

Sustainability Report for Grace Catalyst AB

June 2020

Introduction

Grace Catalyst AB ("Grace"), an indirect subsidiary of W. R. Grace & Co., a Delaware-based company of the United States, is engaged in the production and sale of specialty chemicals. The primary chemicals made by Grace Catalyst AB are polyolefin catalysts and catalyst supports used in the production of polypropylene and polyethylene thermoplastic resins.

This report is prepared pursuant to Chapter 6, Section 11 of the Annual Accounts Act (1995:1554, as amended 2016), and summarizes the company's consideration of factors deemed material to the current and foreseeable operations at Grace including information on matters related to environmental, social, staff, respect for human rights and anti-corruption. Information necessary for an understanding of the company's development, performance, position and implications of activities is included in the annual and quarterly reports of W.R. Grace & Co. to the United States Securities and Exchange Commission.

It is the Board of Directors who is responsible for the statutory sustainability report for the year 2019 and that it has been prepared in accordance with the Annual Accounts Act.

Business Model Overview

Grace Catalyst AB operates a chemical manufacturing plant in Stenungsund, Sweden. The plant is located on a large Polyethylene Production site of one of the main customers of Grace Catalyst AB. The Stenungsund plant is part of the global Grace Specialty Catalysts network. Grace Catalyst AB in Stenungsund is focusing on the manufacture, quality control and inbound/outbound logistics of customer specific polyolefin catalysts. Customers of Grace Catalyst AB are located mainly in the EMEA region.

The products of Grace Catalyst AB are highly customized catalysts. They are developed and produced for very specific applications of Grace Customers and allow them to sell their products in high value applications as well. These catalysts require a long and intensive qualification process with our Customers. This results in a very deep and intensive relationship, which provides value to our Customers and to Grace.

The overall supply chain concept of Grace Catalyst AB can be best described as being part of a global production network with sourcing from Grace internal locations in the US and EMEA region and external suppliers as well as supplying catalysts to global customers and intermediate products within the Grace network. The customer driven development of new catalysts takes place in central development laboratories in other Grace locations in the US and Germany. Business Functions are located in the EMEA Headquarter in Germany. These functions cooperate closely with the Stenungsund plant.

Overview About the Context of the Organization: Legal Aspects and Interested Parties

Legal Aspects

As Grace Catalyst AB is a chemical company with global shipment of its products, compliance to all relevant legislation and regulation is vital. In addition to country specific legislation, most important regulations are:

- Global Classification Legislation: Globally Harmonized System of Classification, Labeling and Packaging of Chemicals (GHS)
- Industrial Safety and Chemical Industry Regulations
- Environmental legislation and permits
- REACH: Registration, Evaluation, Authorization and Restriction of Chemicals
- European Transport legislation: e.g. European Agreement concerning the International Carriage of Dangerous Goods (ADR); Classification, Labeling and Packaging of Chemicals (CLP)
- European and National labor laws and regulations for Human Rights

Interested Parties

Grace Catalyst AB interacts with customers, suppliers of materials and services, employees, unions, W.R. Grace & Co. – Conn. as shareholder, governmental and community officials, competitors, the site owner in Stenungsund, and other business partners like advisors.

Due to the location of the Stenungsund plant in the middle of a large chemical production complex, the small size of the organization and the nature of a purely B2B business, the existing contacts to the general community or to direct private neighbors, non-governmental organizations, politicians, universities are of minor relevance. In order to provide contact information to interested external parties, Grace Catalyst AB is listed, together with the other chemical companies in the area, on the local community webpage of Stenungsund: www.stenungsund.se.

Some of these stakeholder groups have relevance for the operation of Grace Catalyst AB. These interactions with interested parties result in risks and opportunities:

- Customers expect consistency of high quality products and services at fair value, on-time deliveries, and traceability during the manufacturing process and in compliance with all environmental, health and safety and sustainability standards. Due to the very specific nature of our products and the long-term relation with our Customers, various systems and communication channels are installed to assure a stable product quality and a correct exchange of EHS relevant information for our products. These review cycles and communication channels are also of major importance to gather information on Customer satisfaction and future product developments.
- Employees seek job satisfaction, recognition and motivation, as well as job security and fair remuneration. Grace is working according to the regulations of the national Work Environment legislation. Beside adhering to this law and to maintain a good working condition at site, systems are in place, to provide feedback about the working conditions in order to provide a

sustainable working climate. Grace operates a Talent Management System, which provides the framework to review the employee performance and behavior twice a year, including feedback provision, performance review as well as definition of training plans and development possibilities. The Talent Management process assures that individual goals, performance and development possibilities are closely aligned with the goals and objectives of the organization. Regular meetings with the union representatives are installed to exchange information and to provide a platform for discussion of site specific topics and regulations.

