



ENVIRONMENTAL PROTECTION AND WORK SAFETY REPORT 2018

KRAIBURG TPE Corporation
Location Buford

POLICY OF QUALITY, ENVIRONMENTAL PROTECTION, INDUSTRIAL SAFETY AND ENERGY CONSERVATION OF KRAIBURG TPE

KRAIBURG TPE is an international company producing thermoplastic elastomer compounds. Our strengths are customized solutions and the development of new applications. Our strategic goals are continued growth, the expansion of our international business and continuous innovation.

In order to achieve these objectives, we have developed a process-oriented, integrated management system that meets the requirements of ISO 9001 and ISO 14001 also taking into account all aspects and specifications related to environment, energy and safety. Specific requirements of the automotive industry can be taken into account in close consultation with our customers.

The success of our business depends on the success of our customers and the well-being of our employees. Their needs are therefore a key concern in all our activities. In addition, we aim at meeting the expectations of our shareholders, our suppliers, government and society as a whole.

We want to understand what our customers wish and expect from us. We take steps to identify their needs and all future challenges at an early stage, in order to develop reliable solutions. Our customers and suppliers are our partners with business relationships based on sustainable mutual benefit.

As a company, we operate within a framework of statutory regulations. Any relevant statutory regulations must be strictly adhered to by all the employees concerned.

All legally binding regulations and instructions by the authorities are strictly adhered to by all our employees.

Our corporate culture is reflected in the behavior and conduct of the company executives and employees. We foster a working environment where communication is open and constructive, where information is shared and where people cooperate with a clear focus on objectives. We are willing to talk about errors and mistakes so that we can avoid them in the future and learn from what went wrong in the past. We promote continuous training and are committed to enhance our skills level.

We condemn forced labor and child labor.

We dissociate ourselves from any form of discrimination and promote equality of opportunity complying with all applicable labor laws and statutory social welfare regulations.

With regard to environment protection, occupational safety and energy management, it is our objective to protect resources, reduce or possibly avoid emissions and waste and to take all suitable measures to prevent accidents. We are careful about our physical and mental sense of well-being. The company supports our employees by running special contests and health campaigns.

Our management system is binding for all employees and must be adhered to in all activities. The objectives and quantities targets established within our management system serve as references for our pro-active correction, prevention and improvement processes.

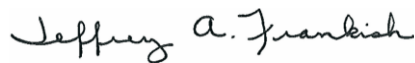
Our continuous improvement and development thus reflects our concept of a company as a learning organization. In our work, we produce quality as we are skilled in our tasks and processes. With our management system, we strive at achieving perfect quality products.

We regularly evaluate our performance, risks and the effectiveness of our management system based on the established targets. By taking specific measures and implementing projects, we continuously improve our performance around quality, workplace safety, environment protection and energy consumption at all levels and in all areas.

June 2018



Franz Hinterecker
CEO



Jeff Frankish
Managing Director Americas

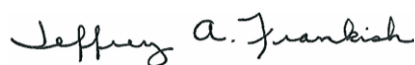
BUSINESS MISSION

- We are the world's competence leader in supplying custom-engineered TPEs backed by a strong global network and state-of-the-art production facilities in Europe, Asia Pacific and America.
- We specialize in providing custom-engineered TPE material solutions to create added value for our customers through our products, service and support capabilities.
- We operate with a market-driven strategy and ongoing commitment to meeting the critical demands of our customers through-out the automotive, consumer, industry and medical markets.
- We apply our expertise around providing customer solutions with a high level of quality, service, responsiveness and unique product innovations.
- We measure our success on market position, rate of innovation, productivity, attractiveness for high performing staff, cash flow and profitability.
- We maintain a high level of social responsibility as a corporation and diligently work towards further protection of the environment.
- We encourage a sense of responsibility among our employees for their own health and well-being by running special contests and health campaigns.
- KRAIBURG TPE lives through its employees, and our people make things happen! Each individual task has top priority for us, and we meet the challenges we face through teamwork based on mutual trust.
- Safety is the first consideration in all operations. Corporate activities are conducted to the highest ethical and professional standards.

