



HL Display

Communication on Progress 2012

HL DISPLAY AND CORPORATE RESPONSIBILITY

HL Display's corporate responsibility programme is decided by the Board of Directors. The programme has been introduced at Group management level and the work is headed by the Company's Product Development Director, with the support of Group management colleagues. The Group's local entities have a high level of responsibility for day-to-day sustainability work. The production facilities in particular have special responsibility with regard to environmental issues.

HL Display has developed guidelines for the work undertaken in areas such as social responsibility, environment

and ethics. HL Display's Corporate Responsibility Policy forms the basis of the Company's work in these areas. It is discussed and renewed every year by the Board. The Policy also interacts with other policies governing corporate responsibility work. These include HL Display's Code of Conduct, Environmental Policy, Work Environment Policy, Purchasing Policy and Whistle Blowing Policy.

HL Display has been a participant in the UN Global Compact since 2010. HL Display's President and CEO, Gérard Dubuy:

"At HL Display, we continuously drive for improvement in the area of corporate responsibility. Through our membership in the United Nations Global Compact, we clearly demonstrate that we support the UN's fundamental values and principles in the areas of human rights, labour, environment and anti-corruption."

Ethics and social responsibility

HL Display's Corporate Responsibility Policy defines the fundamental guidelines that the Company follows in the areas of human rights, gender equality and discrimination, and anti-corruption. This is further emphasized in HL Display's Code of Conduct, an important extension to the CR policy.

Human rights

HL Display's Code of Conduct clearly states that HL Display supports and respects the protection of internationally proclaimed human rights and makes sure that the company is not complicit in human rights abuses.

This is implemented in the organization by having all key personnel (managers, sales personnel and purchasing personnel) within HL Display Group sign the Code of Conduct. New key employees sign the Code of Conduct as an addendum to their employment contract. A reminder of the policy is done annually in the individual yearly review with all employees and their respective line manager.



HL Display has historically had low risk related to the Human rights area. No Human rights related incidents have been reported during 2012.

Equal opportunities

HL Display is a multicultural company. It therefore goes without saying that the Company will endeavour to give all its employees equal opportunities for professional development, promotion and pay growth, regardless of background, gender, race or age.

Labour standards

The labour standards that HL Display follows are clearly stated in the Code of Conduct. In short these include for example a firm stand in favour of freedom of association and the right to collective bargaining, an equally firm stand against forced or compulsory labour, against child labour, and against any type of discrimination. Moreover, HL Display shall provide a working environment that is healthy, safe and in accordance with international standards and local laws for all employees.

HL Display is keen to follow collective bargaining agreements in countries where such agreements are in place. In general, HL Display apply the conditions of employment pursuant to local law and applicable collective bargaining agreements, whether the employees choose to be unionized or not.

Working environment is further emphasized in HL Display's policy for external and internal working environment. This policy states for example that HL Display shall respect European health and safety standards in the manufacturing units, respect employees freedom of association in all work places, according to the principles of ILO and UN, and work systematically to secure fulfilment of legal requirements.

Health and safety at work

Health and safety is monitored continuously at HL Display's facilities. Health risks at the Company are mainly associated with production. HL Display's preventive work is aimed at ensuring safe workplaces with a good working environment.

The Company regularly updates its safety procedures and examines different risk factors. HL Display has established processes which are designed to provide local managers, mainly at the production facilities, with methods for optimal management of sickness absence. The number of workplace accidents leading to absence or sick leave in 2012 was 33. No fatal accidents occurred.

Zero tolerance to corruption

HL Display's Code of Conduct states the Company's firm stand against corruption. HL Display's reputation of honesty, integrity and responsibility must be upheld and any involvement in bribery, extortion or corruption in any form is not tolerated by HL Display.

Corporate responsibility risk analyses have identified corruption as the area in which the Company faces the greatest risks. Risks are mainly associated with purchases made in local markets. The risk is lower for large purchases of raw materials for production, for example. This is because the counterparties are large international suppliers which share HL Display's high standards in the area of anti-corruption. Risk for corruption also exists in the customer relationship. HL Display operates in some risk markets, where some parties try to facilitate deals by making direct payments to individuals in the client company.

To combat corruption, all employees in managerial or particularly vulnerable positions must sign HL Display's Code of Conduct, which contains clear rules of practice with regard to corruption. This is also followed up each year in the annual performance appraisal.

