are related to fork-lift trucks and fluid spillage.

We offer employees a range of initiatives aimed at promoting and supporting their well-being, including consultation with an ergonomist, health check-ups, well-being subsidies and access to gym facilities (at Arom-dekor Kemi AB). All managers, supervisors and safety representatives are given workplace health and safety training and support in work environment management (SAM). Office workers also have access to private health insurance.

SAFETY	2020	2021	2022
Accidents in the workplace with at least one day of absence	–	1	–
Accidents in the workplace that did not lead to absence	–	1	4
Sick leave	5.2%	5.5%*	5.3%

*In 2020/2021, the Public Health Agency of Sweden advised employees to work from home in response to the pandemic.





DIVERSITY AND INCLUSION

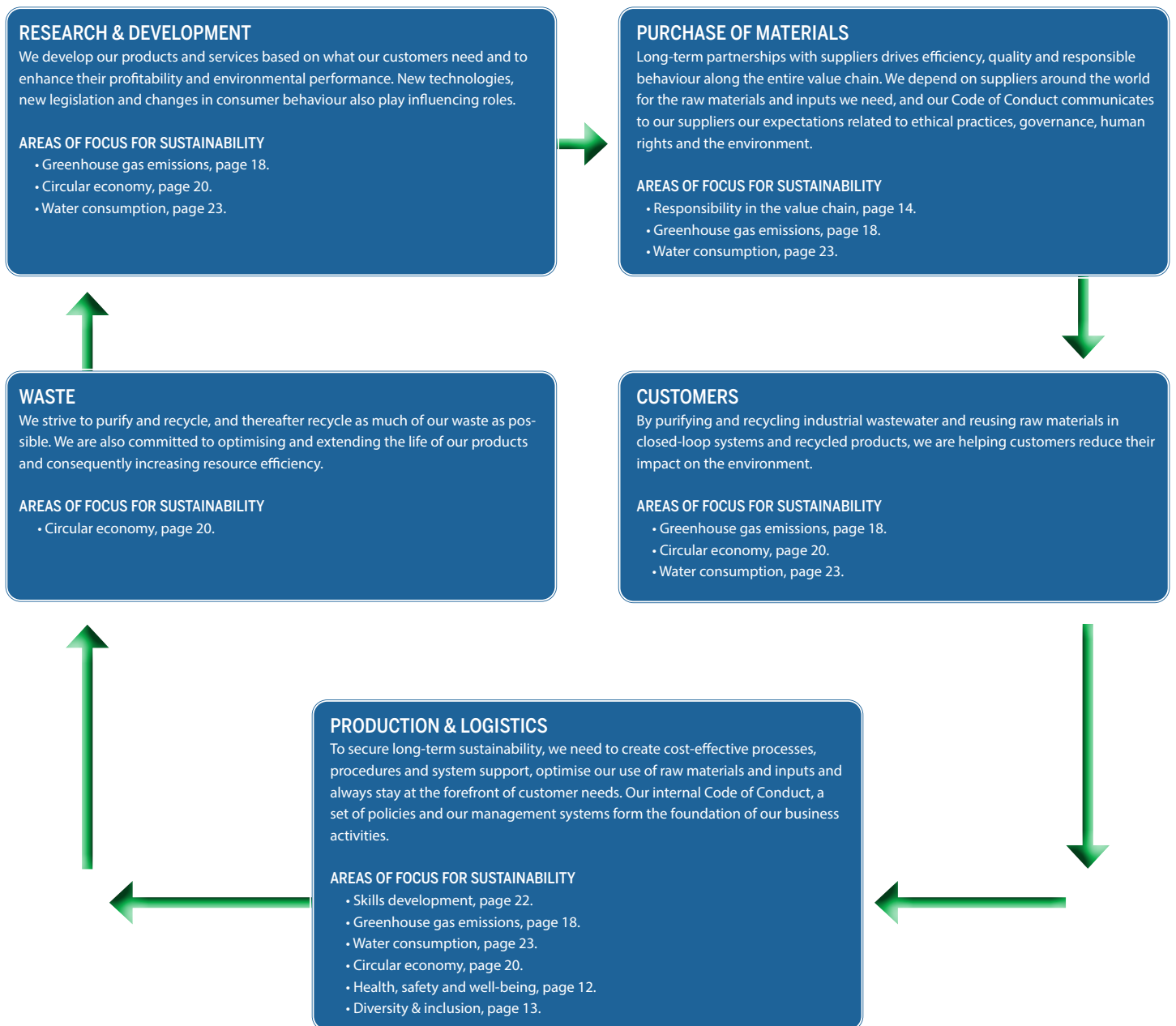
Vilokan has employees who originally come from twenty or so different countries. Just over one third of our employees are women and we have an even spread across the 20 to 60 age range, with a few employees over 60. What we can especially do is promote diversity and enable more people to enter the job market. To this end, we offer return-to-work opportunities for people after an extended period of sick leave.

	2020		2021		2022	
	MEN	WOMAN	MEN	WOMAN	MEN	WOMAN
Employees (%)	62	21	68	24	70	27
Group management (%)	100	0	100	0	100	0
Board (%)	100	0	100	0	100	0

RESPONSIBILITY IN THE VALUE CHAIN

Vilokan Group has the resources and experience to help its customers work in smarter, more sustainable ways. But our responsibility goes beyond that; we need to ensure that our operations are sustainable throughout the value chain, from the raw material to the end product and when the product comes to the end of its life. In 2022, we therefore communicated our updated Code of Conduct to all suppliers and launched a quiz for the employees. This quiz forms the basis for training and ensures that employees have read and understood our Code of Conduct.