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Area of application

The parameters and assessment limits of the environmental management system at the KRAIBURG TPE site in Buford, GA are defined as follows:

- Facility at Buford: Premises, production and office building

Environmental Challenges in 2018

There are many challenges that globally effect protecting the environment. These challenges seriously threaten the health of our planet and human life. In 2018, the biggest challenges were:

1. Plastics in the Oceans:

According to Weather.com, the Work Economic Forum notes that 9 million tons of plastic enter oceans every year which equates to a garbage truck dumping a load into the ocean every minute. These plastics are killing marine life. Birds, turtles, fish other creatures are trapped in carrier bags while others ingest tiny pieces of plastic mistaking it for food which eventually enters the food chain from the seafood we eat.

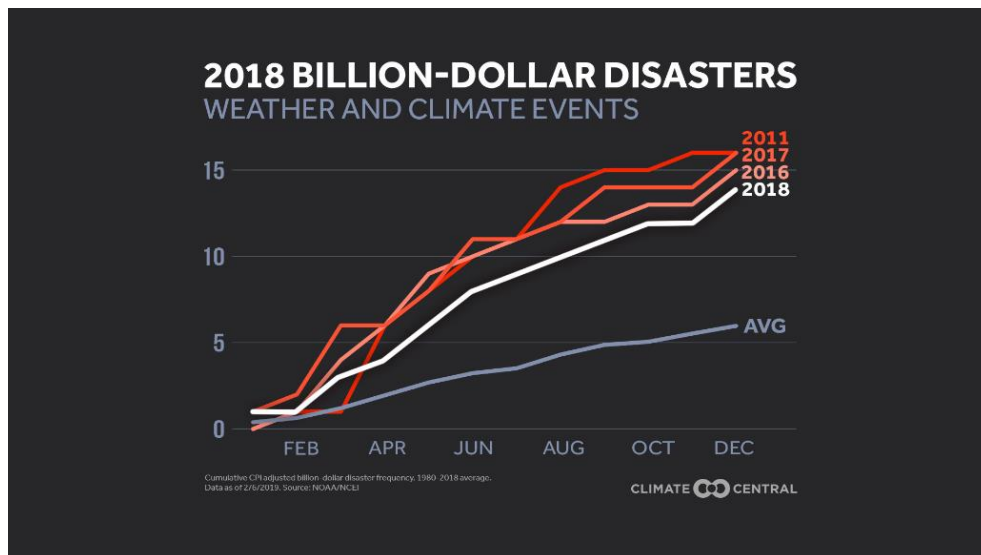
Because people live a disposable lifestyle, around 50 percent of all plastic is only used once then thrown away every year approximately 8 million tons. It is estimated that by 2050, there will be 60 tons of plastic waste being dumped in the oceans every minute if we don't consider ways to improve our waste management.

To help reduce the problem created by plastics in our oceans, people should reduce their dependence on these products. Single-use plastic products like plastic bags, straws, plates, packaging plastic cups, and cutlery should be put to an end. Many countries are now imposing a ban on use of plastic bags and disposable plastics; others have established sound targets to reduce plastic use and waste. Producers of plastic products should be responsible and consider alternatives to plastics and collection and reuse of plastic waste.

As part of our KTU waste management guidelines, and to be in support of reducing the amount of plastic waste, we continuously work with vendors to dispose of purge and scrap material so that our material does not have a negative effect to the environment.

2. Extreme Weather and Rising Seas:

Hurricanes, wildfires and severe thunderstorms made 2017 the costliest year ever for weather-related disasters in the United States. In 2018 a survey was taken to report the most pressing risk facing the planet and it was found that extreme weather was the biggest threat to humanity over the next 10 years. Due to climate change, extremely dangerous heat waves occur that lead to heat exhaustion and or even heat stroke. Many families become displaced due to loss of homes from severe weather conditions such as hurricanes and wildfires.

