

# Nolato's Sustainability Work 2018

## The Nolato Group

- ▶ Nolato is a Swedish public limited company with approximately 6,400 employees in Europe, Asia and North America. Nolato was founded in 1938 as Nordiska Latexfabriken i Torekov AB, with the trade-mark 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 develops and manufactures products in polymer materials such as plastic, silicone and TPE for leading customers within medical technology, pharmaceuticals, consumer electronics, 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.
- ▶ Nolato's sales are generated within three customer-focused business areas – Medical Solutions, Integrated Solutions and Industrial Solutions. While these business areas are based on common values and technologies, they each create their own optimal conditions to succeed in their respective market.

## Nolato sustainability reporting 2018

- ▶ For Nolato, sustainability work is an integral part of financial value creation and contributes to a sustainable society. This report on Nolato's sustainability work should be regarded as an integrated report that provides information about the relationship between financial and non-financial results, and demonstrates how the Group's strategy, governance and earnings can create value for stakeholders.
- ▶ The purpose of this report is to provide more detail and complement the mandatory Sustainability Report in accordance with the Swedish Annual Accounts Act included in Nolato's Annual Report 2018.

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# Focus on environmentally sustainable products

## Strong financial position

Nolato's task is to generate a long-term healthy return for our shareholders. We do this by building on our successful business model and developing our role as the customer's first choice of partner. During the year, Nolato's three business areas made a concerted effort and the Group's sales were the highest in our history. Naturally, it is also pleasing to see that the business areas exhibited considerable commitment within sustainable development and contributed practical, concrete solutions within a number of areas while creating value for our stakeholders.

## Persistently good results in sustainability work

Corporate citizenship is part of our culture and day-to-day operations, and over the years we have improved our sustainability work in several areas:

- ▶ We are gradually improving our energy efficiency via energy audits and investments in energy-smart injection moulding machines, lighting and infrastructure.
- ▶ Phasing out of fossil fuels, greater energy efficiency and increased purchase of fossil-free electricity all contribute to reducing emissions of the greenhouse gas carbon dioxide.
- ▶ We have set the bar high when it comes to offering positive, stimulating and safer workplaces. The accident rate remains low and roughly a third of the companies had no accidents at all in 2018. Our vision to eliminate accidents in the workplace is a genuine commitment.
- ▶ Social engagement was further developed both locally and globally. We work with organisations such as schools, universities and sports associations. At a global level, we work according to the principles of the UN Global Compact and Nolato's Group targets contribute to the 2030 Agenda for Sustainable Development.

## 'Nudging' for a sustainable value chain

Nolato's concept and core business are based on converting polymer materials, primarily various types of plastics. We are extremely

proud of the products we make using the fantastic properties of plastics. At the same time, we realise that essentially all the plastic we use comes from oil, a non-renewable raw material that contributes to climate change. We are also keenly aware that plastics contaminate our oceans and spoil the countryside. Naturally we have been affected by the results that have been presented by researchers and attracted considerable attention in the mass media over the past year.

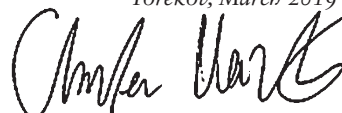
In order to reduce the environmental impact of Nolato's products, we have decided to adopt a clear strategy to cut back on the use of plastics based on fossil raw materials. Essentially we intend to increase the use of bio-based and recycled plastics. We are already seeing that more customers want to move towards 'greener plastics', and by nudging them gently in the right direction I'm convinced that we will be able to generate benefits for both the business and our environment. To achieve this we do of course need the know-how and experience required to use bio-based and recycled materials in our technologies.

We will almost certainly meet obstacles along the way every now and then, but I am confident that we will be able to overcome technical and other difficulties. It is also clear to me we need to avoid projects where it is evident that the product cannot be associated with reasonable sustainable requirements.

I look forward to continuing this exciting journey together with all our talented and committed employees, united in our ambition of developing offerings that create both environmental and business benefits.

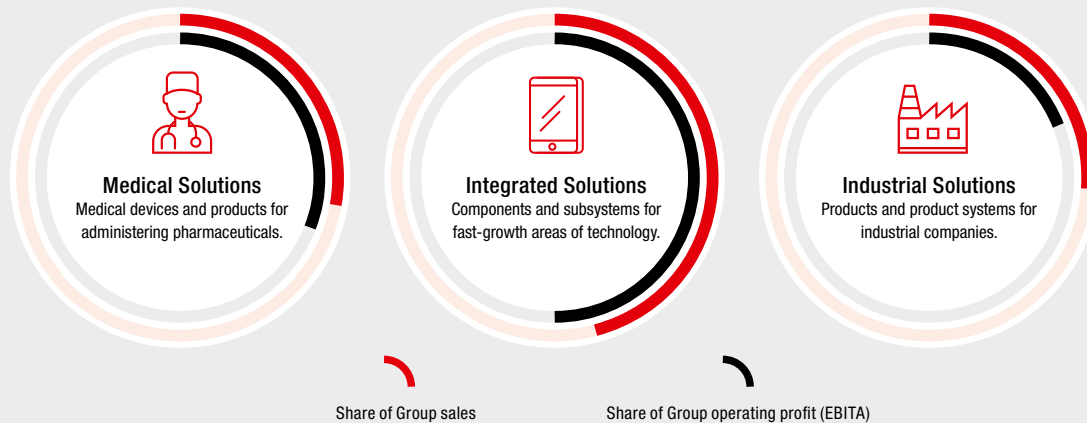


**Christer Wahlquist**  
President and CEO

*Torekov, March 2019*  
  
 Christer Wahlquist  
 President and CEO

# The Nolato Group in brief

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



## 80 years

### Our history

Nolato was founded in 1938 as Nordiska Latexfabriken i Torekov AB and has become a global group through organic growth and acquisitions. Our head-quarters remain in Torekov in southern Sweden, but most of the Group's activities are now based outside Sweden.

### Our values



Nolato has a long tradition of responsible business practice. Our basic principle is that effective business operations must be combined with ethics, corporate responsibility and environmental awareness.

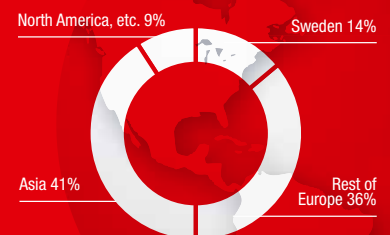
### Employees

# 6,400

Nolato's average no. employees in 2018.



### Our global presence



# 2018 in brief

## Financial performance

Nolato's consolidated sales rose by 21% to SEK 8,102 million (6,720), which was the highest level of sales ever in Nolato's history. Adjusted for currency and Group structure, sales rose by an exceptionally strong 17%. Sales for Medical Solutions rose by 16% to SEK 2,270 million (1,955), for Integrated Solutions by 32% to SEK 3,720 million (2,810) and for Industrial Solutions by 8% to SEK 2,119 million (1,968).

## Sustainable development

Interest in sustainable development grew in many of the countries in which Nolato operates. Climate change and the role of plastics in the environment were just two of the issues that Nolato's stakeholders engaged in during the year. We therefore continued to work on reducing the Group's climate impact, and in 2018 we implemented several interesting projects that could mean greater use of bio-based plastics and recycled plastic raw material in the long term. Positive results were also achieved in other strategic areas such as energy, waste, health and safety, social responsibility and business ethics.

The Group's sustainability work was reported to the Global Reporting Initiative (GRI), UN Global Compact and Nasdaq Listing Center (ESG; Environment, Social, Governance). Separately, we also reported under the Carbon Disclosure Project (CDP).

## Further work

We will increase environmental activities in 2019 and focus on customer interaction. Nolato will actively present sustainable

solutions relating to choice of raw materials, product design, production technologies and transportation. We are confident that greater use of bio-based and recycled raw materials will create both environmental and business benefits. We are continuing to intro-

duce measures concerned with more efficient use of energy, water and materials, along with reduced carbon footprint. We have also maintained our focus on activities that contribute to a safe and stimulating work environment. ■

## Sustainability KPIs

	2018	2017	2016
<b>Financial responsibility</b>			
Sales, SEKm	8,102	6,720	4,447
Operating profit (EBITA), SEKm	949	763	457
EBITA margin, %	11.7	11.4	10.3
Average number of employees	6,449	7,249	6,418
<b>Environmental responsibility</b>			
Breach of environmental and occupational environment legislation, number of cases	0	1	0
Energy consumption, GWh/SEKm sales	0.022	0.028	0.038
Water consumption, m <sup>3</sup> /SEKm sales	18.1	26.5	36.8
Greenhouse gas emissions, CO <sub>2</sub> tonnes/SEKm sales	4.5	7.2	11.5
Waste, tonnes/SEKm sales	0.9	1.0	1.2
Certified environmental management system, % of total no. of plants	95	95	91
<b>Social responsibility</b>			
Workplace accidents, (cases of ≥1 day's absence; cases per million hours worked)	47 (4.1)	47 (3.7)	63 (5.0)
Certified health and safety management system, % of total no. of plants	24	27	27
Female employees, %	46	45	49
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	247	235	173



# Nolato and sustainable development

An increasing number of stakeholders expect Nolato to contribute to sustainable development. These expectations relate to corporate citizenship, transparency and sound business ethics, but also to the Group harnessing opportunities to develop products and services that are environmentally sustainable. Corporate citizenship is one of Nolato's Basic Principles and is an important aspect of the Group's long-term strategy to create growth and value for its stakeholders.

