



## Our Sustainability Work in 2016

## Nolato in 15 seconds

Nolato is a Swedish publicly listed group with 6,400 employees in Europe, Asia and North America.

Nolato develops and manufactures products in polymer materials such as plastic, silicone and TPE for leading customers within medical technology, pharmaceuticals, telecom, automotive and other selected industrial sectors.

Nolato's business model is based on close, long-term, innovative collaboration with our customers.

Nolato endeavours to create added value for both customers and shareholders through leading polymer technology, wide-ranging capabilities and highly efficient production.

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# Customers' first choice for sustainable development

## Good financial performance and strategic acquisitions

Nolato achieved good financial performance in 2016 despite not matching the figures of 2015, which was a record year. Nolato Medical experienced strong development and Nolato Industrial continued growing. The decrease for Nolato Telecom was due to product changeovers at customers in the mobile phone sector.

Important events in the year included two strategic acquisitions: Switzerland-based Treff and Poland-based Grizzly Medical.

## A natural aspect of our business

For us, sustainable development is a natural aspect of our day-to-day business, part of our corporate culture and how we view the world and people. For us, it's key to reducing our environmental footprint and underlining the equal value of everyone. That's why we continually work on everything from our Code of Conduct and whistleblower systems to energy efficiency and other measures to reduce our environmental impact.

A typical example from 2016 related to the Grizzly Medical acquisition. The company used coal-fired heating for its production facility, which we quickly converted to a more environmentally sustainable alternative.

## Environmental benefits and business benefits

Every year, sustainability issues grow in importance – within Nolato, at our suppliers and customers, and in society in general. Our companies are constantly making improvements within sustainable development, and this report contains lots of great examples of how environmental benefits can generate business benefits too.

Our systematic approach to resource efficiency, transport, packaging and certified management systems also helps customers reduce their environmental footprint. And our expertise and technology aid the development of greener products. The require-

ments we make within our supply chain are at least as stringent as those our customers place on us. Just as in other areas, we want to be customers' first choice for sustainable development.

## The UN Global Compact

Our Code of Conduct is based on the UN Global Compact, and we have now also linked the Group's sustainable development targets to the UN's new Sustainable Development Goals. These goals target areas such as responsible consumption and production, and decent work and growth, and therefore have an impact on the business sector. Two of the 17 goals relate to energy and climate. These are areas that are important to Nolato and we are now updating our previous targets in these areas.

## Social engagement

This sustainability report also sets out our social engagement. Supporting non-profit organisations and direct support for various activities makes a difference. We're proud of the work we do under the Employee Care Programme and Building Hope Together project in Beijing, but there are good examples throughout the Group. For example, Nolato cooperates in a number of ways with schools, colleges and universities. We do this because of the importance of skills and recruitment in the future.

## Achievement of important milestones

I'd like to thank all our employees who contribute to Nolato's sustainable development efforts. Together we have embarked on a journey and achieved some important milestones, but there's still a lot to do.



**Christer Wahlquist**  
President and CEO

*Torekov, March, 2017*

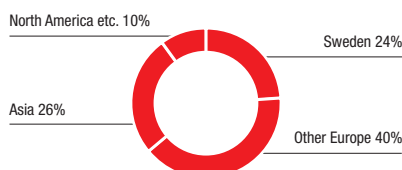
*Christer Wahlquist*  
President and CEO

# The Nolato Group in brief

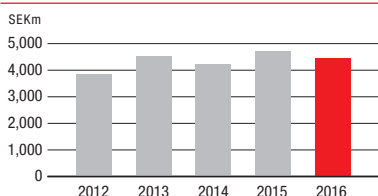
- Development, production & sales  
○ Sales & technology



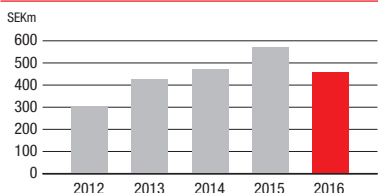
## Sales by market



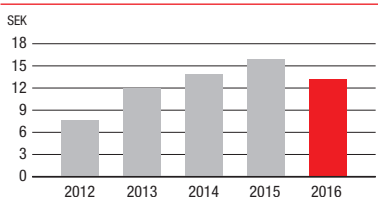
## Sales



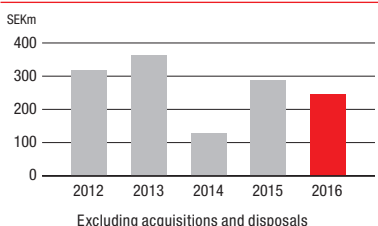
## Operating profit (EBITA)



## Earnings per share



## Cash flow after investments



## Our operations

Nolato is a Swedish publicly listed group with operations in Europe, Asia and North America. We develop and manufacture products in plastic, silicone and TPE for leading, often global, companies within three areas:

- ◆ Medical devices (such as autoinjectors, insulin pens and catheter balloons).
- ◆ Telecommunications components (such as subsystems for mobile phones, often with significant cosmetic content, methods and materials for shielding electronics, as well as fast-growth areas of technology, i.e. selected consumer electronics).
- ◆ Products for industrial companies (such as vehicle components, hygiene products and specialist packaging).

## Our offering

Nolato's customer offering comprises most technologies in the field of polymers and covers the entire value chain from development to product delivery. The 'One Nolato' concept means we can offer customers a comprehensive offering of technologies and products from our three business areas. This includes both products that are unique to customers such as pharmaceutical injection systems, car components for specific models, standard products such as packaging for medical devices, and plugs and caps for industrial products.

We endeavour to develop close, long-term and constructive collaboration with customers and we are often chosen for the production of complex products with stringent technical demands.

Our wide-ranging capabilities support our customers' product development. Our involvement in customers' development work at an early stage allows us to optimise materials and product design to help achieve better and more cost-effective end products.

## Our values

Nolato has a long tradition of responsible business practice, and one of our Basic Principles is that efficient business operations must be combined with ethics, responsibility and environment awareness. These areas are consequently natural and integral aspects of our business operations.

## Our employees

The average number of employees in 2016 was 6,418 people. Of these, 87% were outside Sweden.

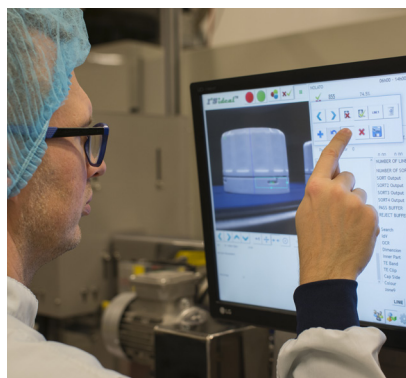
## Our shares

Nolato was listed on the stock exchange in 1984, and its B shares are listed on Nasdaq Stockholm in the Mid Cap segment, where they are included in the Industrials sector.

## Our history

Nolato was founded in 1938 as Nordiska Latexfabriken i Torekov AB, with the trademark Nolato, which has been the company name since 1982.

Today's global Group is the result of organic growth and acquisitions. The head office is still in Torekov, Sweden, but the majority of operations are now based abroad.



## Nolato Medical

Financial highlights:	2016	2015
Sales, SEKm	1,645	1,464
Operating profit (EBITA), SEKm	216	191
EBITA margin, %	13.1	13.0
Average number of employees	1,157	1,053

### Customer offering:

Development and manufacture of complex product systems and components within medical technology and advanced packaging solutions for pharmaceuticals and dietary supplements.

### Geographic information:

Development, production and sales in Sweden, the UK, Hungary, Switzerland, Poland, the US and China. Sales offices in Denmark, Germany, France and the Czech Republic.

### Success factors:

Medical understanding, broad technological offering, expertise in developing reliable product solutions, global production and robust quality.

### Customers include:

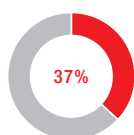
Abbot, Becton Dickinson, Boston Scientific, Coloplast, Hamilton, Medtronic, Novo Nordisk, Pfizer, Roche, Sanofi, Takeda.

### Volatility:

Low. Steady market growth.  
Long-term growth potential.

### Product life cycle:

Long.



Share of the Group's  
net sales



Share of the Group's  
operating profit (EBITA)



## Nolato Telecom

Financial highlights:	2016	2015
Sales, SEKm	1,402	2,017
Operating profit (EBITA), SEKm	131	272
EBITA margin, %	9.3	13.5
Average number of employees	4,480	6,002

### Customer offering:

Development and manufacture of advanced components and subsystems for mobile phones, and products in fast-growth areas of consumer electronics technology. EMC (electromagnetic compatibility) products and systems for shielding of electronics.

### Geographic information:

Development, production and sales in Sweden, China and Malaysia. Sales and technology offices in the US, India, Korea, Japan and Hungary.

### Success factors:

Creative development work, cutting-edge technology, advanced project management, fast production start-ups and high productivity.

### Customers include:

Ericsson, Fitbit, Huawei, Microsoft, Motorola Solutions, Nokia, Sonos, Sony Mobile, Xiaomi, ZTE.

### Volatility:

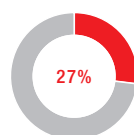
High. Project-based operations.

### Product life cycle:

Short.



Share of the Group's  
net sales



Share of the Group's  
operating profit (EBITA)



## Nolato Industrial

Financial highlights:	2016	2015
Sales, SEKm	1,409	1,251
Operating profit (EBITA), SEKm	134	132
EBITA margin, %	9.5	10.6
Average number of employees	775	698

### Customer offering:

Development and manufacture of products and product systems for customers in the automotive industry, hygiene, packaging, gardening/forestry, furniture and other selected industrial segments.

### Geographic information:

Development, production and sales in Sweden, Hungary, Romania, Switzerland and China.

### Success factors:

Technology, project management and productivity.

### Customers include:

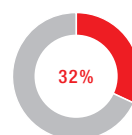
Atlas Copco, Brose, Geberit, Husqvarna, Jaguar/Land Rover, MCT Brattberg, Scania, SKF, Volvo and Volvo Cars.

### Volatility:

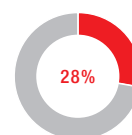
Medium. Follows the Northern European industrial business cycle.

### Product life cycle:

Medium/Long.



Share of the Group's  
net sales



Share of the Group's  
operating profit (EBITA)



# 2016 in brief

## Financial performance

The Nolato Group achieved good financial performance in 2016. Nolato Medical experienced strong development and Nolato Industrial continued growing. The decrease for Nolato Telecom was the result of product changeovers at customers in the mobile phone sector. Consolidated sales totalled SEK 4,447 million (4,726) in 2016. Operating profit (EBITA) was SEK 457 million (570) and the operating margin (EBITA) was 10.3% (12.1). Earnings per share were SEK 12.77 (15.97).

## Sustainable development

Nolato's sustainable development activities continued in 2016, with the UN Global Compact providing guidance in both day-to-day and strategic efforts. We reported Global Compact-related measures to the UN and Nolato's targets were linked to the UN Sustainable Development Goals. Work on energy and carbon emissions issues was further developed and reported under the Carbon Disclosure Project (CDP). Social responsibility programmes in China continued, with new initiatives as part of Building Hope Together and the Employee Care Programme.

Certified management systems are a key element of Nolato's sustainability efforts and 2016 saw the introduction of the revised ISO 14001 standard. We also worked on meeting customers' increasingly stringent sustainable development requirements. During the year, Group companies successfully fulfilled customer requirements, as verified by audits and evaluations. 2016 saw the implementation of numerous activities focused on schools and universities, including study visits, internships and workplace degree projects.

## Continued efforts

In 2017, Nolato will be working on measures including the following:

- ▶ Activities that contribute to more efficient use of resources such as energy, water and materials, in part through systematic energy audits. Work under the EU Energy

Efficiency Directive will be reported to the Swedish Energy Agency.

- ▶ Measures to cut Nolato's emissions of greenhouse gases.
- ▶ Updating Group sustainable development targets, taking account of the UN Sustainable Development Goals.
- ▶ Preventive health and safety measures, in part through the introduction of certified management systems.
- ▶ Adaptation of environmental management systems to the new ISO 14001:2015 standards.
- ▶ Generation of business benefits by offering customers expertise and experience in

making products and transportation more environmentally sustainable.

- ▶ Further development of Nolato's social engagement and social responsibility, through projects like the Employee Care Programme and Building Hope Together, as well as through contact with schools and universities.
- ▶ Sustainability reporting in line with new EU legislation on sustainable development reporting by large companies. Continued reporting to the Carbon Disclosure Project and Global Compact.

## Sustainability KPIs

	2016	2015	2014
<b>Financial responsibility</b>			
Sales, SEKm	4,447	4,726	4,234
Operating profit (EBITA), SEKm	457	570	470
EBITA margin, %	10.3	12.1	11.1
Average number of employees	6,418	7,759	8,020
<b>Environmental responsibility</b>			
Breach of environmental and occupational environment legislation, number of cases	0	1	0
Energy consumption, MWh/SEKm sales	0.038	0.035	0.038
Water consumption, m <sup>3</sup> /SEKm sales	36.8	37.9	37.8
Greenhouse gas emissions, CO <sub>2</sub> tonnes/SEKm sales	11.5	12.1	14.7
Waste, tonnes/SEKm million sales	1.2	1.1	1.0
Certified environmental management system, % of total no. of plants	91	95	100
<b>Social responsibility</b>			
Workplace accidents, (cases of ≥1 day's absence; cases per million hours worked)	63 (5.0)	35 (2.3)	43 (2.9)
Certified health and safety management system, % of total no. of plants	27	30	26
Female employees, %	49	50	52
Training on Nolato's Basic Principles and Code of Conduct, % of number of employees	>90	>90	>90
Application of ethical & humane principles and number of registered breaches of corruption rules	0	0	0
Evaluation of suppliers; evaluations performed re. environmental/ social responsibility	173	134	161

# Sustainable development creates value

Work on sustainability issues is an integral part of Nolato's strategy for growth and value creation and is a natural part of our day-to-day work. The aim is to contribute to a better environment, create business opportunities, reduce costs, minimise risks and meet the requirements and expectations of external and internal stakeholders.

## Nolato and the UN Sustainable Development Goals

The 10 principles of the UN Global Compact have provided a guide for Nolato's sustainability work since 2010. These principles are specified in the Group's Code of Conduct, as described in The Nolato Spirit document. The Code should be regarded as the guiding principle for managers and employees on issues concerning the environment, social responsibility and ethics.

Over the years, the view of business' role in sustainable development has changed and this is expressed very clearly in the UN Sustainable Development Goals. The goals were published just over a year ago and expectations on the efforts of business are high. This applies to both responsible conduct and the development of products and services that benefit sustainable development.