During the year, we carried out an assessment of the companies' value chains to enable us to take the necessary actions to minimise our negative impacts on society and the environment. The diagram below summarises the key areas.



Vilokan creates greatest value through our products and solutions, primarily with systems and purification technologies that help reduce emissions and maximise water and energy savings. Each customer who uses our recycling solutions not only cuts water usage by 90%–95%, they have zero discharge to wastewater treatment facilities which is good for the environment and means they have no transport or landfill costs.

OUR STAKEHOLDERS

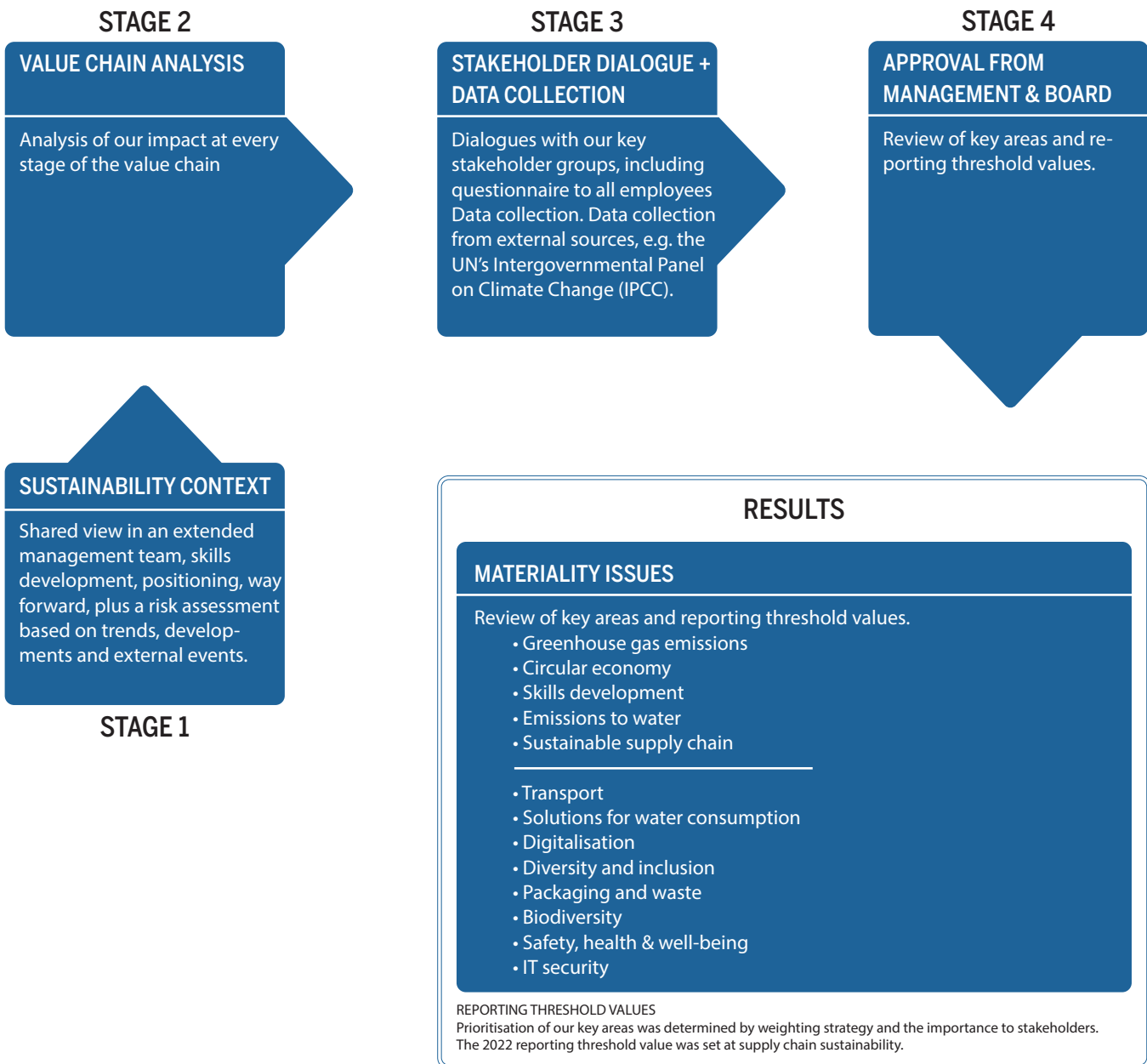
We engage in ongoing dialogue with our stakeholders to ensure we have a full understanding of their expectations and know where they are heading. The stakeholder groups are selected based on their level of interest and potential impact on our company. In 2022, we also conducted a structured dialogue with stakeholders.