## Our view of corporate citizenship

Nolato has a long tradition of corporate citizenship and a carefully designed sustainable development strategy. The strategy covers activities within three areas: social responsibility, business ethics and the environment. We are seeing positive results in all these areas, but there is scope for improvement in the environmental area, chiefly with regard to the environmental attributes of our products. Contributing towards sustainable solutions will make us the partner of choice for customers within sustainable development. This is what we mean by corporate citizenship:

- ▶ Proactive approach – We will be the experts regarding the impact of our business on people, the environment and society. We reduce risk and cost through preventive measures, risk analysis and investments in modern technology.
- ▶ Business opportunities – Through

resource-efficient production and greater use of environmentally sustainable raw materials, we generate both business opportunities and environmental benefits.

- ▶ Credibility and transparency – Nolato complies with international conventions and principles for sustainable development, including via being a signatory to the Global Compact. The long-term targets set out the road map for our sustainability work and we openly report on both our progress and setbacks encountered, according to international standards for sustainability reporting.

## Clear link to mission

Our mission is the basis for our operations and describes how we can meet our customers' needs:

"Nolato is a high-tech developer and manufacturer of polymer products and systems for leading customers in specific market areas. With its many years of experience, in-depth expertise in materials and processes, early involvement in customer projects, advanced project management and detailed knowledge of each customer's specific requirements, Nolato is an effective and innovative partner."

Our success is based on close and long-term customer relationships. We support customers and constantly endeavour to find improvements. Furthermore, Nolato adopts

responsible business practices, which we consider self-evident in a world facing environmental problems and dwindling resources.

## Active measures for sustainable development

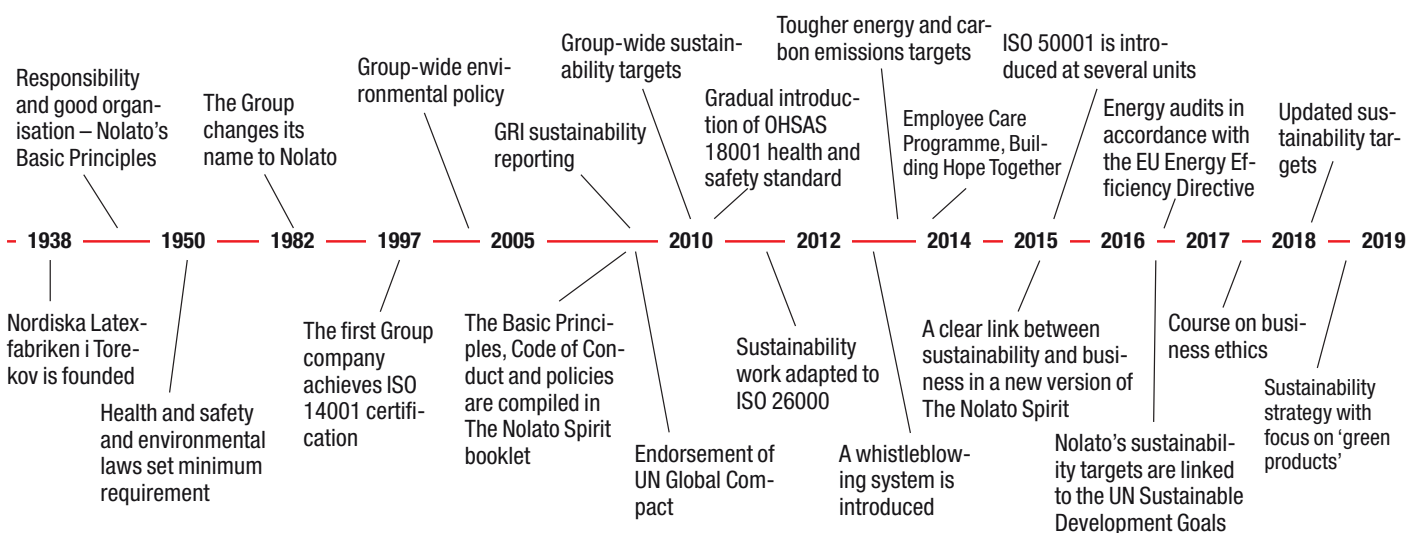
Nolato is a key operator within the polymer industry and it is time for us to make a clearer contribution to sustainable development. We will therefore be increasing our environmental activities and focus on customer interaction. Nolato will actively present sustainable solutions relating to choice of raw materials, product design, production technologies and transportation. Greater use of bio-based and recycled polymers will provide good opportunities for reducing our carbon footprint from a life cycle perspective. Product design for sustainable development can, for example, help make the products easier to recycle. We should also be prepared to decline assignments that are incompatible with our environmental ambitions.

## Key guidelines

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

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

## Some important steps towards sustainability



and the combatting of corruption. The 10 principles are integrated into Nolato Spirit, and our long-term targets are linked to the UN Sustainable Development Goals (see fact box to the right).

Nolato's sustainability work is reported in accordance with the Swedish Act on Sustainability Reporting by Large Companies, GRI guidelines, CDP, the Nasdaq Listing Center and the UN Global Compact (Communication on Progress; COP).

Production facilities are certified to the international standards ISO 14001 (environment), ISO 9001 (quality management) and, where applicable, to industry-specific ISO standards. We also work with health and safety and energy management standards.

The ISO 26000 social responsibility standard provides guidance for our overarching sustainable development efforts.

## Strategy

Our sustainable development strategy includes the following areas:

- ▶ We aim to create business opportunities through responsible conduct and transparent communication of our sustainability efforts. Business opportunities also arise through resource-efficient production methods and the development of products with the lowest possible environmental footprint. In short, we aim to be customers' first choice for sustainable development.
- ▶ We reduce risk and cost through preventive measures, risk analysis and investments in modern technology. Issues regarding energy and carbon emissions are particularly prioritised and are subject to long-term targets. Regarding the use of materials, we aim to increase the percentage of recycled plastic raw material and the use of bioplastics.
- ▶ Using ISO standards and concepts such as lean manufacturing, Medical Excellence and 5S, we create a systematic approach to and credibility for our sustainability work.
- ▶ We involve our employees through a safe, gender-equal and stimulating work environment. Sustainability work should be something that helps encourage new employees to apply to the company.
- ▶ Nolato should be a good corporate citizen and apply sound business principles and good ethics. Preventing corruption is an important aspect of this work and something we have undertaken in accordance with the principles of the UN Global Compact.
- ▶ Sustainability issues are part of Nolato's business model and strategy.

## Governance and monitoring

We manage sustainability issues in a methodical way and have integrated them into strategic planning and our day-to-day operations. We have set Group sustainable development targets (see page 10). Operational responsibility for sustainable development is delegated to the Managing Director of each Group company. 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. One representative on Nolato's Board has special responsibility for sustainability issues. Matters relating to strategy, risks, monitoring, sustainability reporting, sustainability issues associated with acquisitions and dialogues with investors are managed at Group level. ■

# SUSTAINABLE DEVELOPMENT GOALS

The UN presented its Sustainable Development Goals in 2017, within the scope of the 2030 Agenda for Sustainable Development. The 17 goals provide a clear and useful framework for addressing global challenges, and they have had a huge impact on society. At the same time they are a catalyst for innovation and business opportunities within the field of sustainability.

Private and public organisations have an important role to play, and businesses are expected to contribute by adopting responsible business practices, providing transparent reporting of their own targets and outcomes and developing products and services that foster sustainable development.

The UN Sustainable Development Goals help us identify key areas within sustainable development, and we have highlighted several goals that are clearly relevant to the Group's operations.

With these goals as a starting point, we can see that we are able to both reduce our environmental impact and create business opportunities.

We have therefore linked the Group's targets to seven of the UN Sustainable Development Goals. This allows us to contribute to an even more sustainable world, while generating profitable growth for Nolato.

Minimising Nolato's use of resources is an important principle in achieving our targets. We accomplish this by working with innovation, efficiency improvements, investments in new technology, greater use of renewable energy and initiatives focusing on bio-based and recycled plastics. The UN Sustainable Development Goals also provide inspiration for measures within social responsibility, social engagement and business ethics. ■



## Materiality analysis

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 development.

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 standards (GRI) and provides the background for which areas are examined in greater detail in sustainability reporting and which GRI indicators are used. The end of the report (pages 27–29) contains a list of the GRI indicators to which we refer.

The chart shows the issues that were identified in 2018 as significant and our Sustainability Report describes how these issues are managed and monitored. As a background to the overall materiality analysis, feedback is regularly sought from the Group's companies. Although there may be different

### Materiality analysis 2018



priorities at a local level, we are generally in agreement that the materiality analysis provides a fair overview of the areas to focus on. We have made a few minor adjustments to this year's analysis that primarily relate to the area 'plastics in a life cycle perspective'. Mass media coverage, coupled with research-

ers and politicians highlighting the issue of the impact of plastics on the environment led to an already prioritised area moving even higher up the agenda (see also page 11). ■








## Value for stakeholders

Nolato interacts with a number of stakeholder groups, which brings requirements and 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 multiple ways and includes performance

reviews with employees, customer satisfaction surveys, analyst meetings and cooperation with customers, suppliers and contractors. ■

### Overview of stakeholder engagement in 2018

Stakeholder	Key issues, requirements and expectations	Value created
 Customers	Nolato's companies are affected by customer requirements regarding sustainable development. These requirements include matters such as environmental management systems, prohibited chemical substances, conflict minerals, environmental declarations, product labelling, code of conduct, and the fulfilment of specific legislation.	In 2018, customers carried out follow-ups at approximately 60% 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	Attractive employer – values, health, safety, pay, benefits, social conditions, wellbeing, development opportunities.	We carried out performance reviews and provided training, professional development and health care. Preventive health and safety measures were prioritised and the frequency of accidents remained low. The Employee Care Programme was further developed in China. During the year, Nolato paid SEK 1,645 million in wages to employees.
 Suppliers	Nolato endeavours to maintain 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 250 surveys and audits. Suppliers met the Group's requirements to a satisfactory degree. In 2018, Nolato paid its suppliers a total of SEK 5,757 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. Over the last five years, the average dividend yield from Nolato's shares was 3.8%. The share dividend is expected to amount to SEK 368 million.
 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, we are 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 helped attract future employees. The school project in China was further developed. As a signatory to the UN Global Compact, Nolato contributed to the UN Sustainable Development Goals. In 2018, Nolato paid SEK 199 million in tax.

