



## Our sustainability work 2011

# Contents

Comments from the CEO ..... 3

The Nolato Group in brief ..... 4

Our value-creating business model ..... 6

Overview of sustainability performance ..... 9

Values, dialogue with stakeholders and strategy ..... 10

Environmental responsibility..... 14

Social responsibility ..... 17

Business partners and other stakeholders ..... 19

Economic responsibility ..... 21

Continual improvement ..... 22

About the sustainability report ..... 23

Nolato and GRI ..... 24

Nolato and Global Compact ..... 27

Definitions and glossary ..... 28

# It pays to think sustainably

Society and industry face great challenges in the form of demands regarding the environment, energy, resources and talent in an ever more globalised world. Business activities are also becoming increasingly transparent; what you or your company do – anywhere in the world – can quickly become visible to customers, employees, shareholders and other interested parties.

This brings both risks and opportunities, meaning that the stock exchange and other stakeholders have become increasingly aware of how we and other companies act within these areas.

## It pays to think sustainably

“It pays to think sustainably, and with a long-term focus,” wrote business publication *Veckans Affärer* in 2011. Companies’ risk levels in relation to the environment, social issues and corporate governance – the ability to manage these risks – were assessed on a scale of 1 to 5 stars. Their ability to take advantage of business opportunities within the field of sustainable development was also examined.

Nolato was one of two companies to receive five stars, but we cannot allow ourselves to be satisfied with this. We are audited from many different points of view, and Nolato’s significant exposure in China has aroused many valid questions from “green analysts”, customers and other interested parties.

## Systematic work

Sustainability work is therefore an important part of our operations:

- We work systematically with environmental issues, and our policy is that all our units should have introduced the environmental management system ISO 14001. This system creates a focus on the most important environmental issues, and also means that we are audited by external auditors.
- We base our sustainability work on Nolato’s own values (The Nolato Spirit) and have signed up to the UN’s Global Compact.
- We report our sustainability work at



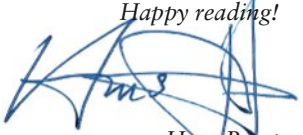
level B in accordance with the GRI, and provide the UN with an annual status report.

- We see sustainability issues as being an integral part of our business operations, and our intention is to keep this work alive and to achieve sustainable improvements.
- We have identified a number of key areas within the field of sustainability, and carry out our sustainability work from group level using targets relating to the environment, social responsibility and business ethics.
- The group’s exposure in China brings many questions in relation to the environment, the working environment and social responsibility. Many parties are highly active within the field of sustainability, not least our customers. We have therefore worked with these issues in particular at our Beijing plant.
- We have set ourselves the target of

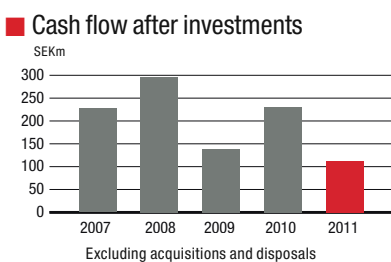
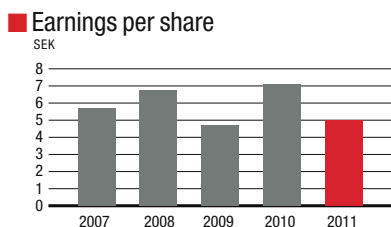
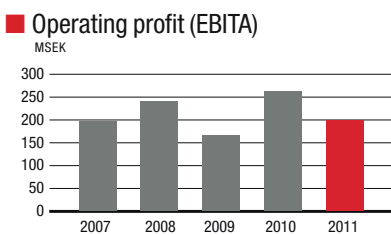
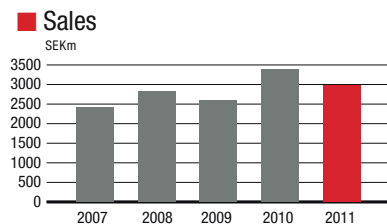
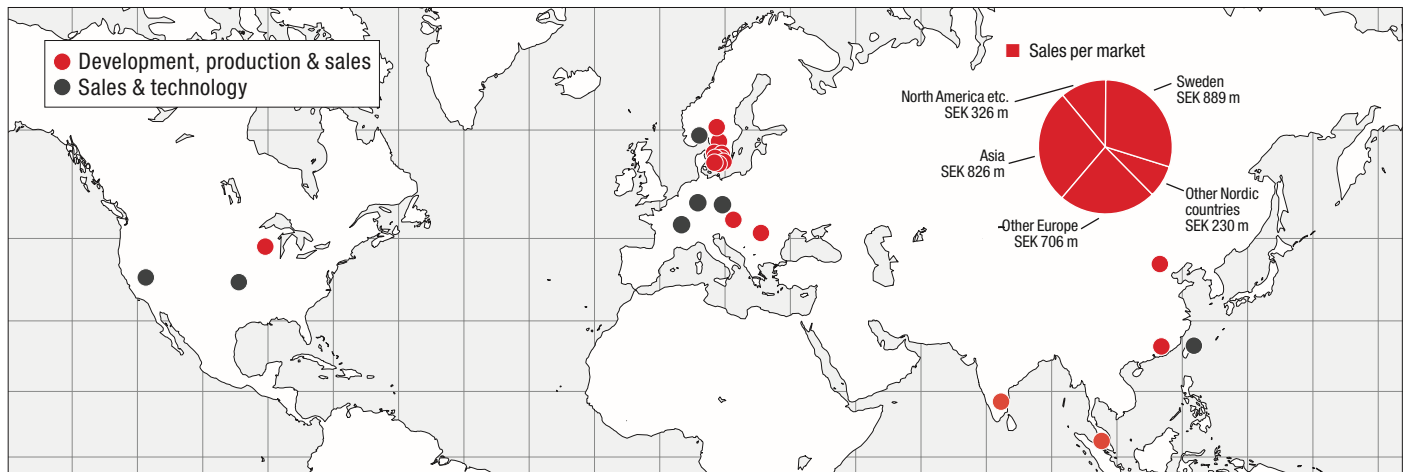
taking a more active approach to sustainability issues within the supplier chains, and have developed tools and trained auditors. However, we still have some way to go in this area.

- We also focus on informing our employees of our values and our business ethics principles relating to bribes and corruption. We paid particular attention to these areas during 2011.

Our sustainability work is a very real issue to us, and we are firmly convinced that our efforts benefit both society and our stakeholders.

*Happy reading!*  
  
 Hans Porat  
 President and CEO

# The Nolato Group in brief



## Our operations

Nolato is an accomplished supplier which, with its broad technological expertise and far-reaching specialist knowledge, offers high-tech product and product system development and manufacturing based on polymer materials such as plastic, silicone, TPE and rubber.

Examples of products are:

- medical devices (such as inhalers, insulin pens and catheter balloons)
- mobile phone components (such as complete front and back sections, display windows and other specialist components)
- products for industrial companies (such as packaging, interior fittings and vehicle components).

## Our offering

Thanks to our involvement in customers' development work at an early stage, we can contribute towards optimising design, materials and production technology and hence help achieve a better end product.

We constantly try to learn more about our customers' customers in order to make proactive proposals for attractive technical solutions. This could involve retaining functionality and strength while reducing the weight of the product, developing technologies for tactile and cosmetic effects, or designing the components to facilitate the assembly process.

## Our set of values

Ever since Nolato was founded in 1938, its operations have featured a down-to-earth combination of professionalism, ethics and environmental awareness.

Our Basic Principles are customer focus, knowledge, innovative thinking, sustainable development, social responsibility, decentralisation and good organisation.

## Our employees

The average number of employees in 2011 was around 5,500. Of these, 84 percent were outside Sweden.

## Our share

Nolato was listed on the stock exchange in 1984. Its B shares are listed on the NASDAQ OMX Nordic Exchange in the Stockholm Mid Cap segment and the Industrials sector.

## Our history

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

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



## Nolato Medical

| Financial highlights:       | 2011 | 2010 |
|-----------------------------|------|------|
| Sales SEKm                  | 917  | 808  |
| Operating profit EBITA SEKm | 110  | 100  |
| EBITA margin %              | 12.0 | 12.4 |
| Average number of employees | 719  | 664  |

### Offering:

Development and production of components and complete products in polymer materials for medical technology and pharmaceutical customers.

### Sensitivity to business cycle:

Low. Steady market growth.

### Product life cycle:

Long.

### Success factors:

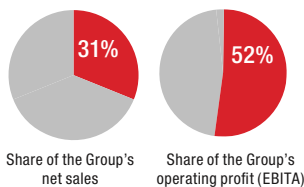
Medical understanding, quality, safety, traceability, technology, global presence.

### Geographic presence:

Production units in Sweden, Hungary, China and the USA and sales offices in Norway, Germany, France and the Czech Republic.

### Customers include:

AstraZeneca, Coloplast, Gambro, Nonin, Novo Nordisk, Nycomed and Phadia.



## Nolato Telecom

| Financial highlights:       | 2011  | 2010  |
|-----------------------------|-------|-------|
| Sales SEKm                  | 935   | 1,575 |
| Operating profit EBITA SEKm | 11    | 122   |
| EBITA margin %              | 1.2   | 7.7   |
| Average number of employees | 4,052 | 6,252 |

### Offering:

Design, development and production of components and subsystems for mobile phones, often with significant cosmetic and tactile content. Specialist solutions in, for instance, shielding electronics.

### Sensitivity to business cycle:

High. Volatile, project-based operations.

### Product life cycle:

Short.

### Success factors:

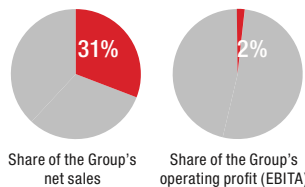
Short lead times, unique cosmetic design solutions, technology, advanced project management, production in Asia.

### Geographic presence:

Production units in China, India, Malaysia and Sweden and sales offices in Taiwan and the USA.

### Customers include:

Alcatel-Lucent, Ericsson, Huawei, Motorola, Nokia, RIM and Sony Mobile Communications.



## Nolato Industrial

| Financial highlights:       | 2011  | 2010 |
|-----------------------------|-------|------|
| Sales SEKm                  | 1,129 | 994  |
| Operating profit EBITA SEKm | 102   | 79   |
| EBITA margin %              | 9.0   | 7.9  |
| Average number of employees | 720   | 642  |

### Offering:

Development and production of components and products in polymer materials for customers in the automotive industry, white goods, gardening/forestry, hygiene, furniture and other selected areas.

### Sensitivity to business cycle:

Medium. Tracks the Northern European industrial business cycle.

### Product life cycle:

Medium/Long.

