



Our sustainability work 2013

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A clear responsibility for our operations

Nolato's business model is based on close, long-term, innovative collaboration that creates added value for both customers and shareholders. The 2013 financial year was our best ever, with sales of just over SEK 4.5 billion and an operating margin (EBITA) of 9.4%.

The Group has employees on three continents, and we have customers and suppliers all over the world. Our stakeholders place strict requirements and expectations on us – not least when it comes to sustainable development. We meet these requirements and expectations by taking a clear responsibility for people and the environment. We also work strategically and systematically on issues relating to sustainable development. It is obvious to us that the company should be a good neighbour and a good global citizen, and that we should take responsibility for what we do and always apply sound business ethics.

Today's operations involve different requirements to those of the past, and although our sustainability work began many years ago, we constantly encounter fresh challenges. We have therefore raised the bar even further when it comes to energy consumption, reduced environmental impact, resource efficiency, processes and products. As part of this work, we introduced Group-wide targets a few years ago in relation to the environment, the working environment, social responsibility and business ethics. We are now starting to see the results of these targets, and it is pleasing to note that we are moving in the right direction, even if this work is by no means complete.

A great deal happens during the course of a year in a global company, and our sustainability report contains both small and large events. I would like to emphasise the following events in particular:

■ Making our products more environmentally friendly has become increasingly important to us. As a natural part of this work, we review material use, phase out dangerous chemicals and try to increase the reuse of materials. We also work together with our customers to develop cleantech

products. Good examples of this include the fuel cell technologies from development companies myFC and PowerCell, which were presented to President Obama during his visit to Stockholm. In both cases, significant components were manufactured by Nolato.

■ We have carried out many activities at our Chinese units, within our Employee Care Programme, with the aim of improving our employees' knowledge, motivation and well-being. We are also involved in a long-term project to support a school in a poor area near Beijing. Significant social initiatives are also in progress at the Group's unit in Hungary, including through the employment of people with disabilities.

■ The work involved in introducing certified management systems has continued, and during the year Nolato Jaycare's operations in the UK were certified in accordance with ISO 14001 and Lövepac Converting's units in China were certified in accordance with OHSAS 18001.

■ We have adopted the international standard for social responsibility, ISO 26000, as a guideline for our sustainability work. The standard supports our commitment to the UN Global Compact.

■ We work with lean manufacturing at many of our units, and within Nolato Medical this is brought together under the concept of Medical Excellence. Issues relating to the environment and the working environment form part of this concept, and I would maintain that "lean means green".

■ Finally, I would like to mention the initiatives being carried out in connection with more efficient management of various resources. Here, we are working with energy efficiency, more efficient use of water, reducing rejects and carrying out various initiatives to prevent waste and improve waste management. These initiatives are good for the environment and good for Nolato's finances.



Hans Porat, President and CEO

■ Significant events in 2013

■ Nolato Jaycare's units in Portsmouth and Newcastle, which were acquired in 2012, were certified in accordance with ISO 14001.

■ Lövepac Converting's units in China were certified in accordance with OHSAS 18001. Nolato Beijing had already been certified in accordance with this standard for occupational health and safety management systems.

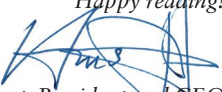
■ During the year, Nolato Beijing received the Best Practice Activity Safety Award 2013 from Beijing Development Area's working environment department.

■ For the fourth year running, our sustainability work was awarded the highest grading in the business publication Veckans Affärer's Sustainable Portfolio.

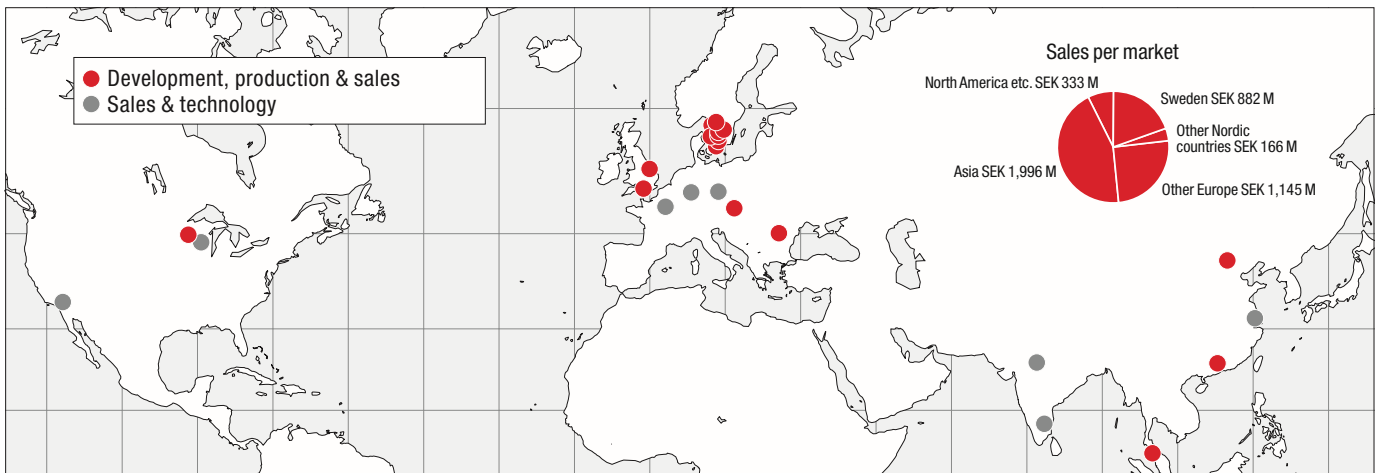
■ In insurance company Folksam's responsible enterprise index, Nolato came 25th among 250 listed companies in terms of the environment, and 40th place when it comes to human rights.

■ Nolato's whistleblowing system was introduced at all Group companies.

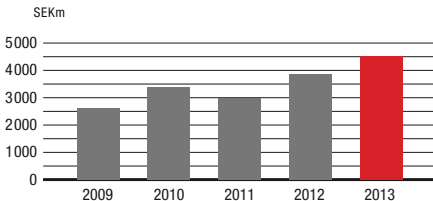
■ The work to ensure good conditions for the Group's employees in China continued with an active Employee Care Programme.

Happy reading!

 Hans Porat, President and CEO

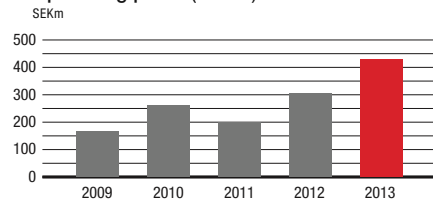
The Nolato Group in brief



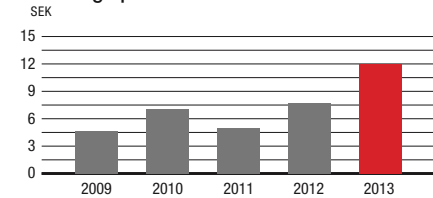
Sales



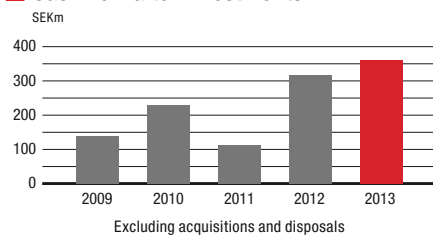
Operating profit (EBITA)



Earnings per share



Cash flow after investments



Our operations

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

- medical devices (such as inhalers, insulin pens and catheter balloons)
- telecom components (subsystems for mobile phones, often with significant cosmetic content, as well as methods and materials for shielding electronics)
- products for industrial companies (such as packaging, hygiene products and vehicle components).