- Suppliers require setting of clear targets for their products or services, planning security and reliability of order and payment as well as cooperative relationship. Product targets are defined in appropriate specifications and are subject of testing and data review. Procedures are in place to monitor the supplier performance, recognize good suppliers and follow up with suppliers, not meeting the defined expectations. Appropriate safety stock levels are defined and maintained to secure the ability to produce products in case of supply chain interruptions.
- Competitors are considered as an important stimulus for Grace Catalyst AB as their activities may lead to innovation of products or services at Grace. Competitive analysis is done by central Marketing functions.
- The site owner provides various services to the Stenungsund plant, ranging from EHS services, e.g. firefighting brigade, plant security systems, etc. to raw material and utilities supply. In order to manage this close relation, various communication channels exist, e.g. site EHS meetings, production/technical coordination meetings, joint emergency response trainings etc. Grace Catalyst AB is part of the landlord's emergency response systems and organization.
- Governmental and community officials: Grace Catalyst AB is practicing an open communication policy to the relevant authorities. This involves an active communication approach and regular reviews/site audits by the regulatory positions, esp. with regard to EHS. This open communication policy is necessary to obtain a mutual understanding and a trustful relationship.

Environment, Health and Safety

Grace has implemented an EHS Management System that is systematically managing the environmental, health, safety, process safety, product safety, and security aspects of our operations. The system follows a continual improvement approach and establishes performance expectations that address EHS hazards and risks, training and communication, operational control, goals and target setting, assurance, and periodic internal review. The management system has been certified in conformance with the ISO 14001:2015 standard.

Described below are key practices implemented by Grace and /or its parent companies to address environmental, health and safety.

Environment, Health and Safety Risk Management

Risks related to the environment, health and safety are identified and addressed through our EHS Management system. An Annual review of these risks is performed as a part of our PDCA-cycle approach and the major risks are mitigated and communicated via our policies and procedures. Regular audits are maintained and the employees are receiving training. Regular monitoring of EHS KPIs as laid out in this report ensure that the measures are effective. Major risks are identified as loss of primary containment, which could result in both environmental impacts as well as health impacts because of exposure. This risk includes plant operations as well as transportation. The risk mitigation plans are documented in our EHS Management System.

Safety

Our top priorities are the health and safety of Grace employees and their families, our customers, and the protection of the environment in which we operate. Grace sets and complies with its own high company standards as well as all applicable health, safety, and environmental laws. While safe behavior is ultimately the responsibility of each of us, Grace provides a safe and healthy workplace and ensures that safety and environmental priorities are incorporated in every aspect of our business.

In order to achieve the Grace Safety targets, a management system exists with clear definition of targets, frequent reviews, internal and external audits, as well as follow up actions. Independent external Auditors execute legal compliance Audits and regular Corporate EHS audits, focusing on compliance with national laws as well as Grace internal implementing procedures, are also done.

With regards to work safety, accidents are counted using the OSHA requirements. The number of OSHA-Recordable injuries is a measure of the outcome of the safety and health management system and initiatives. All injuries are recorded for the company, including Grace Employees as well as Contractors working for Grace.

Year	Number of injuries	Lost Incident Rate	Time
2019	0	0	
2018	0	0	
2017	1	0	

No OSHA recordable injury was recorded in 2019.

Greenhouse Gas Emissions (GHG)

Data on greenhouse gas emissions using Tier 1 Intergovernmental Panel on Climate Change (IPCC) emission factors to determine the total amount of carbon dioxide equivalent (CO₂-e) emissions released by Grace Catalyst AB is collected. The following table contains the amount of CO₂-emissions released by year in metric tons, and an intensity metric normalized to the volume of finished product produced by the entity within that time period. The intensity metric is influenced by the total production volume, energy reduction projects and product mix.