Nolato applies global initiatives to its sustainable development reporting. This report is set out according to Global Reporting Initiative (GRI G4) guidelines. The Group's performance with regard to carbon emissions is reported under the Carbon Disclosure Project (CDP). Nolato received a score of 89

out of 100 in its 2016 CDP reporting. Global Compact-related activities are reported as a separate section in this sustainability report (see page 30).

## Sustainability – part of Nolato's business

When Nolato was founded in 1938, concepts such as responsibility, good organisation and a focus on customer requirements were part of our corporate culture. Since then, we have raised our ambitions and issues concerning the environment, social responsibility and ethics are now a vital part of Nolato's business. The figure below shows some important milestones, with the latest being the linking of Nolato's targets in 2016 to the UN Sustainable Development Goals. Find out more about this in the article on page 22.

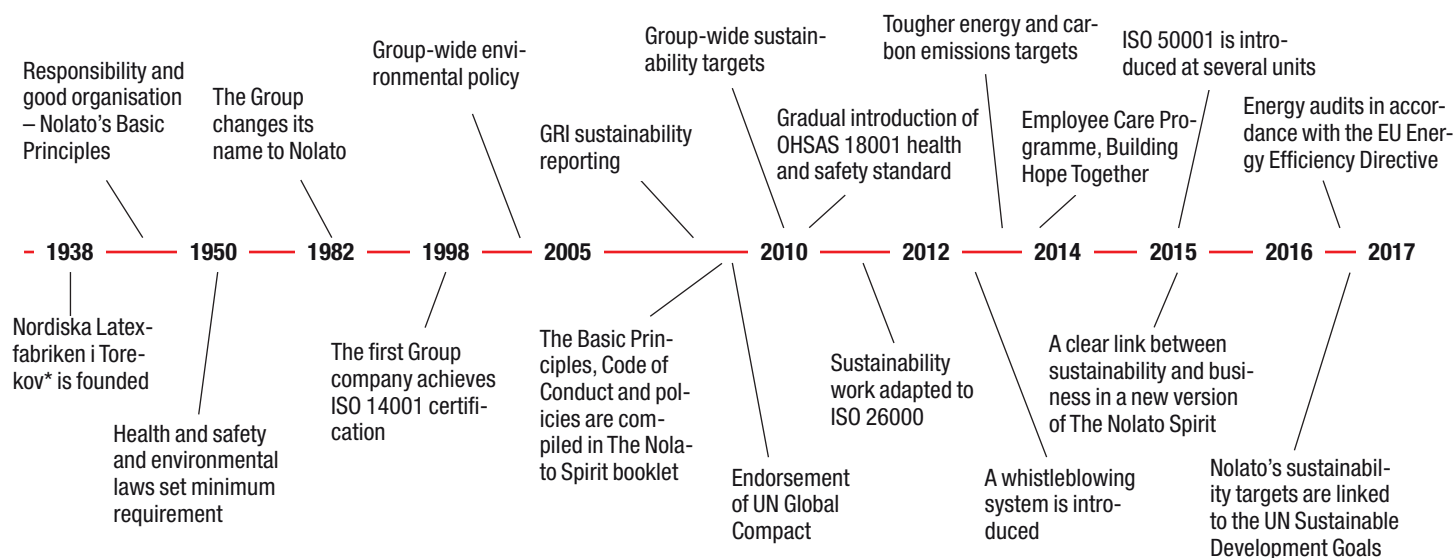
It's essential that we meet environmental and health and safety legislation, but the expectations of society and the Group's stakeholders have also gradually increased in importance. These include growing requirements among Nolato's customers relating to the environment and social responsibility and expectations on us to pass these requirements on to our suppliers. Another example is involvement by staff, and in this respect sustainability has become increasingly important in attracting new employees.

## 2016 highlights

- Global Compact-related activities were further developed and reported to the UN. In 2016, Nolato's goals were linked to the UN's Sustainable Development Goals.

- Good energy efficiency results through audits and investing in intelligent lighting and production equipment.
- Measures to reduce carbon emissions – energy efficiency, reduced use of fossil fuels, auditing of transport emissions and the purchase of fossil-free electricity. These measures were reported under the Carbon Disclosure Project.
- Involvement in a school in a poor area of Beijing, known as Building Hope Together, continued with additional input from Nolato.
- Continued systematic sustainability work using environmental (ISO 14001) and health and safety (OHSAS 18001) standards. Several new certifications were achieved during the year, and ISO 14001:2015 is currently being updated.
- The Employee Care Programme at Nolato Beijing was further developed. The programme is boosting employee's skills and is contributing to their personal development and well-being.
- Customers are placing increasing requirements on Nolato's sustainability work and conducting audits and assessments. The Group's companies met these requirements successfully over the year.
- Numerous activities were undertaken focussing on schools and universities such as study visits, internships and workplace degree projects relating to sustainable development.

## Några viktiga steg på vägen till hållbarhet



## Strategy and governance

### Sustainable development strategy

The Group has long had preventive measures in place relating to health and safety and environmental issues and these are important elements of The Nolato Spirit. Issues regarding social responsibility and good business ethics have become increasingly important and can now be regarded as essential for successful business operations. There are also significant expectations that Nolato and other companies must apply a clear life cycle approach to raw materials, product development, processes and products. Responsibility in the supply chain has become increasingly important.

Nolato's sustainable development activities are being further developed. This applies to everything from Group-wide strategies and reporting to day-to-day operations at production facilities. The long-term strategy remains in place, with a focus on:

- ▶ Reducing risks and costs through preventive measures, risk analysis and investments in modern technology. Energy and emissions issues are a particular priority.
- ▶ Creating business opportunities through responsible operations and development of resource-efficient production methods and products.
- ▶ Enhancing competitiveness and increasing customer confidence. Many of Nolato's customers have ambitious sustainable development goals – an approach we share and that we pass on to our suppliers.
- ▶ Participating in international initiatives and applying global guidelines, including the UN Global Compact, Global Reporting Initiative (GRI) and Carbon Disclosure Project (CDP).
- ▶ Working systematically based on ISO standards and concepts like lean manufacturing, Medical Excellence and 5S. ISO 14001 has been in place for some time and the Group is now introducing the OHSAS 18001 health and safety standard at its units. The ISO 50001 energy management standard has been introduced at a number of units.
- ▶ Being a good corporate citizen, and encouraging employee involvement and attracting new employees. Our social engagement includes cooperation with universities and schools, employment of

people with disabilities and support for sporting activities.

- ▶ Applying sound business principles and good ethics. Preventing corruption is a key aspect of this work.
- ▶ Communicating in a transparent way on sustainable development, both with regard to achievements and failings. This makes it easier for our customers, investors and other stakeholders to follow up on their requirements and evaluate Nolato's performance.
- ▶ Continuing to integrate sustainability issues into Nolato's business model. This involves areas such as investments, monitoring, external communication, company acquisitions, crisis and risk management, procedures, reporting and training.

### Governance and monitoring

The overall focus of and responsibility for our sustainability work is set out in Nolato's Basic Principles and Code of Conduct. The Code of Conduct is specified by Group-wide goals on the environment, social responsibility and business ethics. Each unit works towards these overall goals, as well as their own detailed targets.

Operational responsibility for the environment and health and safety is delegated to the Managing Director of each company. Group management regularly follows up on the development of this work and how sustainability development is being integrated into strategic planning. One representative on Nolato's Board has special responsibility for these issues. These activities are followed up through dialogue with the companies' management and through internal and external audits. Along with the annual sustainability report, we also carry out an in-depth analysis of compliance with legislation, target outcomes and the development of performance and key performance indicators (KPIs) during the year.

### Materiality analysis

#### Risks and opportunities

Within the framework of the ISO 14001, OHSAS 18001 and ISO 50001 standards, Nolato's businesses endeavour to identify and manage issues relating to environment, health and safety, and energy. This involves not only identifying risks, but also looking for opportunities within sustainable develop-

## Key guidelines



### The Nolato Spirit

The Nolato Spirit booklet summarises the Group's core values, Code of Conduct and policies and explains how they relate to the business model.



### The UN Global Compact

Since 2010 Nolato has been a signatory to the UN Global Compact, a framework document that comprises 10 principles on the environment, human rights, labour conditions and the combatting of corruption.



### Sustainability reporting

Nolato's sustainability work is reported in accordance with Global Reporting Initiative (GRI G4) guidelines, the Carbon Disclosure Project (CDP) and the UN Global Compact (Communication on Progress; COP).

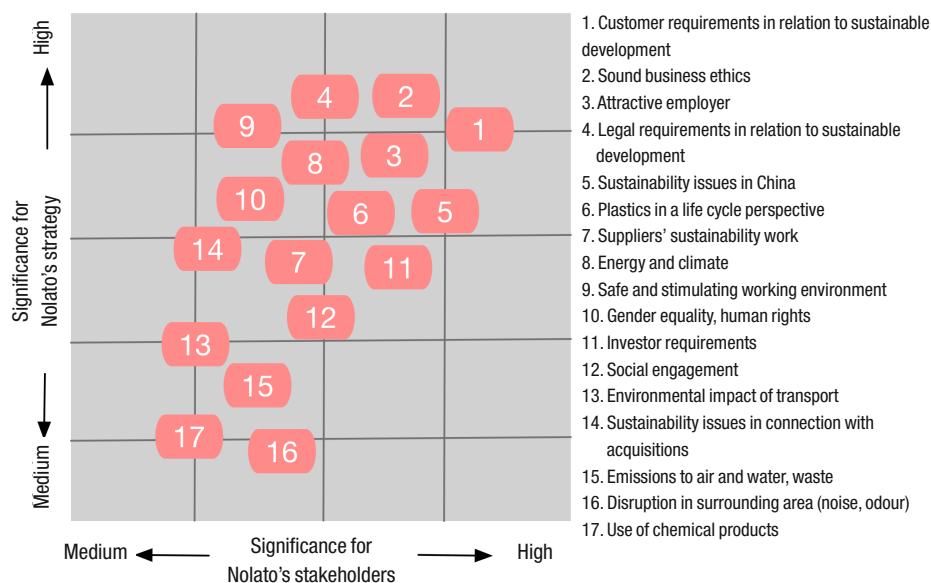
### Certified management systems

Nolato's units are certified to the international standards ISO 14001 (environment) and ISO 9001 (quality management). The OHSAS 18001 health and safety standard is being gradually introduced throughout the Group and some units operate in accordance with ISO 50001 (energy). The ISO 26000 social responsibility standard provides us with guidance for our overarching sustainable development efforts.



ment. This is something that is highlighted in the revised ISO 14001. Analyses of risks and opportunities, combined with requirements and expectations from a range of stakeholders, provide the basis for the materiality analysis. This is based on sustainability reporting guidelines (GRI G4) and provides the background for which areas are examined in greater detail in the sustainability report and which GRI indicators are used. The end of the report (pages 27–29) contains a list of the GRI indicators that we refer to. The chart on the right shows the issues that were identified in 2016 as significant and our sustainability reporting describes how these issues are managed and monitored.

The materiality analysis for the year has been modified in some areas. For example, there is increased interest in sustainability issues in the finance industry and we give this area a higher priority in the chart. The environmental impact of plastic is an area that has long been discussed, both among researchers and in the media. This relates to plastic's derivation from fossil resources, the occurrence of chemical substances in plastics that are hazardous to the environment and to health, and plastic waste. And the issue of microscopic particles of plastic in the world's oceans has also gained significant attention in recent years. Our materiality analysis



takes account of these problems and assigns greater priority to this area. The concept of 'a life cycle perspective of plastics' also incorporated into Nolato's aims to contribute to environmentally sustainable product development.

### Value for stakeholders

Nolato interacts with a number of stakeholder groups, which brings expectations in relation to sustainable development. Our understanding of which stakeholders are

significant – and what they consider to be important – is based on experience and long-standing commercial relationships, as well as events over the past financial year.

Stakeholder engagement is carried out in various ways and includes performance reviews with employees, customer satisfaction surveys, analyst meetings and cooperation with supplier and contractors.

## Overview of stakeholder engagement in 2016

Stakeholder	Key issues, requirements and expectations	Value created
Customers	All Nolato's companies are affected by customer requirements regarding sustainable development. These requirements include matters such as environmental management systems, prohibited chemical substances, environmental declarations, product labelling, code of conduct, and the fulfilment of specific legislation.	In 2016, customers carried out monitoring at many of the Group's companies. The outcome was positive and the results were used to enhance the Group's sustainability work and strengthen customer relationships. The operations in China and Malaysia are certified as Sony Green Partners.
Employees	Health, safety, pay, benefits, social conditions, well-being, development opportunities.	We carried out performance reviews and provided training, professional development and health care. Preventive health and safety measures were a high priority and the frequency of accidents remained low. The Employee Care Programme was further developed in China. During the year, Nolato paid SEK 1,283 million in wages to employees
Suppliers	Nolato endeavours to have long-term and transparent relationships with suppliers. The aim is to ensure the right quality, financial stability and sustainable development for both parties. Suppliers expect consistent and clear requirements.	Suppliers have been informed of Nolato's Code of Conduct and we expect them to share the Group's values. We assessed suppliers' sustainability work and conducted around 175 surveys and audits. Suppliers met the Group's requirements to a satisfactory degree. In 2016, Nolato paid its suppliers a total of SEK 2,767 million.
Shareholders	Reduce risks, create business opportunities and demonstrate credible and forward-looking sustainability work.	Integration of sustainable development in strategies and day-to-day work created value for shareholders. Use of the sustainability report allowed shareholders and potential investors to evaluate the Group's sustainability work. Nolato's share price rose by 2% in 2016.
Society	Social engagement is an important aspect of The Nolato Spirit and something that is expected by local communities where the Group operates. As a global company, the Group is expected to undertake measures that contribute to national and global sustainable development goals.	Social engagement created trust and interest in Nolato. Contact with schools and universities contributed to attracting future employees. The Building Hope Together school project in China was further developed. By signing up the UN Global Compact, Nolato contributed to the UN Sustainable Development Goals. In 2016, Nolato paid SEK 119 million in tax.

## Environmental and health and safety legislation

Nolato's companies are subject to extensive legal requirements relating to the environment and health and safety. We use our management systems to identify applicable legislation and our companies implement the relevant measures. From a strategic perspective, it is important to evaluate the risks and opportunities of future legislation, and the Group does this by participating in networks and through regular contact with various authorities.