	DEFINITION	DIALOGUE FORM	AREAS OF INTEREST
CUSTOMERS	Direct customers, wholesalers, dealers	On a daily basis, trade fairs, customer interaction, surveys for NKI	Expertise, quality, flexibility, cost-effectiveness, emissions to water, eco-labels
EMPLOYEES	Existing and potential	Daily dialogues, pulse surveys, recruitment fairs, annual employee questionnaires	Health, safety and well-being, diversity and inclusion, skills development
OWNERS	Gullspång Invest AB	Board meetings	Maintain a long-term, sustainable and profitable business
SUPPLIERS	Direct suppliers	Daily dialogues	Explicit expectations from Vilokan about its sustainability initiatives and activities
THE PLANET	Environmental perspective	Research	Emissions to air, soil and water, circular economy, waste management, energy efficiency
LOCAL COMMUNITIES	Where we operate	Depending on location and dialogue areas.	Work opportunities, skills development, that we comply with laws and regulations, and contribute to local clubs and societies (sponsorship)
AUTHORITIES	The authorities that manage our types of operations	Reports, visits, dialogues	Emissions to soil, air and water, that we comply with laws and regulations, licence and permit requirements, occupational health and safety practices
BANKS	The banks we work with	Annual review meetings, more often if necessary	Procedures, profitability, solvency

MATERIALITY ASSESSMENT 2022

Our world is constantly changing and we are becoming more aware of the impact we are having on the planet and people. So it is more important than ever to understand that we all have a responsibility to strive to create a sustainable future. It comes down to reducing adverse impacts and making positive contributions.

In 2022, we initiated our first materiality assessment. We started the process by calling the management team together to create a shared view of the level of ambition and the direction ahead. We also discussed our place in the world from a broader sustainability standpoint. In the next step, a cross-functional team analysed our value chain to identify potential areas to address. The company then gathered data to confirm that the areas we thought should be prioritised were, in fact, given priority.



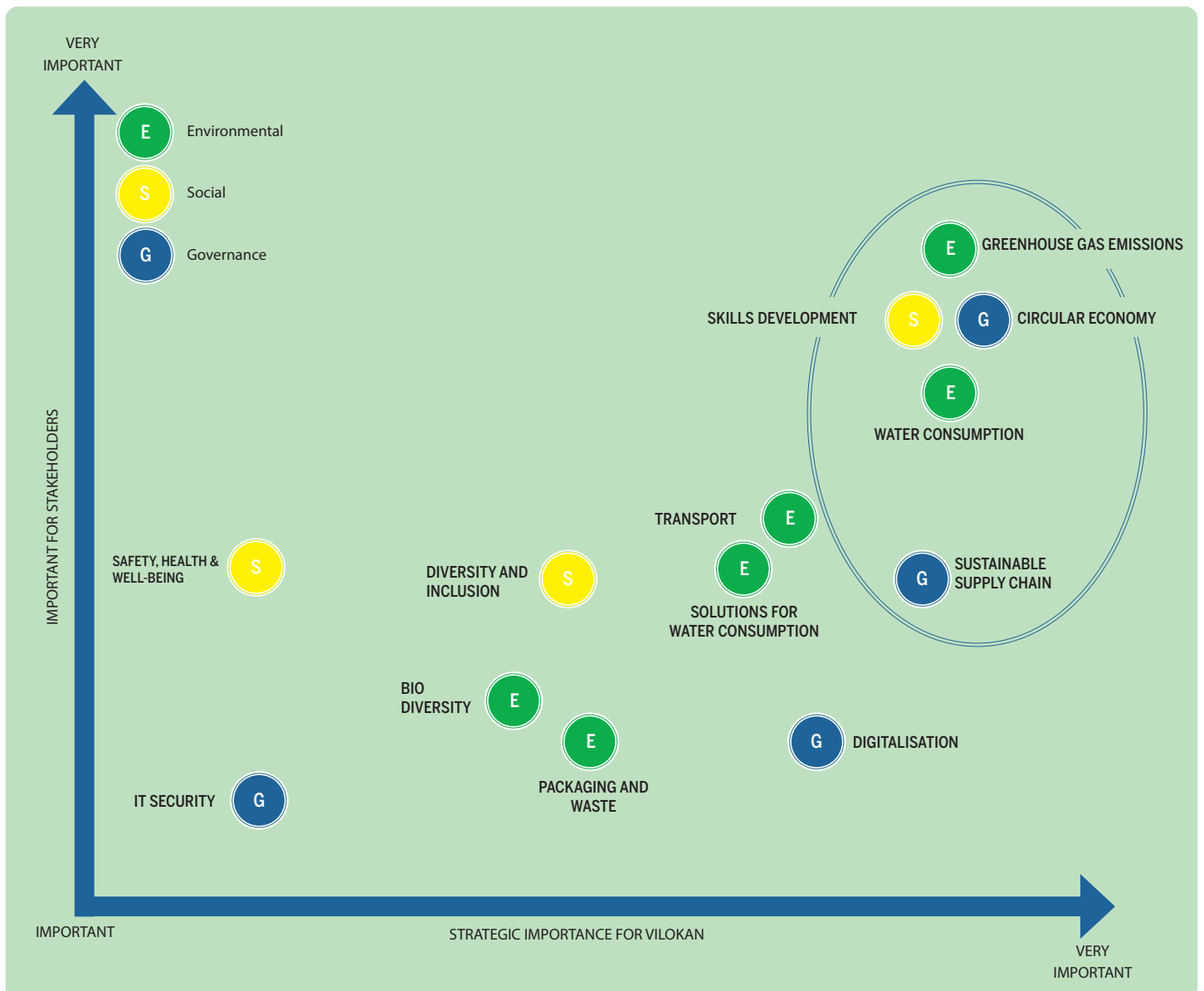
A structured dialogue with selected stakeholders was conducted concurrently with the data collection:

- Owners (in-depth interview)
- Customers (in-depth interview)
- Employees (questionnaire)
- Suppliers (in-depth interview)
- Banks (in-depth interview)
- The planet (insights from research reports, the IPCC, planetary boundaries, etc..)