Our offering

Nolato's customer offering comprises most technologies in the field of polymers and covers the entire value chain through to product delivery.

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

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

Our values

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

We are signatories to the UN Global Compact and report sustainability work in accordance with GRI.

Our employees

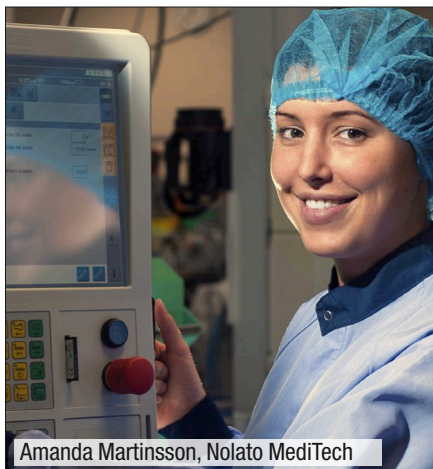
The average number of employees in 2013 was 9,357. Of these, 91% were outside Sweden.

Our shares

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

Our history

Nolato was founded in 1938 as Nordiska Latexfabriken i Torekov AB, with the trademark Nolato, which has been the company name since 1982. Today's global Group is the result of organic growth and acquisitions. The head office is still in Torekov, Sweden, but the majority of operations are now based abroad.



Amanda Martinsson, Nolato MediTech

Nolato Medical

Financial highlights:

	2013	2012
Sales SEKm	1,274	1,159
Operating profit EBITA SEKm	165	133
EBITA margin %	13.0	11.5
Average number of employees	988	932

Customer offering:

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

Geographic information:

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

Success factors:

Medical understanding, broad technological offering, development expertise, global production and robust quality.

Customers include:

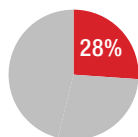
AstraZeneca, Becton Dickinson, Boston Scientific, Coloplast, Gambro, Novo Nordisk, Pfizer, Sanofi, Takeda.

Volatility:

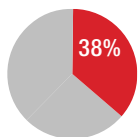
Low. Steady market growth. Long-term growth potential.

Product life cycle:

Long.



Share of the Group's net sales



Share of the Group's operating profit (EBITA)



Fang Zhang, Nolato Beijing

Nolato Telecom

Financial highlights:

	2013	2012
Sales SEKm	2,079	1,548
Operating profit EBITA SEKm	166	96
EBITA margin %	8.0	6.2
Average number of employees	7,611	6,741

Customer offering:

Design, development and manufacturing of advanced components and subsystems for mobile phones. Product and systems for shielding of electronics (EMC).

Geographic information:

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

Success factors:

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

Customers include:

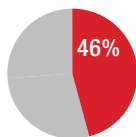
Ericsson, Huawei, Motorola Solutions, Nokia, Nokia Solutions, Sony Mobile, Xioami, ZTE.

Volatility:

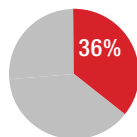
High. Project-based operations.

Product life cycle:

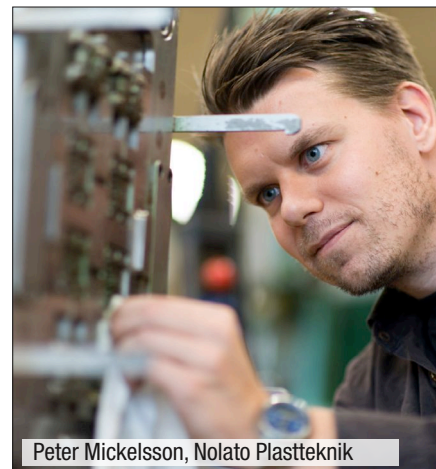
Short.



Share of the Group's net sales



Share of the Group's operating profit (EBITA)



Peter Mickelsson, Nolato Plastteknik

Nolato Industrial

Financial highlights:

	2013	2012
Sales SEKm	1,170	1,170
Operating profit EBITA SEKm	119	105
EBITA margin %	10.2	9.0
Average number of employees	753	743

Customer offering:

Development and manufacturing of components and product systems in plastic and TPE for customers in the automotive industry, hygiene, packaging, gardening/forestry, domestic appliances and other selected industrial segments.

Geographic information:

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

Success factors:

Technology, project management and productivity.

Customers include:

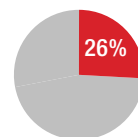
Atlas Copco, Brose, Haldex, Husqvarna, Land-rover, MCT Brattberg, Sanitec, Scania, SKF, Volvo, Volvo Cars.

Volatility:

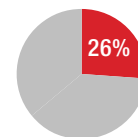
Medium. Follows the Northern European industrial business cycle.

Product life cycle:

Medium/Long.



Share of the Group's net sales



Share of the Group's operating profit (EBITA)

The current situation and prioritised areas

2013 was the best year to date in Nolato's history from a financial perspective. The same was true of 2012.

From a sustainability perspective, the Group was able to present improvements during 2013 within a number of areas, although it is hard to demonstrate that this was the best year ever. The work with continuous improvements continued to produce good results, and the Group's key performance indicators within the field of sustainability showed a positive trend. During the year, Nolato's units carried out many initiatives and activities that contributed towards sustainable development.

Key driving forces in this work included Nolato's overall targets within sustainable development, its commitment to the UN Global Compact, GRI reporting, and demands and opinions from the Group's stakeholders, particularly its customers. Future-oriented initiatives were carried out during 2013 in relation to energy and the climate, health and safety, certification in accordance with ISO 14001 and OHSAS 18001, reduced waste volumes, supplier assessment and preventing countering corruption.

Prioritised areas

We believe that Nolato's long-term ambition of becoming a sustainable company in all respects will be a lengthy process, and that it will take time to achieve this. There are also a number of external circumstances that we cannot influence. However, within those areas where we do have an influence our work will continue unabated in accordance with our overall strategy.

During 2014, we will prioritise areas including the following:

- Continued energy efficiency and reduced environmental impact.
- Improved resource efficiency, including through reduced rejects and waste.
- Making products more environmentally friendly through new materials and production processes.

■ Activities in relation to sustainable development within the Group's supplier chains.

■ Further training for our employees on issues relating to people, the environment and ethics.

■ Continuing to develop our corporate responsibility (CR) work, with a focus on employees, customers and society.

