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.

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.

#### 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 regard 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.

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Injuries</th>
<th>Lost Incident Rate</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>1</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

No OSHA recordable injury was recorded in 2018.

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-e 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.

<table>
<thead>
<tr>
<th>Year</th>
<th>CO₂-e (mT)</th>
<th>Intensity Metric</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>931</td>
<td>4.41</td>
</tr>
<tr>
<td>2017</td>
<td>1015</td>
<td>4.27</td>
</tr>
<tr>
<td>2016</td>
<td>1053</td>
<td>4.62</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Year</th>
<th>NOx (mT)</th>
<th>SOx (mT)</th>
<th>CO2 (mT)</th>
<th>VOCs (mT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>0.6</td>
<td>0</td>
<td>931</td>
<td>17</td>
</tr>
<tr>
<td>2017</td>
<td>0.7</td>
<td>0</td>
<td>1015</td>
<td>19</td>
</tr>
<tr>
<td>2016</td>
<td>0.7</td>
<td>0</td>
<td>1053</td>
<td>20</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Year</th>
<th>Water Abstracted (mT)</th>
<th>Discharged</th>
<th>Net</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>16</td>
<td>16</td>
<td>0</td>
</tr>
<tr>
<td>2017</td>
<td>15</td>
<td>15</td>
<td>0</td>
</tr>
<tr>
<td>2016</td>
<td>17</td>
<td>17</td>
<td>0</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Year</th>
<th>Hazardous Waste Generated (mT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>24</td>
</tr>
<tr>
<td>2017</td>
<td>22</td>
</tr>
<tr>
<td>2016</td>
<td>20</td>
</tr>
</tbody>
</table>

The volume of hazardous waste dropped in 2016/2017 due to the high efficiency of the plant and excellent product quality. The volume increased during 2018 as additional waste was created when a clean-out project was finalized.

Notifications 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.

<table>
<thead>
<tr>
<th>Year</th>
<th>Notices of Violation</th>
<th>Releases to Environment</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2017</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2016</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>
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 ethics 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 complaints registered in 2018 and the years before for Grace Catalyst AB. 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.

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 2018 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.
Revisorons yttrande avseende den lagstadgade hållbarhetsrapporten

Till bolagsstämman i Grace Catalyst AB, org.nr 556613-5504

Uppdrag och ansvarsfördelning
Det är styrelsen som har ansvaret för hållbarhetsrapporten för år 2018 och för att den är upprättad i enlighet med årsredovisningslagen.

Granskningens inriktning och omfattning

Uttalande
En hållbarhetsrapport har upprättats.

Göteborg 2019-06-26
Öhrling PricewaterhouseCoopers AB

Karin Olsson
Auktoriserad revisor