In Sweden, the Group conducts activities that are subject to notification obligations in accordance with the Swedish Environmental Code at ten plants. The units in China, Hungary, Romania, Poland, Switzerland, Malaysia and the US require permits or are covered by other requirements under the environmental legislation of the country in question. No significant updates to permits and conditions are expected in the near future. At some of the units, the introduction of new products or increased production led to updates of permits. Many of the units report regularly to the environmental authorities, and the supervisory authorities carry out inspections. In 2016, 7 (8) plants were inspected by environmental authorities and no significant deviations were noted.

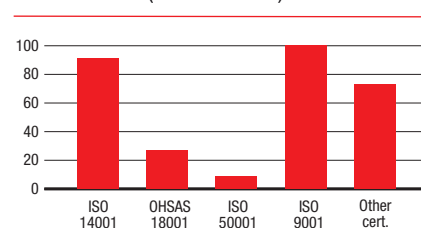
Legislation relating to hazardous chemicals (REACH, RoHS, refrigerant regulations, safety data sheets) largely concerns the entire business and this is an area where many customers are demanding a guarantee of compliance with legislation. The recently introduced Classification, Labelling and Packaging regulation (CLP) for chemical substances has been implemented at Nolato's businesses. Fourteen of the units are affected by EU legislation relating to producer responsibility for packaging waste and pay annual charges for this.

Another piece of legislation that was recently introduced is the EU Energy Efficiency Directive. As a large company, Nolato is subject to the directive, which involves requirements for energy audits to be conducted by certified energy auditors. Energy audits have been conducted or are planned at a number

of units. Auditing of fulfilment of the directive is carried out according to the requirements of authorities in each EU country. In Sweden, the first audit will be submitted to the Swedish Energy Agency in spring 2017. Nolato Jaycare in the UK fulfils the energy directive through its certification under the ISO 50001 energy management system.

In 2016, there were no breaches of permits, conditions or any other relevant environmental legislation. With regard to health and safety, 8 (5) units were inspected by occupational environment authorities during the year. Some minor deviations regarding machine safety were noted and these have been rectified.

Certifications (% of all units)



## Certified management systems

The ISO 14001 environmental management system standard was introduced in 1996, and by 1997 Nolato had its first plant certified to the standard. ISO 14001 is an important element of Nolato's sustainable development strategy and our working practices, and the environmental audits and certification create confidence among our stakeholders. All units, apart from the two companies acquired in 2016, are certified.

A large number of internal and external environmental audits are carried out to check that the environmental management systems meet ISO 14001 requirements. Nolato has around 111 (110) internal environmental auditors, who conducted 103 (99) environmental audits last year. The facilities were reviewed by external auditors on 20 (19) occasions.

The latest version of ISO 14001 was published in autumn 2015 and we now have three years to make the necessary updates to the environmental management sys-

tems. Some Group companies have already achieved ISO 14001:2015 certification and many of the companies will achieve this in 2017. See the 'fact file' on page 11 to find out how Nolato MediTor performed a gap analysis to produce the basis for the forthcoming update of its environmental management system.

All units are certified in accordance with the requirements of the ISO 9001 quality management system. In addition, approximately 80% of units are certified in accordance with ISO standards for the automotive industry (ISO/TS 16949) or medical technology (ISO 13485). At many of the plants, the various management systems are entirely or partly integrated into the overall operational system.

OHSAS 18001-based health and safety management systems have been introduced at 6 (6) units and a further 9 units are planning to achieve certification within the next 6–18 months. UK-based Nolato Jaycare is certified under the ISO 50001 energy management standard. At Group level, the ISO 26000 social responsibility standard provides a guideline for our overarching sustainability work. This standard is based on seven fundamental principles and describes how an organisation can work with environmental issues, social responsibility and ethics.

## Nolato MediTor gains help analysing its environmental management system

Operating under the ISO 14001 environmental management standard is a basic requirement for all of Nolato's plants.

Just over a year ago, another new version was introduced in the form of ISO 14001:2015. Certified companies now have three years in which to update their environmental management systems based on the new requirements. This work should be completed by 2018 at the latest and most Nolato units have already started work on these updates.

Nolato MediTor in Torekov, Sweden, was assisted in initiating this work by two environmental science students from Lund University. Linnea Malm and Linnea Turnstedt had to write their degree thesis and wanted to focus on a business-related topic.

Nolato's Head of Sustainable Development Torbjörn Brorson works part-time as a professor at Lund University and there was an opportunity for the students to have Torbjörn as their thesis supervisor and to conduct the work at MediTor.

The students' task was to examine how MediTor needed to change its environmental management system to meet the requirements of the revised ISO 14001 standard. Here, Linnea and Linnea explain how they conducted their workplace degree project.

*Which of the new ISO 14001 requirements are most significant?*

In the new standard, the basic structure has been changed and the aim is for all ISO management systems to gradually follow an identical structure. The aim is to make it easier for organisations that use various different management systems.

Other key aspects include the need for an operating environment analysis and for companies to apply a life cycle perspective to their business, as well as the need for risks and opportunities to be taken into account in regard to the environment.

The new version of ISO 14001 also makes it very clear that management must be involved in guiding and monitoring environmental measures. The environment

has to be an integral aspect of business plans and the company's strategic work.

*What was your approach in carrying out this degree project?*

The first thing we did, of course, was to look at ISO 14001 in detail, comparing the new version with the old version. We then carried out an internal environmental audit of Nolato MediTor's environmental management system.

The audit gave us an insight into how the current system is structured and how it's used in practice. Finally, we conducted a gap analysis. That involved us identifying all the requirements of ISO 14001:2015 and reviewing Nolato MediTor's environmental management system to see what was needed to achieve future certification.

*What have been the key findings of your research?*

The environmental audit showed that Nolato MediTor's environmental management system is working well and is genuinely used within the business. We did find some minor issues but no major deficiencies. Perhaps unsurprisingly, the gap analysis showed that Nolato MediTor does not already meet the requirements of the new ISO 14001 standard. We also tried to show systematically which areas of the company need to make improvements.

Firstly, the company management is very positive about measures concerning

sustainable development and will focus efforts on updating the environmental management system.

Clearly, we found deficiencies in areas that are entirely new to ISO 14001, such as the stakeholder analysis and life cycle perspective.

The company also has a clear perspective on environmental risks, but there's not much in the environmental management system about how environmental issues can both help create a better environment and contribute to Nolato MediTor's business.

*What did Nolato MediTor make of the students' degree project?*

"We're very impressed with the work that Linnea Turnstedt and Linnea Malm have done," says Kristian Sandberg, Head of Quality and Environment at MediTor. "It's always great to work with enthusiastic and talented young people. Their environmental audit found several things of interest and their gap analysis is really helping us start updating our environmental management system."

*The thesis entitled Update to ISO 14001:2015 – A Company's Challenges and Way Forward was submitted in December 2016 at Lund University and Linnea Turnstedt and Linnea Malm received the highest grade for their theses.*



*Linnea Malm and Linnea Turnstedt with Nolato MediTor's Sales Director Johan Christiansson (far left), Quality Management Engineer Jeanette Netterström, Head of Quality and Environment Kristian Sandberg and Managing Director Michael Holmström.*

# Sustainable development targets and KPIs

Nolato undertakes extensive work relating to responsibility for the environment, people and society. Moreover, we believe sustainability measures create business benefits. These measures are systematic and targeted and the Group's sustainable development goals provide guidance for this work.

Objective-based management of environmental issues is a requirement of ISO 14001 and the Group's units are therefore working towards a number of local environmental

targets. Group-wide long-term targets for key sustainable development areas were introduced in 2010 to coordinate activities.

The targets have been gradually raised and individual units have significant freedom in designing their own detailed targets and adding targets in other areas. Some of the targets had a completion date in 2016 and we have evaluated target wording and outcomes.

This resulted in a number of targets being updated. The Group's targets cover those

areas that are both important for internal sustainability work and for our stakeholders. Linking our targets to the UN Sustainable Development Goals helps us raise Nolato's sustainability measures to a higher level.

The table below provides an overview of how our work on these targets is developing and how we evaluate our ability to achieve them. Detailed information on emissions data and other parameters are presented in other parts of this sustainability report.

Area	Sustainable development goals	Outcome
Energy ★	The object is more efficient energy use and for 2014–2016 Nolato targeted a 10% reduction compared with the average for 2011–2012. The Group-wide KPI is GWh/net sales and many production units use locally adapted targets. This target is linked to UN Sustainable Development Goal 7 'Affordable and clean energy'.	▲ Work on energy audits and efficiency improvements continued. The installation of energy-efficient production equipment, LED lighting, infrastructure and energy monitoring contributed to more efficient use of energy. The Group target was achieved and a new long-term target has been established.
Carbon emissions ★	The target is a 10% reduction in the greenhouse gas carbon dioxide (CO <sub>2</sub> ) during 2014–2016 compared with the average for 2011–2012. The target relates to CO <sub>2</sub> emissions from energy consumption. The Group-wide KPI is tonnes of CO <sub>2</sub> /net sales and there are also different types of local targets. The target is linked to UN Sustainable Development Goal 13 'Climate action'.	▲ To achieve this target, Nolato is working to achieve more efficient energy usage, phase out fossil energy, make transportation more environmentally sustainable and purchase electricity from renewable sources. This work is generating results, but the situation in China poses a significant challenge as the Group is only able to use electricity there mainly generated from coal. Despite this, the Group target was achieved and a new long-term target has been established.
Chemicals ★	Chemicals that are particularly hazardous to the environment or health shall be identified and phased out. The target is linked to UN Sustainable Development Goal 9 'Sustainable industry, innovation and infrastructure', and Goal 12 'Responsible consumption and production'.	► Over the year around a dozen chemicals were replaced and further candidates for substitution were identified. We are now updating this target with a clearer focus on the use of renewable raw materials.
Waste ★	The amount of waste should decrease in relation to net sales. The Group's units use their own targets regarding scrap and waste management. These targets are part of ISO 14001 or initiatives such as 5s and lean manufacturing. The target is linked to UN Sustainable Development Goal 9 'Sustainable industry, innovation and infrastructure', and Goal 12 'Responsible consumption and production'.	► The total amount of waste has varied over time. It is positive that the percentage of waste disposed of in landfill has decreased and the percentage that is recycled has increased. Many of the units have succeeded in cutting scrap to very low levels and creating good systems for the sorting of waste. There are also good examples of packaging waste being reduced both at Nolato and at customers. This target is part of the Group's continual improvement measures and has no specific deadline.
Environmental management systems	The objective is for all units to be certified in accordance with the international ISO 14001 environmental management system. Acquired companies should be certified within two years. The target is linked to UN Sustainable Development Goal 9 'Industry, innovation and infrastructure'.	► All units, apart from the two companies acquired in 2016, are certified under ISO 14001. Work has begun on introducing environmental management systems at the acquired companies. Other plants are working on updating their management systems to comply with the new requirements in ISO 14001:2015. This work must be completed by the end of 2018.
Environmentally sustainable products	In 2016, Nolato will take part in at least three projects aimed at reducing the environmental impact of new or existing products. The target is linked to UN Sustainable Development Goal 9 'Sustainable industry, innovation and infrastructure', and Goal 12 'Responsible consumption and production'.	► Projects for environmental adaptation of existing and new products are undertaken in cooperation with customers or on our own initiative. This target is part of the Group's continual improvement measures and has no specific deadline.
Safe workplaces ★	The number of workplace accidents should be minimised with the long-term targeting of zero occurrences. All units must have a functioning system for registering and addressing events that could have caused an accident (near misses). There is also a requirement for operations to gradually gain OHSAS 18001 health and safety certification. The target is linked to UN Sustainable Development Goal 8 'Decent work and economic growth'.	► In 2016, there were 63 work-related accidents resulting in absence from work. Over a five-year period the frequency varies between 2 and 5 accidents resulting in absence per million hours worked. Systems for recording near misses are in place at all units. Work to introduce OHSAS 18001 is ongoing and six units have achieved certification. In an industrial perspective, the frequency of accidents remains low but there is no clear downward trend. This target has not been achieved and has been updated.
Ethical and humane principles	There should be no cases of infringements of human rights, discrimination or forced labour. Active information shall continue to be provided to employees and new staff. The target is linked to UN Sustainable Development Goal 5 'Gender equality' and Goal 8 'Decent work and economic growth'.	▲ Information for employees about The Nolato Spirit continued to be provided during the year. No cases of infringements of human rights were recorded. Of the Group's approximately 6,400 employees, 49% are women. The recruitment of female managers is important to Nolato. The units in China and Hungary have continued to have a positive experience of employing people with disabilities.
Anti-corruption measures	There should be no cases of bribery, corruption or cartel formation. Continued active information to employees. This target can be linked to UN Sustainable Development Goal 16: 'Peaceful and inclusive society'.	▲ The managements of all Group companies use measures to prevent corruption. A whistleblowing system is used and no events relating to corruption or inadequate business ethics were recorded in 2016.
Customers	Customer requirements regarding the environment and social responsibility should be met by a comfortable margin.	▲ The results of customer evaluations and audits remained good. Three plants in China and one in Malaysia have been approved as Sony Green Partners.
Suppliers	Improved evaluation of suppliers' sustainability work. In 2016, each company should have evaluated at least five suppliers. This target can be linked to UN Sustainable Development Goal 12 'Sustainable consumption and production'.	▲ In 2016, Group companies conducted 173 evaluations of suppliers' sustainability work. The suppliers satisfied Nolato's requirements at an acceptable or good level. Cooperation was discontinued in one case due to certain deficiencies.
Society, investors and analysts	Reporting must be in accordance with GRI and CDP guidelines. Nolato shall continue to endorse the Global Compact. We shall achieve good results in evaluations by analysts and independent institutions through transparent information in the field of sustainability.	▲ Social engagement activities in China and elsewhere. Good results from evaluations of sustainability work in business magazines and by investors. CPD-based reporting of carbon emissions and reporting to the UN (COP).



### Update of Group targets

Nolato's Group management recently carried out an assessment of Group targets, resulting in the following changes:

- ▶ **Energy:** The objective is more efficient energy use and for 2017–2020 Nolato is targeting a 20% reduction compared with the average for 2011–2012. The Group-wide KPI is GWh/net sales.
- ▶ **Carbon emissions:** The target is a 20% reduction in the greenhouse gas carbon dioxide (CO<sub>2</sub>) during 2017–2020 compared with the average for 2011–2012. The target

relates to CO<sub>2</sub> emissions from energy consumption. The Group-wide KPI is tonnes of CO<sub>2</sub>/net sales.