Key ratios within sustainability

	2013	2012	2011
Financial responsibility			
Sales, SEK millions	4,522	3,874	2,977
Operating income (EBITA), SEK millions	427	303	199
EBITA margin, %	9.4	7.8	6.7
Average number of employees	9,357	8,421	5,496
Environmental responsibility			
Breach of environmental and working environment legislation, number of cases	0	0	0
Energy consumption, GWh/SEK million sales	0.036	0.043	0.047
Water consumption, m3/SEK million sales	35.2	43.7	40.6
Emission of greenhouse gases, tonnes of CO2/SEK million sales	13.7	15.5	15.4
Waste, tonnes/SEK million sales	1.1	1.4	1.3
Certified environmental management system, % of total no of plants	100	86	85
Social responsibility			
Occupational accidents (cases with >1 day absence; cases per employee)	34 (0.004)	64 (0.007)	28 (0.005)
Female employees, %	57	62	71
Training on Nolato's Basic Principles and Code of Conduct, % of employees	>90	>90	>90
Application of ethical & humane principles and corruption, number of registered breaches	0	0	0
Evaluation of subcontractors, % of number of units carrying out environmental/social responsibility evaluations	>90	90	90

Strategy and targets for sustainable development

Nolato has a long tradition of responsible business, and one of our Basic Principles is that efficient and profitable business operations must be combined with ethics, responsibility and environmental awareness. With time, the original ideas of basing our operations on professionalism and responsibility have been developed into a carefully thought-out strategy for sustainability.

This strategy is based on the fact that we are fully convinced that a future-oriented, responsible approach is not only necessary from a responsibility perspective, but also creates opportunities and business benefits.

A focus on the most important issues

Within the framework of ISO 14001, the Group's plants have long worked with a focus on important environmental aspects. In order to gain a perspective on priorities, we promote these issues to Group level and include aspects relating to social responsibility and business ethics. We have previously done this in a less formal manner, and have not reported on the background to the considerations involved. Nolato's sustainability

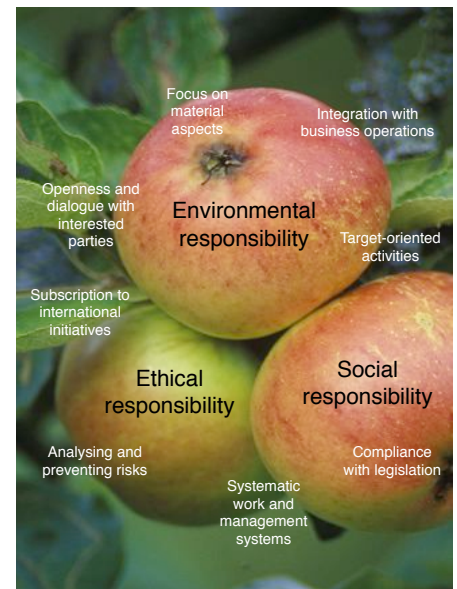
reporting is now being gradually adapted in line with the guidelines of GRI G4, and here the focus on materiality is one of the most important changes in our way of reporting.

The diagram below shows how we have prioritised aspects within sustainable development.

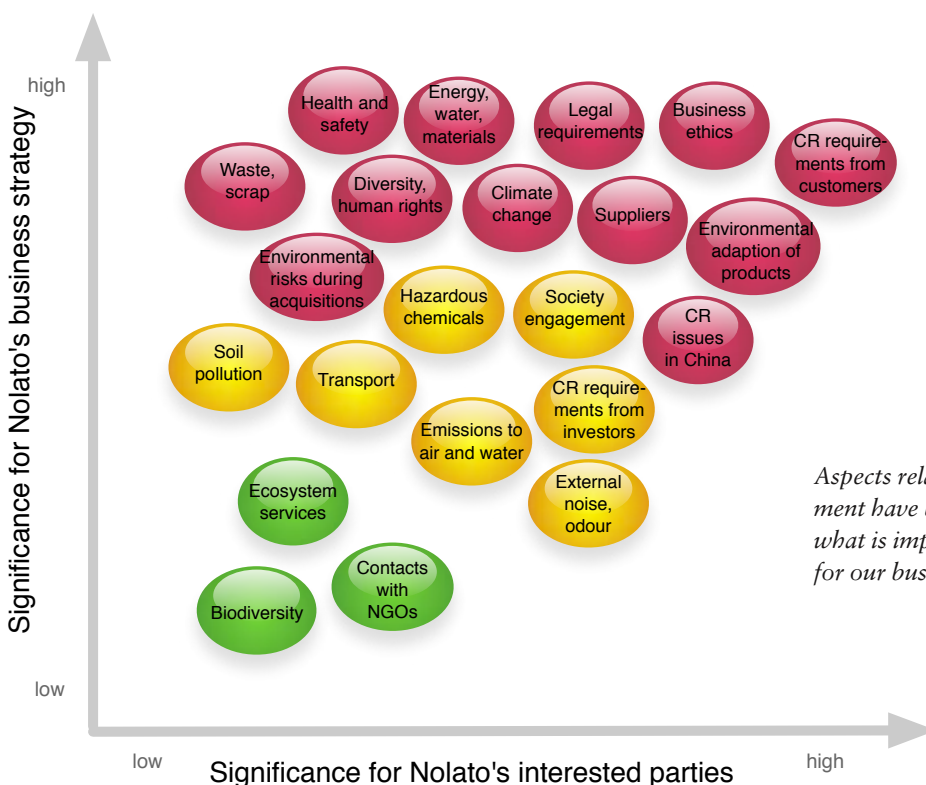
Here, we have taken those aspects that are of significance to Nolato's business strategy, and that we deem to be important to our stakeholders, as our starting point. Our sustainability report gives an overview of how we deal with the prioritised aspects and how the Group applies the GRI indicators that are relevant in this context. (See pages 24–26.)

Integration with business operations

Sustainability issues come into Nolato's operations in many different ways, including when changing over to new technologies, internal and external communication, acquisitions, crisis and risk management, reporting and training. The overall focus for our sustainability work is details in Nolato's Basic Principles, Code of Conduct and policies. Aspects relating to Nolato's long-term



Nolato's strategy for sustainable development



Aspects relating to sustainable development have been prioritised with regard to what is important to our stakeholders and for our business strategy.

strategy, our overall targets, contact with the mass media and investors, and reporting results are dealt with at Group level. A representative from Nolato's Board has specific responsibility for monitoring questions relating to sustainable development.

Operational responsibility for the business has been delegated to the MD of each company. The Group management regularly monitors the progress of this work via dialog with the companies' management and through internal and external audits. In connection with the annual sustainability report, an in-depth analysis is carried out of compliance with legislation, the fulfilment of Group targets and how performance and key ratios have developed during the year.

Compliance with legislation

One natural aspect of our day-to-day work involves compliance with the environmental and health and safety legislation that affects us. From a strategic perspective, it is also important to evaluate risks and opportunities relating to forthcoming legislation, which we do through our participation in networks and regular contact with various authorities.