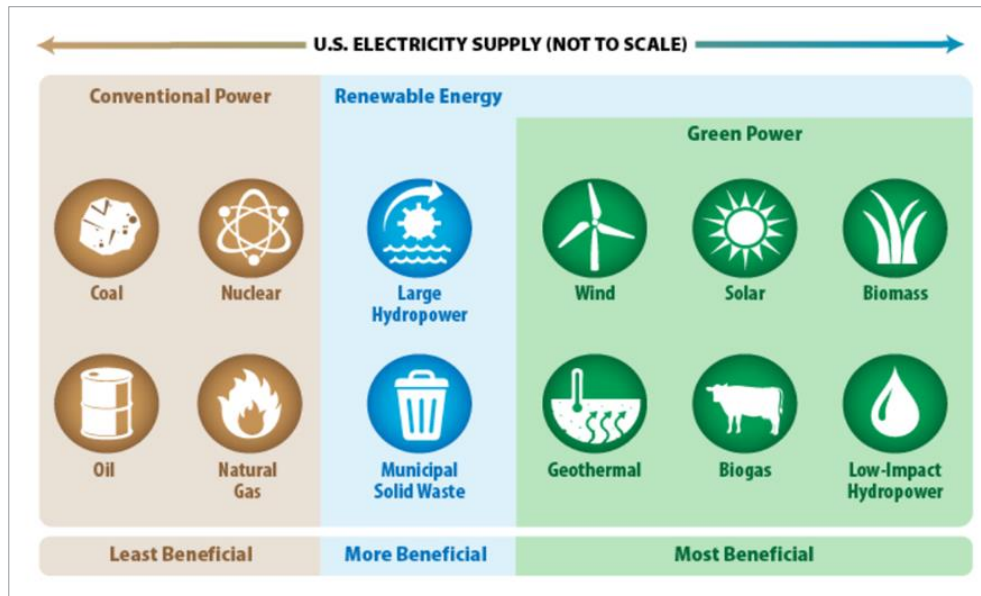


Rising sea levels are causing flooding and erosion in low-lying areas and coastal regions. The increase in sea levels can be attributed to thermal expansion. Water as it heats up also expands. This expansion leads to colder areas being exposed to warmer temperatures and in turn causing melting of polar glaciers. As these glaciers melt the sea level rises which causes flooding and erosion.

To help mitigate the problems of extreme heat, we must look for ways to reduce carbon emissions.