- ▶ **Chemicals and raw materials:** Hazardous chemical substances should be identified and, where possible, phased out. The percentage of recycled and/or renewable raw materials should increase.
- ▶ **Waste:** The amount of waste should continually decrease in relation to net sales. The percentage of recycled waste should increase.
- ▶ **Safe workplaces:** The number of workplace accidents should be minimised with the

long-term targeting of zero occurrences. All units must have a functioning system for registering and addressing near misses. This work should be conducted systematically, for example using certified management systems relating to health and safety (OHSAS 18001/ISO 45001).

## Environmental responsibility

### Technologies and environmental aspects

Nolato develops and manufactures products in polymer materials such as plastic, silicone and TPE for customers within medical technology, pharmaceuticals, telecom, automotive and other selected industrial sectors. We manufacture everything from individual components, which the customer assembles in its own product, to complete products that are ready for delivery to a customer's client. We also develop and manufacture our own products, such as pharmaceutical packaging.

### Production technologies include:

- ▶ **Injection moulding** – Technology for manufacturing components from plastic, silicone and TPE to highly precise dimensions and stringent quality requirements. Our most common production technology.
- ▶ **Injection blow moulding** – Technology for manufacturing plastic containers and bottles. We use this method for the manufacture of pharmaceutical packaging.
- ▶ **Dip moulding** – Technology for the production of flexible, airtight latex rubber products. This is used to manufacture products such as catheter balloons and breathing bags.
- ▶ **Extrusion** – Technology for the production of tubing and other tubular products. This technique is used to manufacture items such as heart and urine catheters and EMC shielding gaskets.
- ▶ **Die-cutting** – Technology for producing flat products from one or more materials. We use die-cutting for manufacturing

gaskets, seals and cosmetic details such as loudspeaker protection and logos.

- ▶ **Post-processing and assembly** – We give components the desired finish through painting, decoration or metallisation. We then assemble them to create a complete product or subsystem. Assembly may take place on a fully automated, semi-automated or fully manual basis.

From a life cycle perspective, the above technologies cause different types of interaction with the surrounding environment, and in most cases they have a very limited negative

impact. At production facilities, direct environmental aspects may be linked to the use of energy, raw materials (mainly plastics) and solvents. Other significant environmental aspects are the occurrence of waste and emissions to air of CO<sub>2</sub> and solvents. Indirect environmental aspects mainly include supplier activities, transport and the use of Nolato's products. In the final phase of their life cycle products are recycled in the form of materials or energy, but as with other plastic products some of the material ends up in landfill or the natural environment.



*Most of Nolato's technologies have a very limited negative environmental impact.*



## Energy

Energy is consumed by production equipment, lighting, ventilation, cooling, transport, purification facilities and heating.

Nolato mainly uses indirect energy in the form of electricity (85%) and district heating (10%). Some units use fuel oil, natural gas or propane for heating and running purification equipment. The use of fuel oil is decreasing and being replaced with heat pumps or bio-fuel. Fossil fuels account for approximately 5% of total energy consumption.

Energy consumption amounted to 169 GWh (167) in 2016 and the key performance indicator, which places energy consumption in relation to sales, has shown a declining trend since 2011. The cost of energy in 2016 was approximately SEK 123 million (128).

Measures aimed at boosting energy efficiency include:

- ▶ Energy audits in accordance with the EU Energy Efficiency Directive Reviews shows there is still significant potential for saving energy. This may involve optimising ventilation, cooling, lighting and compressed air. Nolato will continue conducting energy audits and carrying out cost-effective measures.
- ▶ The change from hydraulic injection moulding machines to electrical machines increases energy efficiency and reduces the handling of hydraulic oils. A dipping robot at MediTor is continuing to make significant energy savings.
- ▶ The introduction of a certified energy management system (ISO 50001) at UK units is continuing to produce good results.
- ▶ The use of surplus heat from equipment to heat premises and warehouse buildings at Nolato Contour. The installation of systems for free cooling reduced energy consumption by 3% at Nolato Hungary.
- ▶ Replacement of lighting with LED bulbs. For example, 3,181 LED lights were installed at Nolato in Beijing. Installation of lighting sensors.
- ▶ Production planning to gain maximum efficiency from equipment and the turning off of equipment when it is not being used. Shorter cycle times for presses reduces energy consumption. This also applies to variable-frequency control of electric pump motors of production equipment at Nolato Jaycare.

- ▶ Measures to minimise scrap and production reruns, which also reduces energy consumption.
- ▶ Training and close monitoring of energy consumption gets employees involved in saving energy.

## Atmospheric emissions

### Greenhouse gas emissions

Nolato's emissions of the greenhouse gas carbon dioxide are caused by energy consumption, transportation of raw materials and finished products, and an array of indirect activities among our suppliers and customers. Reporting of emissions primarily includes direct and indirect energy consumption.

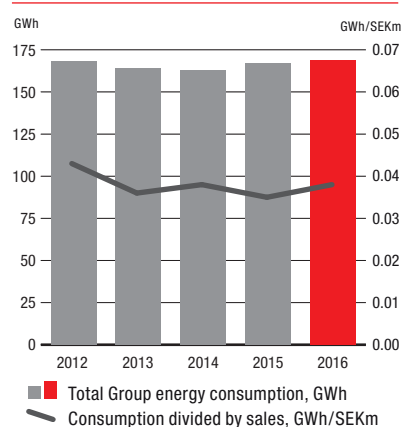
Emissions from transport, business travel, suppliers and users of Nolato's products are not insignificant and during the year an audit of transport emissions was initiated.

In 2016, Nolato's production plants emitted 51,000 (57,000) of CO<sub>2</sub>, less than 3% of which was caused by the use of fossil fuels. Other CO<sub>2</sub> emissions were generated mainly from the production of electricity and district heating in those countries in which we operate. Countries such as China, the US, Poland and Hungary use coal extensively for electricity production, causing significant CO<sub>2</sub> emissions, which has a major impact on the Group's carbon footprint.

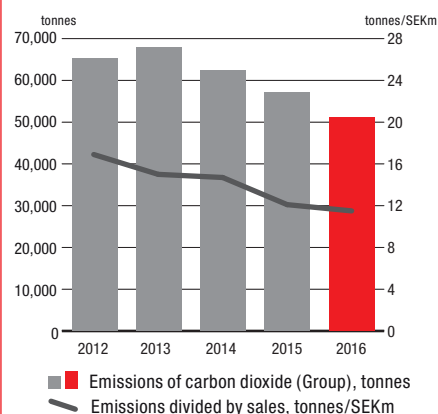
A number of measures have been implemented to reduce Nolato's carbon footprint, including:

- ▶ The business in Hungary reduced indirect CO<sub>2</sub> emissions by more than 10,000 tonnes by purchasing fossil-free electricity.
- ▶ For most of the year, UK-based Nolato Jaycare purchased electricity with zero carbon emissions. This resulted in a reduction in emissions by 8,000 tonnes. The company has signed a national agreement to counteract climate change. The agreement covers energy-intensive industry and, by reducing energy usage, participating companies can receive reduced charges under a system in the UK known as the climate change levy.
- ▶ Energy efficiency measures, including energy audits and the introduction of ISO 50001.
- ▶ The phasing-out of fuel oil and installation

## Energy consumption



## Carbon dioxide emissions, CO<sub>2</sub>



- of heat pumps or the use of bio-fuel.
- ▶ Reduced scrap and lower amounts of waste.
- ▶ Purchase of more fuel-efficient vehicles, conducting more teleconferences and improved logistics.
- ▶ The acquired Poland-based company Grizzly Medical previously used coal to heat its buildings. One of the first measures following the acquisition was to replace coal-fired heating with district heating.

Through a new transport procurement agreement, Nolato now has access to data on carbon emissions and other air pollution. This covers Swedish companies and transport by road, sea and air. CO<sub>2</sub> emissions for the year totalled 1,400 tonnes.

### Other atmospheric emissions

The use of more than 450 tonnes of paints and solvents resulted in emissions of around 60 tonnes (55) of VOCs (volatile organic compounds). The majority of these substances are used for the painting of mobile phones in Beijing. Purification equipment installed in 2015 has cut emissions by around half. The measures to improve air quality in Beijing are appreciated by the environmental authorities. Thus far, Nolato has not been subject to demands for the temporary closure of industrial operations during episodes of significant air pollution in the city.

There are just over 2.7 tonnes (2.7) of ozone-depleting substances (HFCs) in air-conditioning and other equipment at around 10 production units. Minor leakages occurred during the year, which corresponded to around 4% of the installed amount. Emissions

of sulphur dioxide and nitric oxides were low and amounted to 4 tonnes (5). Emissions of dust and malodorous substances are usually negligible, but a complaint about an unpleasant odour occurred at our Beijing facility. The odour may relate to a water recirculation system that is used in a purification facility for treating solvent emissions. Measures have been taken to reduce the problems for the plant's neighbours.

### Raw materials and chemicals

Production processes used around 34,000 (30,000) tonnes of polymer materials in 2016. More than 94% consisted of plastics and the rest of synthetic rubber. This involves silicone and latex rubber used in medical devices. Other materials used, amounting to around 1,600 (1,100) tonnes/year, are paints, solvents and metals.

## Importance of energy efficiency in cutting carbon emissions

Keeping the Nolato Group running in 2016 required 168 GWh, which is the equivalent to the energy consumption of more than 8,000 houses or a small town. The cost of energy was SEK 123 million, resulting in emissions of 51,000 tonnes of the greenhouse gas carbon dioxide.

### Long-term energy and carbon emissions targets

Energy and carbon emissions issues have a high priority at Nolato and we have set long-term targets to increase energy efficiency and reduce CO<sub>2</sub> emissions.

Numerous measures are being undertaken to make energy usage more efficient and the key performance indicators in this area are moving in the right direction, i.e. down. As well as measures like replacing inefficient lighting and machines, we have also started conducting energy audits and introducing ISO 50001-certified energy management systems.

The purchase of fossil-free electricity in a number of countries is helping reduce CO<sub>2</sub> emissions.

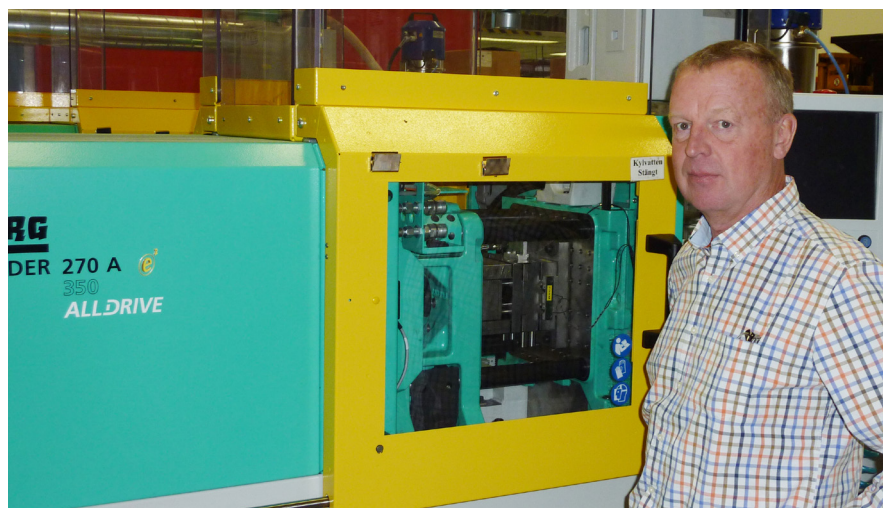
Under the EU's new Energy Efficiency Directive, all large companies must carry out

energy audits. These have to be conducted according to set guidelines and reported to each country's relevant authorities. Nolato Polymer, based in Torekov and Ängelholm, Sweden and Torekov-based Nolato MediTor carried out a joint energy audit and Per-Olof Jansson, Property and Maintenance Manager for both units, is delighted:

"We've been fairly successful in our work on energy issues and thought we had a good

handle on energy consumption in our properties and the different production processes. The systematic audit was a real eye-opener and things we didn't know were so significant turned out to be consuming a lot of power."

Similar energy audits are now being conducted at Nolato's plants across Europe, which is good for both the environment and for Nolato's bottom line.



Per-Olof Jansson shows off a new energy-efficient injection moulding machine.

For a number of the Group's products, the customer requires the polymer to consist of virgin raw materials. This mainly applies to pharmaceutical packaging and medical devices. However, some customers have expressed an interest in using recycled plastic, such as in the use for some mobile phone models or vehicle components. The amount of recycled plastic used during the year was approximately 400 tonnes (200) and customer projects are underway with the aim of increasing the proportion of recycled materials. We are also seeing interest in reducing polymer usage in some products, which is beneficial both in terms of cost and environmental impact. Nolato has an express aim of increasing its use of renewable raw materials, such as bioplastics.

An environmental aspect that concerns most of the Group's companies are customer requirements for products to not contain certain designated chemical substances. In addition, there is continued substantial interest in the issue of conflict minerals (see Glossary and Definitions). Chemical substances that are identified by customers, and/or that have been identified as candidates for risk reduction under REACH chemical legislation, are a priority. In practice this means that a limited number of chemical substances are subject to phasing-out or other risk reduction measures. This concerns substances such as softening phthalates that occur in some components produced by Nolato.

Solvent-based paints are another area in which it is beneficial from a health and environmental perspective to switch to water-based products. Our aims sometimes conflict with customer requirements for a product's finish, but we undertake continual development work in this respect. Around one-quarter of paints used are water-based.

### Water issues

As it has operations in various parts of the world, it's important to Nolato to reduce the Group's global water footprint. Our facilities use municipal water for purification equipment, some production processes, cleaning, sanitation and cooling. In 2016, 163,700 cubic metres (179,300) of water were used at a cost of around SEK 2.4 million (2.5).

Plants have systems in place to reduce water consumption, such as closed cooling water systems for injection moulding machines and other equipment. Nevertheless, there are

some production processes in which water consumption is high. This mainly applies to the manufacture of latex rubber breathing bags in Torekov, which accounts for around 14% of total usage.

Several thousand people work at Nolato in Beijing and this is reflected by the fact that the unit accounts for just over 60% of the Group's water consumption. The city of Beijing has been identified as a water shortage area and that company is undertaking various measures to reduce its water consumption. This involves information campaigns, identifying leaks, repairs to dripping taps, and checks that water is not being consumed when equipment and premises are not in use.