The sustainability team then met to compile the insights. The results are shown in the materiality matrix below, where strategic direction, stakeholder priorities, our impact and resourcefulness have been weighed together. The assessment will help us focus our resources and efforts on the most material issues and ensure that the actions taken are effective and long-term.

KEY AREAS

You can read more about the areas of greatest importance for our business on the following pages. We will now set targets, appoint an implementation lead and map out a plan for achieving the goals for each of these areas.



GREENHOUSE GAS EMISSIONS

There are growing demands from our stakeholders to measure and reduce our greenhouse gas emissions and in 2022 we started to map, measure and report the GHG emissions from our own operations. Vilokan wants to drive the industry to reduce its carbon footprint and the materiality assessment shows that climate change impacts will be pivotal in the near future when it comes to banks’ assessments for loans and financing.

The majority of customers have set the bar high for sustainability and climate action and are thus putting pressure on their suppliers to meet high standards too. As emissions trading schemes are affecting more of our customers, emission reduction requirements will become even more stringent.

METHOD AND DATA COLLECTION

Vilokan Group uses the guidance of the Greenhouse Gas (GHG) Protocol as a basis for accounting and reporting its GHG emissions. The GHG Protocol is an international standard used by governments, companies and organisations as a tool to understand, quantify and manage greenhouse gas emissions.

The standard is based on the following five principles:

RELEVANCE

Reporting must appropriately reflect the GHG emissions of the company and serve the decision-making needs of users, both internal and external to the company.

COMPLETENESS

Reporting must account for all GHG emissions within the chosen inventory boundary and must disclose and justify any exclusions.

CONSISTENCY

Consistent methodologies must be used to allow for meaningful comparisons of emissions over time. Any changes to the data, inventory boundaries, methods or other relevant factors must be documented.

TRANSPARENCY

All background data, methods, sources and assumptions must be documented.

ACCURACY

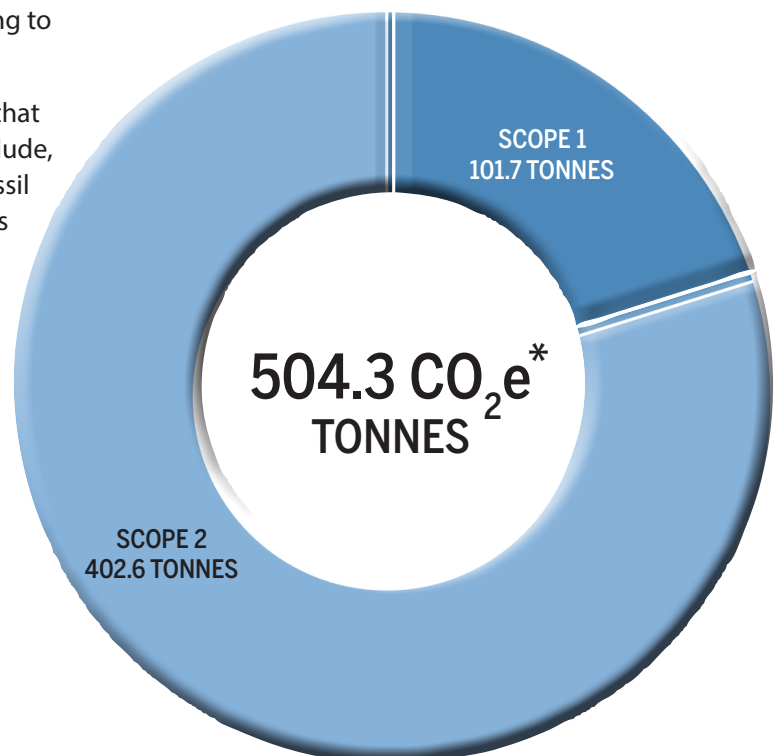
The calculated emissions must be as close as possible to the actual emissions.

Greenhouse gas emissions are grouped into three scopes for accounting and reporting under the GHG Protocol, according to where the emissions physically occur.

SCOPE 1 – Direct emissions that occur from operations that are directly owned or controlled by the company. These include, but are not limited to, emissions from the combustion of fossil fuels in the company’s own production processes, emissions from its own or leased vehicles, and combustion in its own or leased assets for heating business premises.

SCOPE 2 – Indirect emissions from the company’s acquisition of energy from external providers, including purchased electricity, cooling, district heating, etc.

SCOPE 3 – Other indirect emissions, both upstream and downstream in the value chain.



* Carbon dioxide equivalents, abbreviated as “CO₂e”, is a measure of the emissions from greenhouse gases. Different greenhouse gases contribute differently to global warming. The “CO₂e” metric provides a common form of measurement for all greenhouse gases and their climate impact.

THE GHG PROTOCOL PERMITS SCOPE 2 EMISSIONS TO BE CALCULATED USING ANY OF THE FOLLOWING METHODS:

MARKET-BASED METHOD

This method of calculation applies if the purchased energy either has a certificate of origin or is unspecified. A specific emission factor is used for energy that has been purchased with a certificate of origin. A residual mix emission factor is used for energy with uncertified origins.

LOCATION-BASED METHOD

This method of calculation uses an emission factor for all the electricity supplied by the power grid. That is, an emission factor specific to the location where the electricity is used. Calculations for district heating are based on the average production at national level.

Vilokan Group reports emissions according to the market-based method. This method is recommended by the Swedish Energy Market Authority. However, it is recommended that calculations of energy emissions using each of the methods are reported to show the differences in results.