In Sweden, Nolato carries out operations with notification requirements in accordance with the Swedish Environmental Code at all plants. The plants in China, Hungary, Romania and the US require permits or are covered by other requirements in accordance with environmental legislation in the country in question.

One natural aspect of our day-to-day work involves compliance with the environmental and health and safety legislation that affects us. From a strategic perspective, it is also important to evaluate risks and opportunities relating to forthcoming legislation, which we do through our participation in networks and regular contact with various authorities. In most cases, regular reports are submitted to the environmental authorities and the supervisory authorities carry out inspections. Ten units were inspected by the environmental authorities in 2013, and only a few minor deviations were noted.

Another piece of legislation that affects Nolato's operations relates to hazardous chemicals (REACH, RoHS, refrigerants, etc.) and around half the units are subject to legislation regarding producer responsibility for packaging waste. There were no significant breaches of permits, conditions or any other

relevant environmental legislation during 2013. In one case, sanction charges were applied for stating incorrect waste codes, and in another case a penalty charge was applied for the late receipt of a report on refrigerants.

In terms of the working environment, four of the units were inspected during the year by the working environment authorities. A few minor deviations were noted during these inspections.

Systematic work

It is now just over fifteen years since Nolato's management decided to introduce certified environmental management systems in accordance with ISO 14001, and the first unit was certified in 1997. Since then, this commitment has been part of our strategy for sustainable development and the requirements for ISO 14001 applies to all existing companies and any new companies acquired by the Group. Nolato Jaycare's plants in Portsmouth and Newcastle, which were acquired in 2012, were certified during the year. This means that all production units are now certified.

ISO 14001 systematises environmental work and leads to continuous improvements. This work involves various types of reviews and audits. Within Nolato, there are more than 75 internal environmental auditors who carried out 72 environmental audits during the year. On 19 occasions, the plants were audited by external certification bodies. We have trained internal environmental auditors during the year, and Nolato is represented in the ongoing work relating to the new version of ISO 14001.

All the Group's plants are certified in accordance with the requirements of the ISO 9001 quality management system. In addition, more than 80 percent of the units are certified in accordance with ISO standards for the automotive industry (ISO/TS 16949) or medical technology (ISO 13485). At most of the plants, the various management systems are fully or partly integrated into the operating system. A working environment management system (OHSAS 18001) has been introduced at Nolato Beijing, and Lövepac Converting's units in China were certified during the year. The intention is to increase the use of the system within the Group, and for more plants to prepare for future certification. We have continued to apply the guidelines contained in the stand-

■ 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

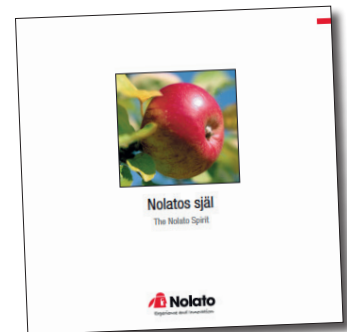
The Environmental Policy formalises the guidelines for regard for the environment in the Basic Principles.

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 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.

➔ You can find the Nolato Spirit booklet at www.nolato.com/sustainability

ard on social responsibility (ISO 26000). This standard is based on seven fundamental concepts, and provides voluntary guidelines for what an organisation can do to contribute towards a sustainable future.

Analysing and preventing risks

Risk analyses are carried out regularly within areas relating to the environment, the working environment and social responsibility. We carry out thorough analyses of environmental and working environment risks in connection with company acquisitions. The same applies to a growing extent to our contact with suppliers. More information about sustainable development risks can be found on page 21.

International initiatives

Nolato has signed up to the UN's ten principles relating to the environment, human rights and anti-corruption measures (the Global Compact) since 2008. We work

actively with the ten principles, and report the results in an annual report (Communication on Progress) to the UN. This report forms part of our sustainability report, and more information about the UN Global Compact can be found on page 28.

Openness

Openness is part of our sustainable development strategy. One tool in our communication is the compliance of our sustainability reporting with the GRI requirements. The new GRI G4 guidelines were introduced in 2013, and in this Sustainability Report we have started to make adaptations in line with GRI G4. In accordance with GRI's recommendations for most companies, Nolato has selected the Core level, and reports those indicators that can be linked to the prioritised sustainability aspects. In view of the fact that the guidelines are new and have not yet been translated into Swedish, we cannot claim that

the adaptation is complete. A self-declaration in accordance with GRI can be found on pages 24–27.

We listen to our stakeholders

One aspect of Nolato's sustainability work involves listening to the opinions of various stakeholders. Here, our employees, customers and suppliers are of course important, but we are also influenced by a number of other stakeholders. Our view of which stakeholders are significant to Nolato is based on many years of experience and dialogue, and on events during the financial year.

The table below shows which areas have been of particular interest to Nolato during 2013.

■ Overview of dialogue with stakeholders 2013

Stakeholder	Examples of key areas	Activities during 2013
Customers	Product declarations, the presence of hazardous chemicals in products, environmental adaptations for our products, and compliance of Nolato's Code of Conduct with customer requirements.	Dialogue with customers in connection with business contacts and during customer visits and audits. (See page 18.)
Consumers	The majority of Nolato's products are sold to industrial customers. Although this relates to consumer products such as mobile phones, pharmaceutical packaging and hygiene items, it is unlikely that the product will be linked to Nolato's operations.	Consumers' views are addressed via dialogue with customers and the demands they place on us.
Employees	Issues relating to health, safety, pay, benefits, social conditions, development opportunities and business ethics.	Training, information, dialogue, development discussions and employee surveys. At Nolato MediTech, a survey was conducted on views about Nolato's sustainability work.
Suppliers	Environmental issues, health and safety in the workplace, social issues and compliance of suppliers' codes of conduct with Nolato's requirements.	Information together with audits and supplier assessments. (See page 18.)
Shareholders and investors	Risk management and efficient use of resources. Integration of sustainability issues into business operations. Communication and image.	Meetings with investors. Sustainability report. Regular reporting to Nolato's Board. Continuing to sign up to the UN Global Compact.
Society	Involvement in local societies where Nolato operates. Participation in industrial networks and other networks.	Many examples of social commitment, contact with schools and universities, and participation in business initiatives. (See page 19.)
Authorities	Compliance with legislation.	Dialogue with environmental and working environment authorities in connection with inspections and site visits. (See page 8.)
Voluntary organisations (NGOs)	Climate-change issues, hazardous chemicals, energy and water consumption, and social issues.	Nolato has not had any direct contact with voluntary organisations during the year.

Target-oriented activities

Within the framework of ISO 14001, Nolato's units have long worked with environmental targets. The target-oriented work leads to advances and improvements, and in order to strengthen initiatives within the entire field of sustainability, Group-

wide long-term targets were introduced in 2010. These Group targets cover areas that are important for our internal sustainability work and to our stakeholders. The targets relating to energy and the climate were sharpened during 2013. The table

below provides an overview of the development of these targets and our assessment of the possibility of achieving them. Detailed information about emission data and other parameters is presented elsewhere in this sustainability report.