Year	CO ₂ -e (mT)	Intensity Metric
2019	902	4.64
2018	931	4.41
2017	1015	4.27

Air Quality

Grace is subject to and has policies to comply with applicable permits and regulations issued by the relevant governmental bodies regarding air quality. The total volume in metric tons of the key parameters released to the environment from its operations is represented in the table below.

Year	NO _x (mT)	SO _x (mT)	CO ₂ (mT)	VOCs (mT)
2019	0,6	0	902	17
2018	0.6	0	931	17
2017	0.7	0	1015	19

Water Management

Consistent access to sufficient volumes of water, even during periods of low rainfall, is essential to continued production and operation of the business. Access to freshwater is provided through a water pipeline, operated by the local landlord, which is supplied from surface water sources within the region. Process wastewater is treated to meet applicable water quality discharge requirements and the treatment is provided by the local landlord.

A summary of water consumption and wastewater discharge is provided below. Water consumption and wastewater generation are very minor due to the nature of the production process.

Year	Water		
	Abstracted (mT)	Discharged	Net
2019	15	15	0
2018	16	16	0
2017	15	15	0

Hazardous Waste Management

Certain wastes that are believed to pose a greater risk to the environment and human health than others are often subject to more stringent regulatory requirements and oversight, such as unique labeling, record keeping, monitoring, and control obligations. Grace is required to ensure such waste is managed and disposed of in accordance with applicable Swedish directives and legislation.

Year	Hazardous Waste Generated (mT)
2019	48
2018	24
2017	22

The volume of hazardous waste increased during 2019 due to product quality issues at the beginning of the year. The non-conforming product and clean-out material accounted for 25 mT. In addition, approximately 1 mT of hazardous waste was generated as a result of an EHS target for 2019, where chemical substances no longer necessary for the operation should be disposed.

Notices of Violation

Grace conducts its businesses and operates its facilities in a safe, healthy, and environmentally sound manner with a focus on meeting community, state and federal regulations. Releases to the environment and permit violations are actively communicated to our regulators and are followed up using a standard process for root cause analysis and corrective measures. The release to the environment was within the plant boundaries, without impact on the outside. Corrective Measures were implemented.

Year	Notices of Violation	Releases to Environment
2019	0	1
2018	0	0
2017	0	0

Human Rights, Social and Employee Matters

Grace is committed to the protection and advancement of Human Rights and good social and employee relations wherever we operate. We are committed to the principles in the United Nations Universal Declaration on Human Rights and the International Labor Organization's Declaration on Fundamental Principles and Rights at Work. Grace is also committed to all essential factors and relationships at work encompassed in the Swedish Work Environment Act including the technical, physical, organizational, social and work content. This commitment is reflected and fulfilled in our programs relating to product stewardship and sustainability as well as Grace policies on ethical business conduct and compliance in legal matters.

Adherence to key ethics and business policies have to be personally signed by Management Members of the Organization. In addition, mandatory training is given to employees about ethical behavior and the ethics expectation in the work place. Examples of such ethic policies are the Corporate Governance principles, Business Ethics policy and the Conflict of Interest Policy, which are published on www.grace.com. These policies are defined to provide clear guidance about the behavior expectations at Grace.

An ethics website exists to give advice about the ethics subject, including an ethics hotline, in case of potential questions.

There were no human rights/ethics as well as social and employee complaints registered in 2019. The following sub-chapters provide a more detailed overview. The fundamental principle is a management

system approach, with planning (Corporate policies), doing (effective communication and training systems), checking (Audits and Reviews) and actions, based on the results of the review.

Human rights, Social and Employee Matters Risk Management

Risks related to Human Rights, Social and Employee Matters are identified and also so annually reviewed. Risks could be created by Actions directed at one or more workers in an abusive manner can lead to ill-health or to workers being excluded from the workplace community. Grace strives to ensure that all employees, across the globe receive centrally defined training in ethics and related issues on an annual basis. Individual completion of the required training is tracked, and absent special circumstances, failure to complete required training will adversely affect an employee's annual bonus. Substantially all employees are subject to an annual training requirement; provided that in some offices where the standard ethics training modules are not available in the local language, local managers conduct individualized training of affected employees as an alternative to the standard training modules. Additional training on matters related to integrity, safety, anti-discrimination, cybersecurity, anti-harassment, workplace violence prevention, and more are required at different intervals.