# Targets and KPIs

We work systematically using a long-term approach with issues related to the environment, people and society. We believe this creates a benefit for society and the Group's business operations. Several of the group-wide sustainability targets are linked to the

UN's 2030 Agenda for Sustainable Development and Sustainable Development Goals. The production facilities work with local targets based on the UN Sustainable Development Goals, primarily within the framework of ISO 14001.

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 the Sustainability Report. ■

Area	Sustainable development goals	Outcome
 Energy	More efficient energy use, and up until 2020 usage should decrease by 20% compared with the average for 2011–2012. The groupwide KPI is GWh/net sales and production units use locally adapted targets and KPIs.	► Work with energy audits continued during the year. Specific measures include investments in more energy-efficient production equipment (electric injection moulding machines), infrastructure and lighting (LED bulbs). We believe the target is achievable.
 Carbon emissions	A 20% reduction in emissions of the greenhouse gas carbon dioxide (CO <sub>2</sub> ) up to the year 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 and there are also different types of local targets.	► Measures to reduce our carbon footprint are based on more efficient energy consumption, more environmentally sustainable transportation and the purchase of electricity from renewable sources. Opportunities to purchase 'green energy' are currently limited in certain countries. We believe the target is achievable.
 Chemicals, raw materials and environmentally sustainable products	Hazardous chemical substances should be identified and, where possible, phased out. The percentage of recycled and/or renewable raw materials should increase. Nolato will take part in projects aimed at reducing the environmental impact of existing or new products.	► Hazardous chemical substances should be identified and, where possible, phased out. The percentage of recycled and/or renewable raw materials should increase. Nolato will take part in projects aimed at reducing the environmental impact of existing or new products.
 Waste	The amount of waste should continually decrease in relation to net sales. The percentage of recycled waste should increase. The Group's units use their own targets regarding scrap and waste management.	► We are seeing a positive trend over the long term, with the percentage of waste disposed of in landfill declining and the percentage that is recycled rising. This target is part of the Group's continual improvement measures and has no specific deadline.
 Environmental management systems	All units to be ISO 14001 certified. Acquired companies should be certified within two years.	► All production units, with the exception of one facility that is in the start-up phase, are certified to ISO 14001 standard. Opportunities for achieving the target are considered to be very good.
 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.	► The accident rate is low from an industrial perspective. In 2018, the KPI was 4.1 accidents with absence per million hours worked. Systems for recording near misses have been introduced and there are certified health and safety systems in place at five units. Continued technical and organisational initiatives are required to ultimately eliminate all accidents.
 Human rights and gender equality	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.	▲ During the year, employee training was held on The Nolato Spirit. No cases of infringements of human rights were recorded. Recruitment of people with disabilities continued. The recruitment of more female managers is important to Nolato.
 Anti-corruption	There should be no cases of bribery, corruption or cartel formation. Continued active information to employees.	▲ Training, information and discussions are tools being used in anti-corruption work. Senior executives participate in an online training session focusing on business ethics. The Group has introduced a whistleblowing system and no events relating to corruption or inadequate business ethics were recorded during the year.
 Customers	Customer requirements regarding the environment and social responsibility should be met by a comfortable margin.	▲ Evaluations and audits were carried out during the year at two-thirds of the production facilities. Customers were highly satisfied with Nolato's efforts within sustainable development.
 Suppliers	Improved evaluation of suppliers' sustainability work.	▲ In 2018, Group companies conducted roughly 250 evaluations of suppliers' sustainability work. The suppliers satisfied Nolato's requirements at an acceptable or good level.
 Society, investors and analysts	Reporting must be in accordance with GRI and CDP guidelines. Nolato will continue to endorse the Global Compact. We aim to achieve good results in evaluations by analysts and independent institutions through transparent information in the field of sustainability.	▲ Positive results from independent evaluations of our sustainability work. Transparent reporting of sustainability work via several different channels.

▲ The target was achieved   ► Positive trend, but work remains to achieve the target   ▼ Negative trend   ► Unchanged situation

## Case study – the environmental impact of plastics

# Nolato, plastics and the environment

Plastic materials make life easier for most people. Plastics have fantastic properties and it is possible to make almost anything from them. They are everywhere, and it is almost impossible to try and avoid them in everyday life. Usage is growing, and global annual production totals around 300 million tonnes, which is an increase of 100% in 15 years.

Plastics are often climate-smart and save energy. The fact that they replace metals and other heavy materials in the automotive and aviation industries means a reduction in weight and fuel consumption, and thus carbon dioxide emissions. In the construction industry, plastics are used as an insulation material, which is positive from an energy perspective. Plastics as packaging material in retail reduce weights and fuel consumption.

However, there is another side to the coin and plastics are associated with several environmental problems. They can contain hazardous additives that can cause harm to people and the environment. The majority of plastics are made from fossil crude oil – a non-renewable raw material that has a negative climate impact. One particular environmental problem that has come to the fore in recent years is contamination of our oceans. It is mainly caused by plastic used in consumer products with a short lifespan in countries with underdeveloped collection and recycling systems. Large quantities of plastic rubbish end up in the ocean, where it can take hundreds of years to break down.

### What is Nolato's view of plastics in the environment?

We share the view that plastics have both positive and negative qualities from an environmental perspective. We use somewhere in the region of 42,000 tonnes of plastic a year and we make products that have both a long and a short lifespan. Long-lasting products are used as components in items such as vehicles, mobile phones, household appliances and medical devices. Most of the time there are efficient systems in place for collecting and recycling the plastic in products such as these. Short-lived products include pharmaceutical packaging, single-use products within health care and certain other types of packaging. Much of this packaging is recycled, but we cannot rule out the possibility of some of it ending up littering the environment.

### What is Nolato doing to reduce the environmental impact of plastics?

We have taken action to reduce or completely phase out the use of hazardous additives in the plastic. This move is driven by chemicals legislation and clear customer requirements, and is a process that will most likely continue for several years. We are following developments closely.

Another example of environmental adaptation is cutting the proportion of fossil raw materials used in the product. For example, we have developed pharmaceutical packaging in which reduced weight generates environmental benefit while bringing costs down. Increasing the content of the filler material chalk is also a solution that is being applied in a number of products. We use roughly 640 tonnes of recycled plastic.



### How interested are customers ?

We are seeing heightened interest among customers who use our packaging for products such as cosmetics and dietary supplements. There is a marked interest in the automotive industry, where one key customer has established a target of all new vehicles containing 25% recycled plastics by the year 2025. There is also growing interest among customers in the hygiene and furniture sectors. We have a number of ongoing or initiated projects with such customers. Interest within pharmaceuticals and medical devices is less pronounced. This is most likely to do with the fact that it is costly and complicated to register changes in technical specifications with the pharmaceutical regulatory authorities.

### What is bioplastic and is it biodegradable?

Bioplastic is a concept that is being increasingly used, but that can have many meanings.

- ▶ Bioplastic is a plastic that is entirely or partially based on renewable raw material. However, the concept says nothing about how much of the plastic comes from renewable material. Is it the polymer, filler, plasticiser and/or the other components that are renewable?
- ▶ Bioplastics can be made from alcohols and acids that are found in nature, for example it is possible to make polyethylene from ethanol, which comes from sugarcane. In practice, a monomer is taken from a biorefinery and polymerised using the same technique as when making fossil-based plastics. However, issues relating to the environment and health and safety when growing the sugarcane and other plants are still important in assessments from a life cycle perspective.
- ▶ Bioplastics can also be made from macromolecules from the plant kingdom, for example polysaccharides, proteins and lignin. Cellulose-based plastics have been around for some time, but unfortunately the manufacturing processes are not particularly good for people or the environment.
- ▶ The fact that a plastic is based on a biological material does not necessarily mean that it breaks down easily in the natural environment. There are fossil plastics that are easily biodegradable and bioplastics that are difficult to break down.

### So which way is Nolato heading?

Our choices are made in cooperation with our customers, but in order to achieve commercial success we need to have a good knowledge of different environmentally sustainable materials. Nolato Jaycare is a forerunner and has evaluated bio-based plastics from sugar in its production technologies. It is an excellent material, and projects are underway with several customers. Other customers are showing greater interest in recycled plastic, and there are a number of interesting projects happening here too. There are plenty of opportunities, but of course there are also risks involved in replacing raw materials. For example, risks could relate to technical specifications, costs and access to the raw materials. ■

# 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, consumer electronics, 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, TPE and ceramics 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.
- ▶ **Extrusion** – Technology for the production of tubing and other tubular products. This technique is used to manufacture items such as surgical instruments and urine catheters, as well as EMC shielding gaskets.
- ▶ **Dip moulding** – Technology for the production of flexible, airtight latex rubber products. This is used to manufacture items such as catheter balloons and breathing bags.
- ▶ **Die-cutting** – Technology for producing flat products from one or more materials and for providing effective joining of components and electronics. We use die-cutting for manufacturing adhesive, gaskets, seals and cosmetic details for customers in the telecom, automotive, medical technology and electronics industries.
- ▶ **EMC shielding** – Techniques and materials developed to achieve electromagnetic compatibility, i.e. to prevent disruption from electromagnetic radiation between electronic components. Radio base stations are an example of a customer product that uses EMC shielding.
- ▶ **Assembly** – Assembly of components to create a complete product or subsystem. This may take place on a fully automated, semiautomated or fully manual basis. Automated assembly is mainly carried out

for medical devices such as autoinjectors, for which assembly is performed on a fully automated basis at high volumes.