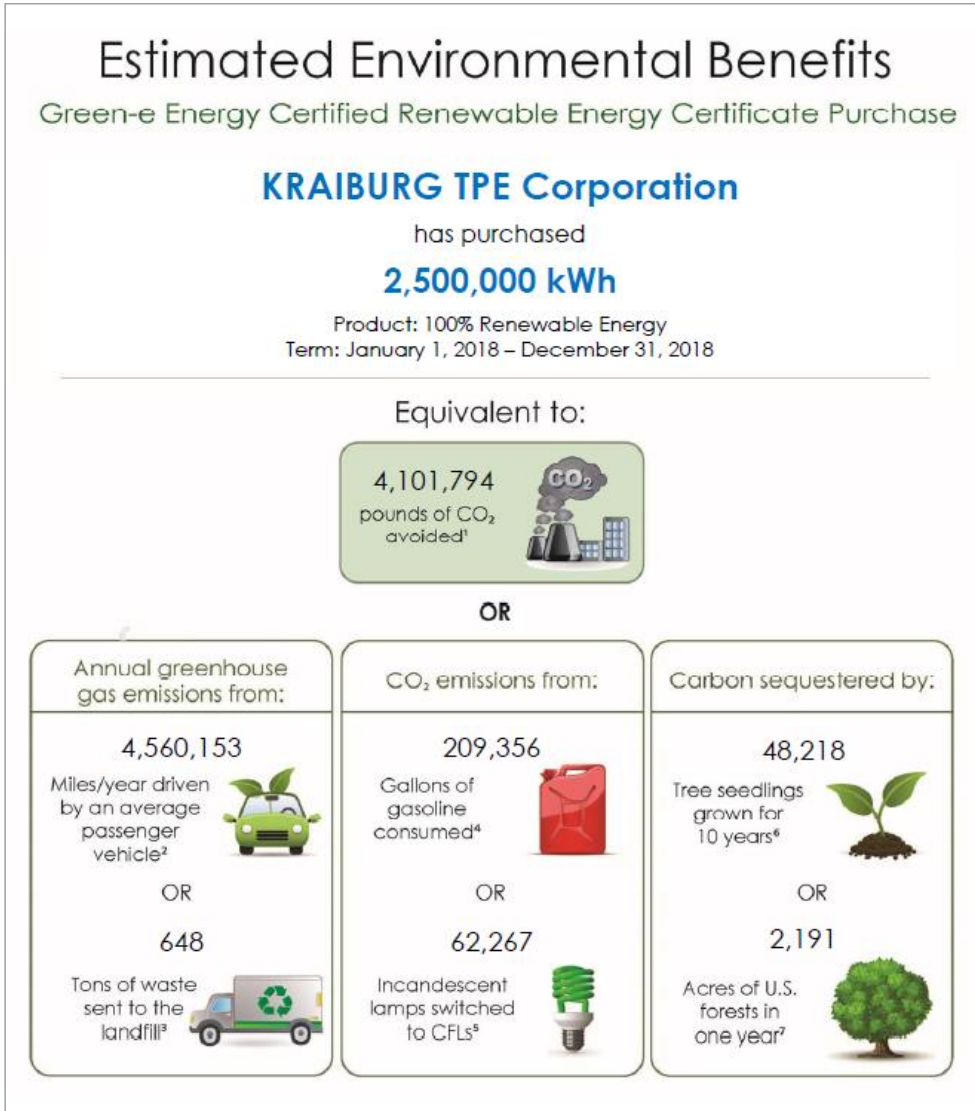
Sustainable Energy by definition, is energy that is produced using the sun, wind, and water, rather than using fossil fuels such as oil, coal and natural gas. Unlike fossil fuels, sustainable energy is re-used. Fossil fuels also cause immense pollution by releasing harmful gases into the environment. Coal and oil according to experts are the biggest contributors to global warming which is the gradual increase in the overall temperature of the earth’s atmosphere or “Greenhouse Effect”.

Investing in sustainable energy is another way we will improve the environment by reducing the emissions of greenhouse gases and maintaining natural resources by using renewable sources energy such as solar, biomass, wind and wave. Technologies using renewable energy are available and cost-effective in delivering power.



Each year, we invest in purchasing green energy to reduce our carbon footprint at KTU by reducing the use of fossil fuels within the production of our TPE. In 2018 we purchased 2.5 million kilowatt hours of green energy from Sterling Planet as part of our sustainability initiative.





Along with utilizing alternative power sources, KTU as an organization, continues to focus on reducing and improving our energy consumption. Installation of the KBR energy measurement system in 2018 allows us to examine the efficiency of the equipment used within the facility. The energy measurement system provides real-time data for energy, compressed air and water. This capability will allow for us to have a better understanding of how much energy our process is drawing but more importantly, where we need to focus our efforts around reducing energy usage. We will also utilize the system for the planning of capital and small projects.

3. Reduced Quality Water Supply and Food Production

Climate change is also causing problems with availability of quality water and the production of food. Water availability as well as accessibility are considered as main constraints to crop production. Water scarcity has been witnessed in many parts as reservoirs are being wiped out.