Increased centralisation and control of purchasing activities also plays an important part in the Company's anti-corruption efforts. Any local suppliers that HL Display wishes to engage in the regions must be validated centrally. This ensures that the prices and other terms are in line with the Company's other collaborations. Under the local purchasing procedures, the individual placing a purchase order is not the one who identifies and selects a supplier. In the selling activity, agreed prices are entered into HL Display's ERP system.

Invoicing and client payment relating to each order is controlled by the company's back-office function and separated from the field sales.

HL Display had 1 (2) corruption-related incident that led to disciplinary action in 2012.

Purchasing policy

HL Display has clear requirements for its suppliers. All suppliers must sign HL Display's Purchasing policy, guaranteeing their compliance with the ILO (International Labour Organization) conventions relating to human rights and labour. In addition, there are clear guidelines on business ethics and corruption.

Whistleblower function

It was HL Display's intention to establish a whistleblower function within the group in 2012. At the end of 2012, the board adopted the establishment of such a function, which will now be implemented during 2013. The function will enable employees to report malpractice to a centrally placed unit. It will complement the natural dialogue that takes place between employees and managers about malpractice at the Company. Examples of such malpractice could be failure to comply with local legislation or HL Display's Code of Conduct covering areas such as human and labour rights, and corruption.

Reports through the whistleblowing channels will be centrally investigated. If concerns are proven to be well founded these will lead to disciplinary or legal action.

Environment

HL Display's Corporate Responsibility Policy defines the fundamental guidelines that the Company follows with regard to environmental impacts.

HL Display has four production facilities, which are located in Sweden, Poland, the UK and China. The main environmental impacts of the Company's production are related to plastic waste, use of plastic raw materials and energy consumption.

The Company has a presence in 47 markets, which means that shipments of products represent a source of indirect environmental impacts.

Requirements for suppliers

HL Display requires its suppliers to comply with all current environmental legislation. All new suppliers are expected to sign HL Display's purchasing policy, which defines the Company's requirements in this area. The actual conditions at suppliers' premises are observed during site visits. HL Display's major suppliers are large international producers of plastic raw materials which have their own environmental programmes in place.

ISO 14001 certification

Certification under the ISO 14001 environmental management standard has been an important part of HL Display's environmental work. Back in the late 1990s, HL Display's largest factories were certified under the standard. Changes in the production structure in recent years mean that the proportion

of factories with ISO 14001 certification has fallen to 50 percent from 60 percent in 2011. The factories in Sweden and China have ISO 14001 certification. It is HL Display's aim that its factories in Poland and the UK will be certified as soon as practicable.

Raw materials

HL Display's main raw material is plastic, notably PVC. See the table above for more details about raw materials use.

HL Display complies with REACH, the EU's chemicals legislation, and this is taken into account in the Company's approval of new materials. In consequence of this, raw materials suppliers now have to complete a special declaration form based on the chemicals regulations. No substances classified as SVHC (Substances of Very High Concern) may be used, and the presence of phase-out substances is also checked.

Applying the precautionary principle,

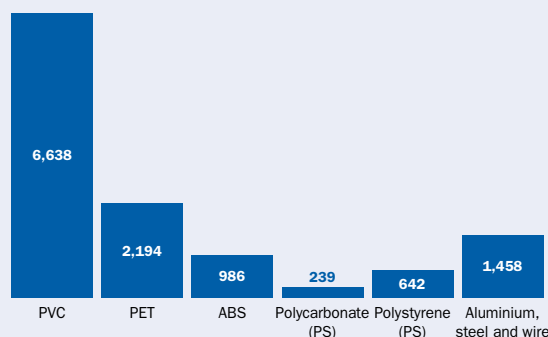
HL Display replaced polycarbonate materials in its merchandising solutions for loose goods (3eBin™) in 2012, due to the fact that polycarbonate contains the hormone-disrupting substance Bisphenol A.

Waste management

The waste generated at HL Display's factories consists largely of plastic. HL Display addresses the problem of waste in production in two ways. The first is to reduce plastic waste generated in production by streamlining production processes where possible. The second is to recycle plastic and other waste as far as possible.

HL Display's goal is that all waste from production will eventually be recyclable. Total waste at the Company's production facilities in 2012 was 2,778 tonnes, and 91.7 percent of this was recycled.