LIMITATIONS

For 2022, we have chosen to include all emissions identified in Scopes 1 and 2 for the following companies:

- Arom-dekor Kemi AB
- Arom-dekor Kemi Oy
- Vilokan ADF Solutions AB
- Vilokan AB
- Arom-dekor Kemi AS
- Vilokan Recycling Tech AB
- Vilokan Group Corp

The reporting of emissions in Scope 1 and 2 covers vehicles that the company owns or leases, as well as purchases of electricity and district heating. For future sustainability reports, we intend to continue calculating our GHG emissions in line with the GHG Protocol. The next step will be to conduct a Scope 3 screening to identify our significant sources of emissions.

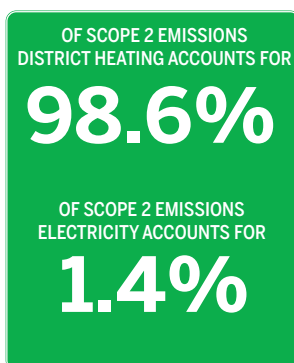
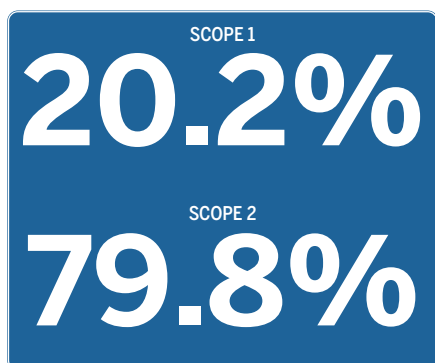
COLLECTION OF DATA

Activity data have been obtained from invoices, suppliers and internal statistics. Activity data from purchased energy have mainly been calculated using figures from supplier invoices, otherwise through estimates based on the office space (m²) leased by the company, if electricity and heat are included in the rent. Our inventory of GHG emissions is based on the best data available at the time of publication. Where source- or facility-specific emission factors were not available, generic emission factors from public databases have been used. These databases are produced by public authorities and are thus considered to be credible. We strive to continuously improve our methods for the collection of data as well as specific emission factors.

SUMMARY OF RESULTS

The emission calculations for Scopes 1 & 2 clearly show that our most significant emissions for the 2022 financial year are generated by the district heating that we consume. District heating is used for heating and, above all, as part of the production process at Arom-dekor Kemi Oy. Since no source- or facility-specific emission factors were available, GHG emissions were calculated using a generic emission factor. Consequently, the results may differ significantly from the actual emissions. We will be investigating how to reduce our emissions through more efficient use of district heating and will also focus on obtaining specific emission data. We can then be certain that the climate goals we set are based on reliable data.

Our Scope 1 emissions can be significantly reduced by phasing out fossil fuels in our company vehicles. Finally, one low-hanging fruit in our efforts to reduce GHG emissions might be to replace diesel with HVO (Hydrogenated Vegetable Oil).



Read more about our work with Agenda 2030 and the Global Sustainability Goals on page 25.

CIRCULAR ECONOMY

The circular economy is already an essential element of our business. Our closed-loop systems meet the needs of the industry to purify, recycle and reuse process water and chemicals. They thus help customers contribute to a more circular economy and reduce their negative environmental impacts. The technology for extracting valuable materials from wastewater is fully in line with the transition to a sustainable economy and Vilokan has a key role to play here too. However, numerous other aspects have to be taken into account when making the transition to a circular economy, and we need to improve everything from how we design long-life solutions and products that can be repaired and upgraded, to our business models.

Our employees have a strong commitment to circular economy practices and it will become increasingly important to involve them and foster their development in this agenda, particularly our sales teams. Our sales people have great opportunities to help our customers raise their profile and opt for sustainable solutions.

NORDIC SWAN ECOLABEL

The Nordic Swan Ecolabel aims to reduce the environmental impact of products throughout their life cycle, which means that the circular economy is an important element of the assessment. Examples of how the Nordic Swan Ecolabel promotes a circular economy can be found on its website:

- Requirements for renewable, recycled and sustainable raw materials
- Strict chemical requirements
- Requirements for reduced use of resources and energy
- Quality and lifetime requirements
- Requirement that designs promote repairing, recycling and reusing recycled and/or renewable materials
- Requirements for optimum waste and resource handling

All these points are in line with Vilokan's commitment to support a more sustainable, circular economy. Increasing the number of Nordic Swan Ecolabelled products is therefore a good way to transition towards a circular economy.

The table below shows the main raw materials purchased for Arom-dekor products and what percentage of them is recycled.

RAW MATERIAL 2022	VOLUME	% RECYCLED
De-icing fluid MPG	4,941 tonnes	100%
Marine glycol	64,050 l	93%
HVAC glycol	29,424 l	73%

WASTE 2022	TONNES	HANDLING
Rinse/wash water	66.6	Combustion/Energy recovery
Metal mixed scrap	1.6	Recycling
Plastic, transparent	91.2	Recycling
Plastic, other packaging	13.7	Combustion
Paper/corrugated cardboard	12.5	Recycling
Wood	13.4	Combustion/Energy recovery
Combustibles	18.6	Combustion/Energy recovery
Active carbon, contaminated	17.1	Landfill
Glycol mixture	0.8	Landfill
Vapour concentrations	69.1	Landfill
Oily sludge	2.6	Landfill

Electronics, toner cartridges and fluorescent lamps, approx. 100 kg in total are sent for recycling.