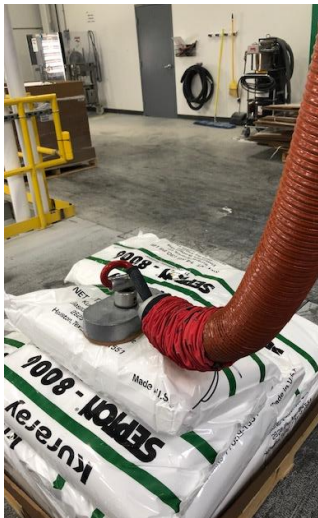
Some researchers have predicted that the rise in temperatures will result in reduced crop production. It is said that as soon as the 2030s, we could be having serious negative effects on the crop yields on a global scale putting people at risk of hunger and starvation. The problem may be compounded by the increasing population, which means increased demand for food.

Water management is an important thing to help reduce the problem of water shortages and availability of water for food production. But even with that in mind, the biggest threat we have today is global warming. If the trends being seen in carbon emissions aren't reverted, it could result in serious repercussions. The changing rainfall patterns coupled with draught and flooding as well as erosion are things that will impact on the production of food.

Health and Safety

The safety, health and wellness of our employees remains to be one of our top areas of focus at KTU. As stated in our Corporate policy and Business Mission the well-being of our employees is a key factor to our success as an organization. We continue to look at ways to reduce our risk within the workplace through conducting job hazard assessments, noise, hearing and dust/particulates testing to reduce exposure. In 2018, we made several investments in improving the health and safety within KTU.

Lifting Assistance Equipment



Central Vacuum System



Noise Abatement Curtains



Performance of Energy & EHS Objectives 2018

At KTU, we track and measure our performance through monthly KPI's such as water, power, LTIF and waste quantity, legal compliance and employee safety training. Target setting for these objectives occurs during the business strategy meetings based on information from several analysis/reviews conducted throughout the year.

- Management Reviews
- Environmental Aspects and Impacts
- Continuous Improvement
- Legal Compliance Review
- Risk Management

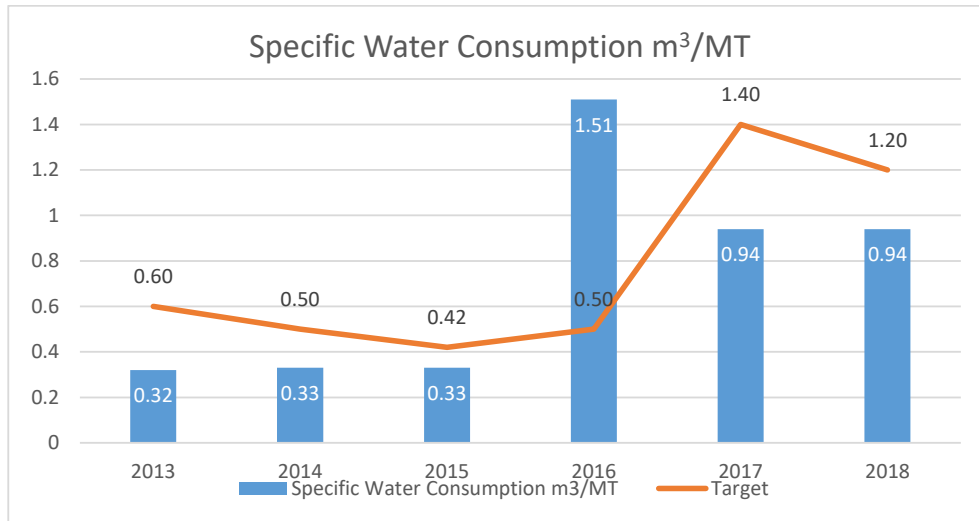
| Objective | 2017 Actual | 2018 Target | 2018 Actual |
|---|-------------|-------------|-------------|
| Specific Water consumption (m ³ /mt) | 0.94 | <1.2 | 0.94 |
| Specific Power Consumption (kWh/mt) | 471.3 | <490 | 471.3 |
| Lost Time Injuries per 1 Million Working Hours | 0.66 | <10 | 3.7 |
| KPI Waste (kg/mt) | 11.7 | <13.5 | 15.9 |
| Legal Compliance (%) | 71.5 | 100 | 95.7 |
| Employee Safety Training Completion (%) | 77.0 | >85 | 96.2 |