MATERIAL USAGE METRIC TON



Waste management, metric ton

Total	Plastic	Metal	Packaging materials	Mixed materials	Other safe waste	Total safe waste	Hazardous waste
Composting	–	–	–	1	–	1	–
Re-use in own production	114	–	–	–	–	114	–
Recycled externally	1,273	371	170	362	–	2,176	3
Recycled for heating	–	–	–	258	–	258	–
Deposit	120	–	–	1	109	230	4

Use of chemicals

Production at the Falun factory was transferred to the new factory in the Polish city of Gliwice in 2012. Operations at Falun were subject to notification requirements due to solvent use in the screen-printing process. The solvent was used in the printing ink itself and for washing templates used in the printing process. Production at Falun lasted until 31 July 2012. During that period, use of solvents amounted to 2,500 litres (4,968 for the full year 2011). HL Display no longer operates its own screen printing; this is purchased from suppliers instead. At the new factory in Poland, HL Display has invested in a new digital printing line which can replace screen printing in many cases.

Energy consumption

HL Display's direct electricity consumption in production was 26.6 (25.8) GWh in 2012. Various measures for reducing electricity consumption are being implemented at all the factories. These range from heating the premises using waste heat from machinery to installing time-controlled lighting.

Under an energy agreement signed with Vattenfall in 2010, HL Display's Sundsvall factory and logistics centre in Falkenberg run entirely on hydrogen-generated electricity. This is a conscious choice on HL Display's part and the Company pays a somewhat higher electricity fee for using renewable energy.

Water is used primarily for cooling in certain of HL Display's production processes, in particular the cooling of extruded plastic products, such as data-strips, in waterbaths. 313,334 (317,233) cubic metres of water were used at the Group's production facilities in 2012. Several of HL Display's factories use

closed cooling water systems in order to minimise water consumption.

Transport

HL Display has sales companies and distributors in Western and Eastern Europe, Asia, the Middle East, South Africa and Brazil. This means that transport is a major part of HL Display's environmental impacts. HL Display engages third-party suppliers for its transport and requires these suppliers to have environmental programmes in place.

The majority of shipments are by truck. HL Display works with its logistics suppliers to route inward and outward transport flows from road transport to sea and rail transport wherever possible.

HL Display's efforts to reduce carbon dioxide emissions also include strategies to improve transport efficiency. The Company constantly endeavours to increase the number of products per package and reduce package size.

The transfer of production from Sweden to the Polish city of Gliwice was completed in 2012. This means that a

large proportion of production is now closer to many of the Company's largest markets. This should result in reduced costs and lower environmental impacts from transport.

Reducing CO₂ emissions from company cars

It is HL Display's aim to gradually reduce CO₂ emissions from its car fleet. The Company has four different categories of vehicles and there are limits on CO₂ emissions for each category. These limits are revised every 12-18 months to see if they can be lowered.

Respect for the environment in all operations

HL Display endeavours to promote a high level of environmental awareness in everyday activities at its offices around the world. This means collecting and sorting paper, packaging material and old electronic equipment and ensuring they are sent for recycling.

HL Display has been using telephone and video conferences as an alternative to travel between offices for many years now. With technological development and the launch of services such as Google Hangout, the use of video conferencing at HL Display has increased further. This means lower travel costs for the Company and a reduction in the environmental impacts of business travel.



Energy consumption

	2012
Electricity "green" (MWh)*	12,642
Electricity (MWh)	8,217
Gas (MWh)	5,693
Oil (m ³)	30
Water (m ³)	313,334

* Electricity from renewable sources.

HL DISPLAY'S EMPLOYEES

HL Display strives to be a preferred employer, providing its employees with challenges and development opportunities in an international environment. This results in skilled and dedicated employees who create value for both HL Display and its customers.



At the heart of HL Display's employee development work is the online-based tool for performance appraisals, HL Plus 2.0, which was launched in 2011. With HL Plus, employees are given clear work objectives, which are followed up in the biannual performance appraisals. In addition, a long-term development plan is drawn up jointly by the employee and his or her manager.

HL Plus 2.0 was implemented around the world during 2012 and all managers have received training in use of the tool. The aim is that all administrative staff within HL Display will be covered by HL Plus 2.0 in 2013. These represent about 700 of the Company's total employees (just over 1,100). In a few years' time, HL Plus 2.0 should be introduced for all the Group's employees.