GOALS 2023

- Increase HVAC glycol based on recycled raw material by 20%
- Maintain current volume of marine glycol
- Recycle and sell glycol equivalent to 10,000 tonnes of recycled MPG
- Nordic Swan Ecolabel 45% of the range of alkaline detergents (currently 20%)



Read more about our work with Agenda 2030 and the Global Sustainability Goals on page 25.



SKILLS DEVELOPMENT

If we are to remain at the forefront of our industry, we must focus on providing our employees with professional development opportunities, regardless of their roles and tasks. It comes down to ensuring that we have the right skills and expertise to respond to customer needs and be able to architect and deliver the solutions we need for tomorrow.

It is equally important that we continue to be an attractive employer. The question “How likely is it that you would recommend Vilokan as an employer” received an average of 8.5 out of 10 in our pulse survey. This is a pleasing score and a positive factor for attracting the right skills in the future.

With our sustainable, circular economy experience, services and products, we can be a valuable partner for our customers. Many of the customers we surveyed also have various areas in which they want to build knowledge and exchange experiences with Vilokan. The businesses in our supply chain also have specialised knowledge and innovative solutions and it is positive to see that the majority of the suppliers we surveyed offer their employees both internal and external training opportunities. It is also very encouraging that many of them provide training courses for their suppliers and customers too. Our employees are calling for more systematic skills development and a more proactive approach from Vilokan.

The Arom-dekor Academy is an online learning resource offering courses in several product areas (glycol, washer fluid, AdBlue and vehicle cleaning). The courses provide in-depth knowledge about the products, the differences between them and a more detailed look at their functions and purpose. The courses have been given to invited customers and on demand. The Arom-dekor Academy provides training courses both internally and externally.

In 2023, we will therefore be enhancing and further developing training opportunities by introducing the Vilokan Academy. This will be the Group’s in-house academy for training sales people, CEOs, project managers, customer support staff, sales leaders and ordering staff. The Vilokan Academy will be an important platform for disseminating the corporate culture, sharpening business acumen and raising the level of professionalism among employees. The overall aim of the training programmes is to educate, train and motivate Group staff to become committed, successful employees and understand how a business concept is sustainable. The various courses offer employees training that is adapted to their experience and work duties.

AROM-DEKOR ACADEMY	2021	2022
Training courses	4	3
No. participants	153	81

GOALS 2023

- 100% of the employees shall have a skills development plan set as an objective in the performance review
- 100% of our employees have completed our Code of Conduct training course
- To introduce Vilokan Academy
- 100% of the managers at Arom-dekor have completed a systematic work environment management (SAM) training course



Read more about our work with Agenda 2030 and the Global Sustainability Goals on page 25.

WATER CONSUMPTION

Water is fundamental to all life and freshwater is one of the nine planetary boundaries. Humanity has already crossed the planetary boundary that is called green water – the water that is available to plants in the form of rain and moisture in the ground. The boundary for blue water, which is the water in rivers, lakes and groundwater reservoirs, has not yet been crossed. However, increased consumption, climate change and pollution are putting more and more pressure on this resource.

It is essential to find a solution to the global water crisis. Vilokan has a key role to play here, as our products and solutions help customers recycle water and thus significantly reduce their consumption. These solutions are available in some 300 or so locations around the world. Based on the recycling capacity of an average machine, our customers save an estimated one billion litres or more of water each year.

Dialogues with stakeholders show that dealing with the problem of water scarcity has a high priority ranking among customers with business operations in water-stressed regions – where there is no longer sufficient clean water to meet society’s needs. A majority monitor their emissions to water closely, while some still only ensure that they are compliant with legislation and regulations. Many of our suppliers are aware that water usage requirements and water costs will increase. There is a general understanding that the requirements will become more stringent, but few feel that additional requirements will affect their business operations. We see there is great uncertainty about the issue of water scarcity and how changes in requirements will affect them. Closed-loop systems that limit emissions to water will be crucial for the future.

LITRES OF WATER PURIFIED ANNUALLY BY VILOKAN FACILITIES

1,050,000,000

NUMBER OF FACILITIES DELIVERED SINCE 1987

300

GLOBAL GOALS



Read more about our work with Agenda 2030 and the Global Sustainability Goals on page 25.

SUSTAINABLE SUPPLY CHAIN

There is a lot happening in the sustainability space in the supply chain, particularly relating to the environment and human rights. Demands are increasing for greater accountability at all stages of the value chain and effective risk control.

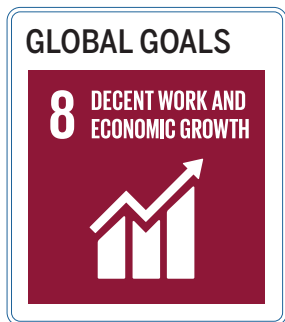
We need to collaborate with both customers and suppliers within this area of development. The requirements from our customers are still lower than those in the EU's proposed Corporate Sustainability Due Diligence Directive (CSD-DD), but we need to take steps to prepare for stricter requirements. At the same time, we need to take our suppliers on board with us for the journey. Our Code of Conduct is the most important policy document here. It was produced in 2022 and is available to view and download on our website. We require all new suppliers to accept our Code of Conduct in order to qualify and we need to create a process for reviewing existing customers and ensuring their ongoing compliance.

Ensuring we have a resilient and sustainable supply chain is of strategic importance for Vilokan. In 2023, we will be assessing what activities we need to carry out in order to meet our goals and targets, and will also appoint an implementation lead to coordinate and manage this.