- ▶ **Post-processing** – We provide components with the desired finish through painting, decoration and metallisation of components for products like mobile phones and medical devices.

The manufacture of products in polymer materials is associated with a number of significant environmental aspects. Some examples include the use of materials (plastics, silicone rubber, metals), chemicals (solvents, varnish, paints), energy and water. Emissions of greenhouse gases and solvents (VOC), along with the occurrence of various types of waste, are other key environmental issues. Indirect environmental aspects relating to products, packaging and transportation are also significant. In the Group, the ISO 14001 environmental management system is a valuable tool as part of efforts to systematically reduce our environmental impact.

## Environmental legislation

Nolato's companies are subject to extensive legal requirements relating to the environment. This concerns both overarching legislation and specific terms for each business. We use ISO 14001 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.

All production units in Sweden apart from one are obliged to provide notifications pursuant to the Swedish Environmental Code. Most of the Group's units outside Sweden require permits or are covered by similar requirements in accordance with environmental legislation in the country in question. Sales from operations with permit requirements and notification obligations make up the majority of the Group's net sales. Routine updates to the environmental permits will be carried out at five plants in 2019. In a couple of cases, these updates are required due to an expansion of operations. We do not anticipate any significant legal or financial consequences as a result of the renewal of these environmental permits.

Environmental legislation in the form of

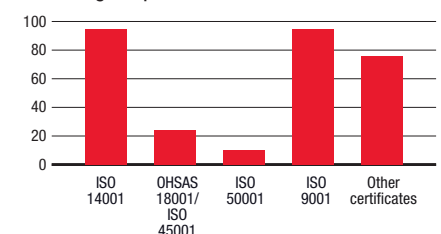
EU directives (REACH, RoHS, CLP, WEEE, energy efficiency, sustainability reporting), or other national or international legislation, relate in the main to the Group's operations and products. About two-thirds of the units are covered by legislation concerning producer responsibility for packaging. In most cases, regular reports are submitted to the environmental authorities, and the supervisory authorities carry out inspections. No breaches of environmental legislation were registered in 2018.

## Environmental management systems

The ISO 14001 environmental management system standard was introduced in 1996, and Nolato had its first plant certified to the standard in 1997. Since then this environmental standard has been a key element of our sustainable development strategy and systematic approach, as the environmental audits and certification create confidence among the Group's stakeholders. All units, with the exception of one company in China that is in the start-up phase, are certified.

Internal and external environmental audits are conducted to check that environmental management systems meet ISO 14001 requirements. Nolato has around 119 (137) internal environmental auditors, who conducted 137 (106) environmental audits last year. The facilities were reviewed by external auditors on 21 (20) occasions. All certified facilities have now updated the environmental management system to the latest version (ISO 14001:2015).

Percentage of production units



All companies apart from one are certified to requirements in the ISO 9001 quality assurance system. Over 75 % of units are also certified in accordance with standards for the automotive industry (ISO/TS 16949), medical technology (ISO 13485) or other standards. At many of the plants, the various management systems are entirely or partly integrated into the overall operational system.



The health and safety management system (OHSAS 18001) has been introduced at 5 (6) units. The standard was replaced in 2018 by ISO 45001, and seven companies are planning to introduce the new standard. Two units at UK-based Nolato Jaycare are certified under the ISO 50001 energy management standard. The ISO 26000 social responsibility standard provides a guideline for our group-wide sustainability work. This standard is based on seven fundamental principles and describes how an organisation can work with environmental issues, social responsibility and ethics.

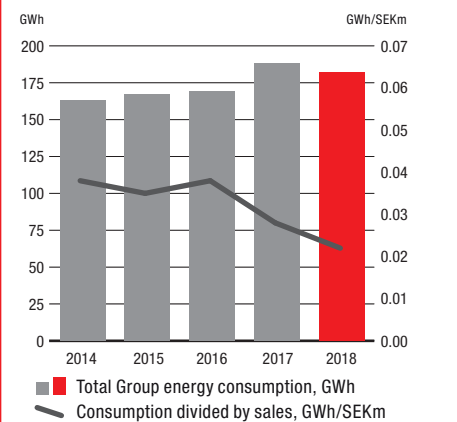
## Energy

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 accounts for around 1% of total energy consumption and is decreasing gradually. Fuel oil is being replaced by heat pumps or biofuel. Fossil fuels account for approximately 5% and purchased 'green electricity' for 53% (46) of total energy consumption.

Energy consumption amounted to 182 GWh (188) in 2018 and the key performance indicator, which places energy use in relation to sales, has shown a declining trend since 2011. The cost of energy was approximately SEK 137 million (136). Measures aimed at boosting energy efficiency include:

- ▶ Energy audits – Energy audits in accordance with the EU energy efficiency directive have been performed at 10 units. The investigations reveal that there are opportunities for saving energy, for example by optimising ventilation, cooling, lighting and compressed air. Nolato is carrying out cost-effective measures and three units are planning to conduct audits over the next few years.
- ▶ Energy-efficient equipment and processes – The change from hydraulic injection moulding machines to electrical machines increases energy efficiency and reduces the handling of hydraulic oils. The change was implemented during the year at Nolato Cerbo, Nolato Plasttechnik and Nolato Polymer. The dipping robot at Nolato MediTor continues to generate significant energy savings. Production planning to gain maximum efficiency from equipment and the turning off of equipment when not in use. 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. Optimised production planning meant that it was possible to close down one of the painting plants at Nolato Beijing.
- ▶ ISO 50001 – The certified energy management system (ISO 50001) at UK units is highlighting energy efficiency.

## Energy consumption



- ▶ Buildings and lighting – The use of surplus heat from equipment to heat premises and warehouse buildings at Nolato Contour. At the same plant, the roof was painted with paint that reflects the sunlight, improving the indoor environment and reducing energy consumption. The installation of systems for free cooling is reducing energy consumption at Nolato Hungary. Lighting is also being extensively replaced with LED bulbs. Installation of movement sensors for lighting. Installation of electricity meters at strategic points in buildings. To cut consumption of fuel oil, Nolato Lövepac expanded capacity in the heat pump system.
- ▶ Training and engagement – 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 immaterial and amount to a couple of thousand tonnes a year for the Swedish business.

In 2018, Nolato's production plants emitted 36,600 tonnes (48,900) of CO<sub>2</sub>, less than 4% of which was caused by the direct use of fossil fuels. Other emissions mainly arose from the production of electricity and district heating in the countries in which we operate. Countries such as China, the US and Poland use coal extensively for electricity production, causing significant carbon dioxide emissions, which has a major impact on the Group's carbon footprint. This mainly applies to our operations in China. The situation regarding Nolato's carbon footprint is affected by a number of factors, such as the following:

- ▶ The businesses in Sweden, the UK and Hungary are reducing indirect CO<sub>2</sub> emissions by roughly 20,000 tonnes a year by purchasing fossil-free electricity.
- ▶ Our carbon footprint is decreasing as a result of measures to boost energy efficiency, including energy audits and the introduction of ISO 50001. And the phasing-out of fuel oil and installation of heat pumps or the use of biofuel is also helping reduce the carbon footprint.
- ▶ Other measures concern reduced scrap, better waste management, the purchase of more fuel-efficient vehicles, increased use of teleconferences and improved logistics.

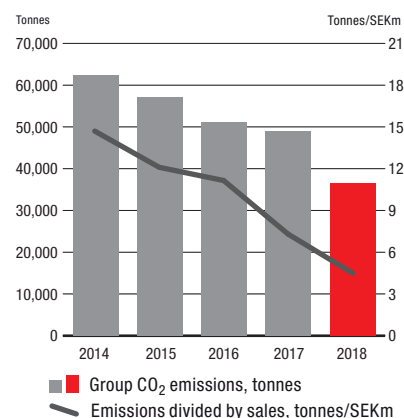
- ▶ Changes to production and reduced energy requirements at the largest plant in China resulted in a decline in carbon dioxide emissions of around 10,000 tonnes.
- ▶ Nolato Jaycare in the UK has signed a national climate change agreement to counteract climate change. The agreement covers energy-intensive industry and, by reducing energy usage, participating companies can receive reduced charges under a system in the UK known as the Climate Change Levy.

### Other atmospheric emissions

The use of more than 90 tonnes (360) of paints and solvents resulted in emissions of around 26 tonnes (55) of VOCs (volatile organic compounds). The majority of these substances are used for the painting of mobile phones and other products in Beijing. Effective purification equipment, which was installed in 2015, combined with adjustments to the product range have resulted in VOC emissions now ending up at around 6 tonnes/year. The measures to improve air quality in Beijing are appreciated by local environmental authorities. The production of breathing bags at Nolato MediTor currently accounts for the largest source of VOC emissions. Around 19 tonnes of gaseous ethanol was released into the atmosphere during the year.

There are just over 3.1 tonnes (3.1) of ozone-depleting substances (HFCs; F-gases) in air-conditioning and other equipment at around 10 production units. A minor leakage occurred during the year, which corresponded to less than half a percent of the installed amount. Emissions of sulfur dioxide and nitric oxides remained low and amounted to 3 tonnes (3). Emissions of dust and malodorous substances are negligible, and no complaints were received during the year.

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





## Raw materials and chemicals

Production processes used around 42,500 (39,000) tonnes of polymer materials in 2018. More than 97% 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 1,500 tonnes (1,900) per year, are paints, solvents and metals.

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. Some customers are expressing interest in recycled plastic, for example for components for vehicles, furniture and garden equipment, as well as for packaging for dietary supplements. The amount of recycled plastic used during the year was approximately 640 tonnes (400) 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 and recycled raw materials (see page 6).