### Success factors:

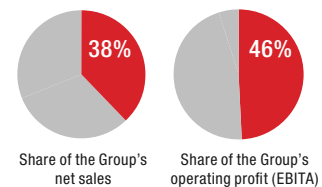
Technology, productivity, customer proximity.

### Geographic presence:

Production units in Sweden, Hungary and Romania.

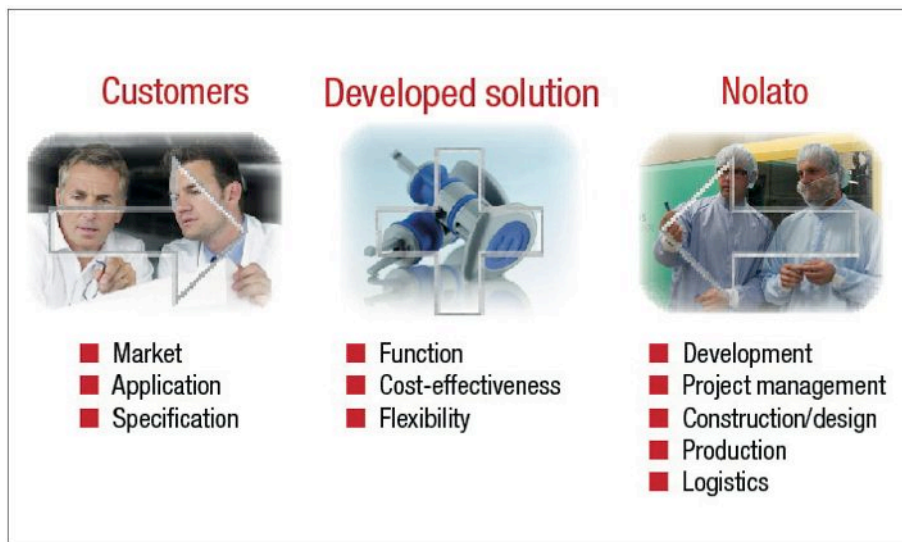
### Customers include:

Haldex, Husqvarna, IKEA, Kinnarps, Lindab, MCT Brattberg, Sanitec, SKF, Volvo and Volvo Cars.





# Our value-creating business model



## Our operations

Nolato is an accomplished supplier which, with its broad technological expertise and far-reaching specialist knowledge, offers high-tech product and product system development and manufacturing based on polymer materials such as plastic, silicone, TPE and rubber. Examples of products are:

- medical devices (such as inhalers, insulin pens and catheter balloons)
- mobile phone components (such as complete front and back sections, display windows, shielding and other specialist components)
- products for industrial companies (such as packaging, interior fittings and vehicle components).

## Our business model

Nolato's business model is based on close, long-term, innovative collaboration with our customers. With progressive, leading technology, advanced project management, extensive expertise in development and design and efficient production, we create added value for our customers and for ourselves.

Short decision paths and flexible production capacity enable us to manage changes in our business environment efficiently.

Thanks to our involvement in customers' development work at an early stage, we can contribute towards optimising design, mate-

rials and production technology and hence help achieve a better end product.

We constantly try to learn more about our customers' customers in order to make proactive proposals for attractive technical solutions. This could involve retaining functionality and strength while reducing the weight of the product, developing technologies for tactile and cosmetic effects, or designing components to make the assembly process more efficient.

## Large, global customers

The majority of our customers are large – often global – companies working within areas such as medical technology, pharmaceuticals, hygiene, telecommunications, the automotive industry, white goods, gardening/forestry, construction, furniture and other selected areas.

Our customers include AstraZeneca, Coloplast, Ericsson, Flextronics, Gambro, Huawei, Husqvarna, IKEA, Novo Nordisk, RIM, SKF, Sony Mobile Communications and Volvo.

## Extensive technology platform

Nolato has in-depth and broad expertise, and a highly developed and modern technology platform. Our production structure is both effective and flexible which, together with a business model in which decisions are

## Our business mission

Nolato is a high-tech developer and manufacturer of polymer product 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 vision

Nolato shall be the customer's first choice of partner.

## Nolato's Basic Principles

### We are professional

- We are professional, and we strive for long-term profitability
- We focus on the needs and wishes of our customers
- We combine skill and experience with new ways of thinking

### We are well organised

- We build our operations on a shared foundation
- We take opportunities and solve problems when they arise
- We make sure our operations are well organised

### We are responsible

- We work actively towards sustainable development
- We focus on social responsibility, integrity and openness

made in close cooperation with the market, ensures the ideal conditions for dealing quickly and effectively with changes in the world around us.

The majority of our operations consists of developing and manufacturing components and complete products on behalf of our customers. Our customer offering comprises most technologies in the field of polymers and contains everything from concept development, product design and material optimisation to high-volume production, post-processing, assembly and logistics.

We constantly strengthen our customer offering through investing proactively in the cutting-edge technology which our customers demand, and gaining a better insight into the needs of our customers' customers.

### Quality

Nolato's quality policy signifies that we shall always meet our customers' exacting require-

ments, needs and expectations. All our operations shall be quality certified in accordance with ISO 9001 and industry-specific certifications such as ISO 13485 (medical technology), ISO 15378 (pharmaceutical packaging) or ISO 16949 (automotive).

### Sustainability and social responsibility

Responsibility is one of the cornerstones of our corporate culture, as well as being one of our Basic Principles. Issues relating to the environment, working environment, social responsibility and ethics are therefore natural and integral aspects of our business activities. Most of the Group's units are certified in accordance with ISO 14001.

In order to guide our continuous improvement work in this area, Nolato defined a number of Group-wide targets ahead of 2011. An account of the outcome of these targets is provided on pages 13-18.

### Eight factors that create value

- Advanced, leading technology in three market segments
- Expertise in development and design
- Efficient and flexible production capacity
- Advanced project management
- Expertise in applications which adds value
- Effective adaptation in a changing world
- Continuous sustainability work
- Strong financial position

### ■ Our base technologies



#### Injection moulding

Injection moulding is our main technology. It is a method used to manufacture, with small tolerances, components made out of plastic and other polymer materials. The raw material is melted down and injected under high pressure into a mould. After cooling, the mould is separated and the finished component extracted.



#### Injection blow moulding

Nolato uses injection blow moulding in its production of plastic pharmaceutical packaging. The method firstly involves the injection moulding of the container to give the upper part, with the neck and fasteners for the lid, a precise shape. The lower part is then inflated to form a container of the right size and shape.



#### Extrusion

Extrusion is a method for continuously manufacturing products in strands, such as tubing. Nolato uses the technique in manufacturing tubing in medical technology applications, such as catheters, and in manufacturing gaskets for EMC shielding in telecommunications.



#### Dipping

In dipping, the product is manufactured by dipping a mould element into liquid latex. The product is formed by repeated dipping. Nolato uses the technique to manufacture, for instance, breathing bags and catheter balloons.



#### Die-cutting

Nolato offers both flatbed and rotary die-cutting. Flatbed die-cutting is used, for instance, in manufacturing engine gaskets. Rotary die-cutting enables, for instance, manufacturing small gaskets and cosmetic details for mobile phones, such as logos and speaker protection, on a supporting tape for easy processing in final assembly.

## ■ We are present in important parts of the value chain



### Concept development

By providing our expertise within polymer technology, we support our customers early on, in the concept phase.



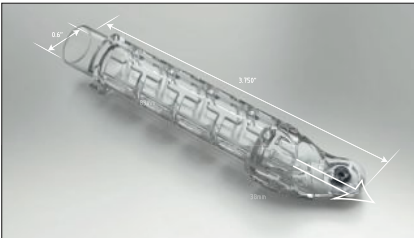
### Design

We come up with suggestions for technology and design solutions, adapted to future trends and fashion.



### Choice of material

Based on our in-depth knowledge about polymer technology, we make suggestions about suitable materials for the customer's products.



### Construction

Based on the customer's design, we construct the product so that it fulfils the goals and can be produced efficiently.



### Prototypes

We visualise the product by producing prototypes and materials samples.



### Production tools

We specify and manufacture, or buy in, moulds and related production equipment.



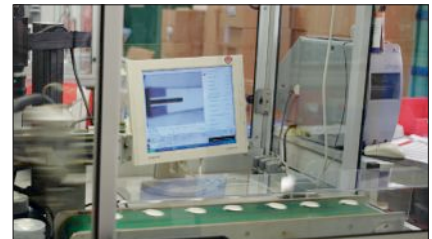
### High-volume production

We manufacture components by injection moulding, injection blow moulding, dipping, extrusion or die-cutting.



### Post-processing

We give the products their final finish through painting, printing, metallic surfacing and/or other decoration technologies.



### Quality

With automated vision systems, professional operators and continuous improvements, we ensure correct quality for customers.



### Purchasing

We buy in and check components that we do not manufacture ourselves, for instance displays, speakers and other electronic components.



### Assembly

We assemble manufactured and purchased components. Automated and semi-manual, in high, medium and low volume.



### Logistics

We deliver on a bespoke basis to customers' assembly plants, warehouses or directly to their customers.



## Overview of sustainability performance

In 2011, Nolato Medical and Nolato Industrial performed very positively indeed, while Nolato Telecom had a problematic year in which sales were almost halved.

The Group's operating income was lower than previous year. Several of the sustainability key performance indicators relate to the Group's turnover and the aim is that they should give a fair picture of how the environmental and social responsibility work is connected and integrated into the overall business.

Our work with issues that are related to environment, health, safety and social responsibility was further developed during 2011. Group-wide long-term objectives were established with the aim to put emphasis on areas that we recognise as strategic from sustainability and business points of view.

As demonstrated by the Sustainability Report, there are several positive activities going on in the field of sustainability. The first evaluation of compliance with the sustainability targets show that we are moving in the right direction. Of course, many things remain to be managed, and the expectations and requirements of our stakeholders are continually increasing.

|  | 2011  | 2010  | 2009  |
|--|-------|-------|-------|
| <b>Economical responsibility</b>   |       |       |       |
| Sales, SEK million   | 2 977 | 3 375 | 2 602 |
| Operating profit (EBITA), SEK million  | 199   | 262   | 166   |
| EBITA margin, %  | 6,7   | 7,8   | 6,4   |
| Average number of employees  | 5 491 | 7 563 | 4 308 |
| <b>Environmental responsibility</b>  |       |       |       |
| Breach of env. and working environment legislation, cases  | 0     | 1     | 1     |
| Energy consumption, MWh/SEK million sales  | 0,047 | 0,041 | 0,046 |
| Water consumption, m <sup>3</sup> /SEK million sales   | 40,6  | 41,3  | 42,7  |
| Emission of greenhouse gases, tonnes CO <sub>2</sub> /SEK million sales                                      | 17,9  | 15,4  | 15,2  |
| Waste, tonnes/SEK million sales  | 1,3   | 1,1   | 1,2   |
| Certified env. management system, % of total number of plants  | 85    | 89    | 100   |
| <b>Social responsibility</b>   |       |       |       |
| LWC (lost work cases)  | 28    | 44    | 46    |
| Female employees, %  | 71    | 67    | 68    |
| Training on Nolato's Basic Principles and Code of Cond., % of employees                                      | >90*  | >90   | >80   |
| Application of ethical and compassionate principles as well as corruption, number of registered breaches     | 0     | 0     | 0     |
| Evaluation of sub-suppliers, % of number of plants carrying out environmental/social responsibility breaches | 90/90 | 84/58 | 81/44 |
| Application of ethical and human principles and corruption, number of breaches                               | 0     | 0     | 0     |

\* Extensive efforts were made in 2010. During 2011 mainly new employees have been trained.