GOALS 2023

- 100% of our suppliers* in the value chain have read and understood our Code of Conduct
- 100% of our suppliers* in the value chain have performed a risk assessment and a supplier assessment
- Self-assessment tools for suppliers have been developed

*The term "suppliers" here refers to suppliers of raw materials, inputs or transport.






Read more about our work with Agenda 2030 and the Global Sustainability Goals on page 25.

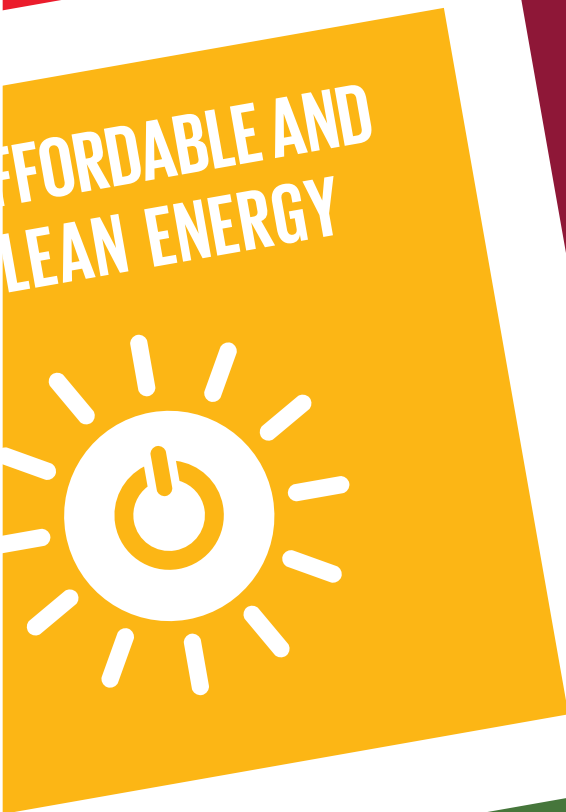


*Our Code of Conduct is
the most important policy
document here*

AGENDA 2030

The 2030 Agenda for Sustainable Development is perhaps the most important commitment ever signed by the nations of the world and is the world’s most important to-do list for creating a more just and sustainable world for present and future generations. Every single country in the world, every region, municipality, company and organisation have a shared responsibility to achieve the development goals. Here you can read more about the goals and milestones that we can make positive contributions to and reduce our negative environmental impacts.

GOALS	OUR IMPACT	TARGETS	KEY ISSUE
 <p>6 CLEAN WATER AND SANITATION</p>	<p>Our products help customers significantly reduce their use of water and limit emissions to water and landfill</p>	<p>Improve water quality, wastewater treatment and safe reuse</p> <p>Increase water-use efficiency and ensure freshwater supplies</p>	<p>Emissions to water</p> <p>Circular economy</p>
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>Our product are helping customers to minimise their impact on the external environment and use of drinking water, energy, new materials and other resources that are necessary in production processes</p>	<p>Diversify, innovate and upgrade for economic productivity</p> <p>Improve resource efficiency in consumption and production</p> <p>Full employment and decent working conditions for all employees</p>	<p>Skills development</p> <p>Sustainable supply chain</p>
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>Our solutions are helping customers create closed-loop systems for their water usage and increase the quantities of recycled chemicals</p>	<p>Sustainable management and use of natural resources</p> <p>Responsible management of chemicals and waste</p> <p>Substantially reduce waste generation</p>	<p>Circular economy</p> <p>Emissions to water</p>
 <p>13 CLIMATE ACTION</p>	<p>We can reduce our impact through more efficient use of energy in our own operations, by minimising fossil fuel transport and promoting and encouraging the use of intermodal transport</p>	<p>Build knowledge and capacity to meet climate change</p> <p>Reduce emissions from our vehicle fleet</p>	<p>Greenhouse gas emissions</p>
 <p>14 LIFE BELOW WATER</p>	<p>Our products help customers significantly reduce their use of water and limit emissions to water and landfill</p>	<p>Reduce marine pollution</p>	<p>Emissions to water</p>



RISK MANAGEMENT

Vilokan conducts business in a global landscape and is thus impacted by events and trends in the wider business environment, such as supply chain disruptions, commodity shortages, cyclical movements in markets, volatile energy supplies, inflation and much more. These are definitely to be regarded as risks and, in order to turn them into opportunities, we systematically manage risks in line with our ISO 9001 quality management system (Fluids and Solutions).

This section describes the key risk areas that may impact our ability to achieve the Group's set targets and how we manage each area. The risks are identified, assessed and managed in each business area and are reported to the CEO and management team on an ongoing basis. The work is reviewed and assessed by the Board annually.