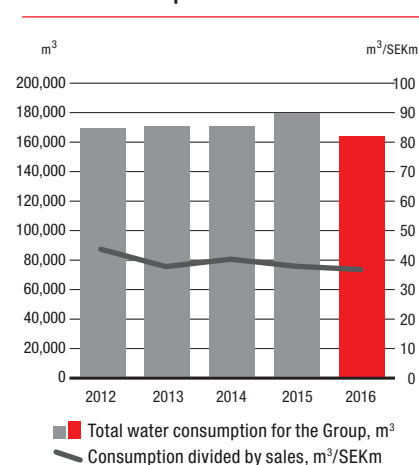
The amounts of pollutants discharged to wastewater are limited and consist mainly of sanitary water. All production units are connected to municipal wastewater treatment plants. Emissions of wastewater are not expected to result in any environmental impact. One exception is one or more chemical substances used at MediTor in Torekov, Sweden, which are highly likely to affect the purification processes of the municipal wastewater treatment plant. This is manifested in reduced purification of nitrogen (inhibition of nitrification). MediTor has examined the composition of the waste water and tested purification equipment, but the cause of the nitrification inhibition has not been able to be identified. The company has therefore begun cooperation with researchers at Lund University Faculty of Engineering and a detailed study will be undertaken in spring 2017.

### Waste

In 2016, approximately 64% (60) of waste was recycled as materials and 14% (14) as energy. There is a clear downward trend in landfill disposal of waste, which accounted for 7% of all waste. This compares with approximately 16% of waste being disposed in landfill five years ago. It is positive that the percentage of waste disposed of in landfill is decreasing and the percentage being recycled is increasing. This is the result of more demanding legislation in many countries, but ultimately relates to a range of preventive measures introduced at Nolato's facilities. An ISO 14001-based approach, lean manufacturing and 5S are important tools for reducing scrap and the occurrence of waste.

The volume of waste for the year totalled

### Water consumption



5,200 tonnes (5,000), of which hazardous waste constituted 8% (8). External waste management costs for the year amounted to SEK 3.7 million (3.4).

## Transport

Activities continued during the year to reduce the environmental impact from the transportation of goods and business travel:

- ▶ The Group procurement of transport services in 2015 included sustainability issues as an important issue. We now have access to good documentation to analyse the impact of transport at Swedish units, including emissions data for CO<sub>2</sub>, NO<sub>x</sub>, SO<sub>2</sub> and other air pollution.
- ▶ In China too, Nolato places environmental requirements on transport firms and asks that they use environmentally certified vehicles.
- ▶ Many units make use of video conferencing, and Nolato Cerbo has installed sys-

tems that are open to companies outside Nolato. This has reduced the number visits to suppliers.

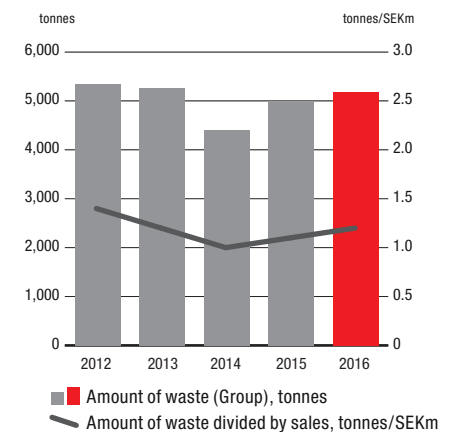
- ▶ When changing vehicles and company cars Nolato chooses low-emissions models, such as hybrids.

Many of the Group's companies are optimising transportation, including through higher fill ratios in trucks, coordinated transport and environmentally optimised routes.

For example, Nolato MediTech raised the fill ratio of trucks by 15% for transport to Hungary. Nolato MediTor created better logistics for the transportation of breathing bags to Poland, saving 16,500 m of transport by truck.

Bulk handling instead of handling material in sacks reduces the number of shipments. Intelligent packaging solutions by Nolato Jaycare are cutting the number of shipments between the UK and Italy.

## Waste



# Continuous system for rapid identification of deviations

Unexpected or unplanned events at a production facility can impact manufacturing processes, the quality of products and/or have a negative impact on the environment or human health.

Nolato Contour is working on being able to quickly identify deviations to prevent such events. The company has installed a monitoring system that continually checks a number of parameters in the building.

## Continual monitoring

The system is called condition-based monitoring (CBM) and it checks the temperature in the server room, the climate in the qual-

ity control laboratory, pressure in the clean room, the temperature and humidity in warehouses, water consumption and many other parameters. These parameters are linked to limit values. If these are exceeded the system alerts those employees responsible by text or email.

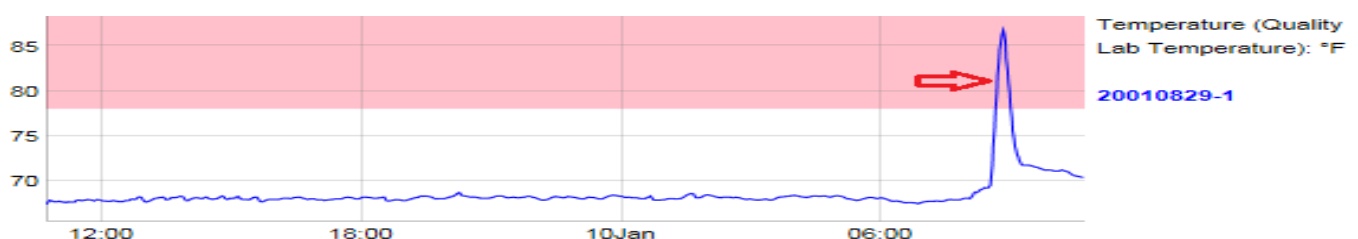
## Rapid rectification of emissions

A specific example where the monitoring system has helped reduce environmental impact was when it alerted staff that a valve in the cooling water system was open. There was an uncontrolled release of treated cooling water, causing an unnecessary strain on

the municipal waste water treatment plant.

For Nolato Contour, this led to a significant increase in water consumption. Without the system, it could have taken days or weeks to discover the faulty valve. But thanks to the new system, the maintenance department was able to quickly identify and rectify the problem.

And customer confidence in Nolato Contour's operations increases when they realise critical parameters are continually monitored and deviations identified almost before they occur (known as failure prediction).



The chart shows how the temperature in the laboratory suddenly increases, exceeding the limit value. CBM immediately alerts the relevant staff and the necessary action can be taken.

## Products with environmental benefits

Working together with customers, we contribute concept development, design, choice of materials, structure, prototypes, production moulds, high-volume production and post-processing. The environmental performance of products has become an increasingly important competitive factor. For Nolato, this applies to everything from mobile phones, component for vehicles, domestic appliances and chainsaws, to pharmaceutical packaging and medical devices. Below are some examples of projects and existing products:

- ▶ Nolato Gota and Nolato Lövepac manufacture components for Volvo Cars' Drive-E generation of engines. These engines are around 20% more efficient than their predecessors.
- ▶ Sustainability issues are increasingly important for customers in the mobile phone sector. Nolato's unit in China is conducting a number of projects to make greater use of recycled plastic and water-based paints.
- ▶ Nolato Plasttechnik has a project to replace the chrome plating of plastic components using a different method. In addition, aluminium is continuing to be replaced with plastic in vehicle components. Another example is one of Plasttechnik's bulk products, which has been redesigned to use less polymer.
- ▶ Plastics are replacing other materials in vehicles, household appliances and chain saws. This results in reduced weight and fuel consumption. Nolato Plasttechnik and

Nolato Gota are some of the companies conducting this kind of product development.

- ▶ Nolato Jaycare in Portsmouth in the UK manufactures containers for handling hazardous clinical waste (Sharpak). The aim is to establish Sharpak as the first choice for clinical waste management globally.
- ▶ Nolato MediTor's environmentally optimised breathing bags use less polymer material and have a smaller carbon footprint. The company also offers phthalate-free breathing bags.
- ▶ Nolato Jaycare in Newcastle in the UK has successfully tested production using 'green' polyethylene plastic manufactured from bio-based ethylene raw materials.
- ▶ Nolato participates in developing environmental technology products, such as fuel cells.
- ▶ Nolato Lövepac has developed eco-friendly traps for bedbugs. Instead of pesticide they use strips with dark cavities that attract bedbugs, which are then killed off when exposed to diatomaceous earth.
- ▶ Nolato Cerbo produces pharmaceutical packaging (SC Light Caps) with less plastic and therefore a smaller carbon footprint.
- ▶ Lövepac Converting is working with researchers to develop zirconium dioxide-based products. Zirconium dioxide is a highly durable ceramic that is chemical-resistant, has a natural beauty and an exceptionally smooth surface. In addition, the material is fully biocompatible, which means wearers of items made from zir-

conium dioxide won't suffer any allergic reaction.

## Accidents

In 2016, there were no cases of accidents or uncontrolled environmental emissions. In addition, no environmental complaints were registered from local residents or other stakeholders.



# Social responsibility

## Global operations

The average number of employees in 2016 was 6,418 (7,759).

Around three-quarters of employees work at Nolato's units in China. Other countries in which we have a significant number of employees are Sweden and Hungary.

Nolato has a long tradition of responsible business practice and we believe that this approach helps attract, recruit, develop and retain committed and skilled staff.

All units are wholly owned by the Group and comply fully with the guidelines in Nolato's Basic Principles and Code of Conduct. The practical work relating to personnel issues in the Group is decentralised. This means each individual Group company is responsible for managing these issues in a way that complies with both Group guidelines and the legislation and culture of the country in question.

The total average number of employees includes approximately 3,000 staff in China who are employed through staffing agencies. This form of employment has mainly been chosen to make it easier for the business to recruit a workforce for mobile phone projects and consequently avoid creating its own large recruitment organisation. In accordance with the Group's policy, these employees are covered by the same principles as Nolato's other employees in China with regard to the setting of wages, benefits, working hours, work environment, social responsibility, etc.

## Code of Conduct provides guidance

Nolato's Code of Conduct provides clear guidance on how the Group's business principles and values should be put into practice. It can be viewed as an ethical compass to be followed by all staff, irrespective of workplace and function. The Code applies to Nolato's Board members and contract-based staff as well. The Code of Conduct also sets out what we expect of our suppliers in terms of responsible business practice.

## Everybody has the right of representation

All Nolato employees have the right to be represented by trade unions, and to collective agreements. At 14 units in Sweden and China, all employees are covered by collective agreements. At the units in other countries, there are no unions or collective agreements, and this reflects a normal situation in these countries.

## Gender equality and combating discrimination

The gender equality policy is an integral part of Nolato's Code of Conduct and day-to-day activities in this area are delegated to the management of local companies. Gender equality measures are conducted according to the gender equality plans of the Group's companies and includes activities aimed at creating a balance between men and women in employment and career development, as well as measures that create opportunities for people with disabilities. Formal gender equality plans are in place at around 75% of units.

49% (50) of Nolato employees were women in 2015. The balance between the number of men and women varies from country to country, and in Sweden and the UK there is a predominance of male staff. In Hungary, China, Poland and Romania there is a predominance of women. 22% (30) of Nolato's Board are women, while the corresponding figure for the Group management is 0% (0). Around 27 of other senior executives are women, which corresponds to 20% (19).

In accordance with the undertakings in the Code of Conduct, we work to combat all discrimination. One target group is people with disabilities, and these employees are treated the same as other employees. People with disabilities work at units in Beijing (China), Gothenburg (Sweden), Newcastle (UK) and Mosonmagyaróvár (Hungary). Nolato's work in Hungary has received significant attention and has been recognised with awards.

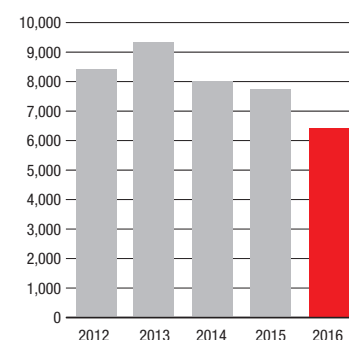
## Whistleblowing

All staff have the opportunity to raise concerns about serious irregularities, without the risk of harassment or opposition, using Nolato's whistleblowing system. Serious irregularities include unethical or illegal behaviour, fraud and serious breaches of the Code of Conduct, such as bribery or discrimination against employees. No serious irregularities were identified during the financial year.

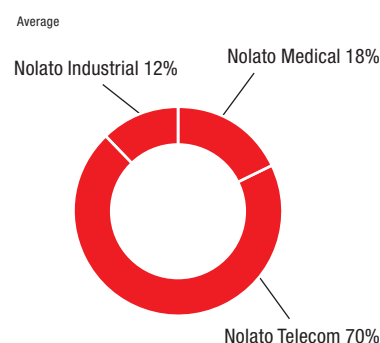
## Training and personal development

Training is a key development tool for personnel, and we run management development courses, as well as large number of specific training courses on quality, technology, our Code of Conduct, and health and safety. In 2016, employees attended a total of

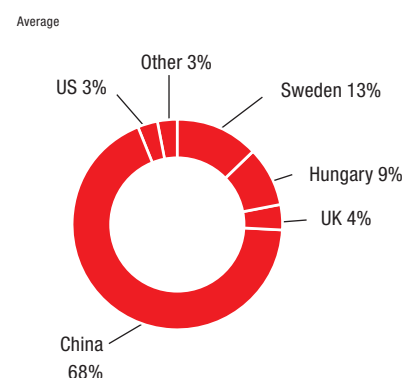
## Average no. employees



## Employees by business area



## Employees by country



338,000 (300,000) hours of training, which equates to 53 (39) hours per employee. A particularly large number of courses were arranged in China, Hungary, Sweden and the US. New employees are an important target group for information and training measures.

During the year, around 2,050 (2,600) employees participated in performance reviews, career development or other assessments of their own work. Employee surveys are carried out regularly at a number of the Group's units. In most cases, they are performed every other year or every three years, and in 2016 9 (6) surveys were conducted. Overall, the work atmosphere was deemed to be good and a number of constructive improvements were suggested by employees. These related to areas including training, internal communication, benefits and career paths.

We carry out special initiatives in China to attract, retain and develop both permanent and temporary employees. These activities come under the umbrella of our Employee Care Programme, which includes activities relating to health, safety, lifestyle, opportunities to take language courses, and employee surveys that are supplemented by a forum in which staff can discuss issues with the company's managing director. An activity that was especially popular during the year was a day trip to central Beijing. More than 1,300 employees took part in the excursion.

## Health and safety

Our preventive health and safety measures take a systematic approach. We identify risks and the causes of incidents and accidents and take appropriate action. This involves both technical improvements and training. Formal safety committees are in place at 95% of units, covering essentially all employees. An important element of this systematic work is the introduction of OHSAS 18001 health and safety management systems. Six (six)

units are currently certified and a further nine are planning certification over the next year or so.