Legal Compliance & Safety Training Completion

Energy and EHS Objectives established for year 2018 were monitored monthly. Energy and EHS related issues are discussed in the monthly Safety/EHS Committee Meeting. Top management reviews metrics performance during monthly meetings. We did not achieve our targets for Legal Compliance and Employee Safety Training in 2017 due to several organizational changes throughout the year. In 2018, we conducted monthly training session on safety and legal compliance topics which allowed us to improve our completion percentage (33%-Legal Compliance, 24.9%-Safety).

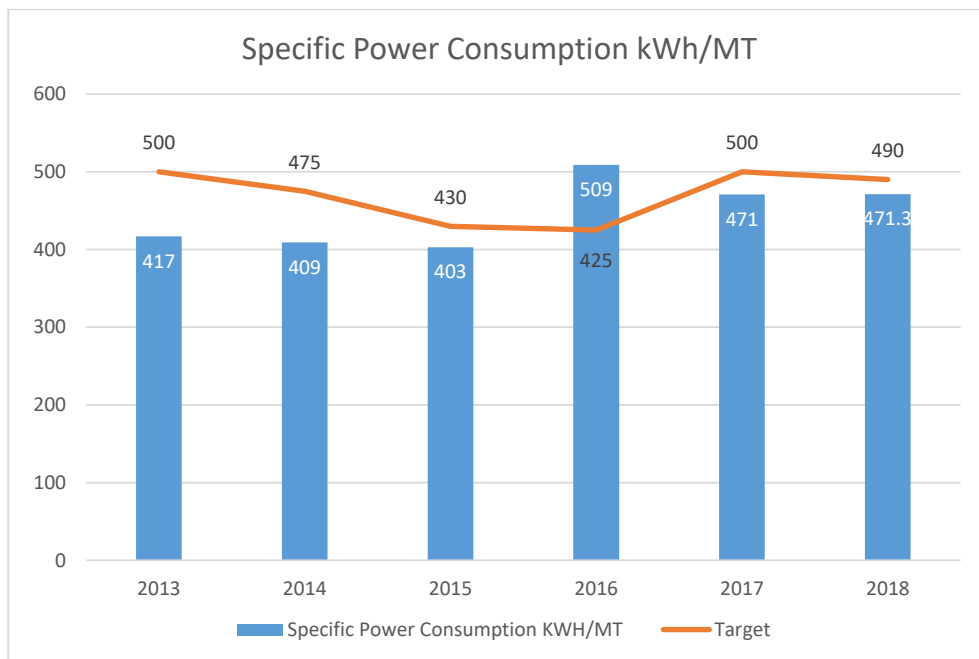
Specific Water Consumption

Specific water consumption for year 2018 was 0.94m³/mt, which was below target <1.20m³/mt. Our water consumption will always be higher during the months of May through August due to the higher temperatures during the late spring and summer months where moisture absorption into the atmosphere is most accelerated.