CATEGORY / RISKS	SUB CATEGORY	RISK	STRATEGY
FINANCIAL	Currency risks	Currency fluctuations have an impact on Vilokan's bottom line, both when buying and selling in various currencies (transaction exposure) and when translating the balance sheets and income statements of overseas subsidiaries into Swedish kronor (translation exposure). Vilokan's functional currency is the Swedish krona. The functional currencies of its subsidiaries are the Euro, Norwegian krone and the US dollar.	The costs of risk mitigation through derivative instruments are not yet considered to be justifiable relative to the benefits.
	Commodity risk	Changes in commodity prices may negatively impact the Group's financial results. Within the Vilokan Group, commodity risks occur in both the commodities the Group purchases and its operating expenses. It is Vilokan's policy not to hedge commodity price risks in its trading products. Expenses that constitute risks of impact on the Vilokan Group are the price of electricity and the price of urea. The raw material that poses the biggest business risk is urea, and the fluctuations in natural gas prices can have a significant impact on the financial results.	As far as possible, the Group attempts to reach price agreements with customers for purchases and avoid holding large inventories, which minimises exposure to sudden fluctuations in natural gas prices.
OPERATIONAL	Risks of damage to facilities	Death, serious personal, bodily or other physical injuries and chronic illnesses that reduce life expectancy or adversely affect the quality of life of employees. This can lead to fines, penalties and prosecutions for the Group, with possible reputational damage and loss of trust as a responsible company.	The Vilokan Group's occupational health and safety policy and systematic work environment management lay down rules on how employees are expected to conduct themselves in Vilokan Group workplaces. They also include training, incident management, risk assessment and instructions for personal protective equipment. Training for managerial staff in health and safety practices has been developed to improve employee safety.
	Negative environmental impact	The Group's factories at Arlanda and in Sexdrega have environmental permits. Criminal activities and breaches of laws can lead to fines, penalties, prosecution and reputational damage and, in the most serious cases, a ban on conducting business.	The operations of both Fluids and Solutions are certified under the ISO 14001 standard, which ensures systematic management of environmental risks and related issues. Environmental experts ensure compliance with rules and regulations at Group and business unit levels.
LEGAL	New legislation	New legislation in different countries may adversely impact the Vilokan Group. This can lead to lengthy and costly legal proceedings. Criminal activities and breaches can lead to fines, penalties, prosecution and reputational damage.	Changes in legislation are monitored mainly by Vilokan's executive team, its owners and external advisors. Local legal matters and disputes in the countries where the Vilokan Group operates are dealt with locally by legal advisors.
STRATEGIC	Changes in market demand	One of the Group's main products is Adblue, which is manufactured by Fluids. A faster transition from diesel to electrified vehicles and machines could eventually reduce the company's profitability.	The Vilokan Group is working actively to increase the amount of recycled products and new product areas in order to reduce the percentage of Adblue in relation to other turnover.
	Key employees who are missing/ leaving the company	If key personnel leave the company and no suitable successors can be hired, or if Vilokan is unable to attract qualified personnel, this can adversely impact Group operations.	The Vilokan Group has a process for following up what skills its employees need to develop to ensure its workforce meets the needs of its business. The Vilokan Academy will be launched in 2023, with a focus on enhancing the skills and competencies of employees and reinforcing the corporate culture throughout the Group. In order to attract the necessary expertise, the Group is active among students and builds up competencies through acquisitions.

GOVERNANCE OF SUSTAINABILITY MATTERS

The ultimate responsibility for sustainability lies with the Board of Directors. The CEO is responsible for managing the day-to-day operations of the company according to the guidelines of the Board and has delegated the sustainability matters to the company's CFO. The CFO is part of the management team and reports on developments to the other members of the management team on an ongoing basis. The CFO manages the sustainability activities together with a cross-functional team that implements the sustainability matters in the organisation.

The cross-functional team carried out its first materiality assessment during the year and will continuously evaluate and manage the material sustainability issues based on the goals, initiatives and KPIs decided by Vilokan's management team and approved by the Board of Directors.

POLICIES AND CODES

Vilokan has one code of conduct for employees and one for suppliers. The codes are the basis of our sustainability agenda and contain principles for human rights, working conditions, the environment and anti-corruption. The codes were approved by the Board of Directors in 2022.

The Supplier Code of Conduct is available for viewing at vilokan.com. All new suppliers are required to agree to comply with this Code of Conduct to be accepted as a supplier or subcontractor. Work is under way to implement the external code with existing suppliers too. To ensure compliance, suppliers will be allowed to carry out their own annual assessments using a self-assessment form. The suppliers are assessed in a risk analysis and priority for the self-assessment tool will be given to those with the highest ranking in the analysis.

All employees are required to complete the internal code of conduct training course, which will be delivered as an eLearning course starting in 2023. This training course will also be a mandatory part of the onboarding process for new employees. The code and training are available in the company's Teams channel and also on paper for those who prefer to have a printed copy.

WHISTLEBLOWER POLICY

As the company with the most employees in the Group, Arom-dekor implemented a whistleblower system in 2022. The system is open to both employees and external stakeholders. It is managed by a third party, Visslan, which ensures that all personal data about whistleblowers are encrypted. The whistleblower link and policy can be found, in English and Swedish, at aromdekor.se. Will be available to all Vilokan companies in 2023.

ASSESSMENT OF MANAGEMENT APPROACH

It is the strategy of our principal owner, Gullspång Invest AB (559022-7046), to invest only in sustainable companies. Both the owners and Board of Directors are therefore strongly committed to sustainability. The Board of Directors, chaired by Magnus Brandberg, has validated the material sustainability issues that we have identified, the threshold value and how we have chosen to manage our material sustainability issues. The management's approach to sustainability is assessed on an ongoing basis.

In addition to the company's two codes of conduct, Vilokan and its subsidiaries have adopted the following

- Business policy
- Pay policy
- Authorisation policy
- Equal opportunities plan
- Crisis management and first aid policy
- Occupational health and safety policy
- Alcohol & drug policy
- Traffic safety policy
- Policy and guidelines for IT
- GDPR and privacy policy



For the environment, for the economy, for the future



Vilokan AB
Uddevallavägen 3
SE-452 31 Strömstad
Phone: +46 (0)526 187 30
info@vilokan.com
www.vilokan.com