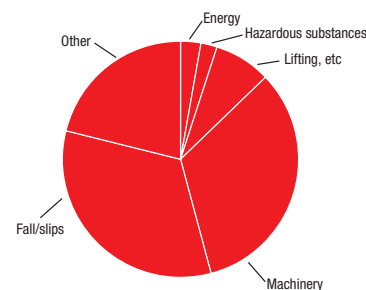
In 2016, there were 63 (36) lost work cases (LWCs), which resulted in a total of 447 (405) days of absence. As in previous years, the most common causes were injuries from heavy lifting, repetitive work, machinery and falls and slips, which in most cases resulted in limited absence. One serious accident, in which an operator damaged several fingers, resulted in an extended absence. Over a five-year period the frequency varies between 2 and 5 accidents resulting in absence per million hours worked. In an industrial perspective, the frequency of accidents remains low but there is no clear downward trend. Systems for registering near misses were enhanced and have now been introduced at all units. During the year, 583 (501) near misses were investigated and corrective and preventive action taken.

Training courses on the environment and health and safety are part of our preventive work and an average of 5.0 (5.1) hours per employee were spent on these courses.

Training on first aid, chemical health risks, personal protective equipment, hot work, forklift driving, fire safety and machine safety is provided frequently.

During the year, Nolato Beijing received the Safety Month Best Practice award from Beijing Business Development Area (BDA). Tommy Li, Health and Safety Manager, received the BDA Excellent Safety Officer award.

## Causes of occupational accidents



## Occupational accidents

Year	2012	2013	2014	2015	2016
LWC*	64	34	43	36	63
LWC per employee	3.9	2.0	2.9	2.3	5.0
LWD *	616	381	929	405	447
LWD per employee	37	23	62	27	35

\* LWC = Lost Work Case (absence ≥ 1 day)

\* LWD = Lost Work Day

# Business partners and other stakeholders

## Application of sound business ethics

In accordance with the principles of Nolato's Code of Conduct and the tenth principle of the Global Compact, our business principles should be characterised by integrity and responsibility. The Code of Conduct states that:

- ▶ Nolato does not offer gifts, benefits or payments that could influence, or be regarded as influencing, the objectivity of the recipients' decisions or that breach legislation and/or local practice.
- ▶ Nolato avoids situations in which company loyalty could come into conflict with personal interests.
- ▶ Nolato complies with competition law and promotes fair competition.
- ▶ Nolato ensures that all staff can raise concerns about irregularities within the company without the risk of personal consequences for whistleblowers.

For a global company, these matters are complex and the perception of normal business principles varies between countries and cultures. The Group uses the following methods for governance and monitoring of the application of sound business ethics:

- ▶ Nolato's Code of Conduct applies to all employees and Group company management teams are responsible for conveying the values in their organisation.
- ▶ We monitor costs, expenditure and revenues on an ongoing basis.
- ▶ We pay particular attention to ethical issues in our relationships with our partners. Standard business practice must be observed in each individual country, but if business principles do not comply with Nolato's Code of Conduct, we must refrain from doing business or take alternative relevant actions.
- ▶ Using the Global Compact checklists, we conduct annual evaluations of what measures companies take to counteract bribery. The assessment for 2016 shows that this work is governed by Nolato's Code of Conduct and the companies are continuing to actively combat corruption.
- ▶ They have established detailed policies and guidelines covering gifts, entertainment and expenses. Several companies report that they expanded their activities in relation to suppliers during the year.

- ▶ A whistleblowing system has been introduced in the Group, giving employees the opportunity to confidentially report serious irregularities.

An assessment for the year shows that the Group's companies are working on issues of business ethics at the same ambitious level as previous years. No cases of bribery, corruption or cartel formation were identified in 2016.

## Interaction with customers and suppliers

Nolato's customers operate in industries in which issues regarding the environment, health and safety and ethics have a high priority. This applies to sectors such as automotive, the food industry, telecom and pharmaceuticals and we note that requirements on suppliers are increasing and monitoring is becoming increasingly effective. We monitor developments and customer requirements are making a constructive contribution to the development of Nolato's sustainability work.

In 2016, all units reported customer requirements concerning sustainable development (see table below). Requirements relating to hazardous chemicals (REACH and RoHS) have increased over the past five years. The same is true of requirements for Nolato to have a code of conduct. Recent years have seen significant interest in guarantees that no conflict minerals (see Definitions and Glossary) are used in products.

During the year, 15 (14) of the Group's units were reviewed by customers from a range of sectors. This involves a significant number of questionnaires and audits. Overall, customers were very pleased with Nolato's efforts. Nolato Cerbo, for example, was classified by independent evaluator EcoVadis as one of the best-performing companies in the group with regard to sustainable development. Some customers expressed a desire

to see improvements, such as phthalate-free medical device products. In China, there was a requirement to reduce the number of overtime hours.

In addition to review systems, some customers have established systems under which suppliers qualify for sustainable development certification. One example is Sony Green Partner, for which Lövepac Converting and Nolato Beijing, Nolato Malaysia have qualified.

As part of these requirements from customers, Nolato is expected to pass corresponding requirements along its supply chain. This is done by informing suppliers about Nolato's Code of Conduct and specification requirements, as well as different types of monitoring. Over the year, we carried out 173 (134) reviews of suppliers with a focus on sustainable development. Around 125 of the reviews were based on questionnaires and about 50 cases involved formal audits. These reviews did not identify any risks relating to the environment and social responsibility that cannot be managed, but we did identify a number of areas that need improvement. In one case, cooperation was discontinued with a supplier.

Assessments of suppliers' sustainability measures are extensive and time-consuming. We therefore apply a risk-based model for selecting suppliers for review. The detailed criteria for which suppliers are selected varies among the Group's companies, but it is usually new suppliers, key suppliers, or suppliers with particular risks that are selected for follow-up. A substantial proportion of Nolato's suppliers consist of global groups in the polymer and chemical industry. These types of companies often conduct transparent sustainability activities and the risks are consequently considered to be low. We therefore do not carry out detailed assessments of such companies.

Customer requirements	Percentage of units reporting sustainability requirements from customers				
	2016	2015	2014	2013	2012
Introduce environmental management systems	67	55	53	32	33
Phase out hazardous chemicals	38	40	42	42	48
Compliance with REACH and RoHS	71	30	37	26	14
Product-related environmental information	52	65	53	42	57
Compliance with customer's code of conduct/ CR requirements	71	75	79	74	71
Conflict minerals	80	80	58	0	0
Other requirements	24	25	10	21	9

## Investors

Nolato's sustainability work is analysed regularly by investors and other organisations. The Group is still approved under Swedbank Robur's responsible investment criteria.

## Social engagement

Nolato engages with those local communities where we have operations. It is important for Nolato to maintain contact with universities and schools and demonstrate that Nolato is an attractive employer. This may take the form of 'open house' days, study visits, workplace degree projects, internships and development projects. Half of the units had contact with schools and universities. For example, Nolato Cerbo has used a 'speed dating' approach for foreign students to find out if they have skills and experience that match the company's needs.

Numerous students made study visits

to one of our production facilities or met with Nolato employees in connection with presentations to students about future job opportunities. A number of degree projects and internships were also undertaken at our facilities.

Over the year, Nolato continued its collaboration on sustainability issues with the International Institute for Industrial Environmental Economics (IIIEE) at Lund University.

In Hungary, the employment of staff with different types of disability has continued. Employment has provided people with visual and hearing impairments with a better quality of life, and they are making an excellent contribution to the company's work. Our units in China and elsewhere also employ people with disabilities.

Nolato provides financial support for schools, healthcare, sports associations and social activities, and in many cases our in-

volvement is long-term and Group employees contribute in different ways. One such project is Building Hope Together in China, which for the past four years has involved us helping a school in a poor area, around four hours north of Beijing. The school has around 100 pupils between the ages of 7 and 12. Through the Building Hope Together project, Nolato has donated computers, printers, desks and other equipment to improve lessons and student welfare. We have also donated jackets, mattresses, pillows, blankets and bedsheets for the pupils. Some of the school's teachers have visited Nolato's factory to find out about how we work. In 2016, the pupils received items such as pens, travel mugs, books, educational toys and clothes.

# Global perspective on Nolato's sustainability work

*The UN Sustainable Development Goals carry significant hopes that the business sector will be able to work with these goals and, through technological development and other means, contribute to the sustainable development of society. How will the goals work in practice and how will Nolato's strategy and sustainable development targets be affected?*

Antoine Bonnamy from France used Nolato as a specific example in his master's dissertation at the International Institute for Industrial Environmental Economics (IIIEE) at Sweden's Lund University, which was about the application of these global targets in the private sector.

*What is the difference between the Sustainable Development Goals and the previous millennium goals?*

"The Sustainable Development Goals have a better comprehensive approach to sustainable development," says Antoine Bonnamy. "They're more clearly inter-linked and a real effort has been made to ensure these goals interact with one another. They're also grounded in a very extensive process in which the 193 UN member states, lots of organisations and,

not least, representatives from business, have been involved. The fact that the business sector will participate actively in realising these targets is also important."

*Should Nolato use the goals in its sustainability work?*

"Nolato already uses a number of sustainable development goals, which is good and provides a transparent overview of progress and setbacks. I can see all 17 of these global targets being used in some way by Nolato. However, some goals are more relevant than others, such as 'Affordable and clean energy', 'Industry, innovation and infrastructure' and 'Climate action'."

Nolato has taken on board the experience from Antoine Bonnamy's research with regard to how the Global Goals can be used in private-sector companies. One specific result is that most of Nolato's sustainable development targets in its Annual Report and Sustainability Report 2016 are linked to the Sustainable Development Goals. When the Group updates its targets in 2017, the UN goals will affect wording and the areas that are prioritised in various ways.



*Antoine Bonnamy's research at Lund University finds that the UN Sustainable Development Goals can be applied in a specific way at Nolato and other companies.*

# Financial responsibility

## Good financial performance

The Nolato Group achieved good financial performance in 2016 despite not matching the figures for 2015, which was a record year. Nolato Medical experienced strong growth and Nolato Industrial also continued growing. The decrease for Nolato Telecom is due to product changeovers at customers in the mobile phone sector. We also took market share in most market segments and gained new customers. We've worked hard in recent years to bring about the successful completion of acquisitions. So it was especially pleasing to announce two strategic acquisitions in the third quarter – Switzerland-based Treff and Poland-based Grizzly Medical.

Nolato's sales for 2016 amounted to SEK 4,447 million (4,726). Operating profit (EBITA) was SEK 457 million (570) and the operating margin (EBITA) was 10.3% (12.1). The lower sales were fully attributable to Nolato Telecom. Nolato Medical and Nolato Industrial both increased their sales. Earnings per share were SEK 12.77 (15.97).

## Sustainable development and financial performance

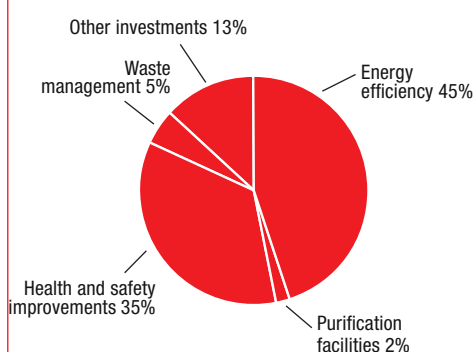
In 2016, Nolato invested SEK 8.1 million (15.0) in measures to reduce environmental impact and improve health and safety. Around 45% of investments related to energy efficiency improvements and around 35% were for preventive environmental measures.

Environmental costs amounted to SEK 14.6 million (13.6) and are dominated by operating expenses for purification facilities, waste management, internal administration and fees to authorities and certification companies. During the year, environmental improvement measures generated cost savings of SEK 3.4 million (3.7). Savings arose mainly from more efficient energy consumption and increased recycling of production waste, as well as improved waste management. The cost of water supply and sanitation amounted to SEK 2.4 million (2.0) and energy costs were SEK 123 million (128).

## Financial highlights

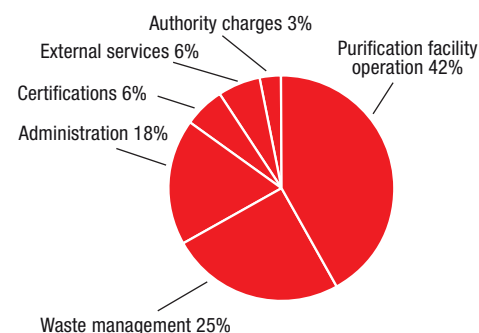
SEKm (unless otherwise specified)	2016	2015	2014
Net sales	4,447	4,726	4,234
Operating profit (EBITA)	457	570	470
EBITA margin, %	10.3	12.1	11.1
Profit after financial income and expense	438	555	462
Profit after tax	336	420	364
Return on capital employed, %	20.6	29.6	28.4
Return on shareholders' equity, %	19.0	25.3	25.0
Equity/assets ratio, %	47	54	54
Earnings per share, SEK	12.77	15.97	13.84
Dividend per share (2016 proposal)	10.50	10.00	8.50
Average number of employees	6,418	7,759	8,020

## Environmental investments



Percentage share of the Group's investments in environment, health and safety.

## Environmental costs



Percentage share of the Group's costs in environment, health and safety.

## Financial value for stakeholders (SEKm)

Stakeholder	2016	2015	2014	Comment
Suppliers	2,546	2,752	2,166	Payment for materials and services
Employees	1,283	1,250	1,112	Salaries and benefits
Shareholders	276	263	224	Dividend
Creditors	8	7	10	Interest expenses
Society	102	135	98	Reported effective tax for the Group
<b>Total</b>	<b>4,215</b>	<b>4,407</b>	<b>3,610</b>	

## Financial value for stakeholders

Nolato's business generates financial value that is distributed between various stakeholders. This includes suppliers, employees, shareholders, creditors and society. See also

page 21 for further information about the value created for stakeholders. Swedish corporation tax amounted to 22.0% (22.0) and the effective tax rate was 23.3% (24.3).



# Sustainability-related risks

Nolato's strategy includes continuously minimising operational risks through active and planned risk management, while still capitalising on the business opportunities that controlled risk-taking brings. The main features of risk management are identification, evaluation, governance, reporting, monitoring and control. For significant risks, there are procedures for accepting, reducing or eliminating the risk.

Nolato's annual report for 2016 provides detailed information about operational and financial risks. In terms of sustainability, we have identified a number of risks of potential importance to the Group's financial position. More demanding environmental legislation, taxes, fees and other environmental requirements can entail significant costs for industrial operations. There are also risks from a business perspective relating to the environment and social responsibility, which have gained attention in recent years, with a particular focus on our own production and that of suppliers. Nolato carries out regular risk assessments in order to identify new risks and/or costs relating to the environment, ethics and social responsibility as early on as possible.