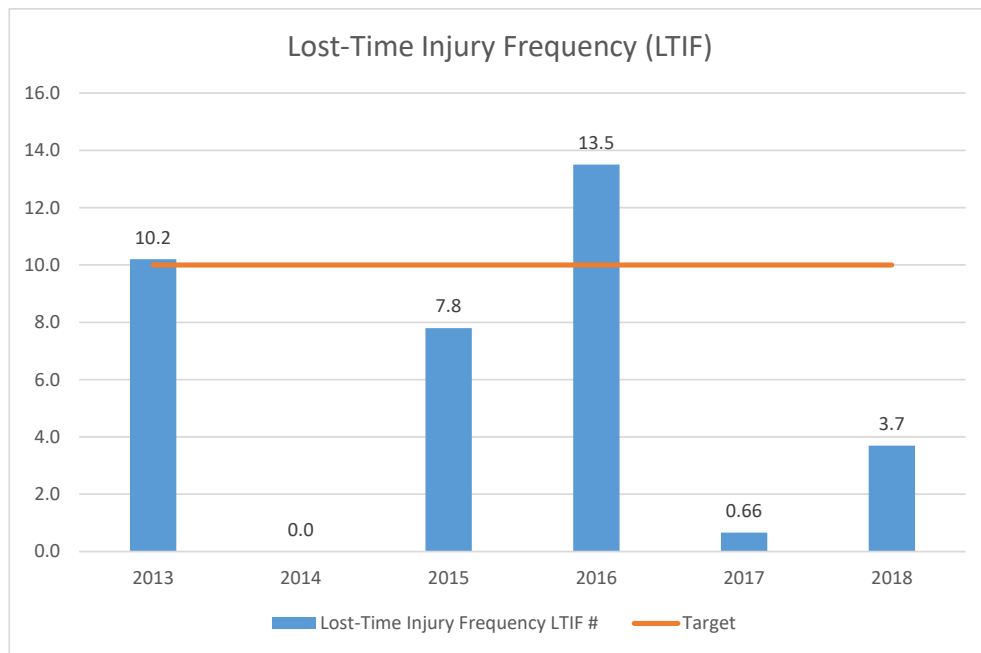
Specific Energy Consumption

Specific energy consumption was 471.3 with a target of 490kWh/MT, which was achieved 471.3kWh. With the installation of the KBR measurement system in 3Q 2018, we expect to be able to look further into the efficiency of our equipment to determine ways to reduce our power consumption.



Lost Time Injuries per 1 Million Working Hours

LTIF was 3.7 with a target of 10.0. Key factors this success has been a greater focus to safety training and implementation of additional personal protective equipment (PPE).

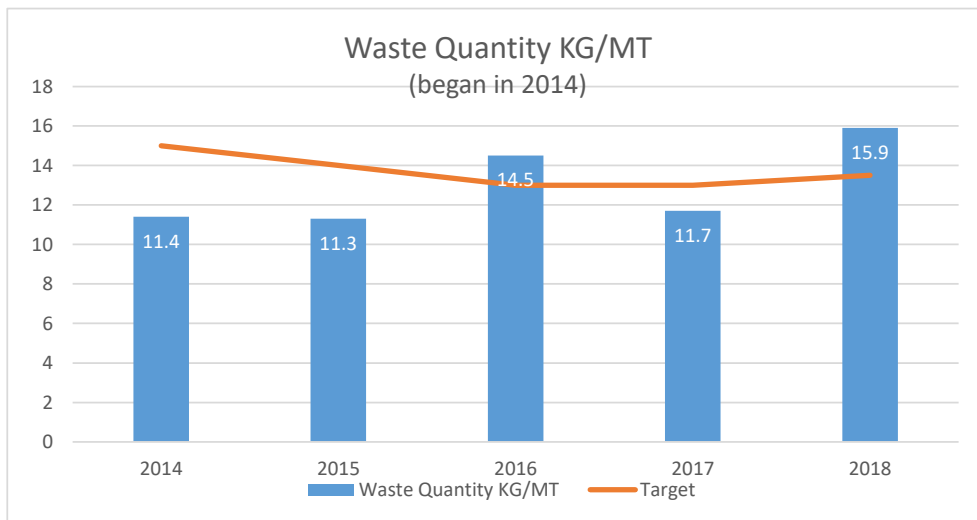


Injuries in 2018 were:

- Finger Injury
- Back Injury
- Wrist Injury

Waste Quantity

Waste quantity was 15.9 with a target of 13.5. With the increase in workforce and production we failed to achieve our target. We will continue to look at ways to reduce our waste quantity by exploring possible vendors to purchase the used raw material plastic bags which is our biggest waste consumption.