# Value, strategy and dialogue with stakeholders

## Nolato's Basic Principles

Nolato has strong core values, which have evolved from the down-to-earth, ethical and professional philosophy that has characterised the company ever since it was founded in 1938, and which are based on the view that efficient and profitable business operations must be combined with responsibility for people and the environment.

In recent years, Nolato has evolved into a Group with extensive international operations, with more than eight out of ten employees working outside Sweden.

This has placed new demands on our sustainability work, for instance, in terms of our social responsibility initiatives in China, which was home to 71 percent of our employees in 2011.

Nolato has five fundamental value and policy documents, which convey the values, principles and attitudes that make up our core values. Nolato's Basic Principles make up the common platform for all

Group operations. These core values are concretised in our Code of Conduct and our three main policies, which are mandatory for all the Group's employees – wherever they work, and whatever their role.

The five value and policy documents are compiled in the booklet the Nolato Spirit, which is available in the languages of the countries where Nolato operates.

In workplace meetings and new staff appointments, the Nolato Spirit is actively used as an aid to make all employees aware of the core values and guidelines applicable to their work at Nolato.

We also strive for that our suppliers and partners should apply the same values and principles.

## Governance of sustainability work

At the end of the year, Nolato had 21 production units at 18 locations in Sweden, Hungary, Romania, China, India, Malaysia and the USA. All of the units are wholly

## ■ The Nolato Spirit

Nolato has five fundamental value and policy documents, which convey the values, principles and attitudes that make up our core values.

### Nolato's Basic Principles

The Basic Principles make up the common values platform for all Group operations, and are thus the guiding force for all Nolato employees, regardless of where in the world or in which part of the organisation they may work.

### Nolato's Code of Conduct

The Code of Conduct formalises the content of the Basic Principles in terms of our ethical and compassionate principles.

### Nolato's Environmental Policy

The Environmental Policy formalises the guidelines for regard for the environment in the Basic Principles.

### Nolato's Quality Policy

The Quality Policy outlines the underlying focus of our quality work.

### Nolato's Information Policy

The Information Policy governs the dissemination of information by the Group, including in relation to listing requirements.

→ The value and policy documents are compiled in the booklet "The Nolato Spirit", which is available at [www.nolato.com/sustainability](http://www.nolato.com/sustainability)

诺兰特经营理念及愿景  
Nolato's Business Mission and Vision

owned by Nolato, which enables a Group-wide way of dealing with matters relating to the environment, ethics and social responsibility.

Matters relating to the overall sustainability strategy, our goals and reporting of the outcome are managed at Group level. Follow-up occurs at Board and management meetings and in the evaluation of the production units.

The Group's overall values and policy documents must be adhered to. However, in accordance with Nolato's decentralised organisation, the Group companies have a relatively high degree of freedom to draw up themselves how the work is to be implemented in everyday operations. The MD of each company has the ultimate responsibility for all matters relating to the environment, ethics and social responsibility.

### Sustainability report

Since 2008, we have reported in accordance with the GRI (Global Reporting Initiative) guidelines. The purpose of this reporting system is to make it easier for various stakeholders to assess and com-

pare organisations from a sustainability perspective. The key performance indicators reported help us to maintain a focus on important areas. Nolato reports in accordance with GRI level B, which we deem to be a reasonable level. It gives the Group's stakeholders relevant information about our sustainability work.

An important part of monitoring and communication is the Group's annual Sustainability Report. This is a separate document and complements the sustainability section of the annual report.

### Active stakeholders

We can observe increased interest concerning sustainability issues among several stakeholders. It is mainly a number of customers that are implementing global initiatives to assess and influence their suppliers' sustainability performance. We are target for sustainability evaluation by different investors. At the local level it is mainly the authorities that check our environmental and workplace performance. The table below provides an overview of the stakeholder dialogue during 2011.

| Stakeholder  | Areas for stakeholder dialogue  | Activities during 2011  |
|--------------|---|---|
| Customers    | Many customers present requirements concerning environment and social issues. Especially in telecom, food, pharmaceutical, automotive and furniture industries. | Around 70 per cent of the companies were audited or assessed by customers with respect to environmental and social issues. In most cases with very good result. In some cases there is an on-going improvement dialogue with the customer. There are a number of projects that are shared with customers that aim for environmental adaption of products. |
| Employees    | Health, safety and social issues.   | Information about Nolato's Code of Conduct with focus on new employees. Many education/training activities. Dialogue with the Swedish trade unions concerning environment and safety aspects.   |
| Authorities  | Compliance with legislation.  | Inspection by supervising authorities at 1/3 of the units. In several cases focus on chemical safety and water management issues. As a whole good judgement by the authorities.   |
| Investors    | Evaluation based on the sustainability perspective.   | Highest score in Veckans Affärer's Hållbara Portfölj (Sustainable Portfolio). Dialogue with investors concerning sustainability performance.  |
| Shareholders | Risk and opportunities associated with the sustainable work.  | Information through Annual and Sustainability Reports. Dialogue with financial auditors during the audit of the Annual Report.  |
| Suppliers    | Requirements from Nolato concerning environmental and social issues.  | Tools for evaluation of suppliers have been developed. Training of auditors in China. During the year. More than 200 suppliers were evaluated with respect to sustainable development.  |
| Society      | Nolato's role as a good citizen.  | Study visits, co-operation with schools and universities and financial support to activities in society. Workplaces for disabled persons in Hungary.  |

### Sustainability strategy

The strategy for our sustainability work is based on the following cornerstones:

#### Integration with business operations

Sustainability work is essential for sound business operations. Taking sustainability aspects into account is therefore a normal feature of, for instance, investments, company acquisitions, customer and supplier relationships, transportation and in the development of products and production processes.

#### Systematic, target-oriented sustainability work

We work in accordance with the basic principle of "what gets measured gets done". We therefore have a comprehensive system to gather data within the field of sustainability, establish goals and then follow up on the results.

This also involves the certification of all production units in accordance with environmental management system ISO 14001. We also review and perform systematic audits to ensure that our suppliers meet the requirements of our Code of Conduct and environmental policy.

#### Openness and dialogue with stakeholders

Openness and transparency have long been a matter of course for Nolato. This includes, for example, reporting the Group's sustainability performance in accordance with the GRI (Global Reporting Initiative) guidelines, level B.

We also have an ongoing dialogue regarding sustainability with different stakeholders such as customers, suppliers, investors and various public institutions.

#### Target-oriented activities

Sustainability work is based on the environmental targets set within the framework of the environmental management system. An account of the Group's overall goals and outcome in 2011 is provided on page 29.

#### Endorsement of the UN's Global Compact

Since 2009, Nolato has been an endorser of the United Nations' Global Compact, an initiative with ten principles regarding the environment, working conditions, human rights and anti-corruption measures.

### Compliance with legislation

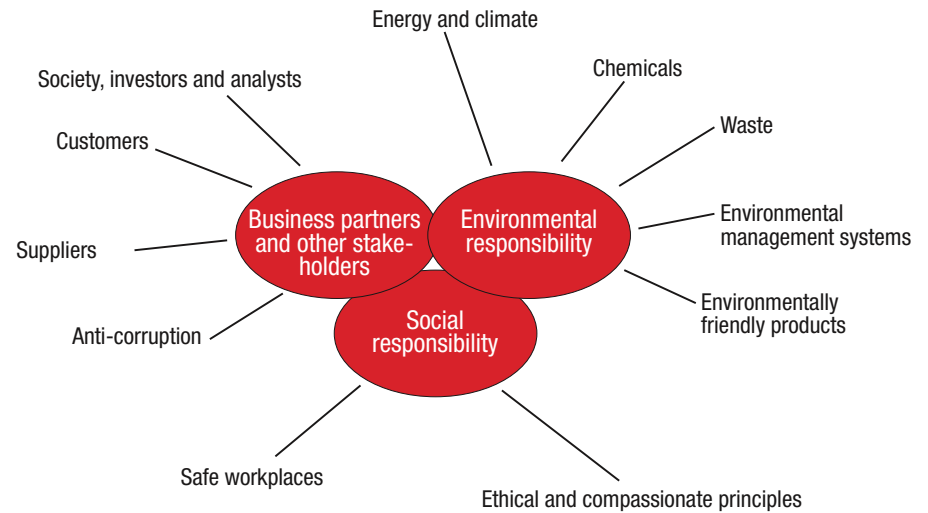
To comply with environmental and working environment legislation is a self-evident component of the sustainability strategy. In Sweden, the Group carries out operations with notification obligations in accordance with the Swedish Environmental Code at all units. None of the units plan to renew any notifications in 2012. The Group's units outside Sweden also require permits, or are covered by similar requirements, in accordance with environmental legislation in the country in question. There is no known requirement for any permit renewal in 2012. Sales from operations with permit requirements and notification obligations make up all of Nolato's net sales.

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 2011. One plant was target for a sanction fee as there was a mistake in the reporting of the correct number of equipment that contains cooling media (HCFC). There were no complaints from neighbours or other stakeholders during the year. Other legislation of interest for many of our plants is REACH (chemicals) and RoHS (restriction of the use of certain hazardous chemicals). About half of the units are affected by legislation concerning producer responsibility for packaging waste.

Three of the plants were inspected, during the year, by workers protection inspectorate for check of compliance with the health and safety legislation. Some minor non-compliance were recorded during the inspections.

### Risk management

To manage risks relating to sustainability is a part of the Group's sustainability strategy. 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 been identified in recent years, with a particular focus on production in developing countries. Nolato carries out regular risk assessments in the field of sustainability in the countries where we operate. The aim is to identify new risks and/or costs relating to the environment, ethics and social responsibility as early on as pos-



Nolato has overall sustainability targets in three main areas, which complement the local environmental targets of the individual units. See page 29 for the 2011 outcome.

sible. During acquisitions of companies all the risks that are describe below are taken into account.

### Legal requirements

Nolato's production units have the permits required for their operations, and no new requirements from authorities that would involve significant costs or risks have been identified in the year's review.