Area		Sustainability targets	How things went
Environmental responsibility	Energy	Reduced energy consumption in relation to net sales. The target for the period 2014-2016 is a reduction of 10 percent compared with the average for 2011-2012, measured in GWh/net sales. As an intermediate target, every unit shall draw up its own targets and carry out at least one measure during 2013.	► The production units carried out many energy-saving measures during the year. Overall energy consumption fell, and the same was true of energy consumption measured in GWh/net sales. See pages 11 and 22.
	Climate	Reduced emissions of greenhouse gases in relation to net sales. The target for the period 2014-2016 is a reduction of 10 percent compared with the average for 2011-2012. As an intermediate target, every unit shall draw up its own targets and carry out at least one measure during 2013.	► Energy-efficiency measures are reducing emissions at many plants. Increased production and hence increase purchase of electricity generated from fossil fuels in China and Hungary have resulted in increased indirect emissions overall. See pages 12 and 22.
	Chemicals	Chemicals that are particularly hazardous to the environment or health shall be identified and phased out.	► A few candidates for substitution were identified during the year. The use of solvent-based paints increased in China. See pages 13 and 22.
	Waste	Reduced amount of waste (tonnes/net sales). As an intermediate target, every unit shall report its own targets and carry out at least one measure during 2013.	► Measures carried out have reduced the amount of waste and increased recycling. More plants and increased production have led to an increase in the amount of waste during the last five years. See pages 14 and 22.
	Environmental management systems	All plants shall be certified in accordance with ISO 14001.	▲ Nolato Jaycare's two plants, which were acquired during 2012, were certified during 2013. All production units are now certified. See pages 8 and 22.
	Environmentally-adapted products	During 2013, Nolato shall take part in at least three projects aimed at reducing the environmental impact of new or existing products.	▲ Around ten environmental adaptations have been made to products. Although the target for the year has been met, we have not finished making environmental adaptations to products by any means. See page 15.
Social responsibility	Safe workplaces	Minimise work-related accidents and illnesses Introduce incident reporting systems (near misses).	► The number of occupational accidents per employee has fallen, but the work to reduce the total number of accidents is continuing. Systems for reporting near misses are now in place at all units. OHSAS 18001 has now been introduced at three plants in China. See pages 17 and 22.
	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.	▲ Information and training in connection with the Nolato Spirit have been carried out at most units. New employees are the main target group. See page 16.
Business partners and other stakeholders	Anti-corruption work	There shall be no cases of bribes, corruption or cartel formation. Active information shall continue to be provided to employees.	▲ A whistleblowing system was introduced at all units during 2013. Employees are informed about Nolato's regulations both on employment and in connection with various forms of staff information. See page 16.
	Suppliers	Improved evaluation of suppliers' sustainability work. During 2013, every company must have evaluated at least five subcontractors.	► In China and the UK, around 30 employees have been trained in auditing methods. More than a hundred suppliers have been evaluated in relation to the environment, the working environment and social responsibility. See pages 8 and 18.
	Customers	Customer requirements in relation to the environment and social responsibility shall be met by a comfortable margin.	▲ The results of evaluations and audits are good. Three plants in China have been approved in accordance with the Sony Green Partner scheme. See page 18.
	Society, investors and analysts	Reporting shall take place in accordance with GRI. Nolato shall continue to subscribe to the Global Compact. We shall achieve good results in evaluations by analysts and independent institutions through transparent information within the field of sustainability.	▲ Good results from evaluations of sustainability work in business publications and by stakeholders. Adaptation in line with GRI G4 is underway. See page 18.

▲ Target achieved. ► Positive trend, but measures remain in order to achieve target. ▼ Negative trend.

Environmental responsibility

Environmental aspects

Nolato manufactures components and product systems in polymer materials (plastic, TPE and silicone), metals and combinations of polymer materials and metals. The Group's base technologies include injection moulding, extrusion, dipping and die-cutting. Plastic covers for mobile phones and other electronic equipment are painted at a plant in China.

Our operations interact with the surrounding environment in a number of different ways. In accordance with the guidelines of GRI G4, those aspects that are material from an environmental point of view and from a business strategy perspective, and that are seen to be significant to the Group's stakeholders, are reported on. (See page 7.) The most important direct environmental aspects can be linked to the use of energy, water, raw materials and chemicals, waste generation, environmental risks and atmospheric emissions of carbon dioxide and solvents. We also report indirect environmental aspects such as suppliers' activities, transportation and the use of Nolato's products.

Energy

The Group's production units use energy for production equipment, lighting, ventilation, cooling, transportation, purification plants and heating. Indirect energy in the form of electricity and district heating made up a total of 97 percent of consumption during 2013. Fuel oil and natural gas are used at

some units for heating, but a clear trend is that fossil fuels can be replaced with heat pumps or biofuel.

The total energy consumption was 164 GWh (168), and Nolato's key ratios - which detail energy consumption in relation to sales - show a downward trend. The overall energy costs for 2013 were around SEK 110 million (116).

We work with both an overall energy-efficiency target and local targets and activities.

During 2013, energy-saving activities were carried out at all plants. These included:

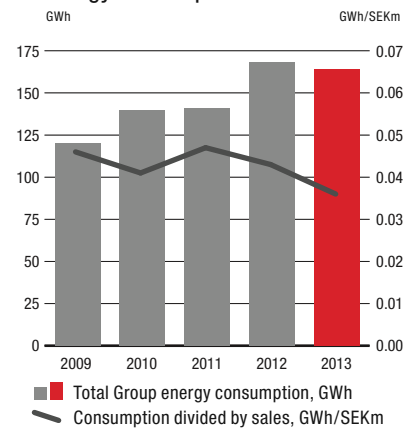
- Replacing lighting with LED lamps.
- Installing lighting sensors.
- Optimising the use of air-conditioning and improved control of ventilation equipment.
- Investing in energy-efficient equipment, such as compressors and electrical injection moulds instead of hydraulic versions.
- Production planning to use equipment as efficiently as possible and to minimise rejects.
- Training and energy mapping.

Atmospheric emissions

Emissions of carbon dioxide

Emissions of the greenhouse gas carbon dioxide are caused by the Group's direct and indirect energy consumption, the transportation of raw materials and finished products, and many activities carried out by the Group's suppliers and customers.

Energy consumption



Atmospheric emissions

Emissions of carbon dioxide

We have restricted reporting on emissions of carbon dioxide to include direct and indirect energy consumption. This is not to say that emissions from transportation, business travel, suppliers and users of Nolato's products are deemed to be unimportant. Without quantifying the size of emissions, our actions include environmental adaptation of transportation and travel.

Carbon dioxide emissions during 2013 totalled 62,000 tonnes (60,000), of which 2 percent came from direct energy consumption. Energy-efficiency improvements and other measures have reduced emissions at a number of plants. Increased production and hence increased purchase of electricity in China and Hungary resulted in an increase in total emissions. The Group's key ratios, which detail emissions in relation to sales, indicate that we are moving in the right direction towards the Group target of reduced environmental impact.