Legal Compliance

Overall review of legal requirement in KTU was 96.2% fulfillment in year 2018. Top Management reviews all legal requirement twice a year to ensure compliance with all local, state and federal requirements. We utilize our safety and environmental consultant US Compliance as a resource to conduct safety and environmental compliance audits and to provide information for any new requirements.

- The Federal Clean Water Act
- The Resource Conservation & Recovery Act
- Emergency Planning & Community Right to Know Act
- Federal Aboveground Storage Tank Regulations
- Georgia Hazardous Waste Regulations
- Georgia Universal Waste Regulations
- Georgia Emergency Response Commission
- Georgia Wastewater Regulations
- Georgia Storm-water Regulations (NPDES)
- Georgia Air Regulations
- Georgia Aboveground Storage Tank Regulations
- Georgia Solid Waste Management Regulations
- Gwinnett County Emergency Management Agency
- Gwinnett County Sewer Authority

Energy & EHS Objectives 2019

| Objective | 2019 Target |
|--|-------------|
| Specific Water consumption (m ³ /mt) | 1.10 |
| Specific Power Consumption (kWh/mt) | 440 |
| Lost Time Injuries per 1 Million Working Hours | 8.0 |
| Waste Quantity (kg/mt) | 13.5 |
| Employee Safety Training (%) | >85.0 |
| Specific Energy Consumption in Production Processes (New for 2019) | <220 |
| Waste Quantity Requiring Special Disposal (New for 2019) | <0.5 |
| TPE Recycling (New for 2019) | 45MT |

New Energy and Environmental KPI's

| Specific Energy Consumption in Production Processes | Unit |
|---|-------|
| Measure of EL02, EL09 and EL18 | kWh/t |
| Formula: $\frac{\text{electricity consumption extruders (kWh)}}{\text{Quantity produced (t)}}$ | |
| Purpose/benefit of KPI: <ul style="list-style-type: none"> - Monitoring of area with most significant energy usage - Internationally comparable | |

| Waste Quantity Requiring Special Disposal per Quantity Produced | Unit |
|--|------|
| Waste disposal of Hazardous/ Universal Waste | kg/t |
| Formula: $\frac{\text{quantity of waste with special disposal requirements (kg)}}{\text{Quantity produced (t)}}$ | |
| Purpose/benefit of KPI: <ul style="list-style-type: none"> - Monitoring of waste that has the most significant environmental/human impact | |

| Inventory of TPE Recycling | Unit |
|--|------|
| Shelf warmers(6 months), return shipments, blocked material, REW and stock TEVM | t |
| Formula: quantity(t) | |
| Purpose/benefit of KPI: <ul style="list-style-type: none"> - Monitoring of space-usage due to recycling TPE | |

Energy & EHS Action Plan 2019

New strategic objectives, target & program are established with regard to company's policy on environmental protection, occupational health & safety, protect resources, compliance of legal obligation and energy conservation.

1. Reduce Overall Waste Quantity

Achieve reduction of overall waste quantity by defining a new process for disposal of used Raw Material packaging.

2. Local Energy Management Team

Develop local team to review energy consumption utilizing KBR system. Focus of team will be to evaluate energy consumption for capital and small projects and the efficiency of the equipment within production.

3. Safety/Health & Wellness Day

Host the first Safety Health & Wellness Day for KTU. Day will be designed to provide employees information on living a healthier and safer lifestyle.

4. Safety/Legal Compliance Training Percentage

Achieve 100% compliance for all Safety/Legal training.

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