One environmental aspect that concerns most of the Group's companies is customer requirements for products to not contain certain hazardous 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. These include, for example, softening phthalates and silicone rubber, which contains cyclic siloxanes. Continual activities are being undertaken to reduce risks associated with chemical substances, and during the year around 10 chemical products were substituted with alternatives that are better for the environment and health.



## Water issues

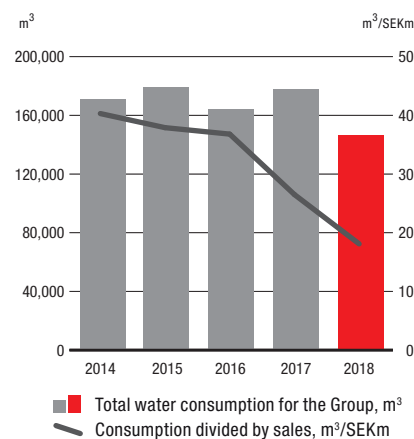
Nolato's facilities use municipal water for purification equipment, some production processes, cleaning, sanitation and cooling. In 2018, 146,300 m<sup>3</sup> (177,900) of water was used at a cost of around SEK 2.3 million (2.9).

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 16% of total water usage.

Nolato in Beijing has several thousand employees, and this is reflected by the fact that the business accounts for just over 40% of the Group's water consumption. The city of Beijing has been identified as a water shortage area and the company is undertaking various measures to reduce its water consumption. This relates to involving personnel, identifying leaks, repairing leaking equipment and checking that water is not being used when equipment and premises are not in use. Changes to production at the plant meant that water consumption declined by around 40% in 2018 compared with the previous year.

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 normally expected to result in any environmental impact. One exception is certain chemical substances used at Nolato MediTor in Torekov, which previously had an effect on the purification processes of the municipal wastewater treatment plant. A research project in collaboration with Lund University Faculty of Engineering, which was completed in 2018, was able to identify and rectify the problems.

## Water consumption



## Waste

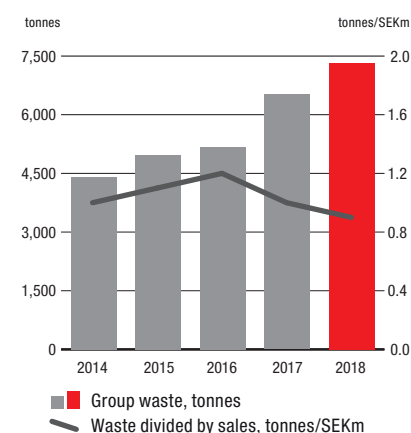
Approximately 7,300 tonnes (6,500) of waste was generated in 2018. The increase in the amount of waste is mainly attributable to increased production and a number of construction projects. Around 49% (54) of waste was recycled as materials and 28% (21) as energy. Landfill disposal of waste remains at a low level, amounting to around 5% (8) of the total amount. From an environmental perspective, 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 to reduce scrap and the occurrence of waste. Hazardous waste accounted for 5% (7). External waste management costs amounted to SEK 6.3 million (5.5).

## Transport

We work continually to reduce the environmental impact of the transportation of goods and business travel. Here are some examples of action taken:

- ▶ Central procurement of transport services in Sweden incorporates sustainability criteria, including access to emissions data for CO<sub>2</sub>, NO<sub>x</sub>, SO<sub>2</sub> and other air pollutants. In China too, Nolato places environmental requirements on transport firms and asks that they use environmentally certified vehicles. In the UK, the main carrier used is a company registered under the Fleet Operator Recognition Scheme (FORS). This is a scheme that covers legal compliance, safety, efficiency and environmental protection.
- ▶ Many Group companies make use of opportunities for video and online conferencing.
- ▶ 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. Nolato MediTor is working on approving Nolato Stargard in Poland as a direct supplier to a customer in Germany. This reduces shipments by an estimated 7,000 km a year. Several of the companies use rail or boat as an alternative means of transportation to truck or plane.
- ▶ 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



## Products with environmental benefits

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, vehicle components, domestic appliances and chainsaws, to pharmaceutical packaging and medical devices. Below are some examples of ongoing projects and existing products:

- ▶ A project is underway at Nolato Plast-teknik to replace aluminium with plastic in vehicle components. A project has been launched in cooperation with a significant customer, which aims to substitute plastic in packaging with bio-based and recycled plastics.
- ▶ Nolato MediTor is validating a completed project in which the content of PP plastic in certain applications has been reduced by almost 40%; a change that offers benefits from both an environmental and logistics perspective.
- ▶ Nolato Beijing is working on a number of projects relating to increasing the use of recycled raw materials. The company is also examining opportunities to use fewer types of material in the same product.
- ▶ Nolato Polymer has tested a raw material that contains 70% bio-based materials for use in garden equipment. The outdoor product 'Light My Fire' uses 20–70% bio-material.
- ▶ 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. Nolato Gota uses more than 600 tonnes of recycled plastic in some of its products.
- ▶ Plastics are replacing other materials in vehicles, household appliances and chainsaws. This results in reduced weight and fuel consumption.
- ▶ 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 has tested production using fossil-free polyethylene plastic, which is a raw material produced from sugarcane. This bio-based plastic works perfectly in all the company's production processes.
- ▶ Nolato Cerbo produces pharmaceutical packaging (SC Light Caps) with smaller amounts of plastic and therefore a smaller carbon footprint. The company has carried out tests using bio-based plastics for

packaging for products such as dietary supplements. The products were presented during the year at one of Europe's major packaging trade fairs, and several customers expressed interest in 'green plastic'.

- ▶ 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 the natural material silicon dioxide, found in algae.

## Accidents and complaints

There were no cases of accidents or uncontrolled environmental emissions in 2018. Two complaints from local residents regarding noise levels and light were recorded. ■

# Social responsibility

## Employees

The average number of employees at Nolato in 2018 was 6,449 (7,249). Of the total number of employees in the Group, 46% (45) were women. All units are wholly owned by Nolato 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 issues in a way that complies with both Group guidelines and the legislation and culture of the country in question.

In Beijing, China, where the Group has its largest workplace with around 52% (66) of its employees, an Employee Care Programme was introduced and further developed in 2018. The total figure for the average number of employees includes 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 various projects and consequently avoid creating its own large recruitment organisation. In accordance with the Group's Code of Conduct, these employees are covered according to 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. In Sweden and China, the majority of 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 combatting 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 two-thirds of units and over the year 10 units introduced measures to promote gender equality, for example relating to recruitment.

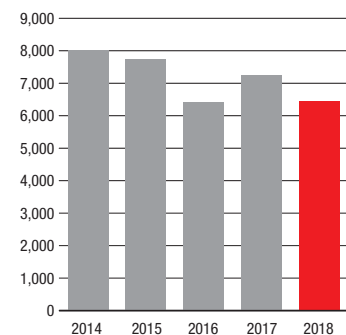
In 2018, 46% (45) of Nolato employees were women. The balance between the number of men and women varies from country to country, and in Sweden, the UK and Switzerland there is a predominance of male staff. In Hungary, China, Poland and Romania there is a predominance of women. Of Nolato's Board members, 30% (30) are women, while the corresponding figure for Group management is 0% (0). At the production units, 31 (29) of other senior executives are women, which corresponds to an average of 23% (20). The recruitment of female managers continues to be an important issue for Nolato.

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.

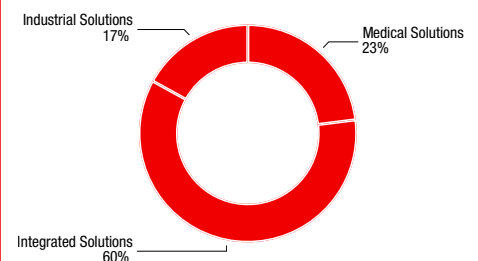
## Whistleblowing

In order to quickly alert the company to breaches of the Group's Code of Conduct or other serious irregularities, employees can sound the alarm regarding any irregularities without risk of reprisals or pressure (whistle-blowing). No such cases were reported in 2018.

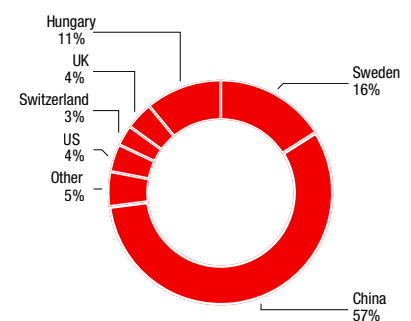
## Average no. employees



## Employees by business area



## Employees by country





## Training and personal development

Nolato offers management development courses, as well as a large number of specific training courses on quality, technology, our Code of Conduct and health and safety. New employees are an important target group for information and training measures. In 2018, employees attended a total of 154,000 (341,000) hours of training, which equates to approximately 24 (47) hours per employee. The fall in the number of training hours is down to the fact that the number of temporary staff at the Group's largest plant in China was significantly reduced during the year.

During the year, around 2,308 (2,380) 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 year or every other year, and during the year 11 (10) surveys were conducted. Overall, the work atmosphere was deemed to be good and a number of improvements were suggested by employees.

We carry out special initiatives in China to attract, retain and develop both permanent and temporary employees. These activities come under the umbrella of the Employee Care Programme, which includes activities concerning health, safety, sports, lifestyle and language tuition. The programme also includes employee surveys, which are supplemented by a forum that enables employees to regularly express their views to the company's CEO. E-learning is widely used and the system contains 400 modules on lean manufacturing, quality management, safety, project management and other areas. During the year, 451 employees participated for more than 17,000 hours in these online training courses. Personnel activities also extend to an e-book lending service, English language instruction and various courses in engineering, quality management and leadership. A recurring activity is the trip to central Beijing. Some 1,400 employees took part in the Beijing One Day Tour in 2018.