For the sales organisation, the HL Plus 2.0 targets are linked to key ratios showing how work efficiency is performing. These key ratios are also used as a basis for the variable component of the salary in the new salary model that has been

Employee facts

		2012	2011
Number of employees as of December 31		1,175*	1,168
Gender structure, %	Male	61	62
	Female	39	38
Education level, %	University	40	36
	Upper secondary school	40	38
	Compulsory school	20	26
Investment in staff training	Total, MSEK	2	4
	Per employee, KSEK	2	4
Costs related to health promotion activities	Per employee, KSEK	1	1
Number of workplace accidents leading to absence or sick leave		33	n/a

*The increase in the number of employees compared to 2011 is a result of a temporary double staffing related to the production move to Gliwice.

introduced for the sales force. The basic salary is somewhat lower in the new model. However, the variable component provides opportunities for employees to achieve higher salary levels than before. The model is being introduced gradually and takes into account all the legal requirements in each particular country.

Annual employee review

In 2012, HL Display has further strengthened the process of working strategically with the talent base within the Company.

There is at present a well-structured programme led by the Group's human resources department, which takes the

form of an *annual employee review* for all staff at HL Display. This is partly based on the information that emerges from the HL Plus performance appraisals. In addition, each manager gives an assessment of the employee's aspirations and ability to take on new challenges and positions, both in the short and long term.

Nurturing talent

One of the main reasons behind the annual employee review is to identify and develop individuals who want to make a career within the Company. They need to know that there are clear development paths and opportunities to take on exciting new assignments.

This also strengthens the basis for internal recruitment, which is a preferred form of recruitment for HL Display. Maintaining a high proportion of internal recruitment ensures a strong corporate culture and reduces risks associated with recruitment.

The fact that there are good internal career opportunities also reinforces the image of HL Display as an attractive employer, which is important in order to attract the most competent staff.

The second aspect of the work is about ensuring that there is succession planning for the employees identified as key individuals in the Company. These are not necessarily individuals in management positions; they may also be other employees with strategic skills that may be difficult to replace. All the individuals in key positions are identified in the annual employee review, and succession planning is then carried out.

Improved recruitment quality

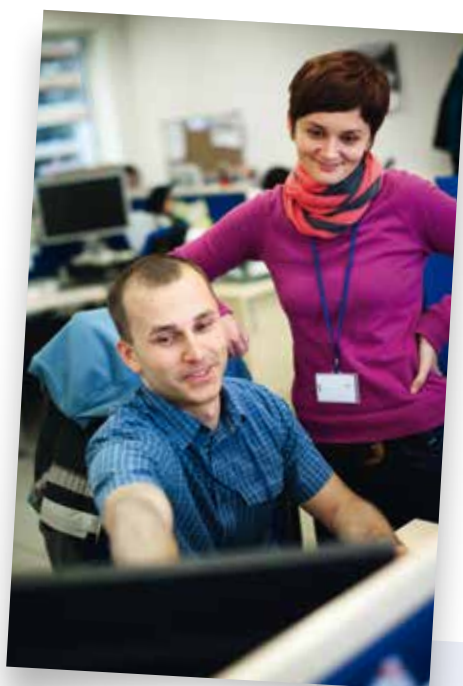
One priority area in 2012 was to increase the quality of the recruitment process, thereby reducing the risk associated with recruitment for key positions.

The Company's initiatives in this area included introducing new tools for testing and evaluating candidates' aptitude and personality. This provides extra support to ensure that the candidates selected have the right skills and qualities for the position. The tests are used in all recruitment for senior positions, key account managers and the newly created role of customer project manager.

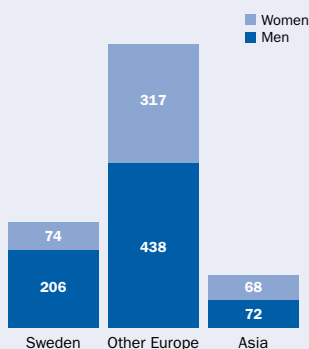
Successful knowledge transfer

As in the previous year, one of the major challenges for HL Display's HR department concerned the expansion of production, logistics and development operations in the Polish city of Gliwice. Ensuring that HL Display gets the right skills and that new employees are able to settle in quickly has presented a considerable challenge for those involved in the local recruitment process.

The skills transfer project was completed in 2012, which meant that former employees at the Falun factory were working on site in Poland. They were contracted in connection with the transfer of production from Falun to Gliwice to ensure a smooth knowledge transfer. The successful project has been a contributing factor in the achievement of a high level of production quality and efficiency at an early stage.



NUMBER OF EMPLOYEES



AGE DISTRIBUTION