There is a potential risk of corruption and bribery for a company with a global presence. Grace has established corporate governance principles, business ethics and conflicts of interest policies to help employees in their daily business interactions. The policies reaffirm Grace's commitment to comply with all applicable laws and be governed by the highest level of business ethics. As part of the company's Business Ethics Policies, the Board of Directors has established a confidential hotline that employees, customers, vendors or other interested persons can use to anonymously report violations of, or express concerns regarding compliance with, any of the company's ethics policies (including, but not limited to, any matters involving accounting, internal accounting controls, audit matters or fraud). The hotline is available toll-free from more than 30 countries and is staffed 24x7 by multilingual case managers.

Safe working conditions

We are dedicated to the highest standards of health, safety, and environmental practices.

Our customers and neighboring communities can be assured that we have established robust environment, health, and safety (EHS) programs. The global framework for our EHS activities is our EHS Management System, which is regularly audited. Our site in Sweden is certified to International Organization for Standardization (ISO) 14001. Certification involves the identification of a plant's environmental impacts and establishment of targets for continuous improvement.

Grace's commitment to the highest EHS standards as well as all applicable laws is codified in company policies. While every employee is responsible for safe behavior, Grace provides a safe and healthful workplace and ensures that safety and environmental priorities are incorporated in the planning and daily execution of the company's business.

Social dialogue

Social dialogue takes place by a system of internal meetings and communication tools, ranging from daily operating meetings to regular conversations with unions, safety meetings, staff meetings up to global town meetings with the Corporate Management Team. Dialogue and Feedback are an important part of the corporate culture of Grace Catalyst AB. We are committed to assure a fair and transparent communication. Operators are actively asked for feedback and are encouraged to submit questions to the Global Management by use of on-line systems or simple questions boxes.

Child Labor

Grace does not tolerate any form of exploitative child labor as defined in the International Labor Organization Convention 182, Article 3 (Worst Forms of Child Labor). Accordingly, we observe applicable laws regarding the employment of minors and do not employ any young person in such a way as to restrict their educational opportunities or expose them to workplace hazards that are likely to endanger their health or safety.

Forced Labor

Grace does not use indentured, slave, bonded, or other forced involuntary labor and rejects corporal punishment of any kind.

Compensation

Grace pays wages that meet or exceed legal requirements, or where no wage law exists, Grace wages meet or exceed the local industry standard.

Working Hours

Grace complies with industry practices and applicable local, state, national laws regarding working hours.

Harassment and Violence

Grace is committed to a harassment-free workplace and does not tolerate any violence in the workplace.

Non-Discrimination and Gender Equality

Grace encourages diversity throughout our operations, and does not discriminate based on race, color, religion, gender, national origin, age, disability, or any other characteristic protected under applicable employment laws in the recruitment, training, promotion, and compensation of employees.

Freedom of Association & Trade union rights

Grace recognizes employees' rights and freedoms to join or not join organizations of their own choosing, to associate freely, and to bargain collectively.

Corruption and Bribery

Neither Grace, nor any employee, agent, consultant nor other third party acting on its behalf shall take any action in violation of the U.S. Foreign Corrupt Practices Act or other countries' laws intended to deter corruption and bribery in commercial relations and among government officials and political candidates. There were no complaints/cases with regard to corruption and bribery in 2019 and years before.

Legal Compliance

At a minimum, Grace complies with applicable local, state and national laws regarding human rights and workers' rights everywhere we operate. Grace Catalyst AB was not subject to any legal compliance case.

Community Stewardship

Grace as a global company supports financial and volunteer service to the communities where we operate. Guidance for such programs are provided by W.R. Grace & Co as a global company, giving the individual sites the framework to be engaged in community activities. Grace Catalyst AB – as a company - has for the time being no active engagement in the Stenungsund community.



Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Grace Catalyst AB, corporate identity number 556613-5504

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year financial year 2019 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Gothenburg 18 June, 2020

Öhrlings PricewaterhouseCoopers AB

A handwritten signature in black ink, appearing to be 'Karin Olsson', written in a cursive style.

Karin Olsson.
Authorised Public Accountant