## Health and safety

Our preventive health and safety measures are implemented systematically. We identify risks and the causes of incidents and accidents and take appropriate action. This

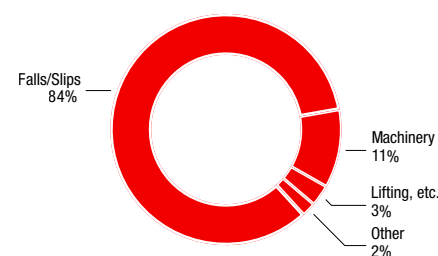
involves both technical improvements and training. Formal safety committees are in place at 90% of units, covering essentially all employees. An important aspect of this systematic work is the introduction of health and safety management systems (OHSAS 18001). Five (six) units are currently certified and a further six are planning certification over the next year or so. With the recent publication of ISO 45001, a number of units are deferring certification and will opt for the international health and safety standard. With regard to health and safety, 8 (8) units were inspected by occupational environment authorities during the year. Some minor deviations were noted and these have been rectified.

In 2018, there were 47 (47) lost work cases (LWCs), which resulted in a total of 453 (564) days of absence. We recorded one accident concerning contractors. The most common reasons were falls and injury from equipment and machinery. Over a five-year period the accident rate averages 3.6 accidents resulting in absence per million hours worked. This is low from an industrial perspective, but additional measures remain to be implemented for all accidents to be ultimately eliminated. Systems for recording near misses have been further developed and during the year 734 (689) 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 7.7 hours (5.8) per employee were spent on these courses. New employees were an important target group. Training on first aid, chemical health risks, personal protective equipment, hot work, forklift driving, fire safety, ergonomics and machine safety is provided frequently.

Nolato Hungary received the Disabled Friendly Workplace Award for its initiatives regarding employees with disabilities. ■

## Causes of occupational accidents



## Occupational accidents

Year	2018	2017	2016	2015	2014
LWC*	47	47	63	36	43
LWC per employee	4.1	3.7	5.0	2.3	2.9
LWD**	453	564	447	405	929
LWD per employee	40	45	35	27	62

\* 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 (whistleblowing).

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.

Senior managers and personnel in sales and marketing must complete an online course in business ethics. Using the Global Compact checklists, we conduct annual evaluations of what measures companies take to counteract bribery. The assessment for 2018 shows that this work is governed by Nolato's Code of Conduct and the companies are continuing to actively combat corruption. An assessment

for the year shows that the Group's companies are working on issues of business ethics at the same ambitious level as in previous years. No cases of bribery, corruption or cartel formation were recorded in 2018.

## 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, food, telecom and pharmaceuticals. Requirements on us as a cooperation partner are increasing and monitoring is becoming increasingly efficient. Customer requirements are making a constructive contribution to the development of Nolato's sustainability work. In 2018, virtually all units reported customer requirements within sustainable development (see table). Requirements shift over the years and are affected by changes such as the introduction of new legislation and new approaches to sustainable development within the corporate sector.

During the year, 13 (16) 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 satisfied with Nolato's efforts, but some expressed a desire to see improvements, such as certain phthalate-free medical device products. 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, Nolato Beijing and 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 247 (235) reviews of suppliers with a focus on sustainable development. Around 200 of the reviews were based on questionnaires and 44 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.

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 have well-developed and transparent sustainability activities and the risks are consequently considered to be low. We therefore do not carry out detailed assessments of such companies.

## Percentage of units that report customer requirements

Customer requirements	Percentage of units that report customer sustainability requirements (%)				
	2018	2017	2016	2015	2014
Introduce environmental management systems	67	55	67	55	53
Phase out hazardous chemicals	38	32	38	40	42
Compliance with REACH and RoHS	71	96	71	30	37
Product-related environmental information	48	32	52	65	53
Compliance with customer's code of conduct/CR requirements	71	64	71	75	79
Conflict minerals	76	82	80	80	58
Other requirements	57	27	24	25	10

## 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 family days, 'open house' days, study visits, workplace degree projects, employment fairs for applicants, internships and development projects. Below are some examples:

- ▶ Nolato provides financial support for schools, health care, sports associations and social activities, and in many cases our involvement is long-term and Group employees contribute in different ways. One such project is Building Hope Together in China, which for the past six years has involved us helping a school in a poor area, around four hours' drive north of Beijing. The pupils live at the school as their parents work in various locations in China.

Contributions made in 2018 included quilts, coats, food and support for families in particular need.

- ▶ More than half of units were in contact with schools and universities, including through study visits and internships. Nolato MediTor participates in the Engineering Courses of the Future ('Framtidens teknikutbildningar') network. Nolato MediTech is participating in the ARKAD project at Lund University Faculty of Engineering.
- ▶ Nolato MediTech presented Nolato's sustainability work at Swedbank's Näringslivsdag in Ängelholm, an annual meeting for businesses.
- ▶ Nolato Cerbo celebrated its 70th anniversary with a family day and open house. Roughly 250 people visited the plant. The company participates in the City of Trollhättan's 'TOPP' project focusing on basic training.
- ▶ Nolato Contour is involved in organisations that aim to develop the local labour market. The company offered study visits, internships and help with career planning. The initiatives related to both school pupils and university students. The company

also actively participates in organisations operating within science, engineering and the plastics industry.

- ▶ Nolato Plastteknik is involved as a guest lecturer on lean manufacturing at Chalmers University of Technology. The students visit the company as part of the course.
- ▶ Nolato Malaysia supported the 'Engineering Leadership' conference at the University of Science, Malaysia (USM).
- ▶ In Hungary, the employment of staff with different types of disability 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 Stargard organised an eco-excursion for employees and their families.
- ▶ Nolato Jaycare in Portsmouth regularly participates in a breakfast network on sustainable development, together with other companies.
- ▶ Over the year, Nolato continued its collaboration with Lund University's International Institute for Industrial Environmental Economics (IIIEE). ■

# Financial responsibility

## Record year with strong financial position

Consolidated sales rose by 21% to SEK 8,102 million (6,720) in 2018, which was the highest level of sales ever in Nolato's history. The Group's operating profit (EBITA) increased sharply to SEK 949 million (763). The EBITA margin was a strong 11.7% (11.4).

## Sustainable development and financial performance

In 2018, Nolato invested SEK 38.7 million (15.2) in measures that directly or indirectly help reduce environmental impact and improve health and safety. Just over 80% of the investments related to energy measures, primarily more energy-efficient production equipment. Around 13% went on preventive health and safety initiatives.

Environmental costs amounted to SEK 18.1 million (18.2) and were dominated by operating expenses for purification facilities, waste management, internal administration and fees to authorities and certification companies. Environmental improvement measures during the year generated cost savings of SEK 2.5 million (2.8). Savings arose mainly from more efficient energy consumption and improved waste management. The cost of water supply and sanitation amounted to SEK 2.3 million (2.9) and energy costs were SEK 137 million (136).

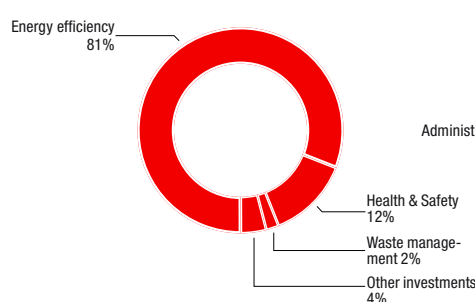
## Financial value for stakeholders

Nolato's business generates financial value that is distributed between various stakeholders. These include suppliers, employees, shareholders, creditors and society. See also page 9 for further information about the value created for stakeholders. The effective tax rate was 21.6% (21.8). Excluding non-recurring items and adjustment to a lower tax rate in Sweden, the tax rate was 22.1% (21.8). ■

## Financial highlights

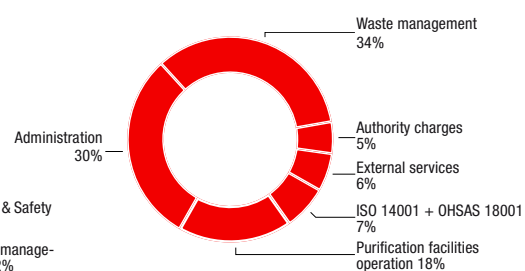
SEKm (unless otherwise specified)	2018	2017	2016
Net sales	8,102	6,720	4,447
Operating profit (EBITA)	949	763	457
EBITA margin, %	11.7	11.4	10.3
Profit after financial income and expenses	921	731	438
Return on capital employed, %	29.7	26.6	20.6
Return on shareholders' equity, %	30.4	29.4	19.0
Equity/assets ratio, %	50	45	47
Basic earnings per share, SEK	27.44	21.74	12.77
Dividend per share (2018 proposal)	14.00	12.50	10.50
Average number of employees	6,449	7,249	6,418

## Environmental investments



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

## Environmental costs



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

## Financial value for stakeholders

Stakeholder	2018	2017	2016	Comments
Suppliers	5,757	4,495	2,767	Material costs
Employees	1,645	1,534	1,283	Salaries and benefits
Shareholders	368	329	276	Dividend
Lenders	24	13	6	Interest expenses
Society	199	159	102	Recognised effective tax, Group
<b>Total</b>	<b>7,993</b>	<b>6,530</b>	<b>4,434</b>	

# Risks and opportunities

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 2018 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 2019. A few units are planning routine updates of their permits. 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, the risk that the authorities will take further measures cannot be ruled out.

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 at 10 units and additional audits will be carried out. We believe there are good opportunities for improving energy efficiency and achieving cost savings. Reporting to the Swedish Energy Agency was undertaken in 2018.

## Contaminated land 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.

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. The Group is stepping up its efforts within environmentally sustainable product development to reduce the risk of losing business, and to contribute to sustainable development.