The Group's units also meet the requirements of the REACH chemical legislation and we continually monitor chemical substances that are deemed for restricted use or will be banned in the future.

### Contaminated land

There has been no known occurrence of contaminated land, neither are there any requirements in terms of investigations or decontamination. During 2011 there were no accidents or fires that caused uncontrolled emissions to the environment causing soil or groundwater contamination.

### Hazardous substances in buildings and installations

There is no occurrence of asbestos to any significant extent, or of PCB. Inventory of the hazardous substance PCB has been carried out at the Swedish plants. In one case the threshold limit value was exceeded and, according to legislation, PCB containing materials will be removed latest in 2013. Ozone depleting substances (HCFC, HFC) are present in air condition equipment. At one unit in Sweden, leaking equipment

caused emissions to the atmosphere of approximately 100 kg of cooling media.

### Climate change

One of Nolato's plants is situated in area that may be impacted by future climate change. Rising river level may cause landslips and we carefully review risk analyses that are provided by the authorities.

### Products

Society has a growing interest in cleantech products, and one identifiable business risk is our product range including products that are no longer accepted by customers. As a supplier, Nolato has limited possibilities of countering this risk, because most products are manufactured by assignment of customers. Nolato works in close collaboration with them and continuously monitors developments to be able to initiate the exchange of existing materials with new, more environment-friendly alternatives.

### Group targets show the way

In the framework of ISO 14001, management of environmental work by objectives is an important element. In 2011, the Group therefore set Group-wide targets for the entire area of sustainability to complement the local environmental goals of each individual unit.

The overall sustainability targets are to stimulate the establishment of detailed goals and the implementation of tangible activities. We are already seeing many positive effects of these activities. However, the



work is by no means complete and the targets are unchanged for 2012.

An account of the Group's sustainability targets and outcome in 2011 is presented in the table below and on pages 15–18.

### Target-oriented activities

The first year with Group-wide long-term targets for sustainable development put focus on core issues. Since many years ago, our units have been working with these issues but now we are moving in a common direction. As shown in the table

below, the journey has just started and on the following pages you will find detailed information about the on-going activities. We will focus on the issues that are presented in the table, but also present performance data for issues that are not covered by the Group targets.

| Area                                     | Sub-area                             | Overall targets  | Outcome 2011   |
|--|--------------------------------------|--|--|
| Environmental responsibility             | Energy and climate                   | Energy consumption and emissions of greenhouse gases shall be reduced in relation to the Group's key ratios. As an intermediate target, every unit shall report energy targets for 2011 and carry out at least one energy efficiency project during the year.  | ■ Although several energy-efficiency measures have been implemented, the energy key ratio is unchanged in a five-year horizon. Carbon dioxide emissions have increased, chiefly due to new reports of carbon dioxide emissions from district heating purchased at the Beijing unit.                            |
|  | Chemicals                            | Chemicals that are particularly hazardous to the environment or health shall be identified and phased out.   | ■ The target has been reached. Work with the identification and phasing out of chemicals is continually under way.   |
|  | Waste                                | The amount of waste produced shall be reduced in relation to the Group's key ratios. As an intermediate target, every manufacturing facility shall report waste targets for 2011 and carry out at least one waste-related project during the year.   | ■ Although measures for more efficient resource management have been taken at most units, waste amounts have increased slightly in relation to the Group's key ratios.   |
|  | Environmental management systems     | Certified environmental management systems shall be introduced at all units. Company acquisitions and other changes may, however, mean that there are units at times that are not certified.   | ■ Approximately 95 per cent of the employees work at units that are certified according to ISO 14001. Nolato Contour was certified according to the requirements of ISO 14001 in March 2012 and Lövepac Converting in India in 2012. No certification activity is in progress at the smaller unit in Malaysia. |
|  | Environmentally friendly products    | During 2011, Nolato shall take part in at least three projects aimed at reducing the environmental impact of new or existing products. These projects shall be carried out under Nolato's own management and/or together with customers or other partners.   | ■ The target has been reached.   |
| Social responsibility                    | Ethical and compassionate principles | There shall be no cases of infringements of human rights, discrimination or forced labour. Active information shall continue to be provided to employees and new employees.  | ■ The target has been reached. Information for and training of employees in this area are continuously under way.  |
|  | Safe workplaces                      | Continued preventive work shall minimise the number of workplace-related accidents and illnesses. The reporting of incidents (near misses) at production units shall be improved.  | ■ The target has been reached in terms of preventive work. Incident reporting is now in place at the majority of units, but remains to be introduced at certain units.   |
| Business partners and other stakeholders | Anti-corruption                      | There shall be no cases of bribery, corruption or cartel formation. Active information shall continue to be provided to employees and new employees.   | ■ The target has been reached. This is an area of great interest in many contexts and our preventive efforts are continuously under way.   |
|  | Suppliers                            | When entering into agreements with suppliers, requirements shall be imposed in relation to the environment and social responsibility. During 2011, Group-wide tools shall be devised for effective supplier evaluation. Every company shall have evaluated at least five sub-suppliers in 2011 with regard to the environment and sustainable development. | ■ Significant initiatives have been implemented during the year. For instance, evaluation tools have been developed. We are actively furthering our efforts by means of monitoring and audits to ensure that suppliers meet our requirements.  |
|  | Customers                            | Customer requirements in relation to the environment and social responsibility shall be met by a comfortable margin. In 2011, collaborative projects with key customers on sustainability issues shall be developed further.   | ■ Customer requirements have largely been met. However, this is an area where both requirements and monitoring from many customers are on the rise.  |
|  | Society, investors and analysts      | Reporting shall occur in accordance with the GRI, level B. Nolato shall continue to endorse the Global Compact. We shall achieve good results in evaluations by analysts and independent institutions through transparent information within the field of sustainability.  | ■ The reporting and endorsement targets have been met. However, we must be more active in terms of information about our sustainability initiatives, particularly in relation to working conditions in China and the demands we place on our suppliers.  |

# Environmental responsibility

## Direct and indirect environmental aspects

Nolato's production consists primarily of manufacturing components and product systems in polymer materials, metals and combinations of polymer materials and metals. Common production methods include injection moulding, injection blow moulding, compression moulding, extrusion and dipping. The plant in China carries out painting. At the Sunne unit, rubber compounds are produced both for Nolato's own use and for external customers' use. At other units, ready-made polymers and other input materials are bought in. Read more about the core technologies on p. 7.

Nolato's main direct environmental aspects are the use of energy, raw materials and chemicals, emissions into the air and water, and waste. Suppliers' activities, transportation and the use of our products are examples of key indirect environmental aspects.

## Energy and climate

The manufacturing plants use energy for process equipment, lighting, cooling, heat pumps and many other purposes. Around 85 per cent of the Group's energy consumption consists of electrical energy. In addition to this, fuel oil, natural gas, district heating and geothermal heating are used for heating production premises and offices. The Group's overall energy costs for 2011 were around SEK 93 million (104).

The total energy consumption decreased slightly during 2011 compared to the previous year. The key performance indicator (GWh/sales) remains almost equal for the past five years. It is obvious that increased production and more production units will result in increased energy consumption, but at the same time we have high expectations on the on-going projects to increase energy efficiency. Here are some examples:

- Installation of heat pumps and systems for free cooling reduce the energy consumption and the dependence on fossil fuels. Such systems are already present at a number of the Swedish plants.
- Replacing hydraulic injection moulding

machines with more energy-efficient electric versions reduces the energy consumption. Such investments are gradually made throughout the Group.

■ Energy assessments and optimisation of systems for heating, ventilation and lighting are conducted at many of the plants. This will result in increased energy efficiency. The same goes for energy recovery and production planning projects.

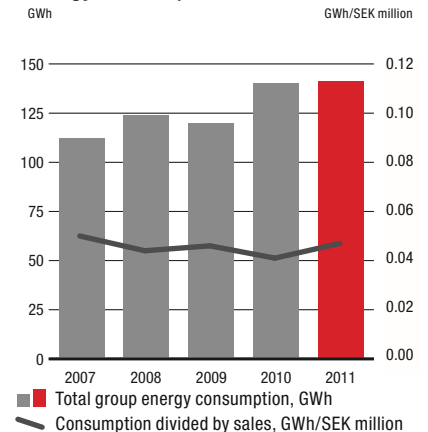
The greenhouse gas carbon dioxide is emitted as a result of the Group's direct and indirect (purchased electricity and district heating) energy consumption. Therefore you would expect that the trend, that was observed for the energy consumption, should be equal for the carbon dioxide emissions. This is, however, not the case. The increase in carbon dioxide emissions is caused by the consumption of district heating in Beijing. District heating is produced from fossil coal and during 2010-2011, compared to previous years, we have got more reliable figures for the emissions. Figures for the emissions of carbon dioxide have therefore been adjusted back in time, but we can conclude that there are still uncertainties regarding the emissions.

## Other atmospheric emissions

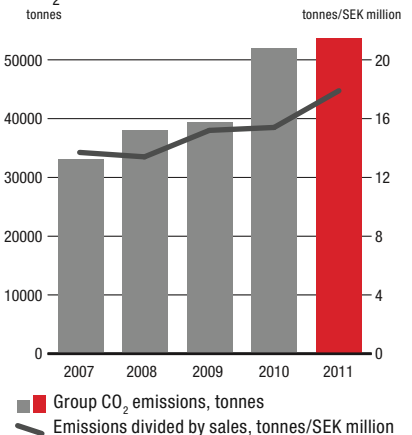
Emissions of air pollutants such as sulphur dioxide and nitric oxides are low, accounting for 3 tonnes per year (3). The use of more than 350 tonnes of paints and solvents resulted in emissions of around 18 tonnes (22) of VOCs (Volatile Organic Compounds). The majority of these paints and solvents are used in mobile phone-related production at Nolato Beijing. A modern, highly effective incineration unit significantly reduces atmospheric emissions. The use of water-based paints was during the year 21 tonnes. This corresponds to around 10 per cent of the consumption of paint and lacquer.

Emissions of dust and malodorous substances from Nolato's units are extremely low. A couple of incidents during the year involving leaking air-conditioning equipment caused emissions of just over 100 kg of ozone-depleting substances (HCFCs).

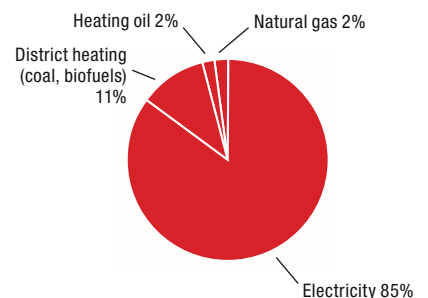
## Energy consumption



## CO<sub>2</sub> emissions



## Energy sources



### Raw materials and chemicals

Plastic and rubber polymers, metal components, paints, lacquers and various chemical substances constitute the main materials in our production processes. Plastics are the most used materials and make up more than 90 per cent of the raw materials. The proportion of rubber material is around 7 per cent, and metals constitute around two per cent of the raw materials.