Examples of new, ongoing and planned measures include:

- Continued energy efficiency measures at all plants.
- Phasing out fuel oil and installing heat pumps or biofuel. These measures are planned for the units in Götene and Skånes Fagerhult during 2014.
- Replacement of an older air emission abatement equipment used to reduce emissions of solvents to the air in Beijing. The air pollutants were incinerated using propane, which produced emissions of carbon dioxide.
- Reducing reject levels and waste volumes.
- Purchasing more fuel-efficient vehicles and improved logistics.
- Nolato Jaycare has signed a national Climate Change Agreement. The agreement applies to energy-intensive industries, and by reducing their energy consumption participating companies can benefit from reduced fees under the British Climate Change Levy system. Nolato Jaycare is a member of the Federation of Plastic Industries, giving it access to tools that can be used to calculate and reduce its environmental impact.

Other atmospheric emissions

The use of around 600 tonnes of paints and solvents resulted in emissions of around 140 tonnes (33) of VOCs (volatile organic compounds). The majority of these paints and solvents are used for painting mobile phones in Beijing. A new calculation model, combined with reduced use of water-based paints, resulted in a significant increase in emissions.

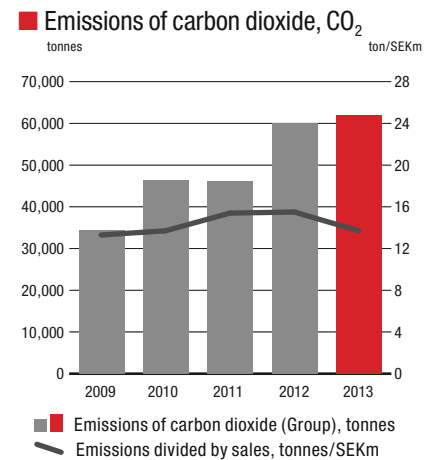
The poor air quality in Beijing has attracted a great deal of negative publicity, and traffic and coal-fired power stations are considered to be significant causes of the problem. However, the authorities have also tightened the requirements on industrial plants to reduce emissions of air pollutants. We are therefore working to reduce emissions of solvents from painting mobile phones, including by trying to convince customers to use water-based paints where possible. During 2014, the most important measure will be replacing an older propane-run purification equipment plant with more efficient methods that involve less of an environmental impact.

There are just over two tonnes of ozone-depleting substances (HCFs) in air-conditioning equipment and other equipment at ten or so production units. A few minor emissions occurred in 2013, corresponding to less than half of a percent of the installed quantity. Emissions of sulphur dioxide and nitric oxides are low, accounting for 4 tonnes (5). Emissions of dust and malodorous substances are negligible, and no complaints were received from local residents during the year.

Raw materials and chemicals

Within Nolato, approximately 30,000 tonnes of polymer materials were used in 2013. More than 95 percent of this was made up of plastics, with the remainder consisting of various types of synthetic rubber. Silicone rubber and latex rubber are used primarily in medical technology products. Other materials used in the magnitude of 1,000 tonnes per year are paints, solvents and metals.

A number of the Group's products are subject to customer requirements for the polymer to consist of virgin raw materials. This is particularly true of pharmaceutical



packaging and medical technology products. However, some customers do have an interest in recycled plastic, for example for use in certain mobile phone models. The proportion of recycled plastic was low during the year (<1%), but there are several customer projects underway in which the aim is to increase the proportion of recycled materials. We are also seeing an interest in reducing the use of materials in certain products, which is beneficial in view of both costs and the environment.

Nolato is affected by legislation and customer requirements in connection with chemicals, and one of the Group-wide targets aims to reduce the risks involved with hazardous chemicals. The substances that have been identified in the candidate list of the REACH chemical legislation have been prioritised, and here we have only identified one such substance. In addition to this, we are also naturally focusing on chemical substances that have been highlighted by authorities and the Group's customers, and in social debate. This includes softening phthalates in plastics, certain organic solvents, PVC and halogenated flame retardants.

Water issues

Water is used primarily for cleaning, sanitary purposes and cooling, but there are some processes where water consumption is relatively high. This is true of the unit in Beijing, which is in an area that suffers from a shortage of water. With many employees,

and a water-based air emission abatement equipment at the painting lines, the unit accounts for two thirds of the Group's water consumption. The manufacture of products in latex rubber in Torekov accounts for just under ten percent of total water consumption.

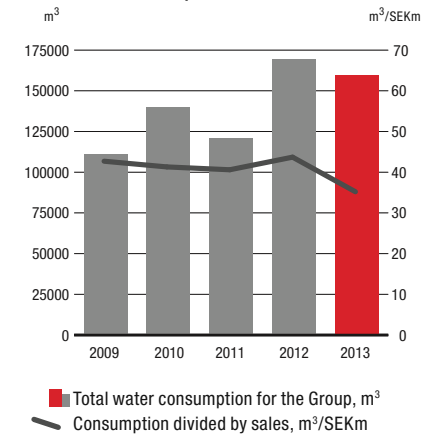
Installations to reduce water consumption are in place at most of Nolato's units, such as closed cooling water systems for injection moulds and other equipment. A specific water-saving programme is being carried out in Beijing, including both technical measures and training. The amounts of pollutants discharged to wastewater are limited, and consist mainly of sanitary water. All production units are connected to municipal sewage treatment plants. The costs incurred by the Group during 2013 for water and cleaning wastewater totalled approximately SEK 1.7 million (1.8).

Waste

From a five-year perspective, the total amount of waste has increased. In 2013, this totalled 5,000 tonnes (5,300), of which hazardous waste constituted 15 percent (12). This increase was caused by increased production and more production units, but was mitigated by measures to reduce the number of rejects and to improve waste management.

During the financial year, around 50 percent of waste was recycled as material and 25 percent as energy. The amount of waste sent to landfill fell from 15 percent to 10 percent,

Water consumption



with Nolato Jaycare's units in Portsmouth and Newcastle making a positive contribution towards this. Within the framework of the introduction of ISO 14001, better sorting of waste and increased internal recycling were implemented. In Newcastle, the amount of waste sent to landfill was reduced by 57 percent, with waste costs being cut by around SEK 50,000.

Another positive example of systematic work in connection with waste issues can be found at Nolato MediTor, where rejects were reduced from 5.7 percent to 3.7 percent over a three-year period. A new dipping robot will cut reject levels even further.

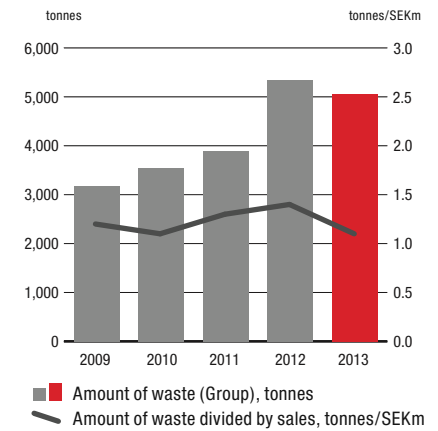
External waste processing costs during the year amounted to SEK 2.7 million (2.8).