### Climate-related risks

None of the Group's units are exposed to extreme weather conditions or flooding. The units in Beijing are located in an area with limited access to water. Climate change is an important issue to Nolato, and an overview of the Group's efforts to reduce its carbon footprint is provided on page 14. 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. Nolato has large units active in Sweden, Hungary, the UK, Switzerland, the US and China. The majority of our employees are outside Sweden. The concentration in Asia brings a heightened risk in areas such as working conditions and business ethics (corruption). There is always a risk of failure to apply sound business principles, irrespective of where operations are pursued. The materiality analysis therefore gives business ethics a very high priority. We take systematic measures to prevent corruption and other irregularities (see page 20).

### 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 a host of measures relating to sustainable development. Below is a small sample of activities at our units around the world. Further information about local initiatives can be found in other parts of the Sustainability Report.

## Sweden

- ▶ Nolato Polymer in Torekov and Ängelholm made significant investments in equipment with enhanced energy performance.
- ▶ Nolato MediTech in Hörby and Lomma continued Medical Excellence-related activities. 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.
- ▶ Nolato MediTor in Torekov carried out a significant energy initiative via the installation of more efficient heat exchangers at the dipping facility for breathing bags.
- ▶ Nolato Gota in Götene continued with its target work to reduce usage of energy, water and fossil fuels.
- ▶ As part of efforts to phase out fossil fuels, Nolato Lövepac in Skånes Fagerhult expanded capacity in its geothermal installation.
- ▶ Nolato Cerbo in Trollhättan installed its first hybrid machine (partly electric) for injection blow moulding of pharmaceutical packaging, and the energy saving is estimated to total 30–40% compared with traditional hydraulic injection moulding machines. The amount of waste is also dropping. Tests were conducted using bio-based raw materials. The work environment was made safer through risk analyses related to the use of forklift trucks. The company celebrated its 70th anniversary with several activities for employees and their families. Nolato Cerbo has been representing the Group in the Nordic Bioplastics Association since 2018.
- ▶ For several years, Nolato Plasttechnik in Gothenburg has been investing in energy-efficient injection moulding machines, which resulted in a decline in energy consumption in 2018 of 5%.

## Hungary and Romania

- ▶ Nolato Hungary in Mosonmagyaróvár continued working on the system to provide quarterly monitoring of energy use and the volume of waste. Once again the company received the Disabled Friendly Workplace Award for its employment of people with disabilities.
- ▶ Nolato Romania in Negoiesti introduced packaging that is returned by customers.

## UK

- ▶ Nolato Jaycare in Portsmouth installed more automatic gasket lines to improve health and safety and efficiency. Training was provided for all employees on environmental and energy issues. Improved sorting of recyclables cut the amount of waste sent to landfill. The purchase of fossil-free electricity began in autumn 2018.
- ▶ Nolato Jaycare in Newcastle improved its environmental performance compared with previous years, for example water consumption was lower, energy efficiency higher and there was a decline in carbon dioxide emissions. One key reason for the reduced carbon footprint was the purchase of fossil-free electricity that began in autumn 2018. No occupational accidents resulting in absence occurred during the year.

## Poland

- ▶ Health and safety improvements were implemented via better lighting and noise reduction. For the second year running the company undertook an eco-excursion, with employees and their families taking part. The aim was to generate interest in the countryside and the environment, and the day included various competitions.

## Switzerland

- ▶ Nolato Treff achieved ISO 14001 certification.

## China

- ▶ Nolato Beijing (Mobile, Medical, EMC) continued with its Employee Care Programme. E-learning activities were further developed with a focus on safety, quality

management, leadership, lean manufacturing and language training. Continued support for Building Hope Together, an initiative which involves Nolato contributing to a better situation for pupils and teachers at a school in a remote region north of Peking.

- ▶ Nolato Lövepac in Beijing carried out monthly initiatives for positive corporate culture and quality. Work continued on the introduction of lean manufacturing. Furthermore, work progressed on the construction of the company's production plant in Schenzen, including preparations for certification to ISO 9001, ISO 14001 and ISO 45001 standards.

## Malaysia

- ▶ Nolato EMC in Penang supported the Engineering Leadership Conference at a university of technology.

## US

- ▶ Nolato Contour in Baldwin extended its social engagement programme, with the aim of encouraging pupils and students to apply for jobs at the company or other companies in the region. During the year the company completed several measures that raised energy efficiency, cut the amount of waste sent to landfill and improved health and safety. ■

# About this sustainability report

## A focus on materiality

Nolato's Sustainability Report for 2018, in accordance with GRI Standards and the Communication On Progress (Global Compact), includes aspects relating to the environment, health and safety, social responsibility and business 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 (CSR/CR/ESG) and how these interact with our business activities.

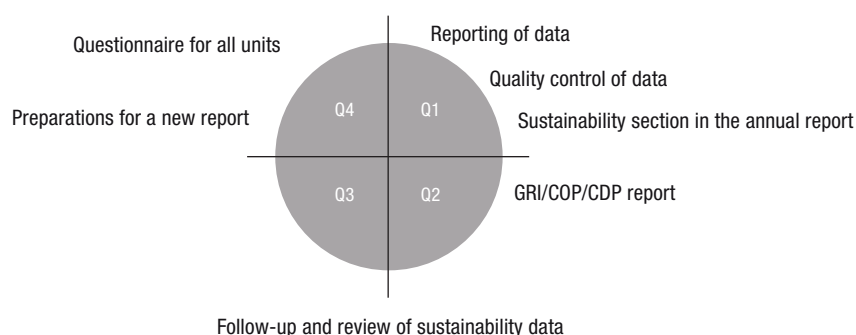
All units that were part of the Nolato Group in 2018 are included in the report. One company that was divested during the year is not included in the report. Data was contributed by a total of 21 (22) production facilities. A plant under construction in Suzhou, China, is not included in the report. A summary of the various units' significance in terms of 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 annual reporting cycle is shown in this image. 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, sulfur 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. The calculation of carbon emissions from indirect energy consumption – mainly electricity – is based on emission factors from DEFRA (Conversion Factors for Company Reporting 2015) for those countries in which Nolato operates. Where energy suppliers provide specific information regarding the energy mix, the supplier's calculation model is used. Information about VOC emissions (from solvents) is principally based on mass balance calculations. ■

Company/plant	Country	Average number of employees	Building area (m²)	Year established	Permits under environmental legislation	Significance to sustainability report
Nolato Beijing, Beijing	China	3,383	37,795	2001	Yes	High
Nolato Hungary, Mosonmagyaróvár	Hungary	710	18,431	2000	Yes	High
Lövepac Converting, Beijing	China	308	6,168	2010	No	Medium
Nolato Polymer, Torekov/Ängelholm	Sweden	74	11,100	1973, 1995	Yes	Medium
Nolato Jaycare, Portsmouth	UK	116	11,132	1986	Yes	Medium
Nolato Jaycare, Newcastle	UK	110	4,790	1998	Yes	Medium
Nolato MediTech, Hörby	Sweden	154	12,000	1999	Yes	Medium
Nolato MediTech, Lomma	Sweden	72	5,000	1980	Yes	Medium
Nolato Cerbo, Trollhättan	Sweden	136	11,000	1971	Yes	Medium
Nolato MediTor, Torekov	Sweden	77	4,500	1973	Yes	Medium
Nolato Gota, Götene	Sweden	245	25,948	1965	Yes	Medium
Nolato Contour, Baldwin	US	229	8,361	1993	Yes	Medium
Nolato Plastteknik, Gothenburg	Sweden	122	14,600	1980	Yes	Medium
Nolato Treff, Degersheim	Switzerland	196	13,000	1946	No	Medium
Nolato Lövepac, Skånes Fagerhult	Sweden	47	4,200	1968	No	Low
Nolato Romania, Negoesti	Romania	56	3,450	2010	Yes	Low
Nolato Silikonteknik, Hallsberg	Sweden	88	3,600	1995	Yes	Low
Nolato Stargard, Stargard	Poland	113	4,633	1996	No	Low
Nolato, Penang	Malaysia	131	3,350	2016	No	Low
Lövepac Converting, Shenzhen	China	47	4,172	2018	No	Low



# GRI index 2018

The organisation behind GRI (Global Reporting Initiative) has established voluntary comprehensive standards 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 stakeholders.

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 GRI Standards, and the indicators have been adapted in line with the evaluation of the significant sustainability aspects detailed on pages 8–9.

The table below shows the extent to which Nolato works in accordance with GRI Standards. This report has been prepared in accordance with the GRI Standards: Core option. When it comes to Management Approach, the table refers to the overarching governance principles detailed on pages 6–7. Boundaries, governance and evaluation of the material topics follow the same fundamental principles, and comments on these

are given where the outcome of the material topics is reported, as well as in the table detailing the outcome of the group-wide targets. The table below does not therefore provide specific references to Management Approach for the material topics.

Nolato has chosen not to have the Sustainability Report independently verified. The contact for the Sustainability Report is Torbjörn Brorson (info@nolato.com).