The majority of plastic materials are virgin raw materials, which is a requirement within our medical operations. Around 8 (2) per cent of the plastic raw materials consists of recycled plastics, and are found in some of Sony Ericsson's mobile phones and clothing crates for KappAhl. Issues concerning bio-based plastics and composites are of more and more interest for the polymer industry, and a number of interesting development projects are being carried out. For example, in partnership with the automotive industry, where a mixture of plastic and wood fibre is injection-moulded into a composite material with interesting properties.

One of the Group targets aims at reducing risks with hazardous chemicals, especially substances that are identified in the REACH chemical legislation, or where the customers make special requirements. During the year several substances have been identified and actions to replace them are going on.

### Water issues

Water is being used primarily for cleaning, sanitary purposes and cooling, but there are some processes where water consumption is relatively high. This is true of production in latex rubber in Torekov and the spray painting cleaning plant in Beijing. In order to reduce water consumption, a number of units have closed cooling water systems for injection moulds and other equipment. The reduction of water consumption during 2010-2011 is mainly caused by a

combination of reduced production and water-saving measures at the unit in Beijing. The amounts of pollutants discharged to wastewater are very limited, and consist mainly of sanitary water. All the production units are connected to public sewage treatment plants. The costs incurred by the Group for water and treatment of wastewater totalled approximately SEK 1.4 million (1.4).

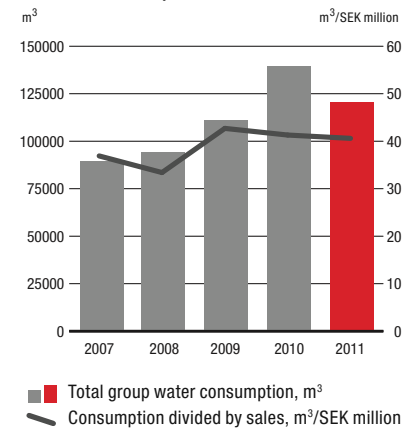
### Waste

Waste issues are important for the majority of manufacturing companies. Generation of waste can be seen as the use of resources is not managed in a sufficiently efficient way. Within the framework of ISO 14001 it is common that the units establish objectives to reduce the amount of waste, and within the quality system (ISO 9001) it is common with objectives to reduce the scrap rate. Further on, there are many ongoing activities within "lean production" to increase efficiency and to reduce the waste of resources.

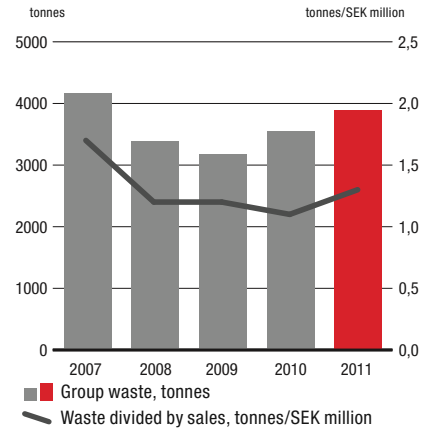
Overall, the result of all above objectives and activities is that positive things are happening in the waste area. This is partly reflected in statistics and during the previous five years the amount of waste, in relations to the Group's sales, has first decreased and then remained unchanged, with a slight increase during 2011. In absolute numbers the amount of waste has increased, and this is the result of higher production volumes and more production units.

In the longer perspective it a positive trend is that less and less waste is ending up in landfill sites, and that energy recovery and recycling of materials are both increasing. External waste processing costs during the year amounted to SEK 2.5 million (3.0).

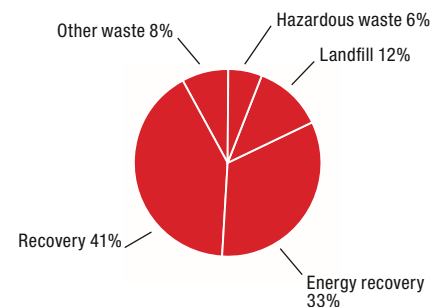
### Water consumption



### Waste



### Types of waste



## Management systems

### ISO 14001

All Nolato production units are to be certified in accordance with the requirements of the environmental management system ISO 14001. Certification is an important tool in the systematic work, with internal and external audits that place demands in terms of continual improvements in sustainability work.

The first unit was certified as early as in 1997, which is one year the standard was introduced. In 2011, Nolato Contour, which was acquired by the Group in 2010, has prepared its certification. The certification body's audits were carried out in January 2012, and certification is expected to be complete in March 2012. Certification work is also under way at Lövepac Converting in India, and certification is expected in 2012. The smaller, newly started up operation in Malaysia have not yet commenced its certification work.

Since 2010, Nolato Beijing has also been certified in accordance with occupational health and safety management standard OHSAS 18001, and work is in progress to introduce this occupational health and safety system at Lövepac Converting's units in China as well.

Many activities are conducted to improve the environmental management systems and to maintain the certificates. In the Group there are more than 60 internal environmental auditors that during last year carried out 45 environmental audits. 17 audits were carried out by external certification bodies.

### Quality certifications

Almost all of Nolato's units are certified in accordance with the requirements of the quality system standard ISO 9001. Around 75 per cent are additionally certified according to standards for the automotive industry (ISO 16949) or medical technology (ISO 13485). At most of the plants, the various management systems are entirely or partly integrated into the operational system.

ding to standards for the automotive industry (ISO 16949) or medical technology (ISO 13485). At most of the plants, the various management systems are entirely or partly integrated into the operational system.

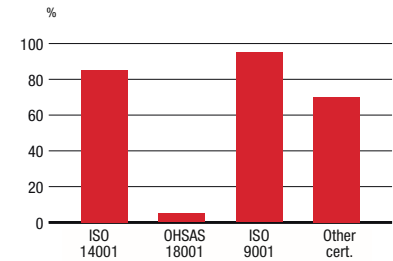
### Environmental product development

Many of Nolato's customers are working with cleantech, i.e. to improve the environmental performance of mobile phones, cars, household machines and medical technology products.

Within the Group we already manufacture a number of environmentally beneficial products, but to emphasise the importance of environmental adaption we established a Group-wide target. Examples of environmental adaptations during 2011 are:

- Recycled plastics and waster-based paints are used in several projects concerning mobile phones and battery covers.
- Continued development of composites of plastics and wood fibre for automotive components.
- Development of components that reduce water consumption in toilets.
- Plastics that replace other materials in vehicles, household machines and chain saws. This results, for example, in lower weight.
- Less amount of material in breathing bags (latex free) that are used in anaesthetic applications. It is now possible to reuse the bags which is positive with respect to the use of materials and generation of waste.
- Primary plastic packaging for pharmaceuticals where the amount of material has been reduced.

### Certifications



Percentage of Group companies which are certified according to common standards. "Other cert." encompasses for example ISO 16949 (automotive industry), ISO 13485 (medical technology) and ISO 15378 (primary packaging).



*Carrierplate for a car door moulded in a composit material made of plastic and wood fibre.*



# Social responsibility

## Social responsibility in China

Nolato is a global company with around 5,500 employees, where more than eight of ten work outside Sweden. 71 per cent of the employees are found in China.

Nolato has a large number of employees in China. We have therefore monitored the criticism surrounding working conditions among suppliers in the mobile phone sector, and in 2011 we have had a major focus on CSR. This applies in particular to the working conditions of employees, such as minimum age, salaries, overtime and remuneration for overtime.

In close collaboration with our large customers, we have implemented measures aimed at not only meeting statutory requirements, but also at bringing our operations into complete harmony with Nolato's own ethical and social values, and with our commitments in the framework of the Global Compact.

At the site in Beijing we have during the year implemented a number of activities concerning sustainable development, for example:

- We have appointed a special CSR team (see Definitions and glossary) to co-ordinate matters relating to sustainable development. In the team you will find representatives from production, environment, quality and human resources departments. The team reports directly to the president of the Business Area.

- We have updated a number of environmental, health and safety procedures in the management system and developed check-lists for the systematic follow-up of these areas.

- We have strengthened our management system, reviewed agreements with staffing agencies, inspected the physical circumstances of employees at work and at leisure.

- We have intensified the preventive health and safety work and improved emergency preparedness procedures.

- We have made changes in the Employee Handbook and, for example, clarified Nolato's Values.

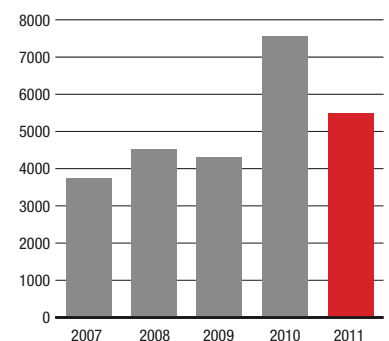
- We have trained around 50 managers in sustainable development.

- We have trained around 20 purchasers, quality and environment co-ordinators in methods for how to conduct CSR audits at our suppliers.

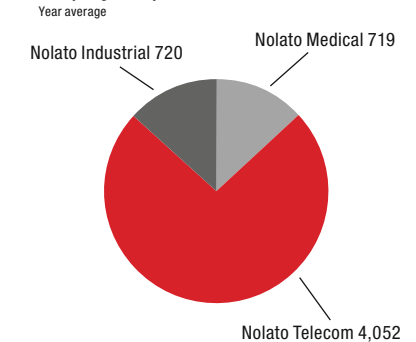
However, the circumstances in China are highly complex, and solutions in these areas are not always simple and straightforward. An example of this is that many employees in China want to do as much overtime as possible, and this can conflict with legislation in China and with our values.

We will therefore maintain our strong focus on these matters in 2012.

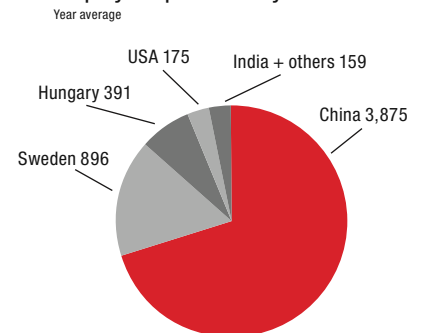
## Average number of employees



## Employees per business area 2011



## Employees per country 2011



## CSR In Real Life

Corporate social responsibility (CSR) is a crucial area for companies today. Our increasingly globalised world places new demands on our actions in terms of taking social responsibility with staff, customers, suppliers and society at large.

Customers' interest in CSR, and using it to further enhance the business, is also evident across the Group companies.