Sustainable development also creates lots of opportunities for Nolato and by integrating these issues into strategic efforts, product development and marketing we actively try to utilise these opportunities. We want customers to regard us as an important partner in sustainable development efforts.

## Environmental legislation

Nolato's production units have the permits required for their operations, and no more extensive applications for permit renewals are planned for 2016. Authorities in Beijing, China have tightened air pollution regulations. We met these new requirements by installing an advanced purification facility in 2014 that cuts solvent emissions. With regard to the air pollution situation in Beijing, there is a substantial risk that the authorities will take further measures. One such example was the recent requirement for 1,200 industrial businesses to temporarily shut down operations during a period of high air pollution. Nolato was not subject to this requirement and we believe our efforts to carry out purification measures helped in this regard.

Where applicable, the Group's units meet REACH chemical legislation, RoHS product legislation, producer's liability for packaging

waste, CLP chemical legislation (on classification, labelling and packaging) and other relevant environmental and health and safety laws. We currently expect no increase in risks concerning new or amended legislation. Nolato is subject to the EU's Energy Efficiency Directive and energy audits have been conducted and will be carried out. We believe there are good opportunities for improving energy efficiency and achieving cost savings. Nolato will carry out reporting to the Swedish Energy Agency in spring 2017.

## Contaminated soil and hazardous substances in buildings

There has been no known occurrence of contaminated land, neither are there any requirements in terms of investigations or decontamination. In Sweden, three plants have been classified according to the 'MIFO' method for contaminated soil. The risk assessment is administrative in nature and is not based on actual sample-taking. All the plants are in the lowest risk category and are not prioritised by the authorities for further inspections or measures. In 2015, ground at Nolato Gota was contaminated with transformer oil following an attempted break-in at the facility. Decontamination measures have been completed and approved by the relevant authorities.

Hazardous substances such as asbestos are present in some individual buildings and only result in measures in the event of refurbishment or renovation work. Their occurrence is documented and their status is inspected regularly. PCB inventories have been conducted at our Swedish operations in which small amounts of these hazardous substances were identified. Decontamination has been carried out in accordance with Swedish environmental legislation.

## Environmental adaptation of products

Society has a growing interest in environmentally sustainable products, and one identifiable business risk could be our product range including products that are not accepted by customers for health and environmental reasons. The fossil-based origin of plastics has been called into question by various stakeholder groups. And the issue of microscopic particles of plastic in the world's oceans has also gained attention.

As a supplier, Nolato has some possibilities to counter this risk, but as most products are produced for customers, development must

be carried out in collaboration with our clients. We constantly monitor developments so we can initiate the substitution of hazardous substances, introduce more environmentally friendly polymers and develop new products. We also have Group-wide targets regarding environmentally sustainable product development and increased use of renewable and recycled materials.

## Climate-related risks

One of the Group's plants is located in an area where future climate changes could cause landslips (Gothenburg). We monitor the risk and vulnerability analyses performed by the authorities in this regard.

Climate change is an important issue to Nolato, and an overview of the Group's efforts to reduce its carbon footprint is provided on pages 14–15. However, we need to be prepared for how climate change may affect the Group in financial terms. This may relate to damage to plants and infrastructure, and also aspects pertaining to raw materials supply, supplier circumstances and changed customer behaviour. Taxes, charges and limitations on emissions could, of course, also affect Nolato.

## Business ethics

Deficient business ethics could damage Nolato's reputation and business operations. We undertake various measures to prevent corruption and other irregularities. (See page 21.)

## Human rights

Infringement of human rights at the Group's companies or our suppliers could damage both the Group's reputation and its business operations. Nolato's Code of Conduct applies in the same way around the world. We promote the protection of human rights by informing people, training staff and through internal regulations and monitoring.

## Energy costs

There is a risk of electricity prices rising and having a material negative impact on profitability and within Nolato this mainly applies to the purchase of electricity. The risk of negative effects from rising electricity prices is addressed by the Group entering into fixed price agreements for 20–80% of electricity requirements for the next four to 12 quarters.

# A busy year

Over the course of a year, Nolato undertakes lots of measures relating to sustainable development. Below is a small sample of initiatives and activities at our units around the world.

## Sweden

- ▶ Nolato Polymer completed an energy audit and is evaluating opportunities to boost energy efficiency. Work on introducing the ISO 45001 health and safety standard has commenced.
- ▶ Nolato MediTech in Hörby and Lomma continued to undertake lean manufacturing-related Medical Excellence activities and over 4,500 suggested improvements have now been implemented. The company spoke to students about the industry and its business, including at events like the ARKAD careers fair at Lund University Faculty of Engineering and the Industry evening event in Malmö. The key performance indicator for energy consumption decreased by 4% over the year.
- ▶ Nolato Silikonteknik in Hallsberg carried on working on continuous improvements.
- ▶ Nolato MediTor in Torekov introduced an electronic invoicing system which cuts the use of paper. A number of interesting projects are underway to reduce material usage (PP plastic) by up to 10 tonnes a year. A 10% reduction in the volume of a product will also lead to improvements in logistics and lower energy consumption. The dipping robot contributed to an 18% reduction in water consumption.
- ▶ Nolato Gota in Götene has installed a new system for the drying of plastic granules. The equipment uses around 50% less energy than the old machine. Numerous measures were implemented to cut the use of consumables (paper, plastic cups and packaging material). For example, most offices no longer have wastepaper baskets. An energy audit was also carried out.
- ▶ Nolato Lövepac in Skånes Fagerhult updated its waste management facility. And it has also focused on preventive health and safety work.
- ▶ Nolato Cerbo in Trollhättan phased out more than 10 hazardous chemical substances. The company increased its social engagement activities, for example

through contact with schools and universities.

- ▶ Gothenburg-based Nolato Plastteknik's investments in efficient equipment resulted in an 11% decrease in the key performance indicator on energy consumption. A leadership programme focusing on core values was also implemented. The winningtemp tool started being used to continually assess employees' views on their work situation.

## Hungary and Romania

- ▶ Nolato Hungary in Mosonmagyaróvár introduced systems to provide detailed monitoring of energy use and the volume of waste. The company received the Disabled Friendly Workplace Award for its work with people with disabilities.
- ▶ Nolato Romania in Negoiesti enhanced its system for the reuse and collection of packaging that is sent to customers. The company was named Best Supplier for End to End Solutions from one of its customers.

## UK

- ▶ Portsmouth-based Nolato Jaycare introduced new procedures for managing spillage and waste, for example by improving the colour-coding of waste sorting containers. A large number of preventive health and safety measures were introduced, including the reorganisation of the tool room and improved machine safety.
- ▶ Newcastle-based Nolato Jaycare installed variable-frequency driven electric motors for the pumps in large injection mould machines, saving up to 35% of energy. The identification of leaks in the compressed air system also helped save energy. The ISO 50001 certification contributed to total energy savings of 1,260 MWh and an almost 700 tonne reduction in CO<sub>2</sub> emissions. Water consumption was also reduced and the volume of waste was cut by 15%.

## Poland

- ▶ Nolato Stargard replaced coal-fired heating with district heating, which reduced its carbon footprint.

## China

- ▶ Nolato Beijing upgraded its quality management system to ISO 9001:2015 and ISO 13486:2016 standards. Its environmental management system was updated to the ISO 14001:2015 standard. The Employee Care Programme continued through expanded dialogue with company management, excursions to central Beijing and various sporting activities. E-learning activities were further developed with a focus on safety, quality management, lean manufacturing and language training. Twelve new training courses were developed as part of our learning organisation. Continued support of Building Hope Together, a programme through which Nolato supports a school outside Beijing. Work to reduce energy and water consumption continued and a large number of suppliers were evaluated with regard to sustainable development. The company was awarded the BDA Safety Month Prize. It also achieved good results in customer audits and assessments.
- ▶ Beijing-based Nolato Lövepac focused on enhancing organisation, training, corporate culture, health, quality management and lean manufacturing. A suggestion box was introduced for employees.

## Malaysia

- ▶ Nolato EMC in Penang achieved ISO 14001:2015 certification.

## US

- ▶ Nolato Contour in Baldwin boosted energy efficiency by replacing hydraulic presses with electric machines. The company participated in Wisconsin's Green Tier Initiative by voluntarily performing better than required by legislation in areas such as the environment. Nolato Contour installed a Condition Based Monitoring system, which is helping reduce environmental impact.

# About our sustainability report

## A focus on materiality

Nolato's sustainability report for 2016, in accordance with GRI G4 and the Communication On Progress (Global Compact), includes aspects relating to the environment, health and safety, social responsibility and ethics.

Our ambition is for this report, together with supplementary information, to give our employees and external stakeholders a transparent view of the company's corporate responsibility activities and how these interact with our business activities.

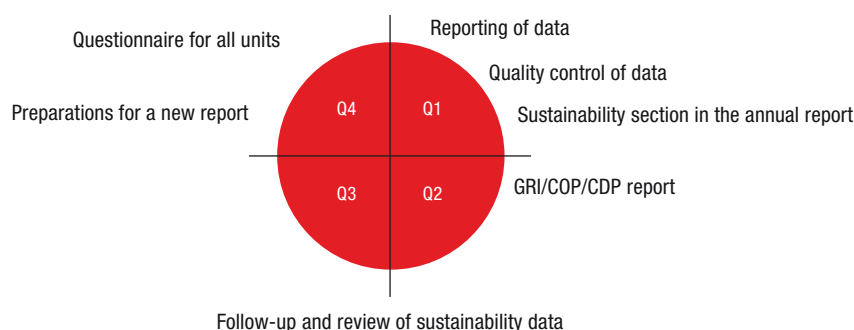
All units that were part of the Nolato Group in 2016 are included in this report, with the exception of newly acquired Nolato Treff in Switzerland. In total, 21 (20) production facilities contributed data. A summary of the different units' significance in terms of sustainability reporting is provided in the table.

## Reporting principles

Each production unit provides quantitative and qualitative information in accordance with Nolato's sustainability reporting form. The chart shows the Group's annual cycle for sustainability reporting. The head of each company/unit is responsible for assuring the quality of the information submitted. The year's performance is compared and verified against information for previous years. Further quality controls are conducted in connection with interviews and site visits.

Emissions of carbon dioxide, sulphur dioxide and nitric oxides from direct energy usage are established using conversion factors. These are based on the energy content and quality of the fuels used. CO<sub>2</sub> emissions from indirect energy consumption (primarily electricity) in China, the US and Malaysia are based on emissions data from the Greenhouse Gas Protocol Initiative (GHG Protocol). For the European units, emissions factors based on the EU Covenant of Mayors (2010) or on emissions data direct from electricity suppliers, are used. Information about VOC emissions (Volatile Organic Compounds – solvents and paints) is based on mass balance calculations and/or measurements of the efficiency of the purification equipment used.

Company/plant	Country	Number of employees	Building area (m <sup>2</sup> )	Established (year)	Environmental permits	Significance for the sustainability report
Nolato Beijing, Beijing	China	4,029	36,309	2001	Yes	High
Nolato Hungary, Masonmagyaróvár	Hungary	574	18,431	2000	Yes	High
Lövepac Converting, Beijing	China	288	6,168	2000	No	Medium
Lövepac Converting, Shenzhen	China		2,635	2008	No	Low
Nolato Polymer, Torekov/Ängelholm	Sweden	56	11,035	1973, 1995	Yes	Medium
Nolato Jaycare, Portsmouth	UK	255	11,132	1986	Yes	Medium
Nolato Jaycare, Newcastle	UK		4,790	1998	Yes	Medium
Nolato MediTech, Hörby	Sweden	192	7,000	1999	Yes	Medium
Nolato MediTech, Lomma	Sweden		5,000	1980	Yes	Medium
Nolato Cerbo, Trollhättan	Sweden	127	11,000	1971	Yes	Medium
Nolato MediTor, Torekov	Sweden	52	4,500	1973	Yes	Medium
Nolato Gota, Götene	Sweden	159	23,004	1965	Yes	Medium
Nolato Contour, Baldwin	US	193	8,361	1993	Yes	Medium
Nolato Plastteknik, Gothenburg	Sweden	111	13,000	1980	Yes	Medium
Nolato Lövepac, Skånes Fagerhult	Sweden	39	4,200	1968	No	Low
Nolato Romania, Negoesti	Romania	36	2,960	2010	Yes	Low
Nolato Hertila, Åstorp	Sweden	28	4,474	2000	Yes	Low
Nolato Silikonteknik, Hallsberg	Sweden	59	3,600	1995	Yes	Low
Nolato Stargard, Stargard	Poland	34	5,000	1996	No	Low
Nolato EMC, Penang	Malaysia	93	3,350	2015	No	Low
Nolato Treff, Degersheim	Switzerland	Acquired in 2016 and not included in the report.				



# Nolato and GRI

The organisation behind GRI (Global Reporting Initiative) has established voluntary comprehensive guidelines for how companies and other organisations should report their sustainable development activities.

Reporting in accordance with GRI should focus on sustainability aspects that are significant to the organisation and its stakehold-

ers. The reporting should provide a comprehensive, balanced, comparable, thorough and credible presentation of the organisation's sustainability performance. It should include both positive and negative aspects.

Nolato has chosen to report in accordance with the Core GRI G4 level, and the indicators have been adapted in line with the evalu-

ation of the significant sustainability aspects detailed on pages 8–9. The table below shows the extent to which Nolato works in accordance with GRI G4.

SR in the table refers to pages in the Sustainability Report (this document), and AR to pages in the Annual Report for 2016.