SR in the table refers to pages in the Sustainability Report (this document), and AR to pages in the Annual Report for 2018. ■

General Standard Disclosures		
GRI indicator	Description	Page reference
<b>Organisational profile</b>		
102-1	Name of the organisation	SR 2
102-2	Activities, brands, products and services	AR 15, 28–39
102-3	Location of headquarters	Torekov, Sweden
102-4	Location of operations	AR 3
102-5	Ownership and legal form	AR 40–41
102-6	Market served	AR 13–18
102-7	Scale of the organisation	AR 3
102-8	Information on employees and other workers	SR 18
102-9	Supply chain	AR 15–17
102-10	Significant changes to the organisation and its supply chain	SR 26
102-11	Precautionary principle or approach	SR 6, 12, 19
102-12	External initiatives	SR 6–7
102-13	Membership of associations	SR 25, 30
<b>Strategy and analysis</b>		
102-14	Statement from senior decision-maker	SR 23
<b>Ethics and integrity</b>		
102-16	Values, principles, standards, and norms of behaviour	AR 11, SR 6–7
<b>Governance</b>		
102-18	Governance structure	SR 7
<b>Stakeholder engagement</b>		
102-40	List of stakeholder groups	SR 9
102-41	Collective bargaining agreement	SR 18
102-42	Identifying and selecting stakeholders	SR 9
102-43	Approach to stakeholder engagement	SR 9
102-44	Key topics and concerns raised	SR 9



Reporting practice		
102-45	Entities included in the consolidated financial statements	SR 26
102-46	Defining report content and topic boundaries	SR 8–9
102-47	List of material topics	SR 8
102-48	Restatement of information	SR 26
102-49	Changes in reporting	Inga
102-50	Reporting period	2018
102-51	Date of most recent report	March 2018
102-52	Reporting cycle	SR 26
102-53	Contact point for questions regarding the report	SR 26
102-54	Claims of reporting in accordance with the GRI Standards	SR 27
102-55	GRI content index	SR 27–29
102-56	External assurance	Nothing
Management Approach		
103-1	Explanation of the material topic and its boundary	SR 8–9
103-2	The management approach and its components	SR 7
103-3	Evaluation of the management approach	SR 7

Topic-specific Standards		
GRI indicator	Description	Page reference
<i>Economic</i>		
<b>Material topic GRI 201: Economic performance</b>		
201-1	Direct economic value generated and distributed	SR 22
<b>Material topic GRI 205: Anti-corruption</b>		
205-2	Communication and training about anti-corruption policies and procedures	SR 20
205-3	Confirmed incidents of corruption and actions taken	SR 20
<b>Material topic GRI 206: Anti-competitive behaviour</b>		
206-1	Legal actions for anti-competitive behaviour, antitrust and monopoly practices	SR 20, 23–24
<i>Environment</i>		
<b>Material topic GRI 301: Materials</b>		
301-1	Materials used by weight or volume	SR 15
301-2	Recycled input materials used	SR 15
<b>Material topic GRI 302: Energy</b>		
302-1	Energy consumption within the organisation	SR 13
302-3	Energy intensity	SR 13
302-4	Reduction of energy consumption	SR 13
302-5	Reduction of energy requirements of products and services	SR 17
<b>Material topic GRI 303: Water</b>		
303-1	Water withdrawal by source	SR 15





<b>Material topic GRI 305: Emissions</b>		
305-1	Direct (Scope 1) emissions of greenhouse gases (GHG)	SR 14
305-2	Indirect (Scope 2; energy) emissions of greenhouse gases (GHG)	SR 14
305-4	GHG emissions intensity	SR 14
305-5	Reduction of GHG emissions	SR 14
305-6	Emissions of ozone-depleting substances (ODS)	SR 14
306-7	Nitrogen oxides (NOx), sulfur oxides (SOx) and other significant air emissions	SR 14
<b>Material topic GRI 306: Effluents and waste</b>		
306-1	Water discharge by quality and destination	SR 15
306-2	Waste by type and disposal method	SR 16
306-3	Significant spills	SR 17
306-4	Transport of hazardous waste	SR 16
<b>Material topic GRI 307: Environmental compliance</b>		
307-1	Non-compliance with environmental laws and regulations	SR 12
<b>Material topic GRI 308: Supplier environmental assessment</b>		
308-1	New suppliers that were screened using environmental criteria	SR 20
<i>Social</i>		
<b>Material topic GRI 403: Occupational health and safety</b>		
403-1	Workers' representation in formal joint management-worker health and safety committee	SR 19
403-2	Types of injury, occupational diseases, lost days, and absenteeism, and work-related fatalities	SR 19
<b>Material topic GRI 404: Training and education</b>		
404-1	Average hours of training per year per employee	SR 18–19
404-2	Programmes for upgrading employee skills and transition assistance programmes	SR 18–19
404-3	Percentage of employees receiving regular performance and career development reviews	SR 18–19
<b>Material topic GRI 405: Diversity and equal opportunity</b>		
405-1	Diversity of governance bodies and employees	AR 44–46, SR 18
<b>Material topic GRI 406: Non-discrimination</b>		
406-1	Incidents of discrimination and corrective actions taken	SR 18
<b>Material topic GRI 407: Freedom of association and collective bargaining</b>		
407-1	Operations and suppliers in which the right to freedom of collective bargaining may be at risk	SR 23–24
<b>Material topic GRI 408: Child labour</b>		
408-1	Operations and suppliers at significant risk of child labour	SR 23–24
<b>Material topic GRI 409: Forced or compulsory labour</b>		
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	SR 23–24
<b>Material topic GRI 412: Human rights assessment</b>		
412-2	Employee training on human rights policies or procedures	SR 18–19
<b>Material topic GRI 413: Local communities</b>		
413-1	Operations with local community engagement, impact assessments, and development programmes	SR 20–21
<b>Material topic GRI 414: Supplier social assessment</b>		
414-1	New suppliers that were screened using social criteria	SR 20

# 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 9,900 businesses in 162 countries. Nolato participates as a signatory.

Through 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 Sustainable Development Goals presented

by the UN in autumn 2015 are now also connected to the Global Compact. In 2016, Nolato linked its Group targets to the UN 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. We use GRI Standards in order to simplify Communication On Progress, and the table of cross-references below shows which indicators are relevant in the context. ■



Global Compact principles	GRI indicators
<b>Human Rights</b>	
1. Businesses should support and respect the protection of internationally proclaimed human rights	103-2, 412-2, 413-1
2. Businesses should make sure they are not complicit in human rights abuses	103-2, 412-3, 414-1
<b>Labour</b>	
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	103-2, 102-41, 407-1
4. Businesses should work to eliminate all forms of forced and compulsory labour	103-2, 409-1
5. Businesses should work for the effective abolition of child labour	103-2, 408-1
6. Businesses should work to eliminate all discrimination in respect of employment and occupation	103-2, 102-8, 401-1, 401-2, 406-1
<b>Environment</b>	
7. Businesses should support a precautionary approach to environmental challenges	103-2, 102-11, 301-1
8. Businesses should undertake initiatives to promote greater environmental responsibility	103-2, 301-1, 302-4, 302-5
9. Businesses should encourage the development and diffusion of environmentally friendly technologies	103-2, 301-2, 302-4, 305-5
<b>Anti-corruption</b>	
10. Businesses should work against corruption in all its forms, including extortion and bribery	103-2, 102-16, 205-2, 205-3

## 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. Emissions of carbon dioxide increase global warming (the greenhouse effect).

**CDP.** The Carbon Disclosure Project is a voluntary system for reporting the environmental impacts caused by businesses. The primary target group is international investors that can refer to information on climate risks when making investment decisions about companies. Nolato has been reporting according to CDP since 2015.

**CFCs/HFCs.** Gases containing chlorofluorocarbons (CFCs), hydrofluorocarbons (HFCs) and pollutants containing fluoride have negative impacts on the environment as a result of their ozone-depleting properties and their effect on the climate. These gases are called F-gases because of the fluoride content and these types of gases have been regulated in the EU since 2015 by the F-gas regulation. These gases may be found in cooling and heat pumps, fire protection equipment and circuit breakers.

**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.

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

**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.

**CSR/CR.** Corporate Social Responsibility/ Corporate Responsibility. 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).

**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 and conducts energy audits.

**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. These 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.

**ESG.** Stands for Environmental, Social and Governance. It is also referred to as 'sustainability'.

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

**GHG.** Greenhouse gases. Nolato provides details of greenhouse gas emissions in the Sustainability Report.

**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 2010.

**GRI.** The Global Reporting Initiative has established voluntary comprehensive standards for how companies and other organisations should report their sustainability activities.

**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.

**ISO 14001.** International standard relating to environmental management systems that was introduced in 1996. Just over 360,000 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 for organisations on how to manage social responsibility issues. This standard was introduced in 2010 and provides the backdrop to Nolato's Code of Conduct.

**ISO 45001.** International standard relating to health and safety that replaces OHSAS 18001.

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



**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.

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

**NO<sub>x</sub>.** Nitrogen oxides are gaseous oxides formed during combustion processes through the oxidation of nitrogen. Harmful to health and the environment and cause acid rain and eutrophication.

**OHSAS 18001.** Standard relating to health and safety in the workplace. Gradually being replaced by the ISO 45001 standard.

**Occupational disease.** An occupational 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.** An occupational injury is a sudden event (accident) that may be attributed to the job and that gives rise to a wound or other type of 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 million hours worked.

**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.

**UN Sustainable Development Goals.** At the UN summit in 2015, the world's heads of state adopted 17 Sustainable Development Goals and the 2030 Agenda for Sustainable Development. The Sustainable Development Goals and the 2030 Agenda aim to eradicate poverty and hunger, ensure the rights of all people are respected, achieve equality and empowerment for all women and girls and ensure lasting protection for the planet and its natural resources. The UN Sustainable Development Goals are integrated and indivisible, and they balance the three dimensions of sustainable development: economic, social and environmental.

**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>.** Sulfur 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 economic sustainability.

**Sustainability report.** Under an EU Directive, the Swedish government has decided that as of 2017 it is mandatory for large companies to publish a sustainability report. The sustainability report should contain the non-financial disclosures required to understand the company's performance, position, results and consequences of its business operations, including information on issues concerning the environment, personnel and social matters, respect for human rights and the combating of corruption. Nolato's mandatory Sustainability Report is contained in the Annual Report.

**VOC.** Volatile Organic Compounds. A group of organic compounds that easily vaporise at room temperature. The concentration of volatile hydrocarbons 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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