"One of our customers announced their plan to conduct an ethical audit on our business, so beforehand, we carried out a preliminary audit ourselves," explains Glenn Svedberg, MD of Nolato Cerbo, which manufactures pharmaceutical packaging. "A num-

ber of important issues came to light, which led to the implementation of several improvements in our systems in terms of the environment, quality, working environment and social responsibility.

One area that we really addressed properly was the development of methods to evaluate our sub-suppliers. They have to conform to our sustainability and ethical rules – otherwise, no deal."

Working closely alongside customers on these matters helps us in the process. For example, at Nolato Telecom, which has extensive operations in China, a major CSR project has been conducted alongside Sony Ericsson.

"Sony Ericsson is running an ambitious project to implement its code of conduct among suppliers worldwide, and conducts recurring evaluations of us," says Jörgen Karlsson, President of Nolato Telecom.

"These evaluations are challenging, but also constructive," he continues. "We started out from a decent level, but it was clear that certain aspects needed more attention. So far, four evaluations have been carried out and we feel that we are making constant progress."

### Systematic health and safety work

For many years, our production units have had advanced systems for registering workplace accidents and undertaking corrective actions. During the year, 28 (44) occupational accidents resulting in more than one day's absence (LWC, lost work cases) were reported. Total absence due to illness caused by occupational accidents was 755 days (534) and is dominated by a few long-term absences. The most common causes were injuries caused while working with machinery and equipment (35 per cent), falls and slips (25 per cent). At seven of the production units no workplace accidents occurred.

Preventive working environment initiatives include risk analyses, working environment monitoring, training, safety rounds, safety committee work (present in all companies) and investments in various technical protective measures. Health and safety training is frequently conducted and in 2011 the employees participated in average in 2.9 (4.2) hours of training.

Most units have, since a long time ago, systems in place to systematically register incidents (near misses) which could have led to a workplace accident. However, at some units such systems are not yet implemented and we therefore established a Group target to improve the reporting of near misses.

Currently such systems are in place at most of the units and we can therefore analyse the root causes to accidents. Of around 150 registered near misses, the majority were associated with machinery and equipment. Slips and manual work are also common in the statistics.

### Everybody has the right of representation

Another important CSR matter is the right to organise trade unions and of representation by employee representatives. In accordance with our Code of Conduct, all Nolato employees have such rights. This also includes the right to collective negotiations and agreements.

At the units in China, there are unions in accordance with the rules applicable to large companies in China. All staff are provided with information about the

union upon employment, and can then make their own decision on membership. In 2011, all employees at Nolato in China were covered by collective agreements.

At the units in other countries, there are no unions or collective agreements, and this reflects the normal situation in these countries.

### Diversity and equality issues

An area that is highlighted in international initiatives and in our Code of Conduct are diversity and equality issues. Our equality work is carried out on a decentralised basis at each unit, in accordance with the individual companies' equality plans. 71 per cent (67) of Nolato's employees were women. The proportion of female employees at the Group's European units was 44 per cent (44), in the Asian units 81 per cent

(73) and in USA 54 per cent (47). At the Board of Nolato AB 30 per cent (30) were women. The corresponding figures for the Group management and subsidiary management were 0 per cent (0) and 18 per cent (24), respectively.

### Training and education

It is a prerequisite for the competitiveness of the Group, and the personal development of the individual employees, that the educational level match the work assignments. Knowledge and skills must be kept updated and deepened and education is a part of the everyday work.

During 2011, the employees participated in 57,000 (26,000) training hours. This corresponds to around 12 hours per employee.



# Business partners and other stakeholders

## Zero tolerance of corruption

In accordance with our Code of Conduct and the tenth Principle of UN Global Compact, Nolato's business methods shall be characterised by integrity and responsibility. Nolato therefore has zero tolerance of bribery, corruption and cartel formation.

For a global company, these matters are complex, because the perception of what "normal business methods" are differs between countries and cultures. To the right a number of methods are listed that are used to steer and follow-up our business principles.

## Annual evaluation

As a part of the sustainability reporting for this year we asked a number of detailed questions concerning how the subsidiaries are managing good business practices. The questionnaire was based on a questionnaire from Global Compact and required active standpoints concerning corruption. Around two thirds of the companies reported that they during 2011 actively informed the employees about the requirements of good business principles.

Our evaluations show that there is nothing to suggest any deviations from the rules regarding bribery, corruption and cartel formation in 2011.

## Increased evaluation of suppliers

In the 2010 annual report, we ascertained that Group activities regarding suppliers' fulfilment of our sustainability requirements must be developed further. A target was therefore established to increase the number of evaluations of suppliers and to develop tools and to provide training.

We are now moving in the right direction and almost every company in the Group now require that their suppliers must take part of our Code of Conduct. We have conducted advanced training and developed comprehensive checklists for supplier assessments. One example is the training of CSR auditors in China.

Evaluation of suppliers is a process that consumes resources. We therefore must be careful with the criteria that are used for

the selection of suppliers, and we also need to have access to experienced persons for evaluation of questionnaires and to conduct audits. In 2011 around 200 suppliers were evaluated by means of questionnaires, and we conducted audits on site at suppliers' premises on 16 occasions, half of which were in China and South-East Asia.

### Active collaboration with customers

As a developer and manufacturer of polymer products and systems, many of our customers operate in industries where sustainability issues are high on the agenda. For example, customers require that we fulfil their codes of conduct, that we have introduced environmental management systems, that certain chemical substances are not permitted, that compliance with certain legislation (REACH, RoHS), that the products have environmental declaration and that recycled raw materials are used in certain products.

Customers increased monitoring during the year at most of our production units to ensure that we are meeting the requirements. In general, we fulfil these requirements, but in certain cases a dialogue has commenced regarding improvement measures. We learn from our customers' evaluation methods and in turn we forward the requirements into our own supplier chains.

## Contacts with other stakeholders

Nolato has many contacts regarding sustainability with other stakeholders of the Group. We continuously provide shareholders and other stakeholders with information about our sustainability work in articles in our company periodical Nolato Magazine, and we are in dialogue with analysts and investors to create full transparency into our work.

Nolato's units participates in the local societies where we operate. This means contacts with neighbours, schools, universities, community organisations, sport organisations and cultural institutions. Nolato Cerbo and the units in Hungary and USA were especially active during 2011 and where involved in several projects concerning culture, study visits, co-

## ■ Methods for follow-up

### Spreading shared values

Nolato's Code of Conduct describes the overall view on corruption and related matters. During Group-wide training the ethical questions are explained and deepened. It is the responsibility of each manager to inform about and to invite to a dialogue with employees concerning Nolato's Values. In 2010-2011 there was special attention to these issues and anti-corruption was an important point on the agenda during the training of young managers (Young Manager Programme).

### On-going monitoring of expenses/income

Investments, expenditures and other costs are followed-up in detail. "The grandfather principle" is applied with means that costs and expenses must be approved by the superior manager.

### Vigilance in business relationships

If it is obvious that a business relationship may lead to that the Code of Conduct cannot be met, we will terminate the contacts with the person or company.



operation with schools, safety in traffic and actions against drugs. Nolato has a constructive co-operation with the International Environmental Institute (IIIEE) and Lund University.

A project that received attention was the arrangement of workplaces for disabled persons at the site in Hungary. We are talking about 28 blind and deaf persons that work with the assembly of products. The facilities were modified and work instructions were transformed to braille. Salaries are equal to other employees and the project is partly subsidised by the government. Apart from increased quality of life for the disabled persons, we recognise a very good result of their work.

Nolato should be a good citizen and we have set a target to provide different

interested parties with relevant information about our sustainability work. We will therefore continue to report according to the GRI Guidelines and will participate in dialogue with interested parties.

During the year Nolato was evaluated by institutional investors and business journals. It is positive to notice that the Group received a very good evaluation in Veckans Affärers Hållbara Portfölj (Sustainable Portfolio). The Sustainable portfolio consists of shares that are evaluated from a long-term perspective. The journal takes into account the company's ability to adapt to increasing requirements concerning environment and sustainable development, and to seek business opportunities from such requirements.

### Cooperation with schools

The Handshake skills enhancement project of the Chamber of Commerce of Western Sweden (Västsvenska Handelskammaren) creates a bond between industry and schools with a defined and long-term structure. Nolato Cerbo follows a school class for three years, and therefore has the opportunity of getting to know the younger generation and establishing contacts for future recruitment initiatives.

"The Handshake project enables us to describe to students what we do, and show them the various professional roles in our operations," says Glenn Svedberg, MD of Nolato Cerbo.

Through their collaboration with Nolato Cerbo, students can gain a greater understanding of school subjects. They also have the opportunity to meet role models and create their own networks for the future. Ahead of future career choices and higher education orientation, students gain some insight into the conditions and requirements of industry at an early stage.



Nolato's production unit in Torekov, Sweden



# Economic responsibility

## 2011 in brief

In 2011, the Group's sales were SEK 2,977 million (3,375). The operating income (EBITA) was SEK 199 million (262). The profit after financial income and expense was SEK 184 million (243). The profit after tax was SEK 132 million (187) and the earnings per share was SEK 5.02 (7.11).

We are convinced that through working with sustainability issues we are creating value now and for the future for our customers, employees, shareholders and stakeholders. Sustainable development means that Nolato is a good member of society and contributes by taking a financial, environmental and social responsibility where possible.

## Sustainable development and finance

During 2011, Nolato invested SEK 14.9 million (15.6) in measures relating to environmental and working environment improvements. The biggest investments were made in equipment for increased energy efficiency. Over the course of the year, environmental costs totalled SEK 5.6 million (6.4). During the year, environmental improvement measures generated cost savings of SEK 1.3 million (1.3). The majority of these savings relate to energy use.

## Financial value for stakeholders

Nolato's business generates a financial value that is distributed among the various stakeholders. This includes, for example, suppliers, employees, shareholders, creditors and society. During 2011, the Group had a turnover of SEK 2,977 million. SEK 2,846 million was distributed according to the table to the right.