Core areas covered by the report (General Standard Disclosures)			
Designation acc. to GRI	Requirement or indicator	Reference	External verification
<b>Strategy and analysis</b>			
G4-1	Statement from the President and CEO on the importance of sustainability issues and Nolato's sustainability strategy.	SR3; AR9	—
G4-2	Description of the key effects, risks and opportunities for Nolato's stakeholders. Trends, targets and programmes.	SR9	—
<b>Organisational profile</b>			
G4-3	Name of the reporting organisation.	Nolato AB (publ)	—
G4-4	Primary brands, products and services.	AR7	—
G4-5	Location of Nolato's headquarters.	Torekov	—
G4-6	Number of countries where Nolato operates and other geographic areas that are relevant with regard to sustainable development.	SR26; AR6–7	—
G4-7	Ownership and legal form.	AR44–45	Ja
G4-8	Nolato's markets and customers.	AR26–37	—
G4-9	Number of employees, number of operations, net sales, debt and equity, quantity of products provided.	AR4–5	Ja
G4-10	Employees (employment type, gender, region, variations in employment numbers).	SR19	—
G4-11	Percentage of employees covered by collective bargaining agreements.	SR19	—
G4-12	Description of Nolato's supply chain.	SR21	—
G4-13	Significant changes during the reporting period (size, structure, ownership, supply chain).	SR36	—
G4-14	Description of how the precautionary principle is addressed by Nolato.	SR8,10	—
G4-15	Initiatives/principles to which the organisation subscribes or which it endorses.	SR8	—
G4-16	Membership of national and international organisations.	SR8	—
<b>Identified material aspects and boundaries</b>			
G4-17	Companies included in Nolato's financial statements. Companies included in the sustainability report.	SR26	—
G4-18	The process for defining the report content and the aspect boundaries.	SR26	—
G4-19	List of all the material aspects identified in the process for defining report content.	SR9	—
G4-20	Reason why aspects are regarded as material within Nolato. Internal limitation of the aspects.	SR8-9	—
G4-21	Reason why aspects are regarded as material outside Nolato. External limitation of the aspects.	SR8-9	—
G4-22	Comments on any restatements of information provided in previous reports.	None during 2016	—
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries.	No significant changes	—
<b>Stakeholder engagement</b>			
G4-24	List of stakeholder groups engaged by Nolato.	SR9	—
G4-25	Basis for identification and selection of stakeholders.	SR9	—
G4-26	Description of Nolato's stakeholder engagement.	SR8,9,18,21	—
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how Nolato has responded to these.	SR9	—

Report profile			
G4-28	Reporting period.	SR26	
G4-29	Date of most recent previous report.	March 2016	—
G4-30	Reporting cycle.	SR26	—
G4-31	Contact point for questions regarding the report or its contents.	Torbjörn Brorson	—
GRI content index			
G4-32	References to requirements and indicators in GRI.	This table	—
G4-33	Policy for external assurance for the report.	No external verification	—
Governance			
G4-34	Structure for Nolato's governance of sustainability work.	SR8	—
Ethics and integrity			
G4-56	Nolato's core values, Code of Conduct and policies.	SR8; <a href="http://www.nolato.com/sustainability">www.nolato.com/sustainability</a>	—
G4-58	Mechanisms for reporting concerns about unethical behaviour, e.g. whistleblowing	SR19	—

Indicators			
Designation acc. to GRI	Requirement or indicator	Reference	External verification
Finance			
G4-EC1	Direct economic value generated and distributed.	SR23	Yes
G4-EC2	Financial implications and other risks and opportunities due to climate change.	SR24	—
G4-EC3	Coverage of the organisation's defined benefit plan obligations.	AR71	Yes
G4-EC4	Significant financial assistance received from government.	None during 2016	—
Environmental responsibility			
Material			
G4-EN1	Use of renewable and non-renewable materials.	SR16	—
G4-EN2	Percentage of materials used that are recycled input materials.	SR16	—
Energy			
G4-EN3	Direct energy consumption.	SR14	—
G4-EN4	Indirect energy consumption.	SR14	—
G4-EN5	Energy intensity.	SR14–15	—
G4-EN6	Reduction of energy consumption.	SR14–15	—
G4-EN7	Reductions in energy requirements of products.	SR14	—
Water			
G4-EN8	Total water withdrawal by source.	SR16	—
Emissions			
G4-EN15	Direct greenhouse gas (GHG) emissions (scope 1).	SR14–15	—
G4-EN17	Other indirect greenhouse gas (GHG) emissions (scope 3).	SR14–15	—
G4-EN18	Greenhouse gas (GHG) emissions intensity.	SR14–15	—
G4-EN19	Initiatives for reducing greenhouse gas emissions.	SR14–15	—
G4-EN20	Emissions of ozone-depleting substances (ODS).	SR15	—
G4-EN21	NO <sub>x</sub> , SO <sub>2</sub> and other significant air emissions.	SR15	—
Effluents and waste			



G4-EN22	Total water discharge.	SR16	—
G4-EN23	Total weight of waste by type and disposal method.	SR17	—
G4-EN24	Total number and volume of significant spills.	SR17	—
Products and services			
G4-EN27	Initiatives to mitigate environmental impacts of products and services, and results.	SR18	—
Compliance			
G4-EN29	Fines and non-monetary sanctions for non-compliance with environmental laws and regulations.	SR10	—
Transports			
G4-EN30	Significant environmental impacts of transporting products.	SR17	—
Overall			
G4-EN31	Total environmental protection expenditures and investments.	SR23	—
Supplier assessment			
G4-EN32	Percentage of new suppliers screened using environmental criteria.	SR21	—
Social responsibility			
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region.	SR19	—
G4-LA5	Participation in health and safety committees.	SR19	—
G4-LA6	Rates of injury and occupational diseases.	SR19	—
Training and education			
G4-LA9	Average hours of training per year per employee.	SR19–20	—
G4-LA11	Percentage of employees receiving performance and career development reviews or equivalent.	SR19–20	—
Diversity and equal opportunity			
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, etc.	SR19	—
Supplier assessment			
G4-LA14	Percentage of new suppliers screened using labour practices criteria.	SR21	—
Human rights			
Non-discrimination			
G4-HR2	Proportion of employees informed/trained on human rights policies.	SR9	—
G4-HR3	Incidents of discrimination and corrective actions taken.	SR19	—
Freedom of association and collective bargaining			
G4-HR4	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and measures taken to support these rights.	SR19	—
Child labour			
G4-HR5	Operations identified as having significant risk for incidents of child labour, and measures taken.	SR19	—
Forced or compulsory labour			
G4-HR6	Operations identified as having significant risk of incidents of forced or compulsory labour, and measures taken.	SR19	—
Supplier assessment			
G4-HR10	Percentage of new suppliers screened using human rights criteria.	SR21	—
Society			
Local communities			
G4-S01	Percentage of operations with implemented local community engagement.	SR22	—
Anti-corruption			
G4-S04	Communication and training on anti-corruption policies and procedures.	SR22	—
G4-S05	Confirmed incidents of corruption and actions taken.	No recorded incidents.	—
Product responsibility			
G4-PR1	Proportion of products for which health and safety impacts are assessed for improvement.	SR16–18	—

# The UN Global Compact

## Ten principles on responsible business practice

In 2010, Nolato endorsed the UN initiative for responsible business, the Global Compact. This meant the Group joining a global network of more than 12,000 organisations, 9,000 of which are businesses, in 170 countries.

By participating in the Global Compact, Nolato endorses ten basic principles in the areas of human rights, working conditions, the environment and anti-corruption. These ten principles are based on various UN conventions, such as the Declaration of Human Rights and the Convention against Corruption. The 17 Sustainable Development Goals

presented by the UN in autumn 2015 are now also connected to the Global Compact. In 2016, Nolato linked its sustainability goals to the Sustainable Development Goals.

The booklet The Nolato Spirit, which includes the Group's Code of Conduct, is an important internal document, guiding and coordinating employee activities in line with the ten principles.

Group companies' compliance with the Group's Code of Conduct is evaluated on a regular basis. In the introduction to the Sustainability Report, Nolato's CEO Christer Wahlquist comments on the company's Global Compact work during the year.

## Communication On Progress

Organisations that have endorsed the Global Compact must produce an annual Communication on Progress (COP) detailing how they meet the ten principles.

In Nolato's case, we use the information provided in the Annual Report and the Sustainability Report. Together, these reports provide a fair presentation of Nolato's support of and compliance with the Global Compact principles. In order to simplify Communication On Progress, we use GRI indicators and the table of cross-references below shows which indicators are relevant in the context.



The Global Compact Principles	GRI indicators
<b>Human rights</b>	
1. Businesses should support and respect internationally proclaimed human rights.	G4-HR2, G4-HR7, G4-S01
2. Businesses should make sure they are not complicit in human rights abuses.	G4-HR1, G4-HR10-11
<b>Labour</b>	
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	G4-11, G4-HR4
4. Businesses should work to eliminate all forms of forced and compulsory labour.	G4-HR6
5. Businesses should work for the effective abolition of child labour.	G4-HR5
6. Businesses should work to eliminate all discrimination in respect of employment and occupation.	G4-10, G4-LA1, 9, 11, G4-HR3
<b>Environment</b>	
7. Businesses should support a precautionary approach to environmental challenges.	G4-EN1, 3, 8, 15, 17, 20, 21, 27, 31
8. Businesses should undertake initiatives to promote greater environmental responsibility.	G4-EN1-10, 15-24, 27
9. Businesses should encourage the development and diffusion of environmentally friendly technologies.	G4-EN6, 7, 19, 27
<b>Anti-corruption</b>	
10. Businesses should work against corruption in all its forms, including extortion and bribery.	G4-56, 58, G4-S04, 5

# Definitions and glossary

**5S** A Japanese method of organisation in the workplace. It involves sorting, systematising, cleaning, standardising and ensuring. 5S is an important element of lean manufacturing.

**Carbon dioxide (CO<sub>2</sub>)** Carbon dioxide is formed in all carbon combustion processes, such as fossil fuel combustion. It is very likely that carbon dioxide increases global warming (the greenhouse effect).

**CFCs/HFCs** Refrigerants such as chlorofluorocarbons (CFCs) and hydrofluorocarbons (HFCs) have negative impacts on the environment as a result of their ozone-depleting properties and their effect on climate. Demand for more eco-friendly refrigerants is growing globally.

**CLP** Classification, Labelling and Packaging is EU legislation that addresses dangers posed by chemical substances and mixtures and how users should be informed about them. These regulations were introduced in 2015.

**Code of Conduct** Guidelines for Nolato's employees, Board of Directors, suppliers, etc. regarding business ethics, the environment, labour relations and social responsibility.

**Conflict minerals** Tantalum, tin, gold and tungsten are referred to as conflict minerals if they originate from the Democratic Republic of Congo and neighbouring countries. The term arose because of the armed conflicts in the region, where mining operations often contribute to continued conflicts and lead to human rights abuses.

**COP** Communication On Progress is an annual report submitted to the United Nations specifying how Nolato operates according to the 10 principles of the Global Compact.

**CSR/CR** Corporate Social Responsibility/Corporate Responsibility is a term that encompasses how companies handle issues concerning the environment, social responsibility, financial responsibility and business

ethics. Often used in the same sense as the term 'sustainable development'.

**EMC** The shielding of electronics to achieve electromagnetic compatibility (EMC).

**Energy consumption** Nolato reports both direct energy consumption (usage of fuel in own energy facilities) and indirect consumption (purchased electricity and district heating).

**Environmental aspects** The parts of an organisation's activities, products or services that interact with the environment.

**Environment-related costs** Costs attributable to measures for preventing, reducing or restoring environmental impact directly caused by the organisation's operations. The same applies for costs concerning the occupational environment. The costs include administration, purchase of services externally, authority fees, environmental management system maintenance, waste and external inspections and audits.

**Environment-related investments** Investments for preventing and reducing environmental impact from the organisation's operations. The same applies for investments to enhance the occupational environment.

**Extrusion** A method for continuously manufacturing products in strands, such as tubing.

**Global Compact** A UN initiative for responsible business practice. Participating organisations undertake to endorse ten fundamental principles in relation to human rights, occupational conditions, the environment and anti-corruption. Nolato became a signatory to the Global Compact in 2009.

**GRI** The Global Reporting Initiative has established voluntary comprehensive guidelines for how companies and other organisations should report their sustainability activities. GRI G4 was introduced in 2013.

**ISO 14001** International standard relating to environmental management systems that was introduced in 1996. Over 325,000 organisations globally are currently certified according to ISO 14001. An updated version of the standard was published in 2015 (ISO 14001:2015).

**ISO 26000** International standard that provides guidance on how organisations can deal with social responsibility issues. The standard was introduced in 2010.

**ISO 50001** An international standard relating to energy management systems.

**LWC** Occupational accidents causing at least one day's absence (Lost Work Case).

**NGO** Non-governmental organisation, a voluntary organisation.

**NO<sub>x</sub> (nitrogen oxides)** Gaseous oxides formed during combustion processes through the oxidation of nitrogen. Harmful to health and the environment and causes acid rain and eutrophication.

**Occupational disease** A work-related disease is a disease caused by long-term exposure to a particular factor in the occupational environment. Examples are noise, dust and solvents.

**Occupational injury** A work-related injury is a sudden incident (accident) attributable to work that gives rise to a wound or other injury. Typical injuries in the polymer industry are cuts, falls and injuries caused by heavy lifting and repetitive tasks. Nolato reports occupational injuries as an accident that causes more than one day of absence, called Lost Work Case (LWC). The rate is gauged by the number of occupational injuries per 1,000 employees (LWC/1,000).

**OHSAS 18001** Standard relating to health and safety in the workplace. It will be replaced by the ISO 45001 standard.



**PCB** Polychlorinated biphenyls are a group of industrial chemicals that are hazardous to health and the environment. The use of PCB was prohibited in Sweden in 1972, but the substance remains in the environment due to its slow decomposition.

**Polymers** Chemical compounds comprising very long chains made up of small, repeating units (monomers). Plastic and rubber are examples of polymer materials.

**REACH** EU chemical legislation for the safer handling of chemicals. Chemical substances must be registered for a certain use and particularly hazardous substances can have restrictions imposed on them.

**RoHS** EU legislation limiting the use of certain substances that are hazardous to health and the environment.

**SO<sub>2</sub>** (sulphur dioxide) Sulphur dioxide is formed in the combustion of petroleum products. The gas contributes to the acidification of watercourses and soil. Large concentrations are harmful to human health.

**Sustainable development** Development that “satisfies today’s needs without jeopardising future generations’ possibilities to satisfy their needs”. Sustainable development encompasses ecological, social and financial sustainability.

**Lean manufacturing** A systematic method for the efficient management of resources. Lean manufacturing aims to identify all the factors in a production process that do not create value for the customer.

**The energy efficiency directive** The EU directive that was introduced in 2015 and that, among other things, covers energy audits at large companies. Nolato is subject to the directive.

**Injection moulding** A method for manufacturing polymer components. The material, such as a type of plastic, is injected under high pressure into a mould in which the component is formed.

**VOC (Volatile Organic Compounds).** A group of organic compounds that easily vaporise at room temperature. The concentration of volatile hydrocarbon in the air has a negative effect on health and the environment, e.g. it contributes to the formation of ground-level ozone.

**Water footprint** The total volume of fresh water used to produce a company’s goods and services.



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