Transport

A number of measures were carried out in 2013 to reduce the environmental impact of transporting goods and business travel:

- The application of eco-driving and changing over to vehicles and company cars with lower fuel consumption. A policy for travel by rail in the UK.
- Greater use of video-conferencing.
- Increased degree of filling for lorries, and coordinated transportation.
- Packaging project at Nolato Jaycare to reduce the number of shipments (see below).
- By customers being able to assemble extruded shielding gaskets themselves, the transportation of bulky and/or heavy products to and from Nolato Silikonteknik can be reduced.

Amount of waste



Packaging project brings environmental benefits

Every year, Nolato Jaycare in Portsmouth delivers 16 million plastic containers for pharmaceuticals to a customer in Italy.

This mostly involves two sizes of containers: 57 ml and 110 ml.

The products are packed in standard cardboard boxes, which are placed on wooden pallets and loaded onto lorries that drive a total of 120,000 kilometres in a year.

The cardboard boxes are discarded by the customer before bring the containers into the production plant, and in total this involves more than 22,000 cardboard boxes and 30 deliveries each year.

A project was started in 2013 with the aim of avoiding the use of cardboard boxes, helping the customer to achieve better warehouse management and increasing the number of containers per pallet, as well as reducing the number of journeys.

By packing the containers using shrink wrap, the need for cardboard boxes was eliminated and the initial attempts showed that the packaging equipment could easily be connected directly the injection moulding machine.

500,000 containers have been sent to the customer for evaluation, and these improvements will be fully rolled out in 2014.

The project offers many advantages, in terms of costs, logistics and the environment:

- The number of containers per pallet is increased by several thousand.
- The number of cardboard boxes is reduced by around 20,000 per year, and the number of pallets by around 500.
- Transportation is reduced by around 32,000 kilometres per year.



Environmentally-adapted products

When collaborating with customers on products, Nolato works with concept development, design, material choices, construction, prototypes, production tools, volume production and product post-processing. Products' environmental performance has become increasingly important, and this is true of products such as mobile phones, vehicle components, white goods, chainsaws, pharmaceutical packaging and medical technology products. From a business strategy perspective, it is important for us to play an active role in environmentally adapted product development. Here are a few examples of projects and existing products:

- Development projects are being carried out at Nolato in China in connection with the increased use of water-based paints for mobile phones and casings for batteries. Other measures including reducing the use of environmentally harmful chemicals in products. Examples of this include phasing out halogenated flame retardants and restrictions on the use of PVC.

- At Nolato Plastteknik, the possibility of replacing chroming of plastic components with other technologies is being investigated. Development projects are also continuing on the use of wood fibre and plastic in composite materials used in automotive components. The company has recently developed a new type of water sprinkler that reduces water consumption in toilets.

- Plastics are replacing other materials in vehicles, household appliances and chainsaws. This results in benefits such as reduced weight and fuel consumption. This type of product development is being carried out at Group companies including Nolato Plastteknik and Nolato Gota. One product that has existed for several years is a range of plastic crates made from recycled plastic,

used by the fashion chain KappAhl for transporting clothing.

- Nolato Jaycare in Newcastle is carrying out projects to reduce the use of PCV. In Portsmouth, as well as working on the packaging project (see page 14), work is also underway to reduce the polymer content of certain plastic bottles.

- Nolato Gota and Nolato Lövepac have developed components used in Volvo Cars' new Drive-E range. The aim is to create a new generation of strong, fuel-efficient engines, and the first engines are now being used in Volvo's cars. The engines are around

20 percent more energy-efficient than their predecessors.

- Nolato MediTor has launched environmentally adapted breathing bags with reduced use of polymers and a smaller carbon footprint.

- Nolato is involved in the development of products within the field of environmental engineering, such as fuel cells.

- Nolato Cerbo manufactures - and is continuing to develop - pharmaceutical packaging that uses less plastic and therefore has a smaller carbon footprint.



When President of the USA Barack Obama came to Sweden, he visited KTH Royal Institute of Technology in Stockholm. There, he learnt about fuel cell technology from the development companies myFC and PowerCell. In both products, significant components were manufactured by Nolato. Here, President Obama is seen speaking with Prime Minister Fredrik Reinfeldt and researchers Raket Wreland Lindström and Carina Lagergren.

Social responsibility

Employees on three continents

Nolato has production operations at around twenty plants on three continents. Attracting, recruiting, developing and retaining skilled and committed employees within a global perspective is essential in order to develop and to continue to be a successful company. The Group works with management development, employee training, diversity and issues relating to health and safety.

In 2013, the average number of employees at Nolato was 9,357 (8,421). The increase in the number of employees was mainly attributable to Nolato Telecom's operations in China, as a consequence of higher production volumes. 91 percent (90) of employees were employed outside Sweden, and during the year Nolato had more than 7,500 employees in China.

All units are wholly owned by Nolato, and fully comply with the guidelines of Nolato's Basic Principles, Code of Conduct and Environmental Policy. The practical work relating to staffing issues within the Group is decentralised. Each individual Group company therefore has responsibility for dealing with these issues in a way that complies with the Group's guidelines and with each country's legislation and culture.

Everybody has the right of representation

All Nolato employees have the right to be represented by trade unions, and the right to collective agreements. At 12 units in Sweden and China, all employees are covered by collective agreements. At the units in other countries, there are no unions or collective agreements, and this reflects the normal situation in these countries.

Human rights

Nolato's Code of Conduct provides guidance on issues relating to human rights, and the Group's employees receive regular information on what applies within this field. When the whistleblowing system was introduced in 2012 and 2013, virtually all employees were given a review on our views on misconduct in connection with business ethics, discrimination, child labour and forced labour, both within Nolato and among our suppliers. No breaches of the Code of Conduct were identified in 2013.

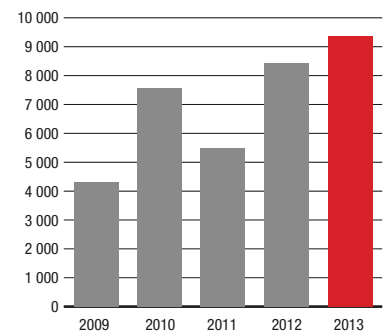
Nolato's equality work is decentralised, and is carried out in accordance with the individual companies' equality plans. During the year, 57 percent (62) of the Group's employees were women. Nolato's Group management does not include any women. 30 percent (30) of the Board of Directors were women.