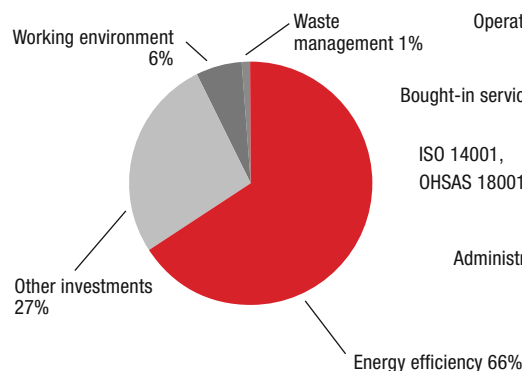
## Financial highlights

| SEKm (unless otherwise specified)                             | 2011   | 2010   |
|---|--------|--------|
| Net sales   | 2,977  | 3,375  |
| Operating profit (EBITDA)                                     | 360    | 407    |
| Operating profit (EBITA)                                      | 199    | 262    |
| EBITA margin, %   | 6.7    | 7.8    |
| Profit after financial income and expense                     | 183    | 243    |
| Profit after tax  | 132    | 187    |
| Cash flow after investments, excl. acquisitions and disposals | 112    | 230    |
| Return on capital employed, %                                 | 13.9   | 18.4   |
| Return on shareholders' equity, %                             | 11.3   | 16.5   |
| Net debt  | 82     | 34     |
| Equity/assets ratio, %  | 54     | 50     |
| Earnings per share, SEK                                       | 5.02   | 7.11   |
| Adjusted earnings per share, SEK                              | 5.28   | 7.37   |
| Average number of shares, thousands                           | 26,307 | 26,307 |
| Average number of employees                                   | 5,496  | 7,563  |

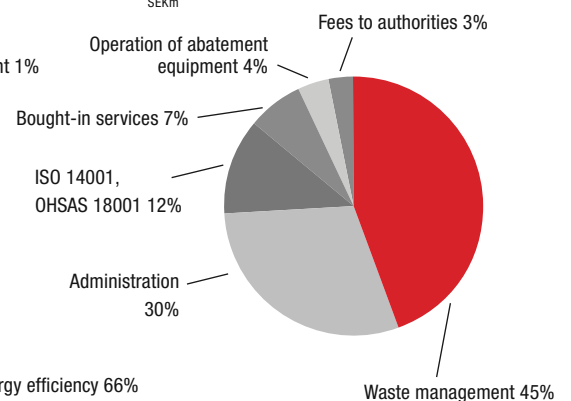
## Financial value for stakeholders

| Stakeholder  | Distributed value (SEKm) | Comments                                |
|--------------|--------------------------|---|
| Suppliers    | 1,844                    | Compensation for materials and services |
| Employees    | 812                      | Salaries and benefits                   |
| Shareholders | 132                      | Dividend                                |
| Creditors    | 7                        | Interest expenses                       |
| Society      | 51                       | Reported effective tax for the Group    |

## EHS investments



## EHS costs



# Continual improvement

At Nolato's plants throughout the world, activities are being carried out that contribute to continual improvements with regard to the environment, working environment and social responsibility. Here is a small selection of major and minor actions carried out in 2011:

## Sweden

■ Plastteknik in Gothenburg invested in a new docking system for trucks. This increases the efficiency and reduces the environmental impact from transport. There are continued activities to develop "environment-friendly" products, for example, composites of plastic and wood fibre.

■ Polymer in Ängelholm has made investments in a system for district cooling and energy-efficient lighting. Nolato Polymer in Torekov plans to install a heating system based on heat pumps or natural gas. There are also plans for installation of energy-efficient lighting systems.

■ Hertila in Åstorp has invested in energy-efficient moulding machines.

■ Silikonteknik in Hallsberg has continued the activities to reduce the energy consumption.

■ MediTech in Hörby and Lomma implemented measures to reduce the scrap rate and the amount of waste. They have also initiated a programme called "Medical Excellence". New key performance indicators for energy (related to sales) have been implemented.

■ At Lövepac in Skånes Fagerhult, as part of the energy efficiency programme, machines are turned off when they are not in use. The same goes for lighting. The sorting of waste at source has been improved.

■ MediTor in Torekov has reduced the amount of waste from the production processes. Further on, products with 10-20 per cent less amount of silicon rubber have been developed and transport from sup-

pliers in Lithuania and Poland have been reduced with 30 per cent. In a project, in co-operation with a customer, hazardous phthalates have been phased out.

■ Sunne has improved the process flow and thereby reduced the number of transports and work steps. The scrap rate has been reduced.

■ Gota in Götene has implemented the "Green Cross" to improve health and safety at work. Safety aspects are also included in the "5s" activities. Energy-efficient hybrid injection machines will be prioritised in future upgrades of the plant. There are also plans to phase out fuel oil for heating of the building and replace it with wood pellets.

■ Nolato Cerbo reduced the energy consumption by the recently installed free-cooling system, and increased temperature of cooling water has been evaluated. Other environment-related projects include reduced weight of primary pharmaceutical packaging, waste reduction and continued work according to the "Lean concept".

## Hungary

At Nolato Hungary workplaces for disabled persons have been established. Within the framework of ISO 14001 there are detailed targets for water, energy and waste.

## China

At the plant in Beijing there were several activities concerning CSR. This is described elsewhere in the Sustainability report. Together with customers there are on-going projects to create more "environment-friendly" products. By introduction of recycling, the consumption of solvents was reduced. A number of energy saving activities were implemented, for example, installation of highly efficient compressors. Lövepac Converting in Beijing and Shenzhen continued to implement OHSAS 18001. There are also projects to increase

the recycling of process waste and the air conditioning has been optimised to reduce energy consumption.

## India

The work to implement ISO 14001 was continued. The company has contributed to the plantation of trees and has changed the working hours to reduce risks and problems that are associated with travel to work.

## USA

The implementation of ISO 14001 was successful and the company will be certified in spring 2012. Energy-saving air conditioning was installed during summer 2011. The possibility to utilise bio-based plastics originating from corn, has been evaluated.

# About the Sustainability Report

## Contents of the Sustainability Report

The Nolato Sustainability Report for 2011 covers aspects relating to the environment, health, safety and social issues.

Our ambition is that the report, together with supplementary information, will provide employees and external stakeholders with a clear picture of the Group's activities in the above-named areas, and their commercial consequences.

We hope that the report will be of interest to various categories of stakeholders, and we welcome readers' comments and suggestions for future improvements.

## Scope of the Sustainability Report

The Sustainability Report covers performance relating to the environment, health, safety and social conditions at the production units worldwide. The figure shows the reporting cycle. All operations that belonged to the Group for most of the fiscal year are reported, except for a recently established plant in Malaysia and a small unit in Beijing. A total of 19 of 21 organisations contributed to the report.

## Reporting principles

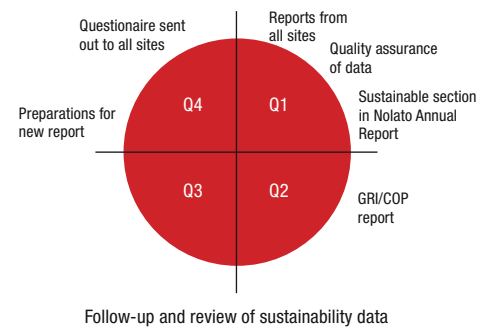
Each plant supplies data in accordance with the Group's questionnaire for sustainability reporting. The annual reporting cycle is shown to the right. Each plant

manager is responsible for quality-assuring the data provided. Data is compared with figures from previous years and is verified. Additional quality-checks are carried out through interviews and site visits.

In the case of carbon dioxide, sulphur dioxide and nitrogen oxide emissions resulting from the use of direct energy, conversion factors based on the energy content and quality of the fuel used are employed. Emissions of carbon dioxide from indirect energy (mainly electricity) are based on Greenhouse Gas Protocol Initiative (GHG Protocol) data that is available for the countries where Nolato operates. Figures for emissions of VOCs (solvents, paints, etc.) are based on mass balance calculations.

In the report for 2011 we have adjusted data for energy consumption (district heating), and related emissions of carbon dioxide, at the plant in Beijing. We believe that we now have more reliable information than before about the amount of MWh of district heating that was purchased. The provider of district heating could not give us any information about the emissions of carbon dioxide and we have therefore used GHG Protocol data for China as basis for the calculation. Figures for energy consumption and carbon dioxide emissions have adjusted for years 2007 – 2010.

## ■ Sustainability reporting cycle



# Nolato and GRI

The organisation behind the GRI has established voluntary comprehensive guidelines for how companies and other organisations should report on their sustainable development activities. These guidelines, which are now available in version G3, cover requirements on the reporting of sustainability data for finance, the environment and social responsibility. The reports should provide a balanced and reliable picture of the organisation's development within the area of sustainability, covering positive as well as negative aspects. The GRI guidelines are the most widely used and accepted standards for reporting within the area of sustainability, with more

than 2,000 companies around the world reporting in accordance with the GRI.

Within the guidelines, the organisation can choose at which level (A–C) it wishes to report. Nolato has chosen to report at level B.

The GRI website ([www.globalreporting.org](http://www.globalreporting.org)) provides a comprehensive report of the reporting criteria for the various levels.

The table below shows the extent to which Nolato meets the minimum requirements according to GRI G3 level B. 'SR' refers to the page number in this report. 'AR' refers to the page number in the 2011 annual report.



| Profil                      |   |                  |
|-----------------------------|---|------------------|
| 1. Strategy and analysis    |   |                  |
| 1.1                         | Statement from the President and CEO.   | AR7, SR3         |
| 1.2                         | Description of key impacts, risks and opportunities.  | AR35–36, SR7, 12 |
| 2. Organisational profile   |   |                  |
| 2.1 – 2.7                   | Name of the organisation. Primary brands, products and services. Operational structure of the organisation. Location of organisation's HQ. Countries where the organisation operates. Nature of ownership and legal form. Markets served. | AR 14–25, SR 4–8 |
| 2.8                         | Scale of the reporting organisation.  | SR 4–5           |
| 2.9                         | Significant changes during the reporting period.  | SR 23            |
| 2.10                        | Awards received during the reporting period.  | —                |
| 3. Report parameters        |   |                  |
| Report profile              |   |                  |
| 3.1 – 3.4                   | Reporting period. Date of most recent previous report. Reporting cycle. Contact persons.  | SR23             |
| Report scope and boundaries |   |                  |
| 3.5 – 3.8                   | Process for defining report content. Boundary of the report. Any specific limitations on the scope or boundary of the report. Basis for reporting on joint ventures, subsidiaries, etc.   | SR23             |
| 3.9                         | Data measurement techniques and bases of calculations.  | SR23             |
| 3.10                        | Explanation of the effect of any re-statements of information provided in earlier reports.  | SR23             |
| 3.11                        | Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.   | SR3              |
| GRI content index           |   |                  |
| 3.12                        | Table identifying the location of the GRI indicators in the report.   | This table       |
| 3.13                        | Policy and practice regarding external verification.  | Self-declared    |



|   |   |                             |
|---|---|-----------------------------|
| <b>4. Governance, commitment and engagement</b>     |   |                             |
| Governance  |   |                             |
| 4.1 – 4.8   | Governance structure. Governance structure concerning sustainability issues. Chairman's position. Independent or non-executive members. Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body. Compensation to management. Processes to avoid conflicts of interest. Mission, values, Code of Conduct. | AR 72–75, 81, SR 6–7, 10–11 |
| Commitment regarding external initiatives           |   |                             |
| 4.11  | The Group's handling of the precautionary principle   | SR 12–16                    |
| 4.12  | Externally developed codes, principles or other initiatives to which the Group subscribes or endorses voluntary   | SR 11                       |
| Stakeholder engagement                              |   |                             |
| 4.14 – 4.17   | List of stakeholder groups. Basis for identification and selection of stakeholders. Approaches to stakeholder engagement. Key topics raised through stakeholder engagement.   | SR 11                       |
| <b>Performance indicators</b>                       |   |                             |
| <b>5. Economic performance indicators (EC)</b>      |   |                             |
| Economic performance                                |   |                             |
| EC1   | Direct economic value generated and distributed.  | SR 21                       |
| EC2   | Financial implications and other risks and opportunities due to climate change.   | SR 12                       |
| EC3   | Coverage of the organisation's defined benefit plan obligations.  | AR 63                       |
| EC4   | Significant financial assistance received from government.  | Inget under året            |
| <b>6. Environmental performance indicators (EN)</b> |   |                             |
| Materials   |   |                             |
| EN1   | Materials used by weight or volume.   | SR 15                       |
| EN2   | Percentage of materials used that are recycled input materials.   | SR 15                       |
| Energy  |   |                             |
| EN3   | Direct energy consumption by primary energy source.   | SR 14                       |
| EN4   | Indirect energy consumption by primary energy source.   | SR 14                       |
| EN5   | Energy saved due to conservation and efficiency improvements.   | SR 14, 22                   |
| Water   |   |                             |
| EN8   | Total water withdrawal by source.   | SR 15                       |
| Emissions, effluents and waste                      |   |                             |
| EN16, 17  | Total direct and indirect greenhouse gas emissions by weight.   | SR 14                       |
| EN18  | Initiatives to reduce emissions of greenhouse gases and results.  | SR 13–14, 22                |
| EN20  | NO <sub>x</sub> , SO <sub>2</sub> and other significant air emissions by type and weight.   | SR 14                       |
| EN22  | Total weight of waste by type and disposal method.  | SR 15                       |
| EN23  | Significant spills.   | SR 15                       |
| Products and services                               |   |                             |
| EN26  | Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.  | SR 16, 22                   |
| Employment  |   |                             |
| EN28  | Total workforce by employment type, employment contract and region.   | SR 12                       |
| Overall   |   |                             |
| EN30  | Costs and investments for environmental protection activities.  | SR 21                       |

|   |   |                 |
|---|---|-----------------|
| <b>7. Labour policies and decent work (LA)</b>      |   |                 |
| Employment  |   |                 |
| LA1   | Total workforce by employment type, employment contract and region.   | SR 5, 17        |
| Labour/management relations                         |   |                 |
| LA4   | Percentage of employees covered by collective bargaining agreements.  | SR 18           |
| Occupational health and safety                      |   |                 |
| LA7   | Rates of injury and occupational diseases.  | SR 18           |
| Training and education                              |   |                 |
| LA10  | Average hours of training per year per employee.  | SR 18           |
| Diversity and equal opportunity                     |   |                 |
| LA13  | Composition of governance bodies and management.  | SR 18           |
| <b>8. Human rights (HR)</b>                         |   |                 |
| Investment and procurement practices                |   |                 |
| HR2   | Percentage of significant suppliers and contractors that have undergone screening on human rights.  | SR 9–10, 19     |
| Non-discrimination                                  |   |                 |
| HR4   | Total number of incidents of discrimination and measures taken.   | SR 18           |
| Freedom of association and collective bargaining    |   |                 |
| HR5   | Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and actions taken.                               | SR 10–11, 17–19 |
| Child labour  |   |                 |
| HR6   | Operations identified as having significant risk of incidents of child labour, and measures taken to contribute to the elimination of child labour.                               | SR 10–11, 17–19 |
| Forced and compulsory labour                        |   |                 |
| HR7   | Operations identified as having significant risk of incidents of forced or compulsory labour, and measures taken to contribute to the elimination of forced or compulsory labour. | SR 10–11, 17–19 |
| <b>9. Society performance indicators (S0)</b>       |   |                 |
| Community   |   |                 |
| S01   | Nature, scope, and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities.   | SR 10–11, 19–20 |
| S03   | Percentage of employees trained in organisation's anti-corruption policies and procedures.  | SR 9            |
| S05   | Public policy positions and participation in public policy development and lobbying.  | SR 10, 19       |
| Compliance with laws and regulations                |   |                 |
| S08   | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.  | SR 17–19        |
| <b>10. Performance indicators for products (PR)</b> |   |                 |
| Customer health and safety                          |   |                 |
| PR1   | Assessment of health and safety aspects of products   | SR 11–12, 16    |

# Global Compact report on progress

## Nolato and the Global Compact

In 2009, Nolato joined the UN initiative for responsible business, the Global Compact. As a result, the Group became part of a global network consisting of more than 9,000 companies and other organisations in 135 countries that support ten basic principles within human rights, working conditions, the environment and anti-corruption. One aspect of Nolato's commitment is that we report the company's activities and status with regard to social responsibility in an annual Communication of Progress (COP) report. We begin therefore with the information provided in

the company's annual report and the company's sustainability report. Together, these reports provide a true picture that Nolato supports and follows the Global Compact's ten principles in our work.

The publication, The Nolato Spirit, which covers things like the Group's Code of Conduct and Environmental Policy, is an important internal document, guiding and coordinating employee activities in line with the ten principles. Continuous reviews are carried out of the various Group subsidiaries' methods and ethics, in order to ensure that they correspond with the Group's Code of Conduct. Reporting

of the key factors within the Global Compact commitment is carried out according to the Global Reporting Initiative (GRI) as far as possible.

## Cross reference table between the Global Compact and GRI

The following table shows how the status for each individual principle within the Global Compact can be reported via the indicators in the Global Reporting Initiative. The table is based on the management document published by the UN Global Compact.

| The Global Compact Principles   | GRI indicators                                |
|---|---|
| <b>Human rights</b>   |   |
| 1. Businesses should support and respect internationally proclaimed human rights.   | HR2, HR4-7, LA7, LA13, S05                    |
| 2. Businesses should make sure they are not complicit in human rights abuses.   | HR2, HR4-7, S05                               |
|   |   |
| <b>Labour standards</b>   |   |
| 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining. | LA4, HR2, HR5, S05                            |
| 4. Businesses should work to eliminate all forms of forced and compulsory labour.   | HR2, HR7, S05                                 |
| 5. Businesses should work to abolish child labour.  | HR2, HR6, S05                                 |
| 6. Businesses should work to eliminate all discrimination in respect of employment and occupation.                          | LA13, HR2, HR4, S05                           |
|   |   |
| <b>Environment</b>  |   |
| 7. Businesses should support a precautionary approach to environmental challenges.  | EC2, EN26, EN30, S05                          |
| 8. Businesses should undertake initiatives to promote greater environmental responsibility.                                 | EN1-5, EN8, EN16, EN20, EN22, EN26, EN28, S05 |
| 9. Businesses should encourage the development and diffusion of environmentally friendly technologies.                      | EN2, EN5, EN18, EN26, S05                     |
|   |   |
| <b>Anti-corruption</b>  |   |
| 10. Businesses should work against corruption in all its forms, including extortion and bribery.                            | S03, S05                                      |
|   |   |

## Definitions and glossary

**Carbon dioxide** CO<sub>2</sub> is formed in all carbon combustion processes. The gas is released in substantial amounts when petroleum products are used. It is likely that atmospheric emissions of carbon dioxide increase global warming (the greenhouse effect).

**Code of Conduct** Behaviour code for Nolato's employees. Supplemented by policies relating to the environment, workplaces and relations with suppliers.

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

**Environment-related costs** These are costs related to measures for preventing, reducing or repairing environmental damage directly associated with operations. The corresponding measures taken with regard to health and safety in the workplace are also included. The costs reported include, among other items, administration and external consulting expenses, fees to authorities, costs for introducing and maintaining environmental management systems, costs for waste and charges for external inspections and audits.

**Environment-related investments** These are investments in assets designed to prevent, reduce or repair damage to the environment associated with operations. The corresponding investments made with regard to health and safety in the workplace are also included.

**Extrusion** This is a method for continuously manufacturing products in strands, such as medical tubing.

**Global Compact** A UN initiative for responsible business practice. Participating organisations agree to support ten basic principles in the areas of human rights, working conditions, environment and anti-corruption.

**GRI** The Global Reporting Initiative has established voluntary comprehensive guidelines for how companies and other organisations should report on their sustainable development activities.

**HCFC** An organic compound that contributes to ozone depletion.

**Sustainable development** A development that 'satisfies today's needs without jeopardising future generations' ability to satisfy their needs'. Sustainable development consists of three components: Ecological sustainability, social sustainability and financial sustainability.

**Injection moulding** A method for manufacturing polymer components. The material 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 250,000 organisations around the world are currently certified according to ISO 14001.

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

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

**NOx** (nitrogen oxides) Gaseous oxides formed during combustion processes through the oxidation of nitrogen. Harmful to human health and the environment. Cause acid rain and eutrophication.

**OHSAS 18001** Standard relating to health and safety at the workplace.

**PAH** Polyaromatic hydrocarbons or polyaromatics (Polycyclic Aromatic Hydrocarbons) are a group of substances found in coal and petroleum that are hazardous to health and the environment. The substances are released into the environment via the process of combustion.

**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 atmosphere due to its slow decomposition.

**Polymers** Chemical molecules consisting of extremely long chains made up of smaller, repeating units (monomers). Plastic and rubber are examples of polymer materials.

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

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

**SO<sub>2</sub>** (sulphur dioxide) Sulphur dioxide is formed when petroleum products are burned. SO<sub>2</sub> contributes to the acidification of lakes, streams and soil, and causes coniferous trees to shed their needles. Large concentrations in the environment are harmful to human health.

**VOC** Stands for Volatile Organic Compounds – a group of organic compounds that easily vaporises at room temperature. The concentration of volatile hydrocarbon in the air has a negative effect on human health and the environment, e.g. it contributes to the formation of low ozone.

**Water footprint** A company's water footprint is defined as the total volume of freshwater used to produce the goods and services consumed by the country's population.

**Work-related accident** A work-related accident is a sudden event related to work that gives rise to a wound or other physical injury. A typical injury in the rubber industry is a minor cut or crushing injury. Nolato reports the number of work-related injuries that give rise to one or more days of absence, called Lost Work Cases (LWCs). The injury rate is then normed by stating the number of such injuries per 1,000 employees (LWC/1,000).

**Work-related disease** A work-related disease is a disease caused by long-term exposure to a particular factor in the work environment. Such factors can include repetitive lifting or being exposed every day to solvent fumes.