Training and personal development

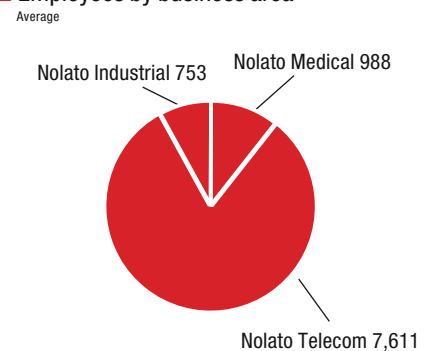
Nolato's business strategy is based on having access to qualified, highly trained employees. Their knowledge must be kept up to date and deepened, and regular training is therefore carried out. In 2013, employees took part in 166,000 (92,000) training hours, corresponding to around 18 (11) hours per employee. Particularly extensive training has been carried out at the Group's units in China, and at Nolato MediTech and Nolato Hungary.

During the year, around 1,400 employees took part in development discussions, career development or some other evaluation of their work. Employee surveys are carried out regularly at a number of the Group's units. A handful of surveys were carried out in 2013, the most in-depth of which was at Nolato Beijing.

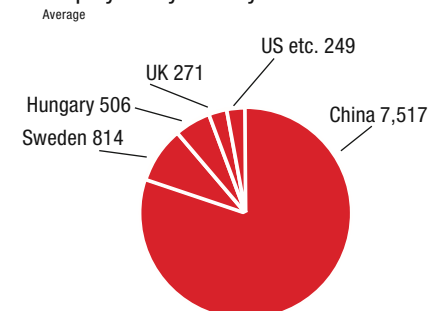
■ Average number of employees



■ Employees by business area



■ Employees by country



Health and safety

The Group target in connection with health and safety aims to reduce the number of cases of occupational accidents and work-related illnesses, and to create a better understanding of the causes of accidents and illnesses. Preventive work is important, and various types of working environment measurements, safety rounds, risk analyses, medical examinations and training were carried out during the year at the majority of the plants. There are formal safety committees at 90 percent of the units, corresponding to 98 percent of employees.

Environmental and working environment training is carried out regularly, and during 2013 every employee took part in an average of 5.4 (4.2) hours of training. Within the working environment, this related to issues such as first aid, fire protection, safety, the application of OHSAS 18001 and chemical health risks.

The standard for occupational health and safety management (OHSAS 18001) was subsequently introduced at Nolato. Lövepac Converting's plants in China were certified during the year, and Nolato Beijing was already certified. More units are now working to introduce OHSAS 18001.

During 2013, 44 (64) occupational accidents resulting in at least one day's absence (LWC, lost work cases) were reported. This corresponds to 0.004 (0.007) accidents per employee. Total absence caused by occupational accidents was 381 days (755). Here, a few cases of long-term sick leave in Hungary and China in particular contributed towards absence.

The most common causes were accidents caused while working with machinery and equipment, and falls and slips.

In recent years, we have become ever better at recording events that could have caused a workplace accident (near misses). A reporting system is now in place at all units, and we can analyse the underlying causes behind accidents. The number of recorded events has increased from 150 in 2011 to 607 in 2013, which we interpret as indicating improved awareness about risks and not that the working environment has deteriorated. The causes of near misses correspond well with the causes of workplace accidents. Behind every accident that occurs lies a significant number of incidents, and this has been confirmed by experiences from international statistics.

Employee Care Programme

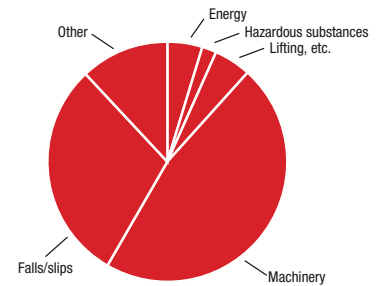
Many of Nolato's employees in Beijing are temporary employees via staffing agencies, as a result of short product cycles and highly variable production volumes. These employees have the same conditions as permanent employees. About a year ago, specific measures were introduced out to attract, retain and develop both permanent and temporary employees. These activities make up the Employee Care Programme, and include:

- A focus on health and safety, through training, information and competitions.
- An exercise break twice per shift.
- Premises for breaks during working hours, and individual lockers for personal belongings.
- The opportunity to attend lessons in English and Japanese.
- A newsletter with improved internal information.
- Employee surveys, together with a forum where employees can discuss matters with the company's MD. These opinions have resulted in concrete measures such as a new canteen, more dishes and an additional free meal per day.
- Interesting leisure activities. This can involve bus trips to central Beijing on Sundays, needlework competitions and internet access.



Exercise break in Beijing.

Causes of occupational accidents



Workplace accidents

Year	2010	2011	2012	2013
LWC (absence ≥1 day)	44	28	64	34
Accidents per employee	0.006	0.005	0.007	0.004

Business partners and other stakeholders

Good business ethics

In accordance with the tenth principle of the UN Global Compact and Nolato's Code of Conduct, our business principle shall feature integrity and responsibility. As a natural Group target, we take a zero tolerance approach towards bribery, corruption and cartel formation. These matters are complex for a global company, and the view of normal business principles varies between different countries and cultures.

We use the following methods to steer and monitor Nolato's business principles:

- We communicate our joint values in the form of Nolato's Code of Conduct. The management of the Group's companies are responsible for ensuring that these values are filtered through to their organisations.

- We continuously monitor costs, expenses and income.

- We pay particular attention to ethical issues in our relationships with our partners. Standard business practice should be observed in each individual country, but if business principles do not comply with Nolato's Code of Conduct, we should refrain from doing business or take alternative relevant actions.

- We carry out annual evaluations of companies' work to counteract bribery, using UN Global Compact checklists. Last year's evaluation shows that much of this work takes place within the framework of Nolato's Code of Conduct, and the target groups are mainly employees, suppliers, customers and authorities. Several of the companies have drawn up detailed policies and guidelines on issues such as gifts, entertaining and expenses, and report that they remain active in countering corruption.

- A whistleblowing system has been introduced within the Group, enabling employees to report misconduct in confidence.

No cases of bribes, corruption or cartel formation were identified during the year.

Customers place requirements

Nolato has customers within industries where aspects relating to the environment, the working environment and ethics are deemed to be important. This includes the automotive, food, telecommunications and pharmaceutical industries. These requirements cover the entire field of sustainability, and whereas the emphasis was previously on environmental risks, issues relating to social responsibility and ethics have now become increasingly important.

Around 95 percent of the Group's units report customer requirements within sustainable development, and during 2013 two thirds of the plants were evaluated or audited by customers. The results of these evaluations were excellent, and we extend methods and criteria to the evaluation of our suppliers.

Some of Nolato's customers have systems whereby the customer qualifies for certification. One example is the Sony Green Partner scheme, where Lövepac Converting in China was approved during the year with Nolato Beijing already having been certified.

For more information about customer requirements, see the table below.

Supplier assessment

A significant number of Nolato's suppliers are global groups within the polymer and chemicals industry. These companies often carry out advanced CR work, and are not therefore the primary targets of our evaluations. The focus is primarily on new suppliers and suppliers for whom we have identified some type of risk within sustainable development.

One of the Group-wide sustainability targets applies to a sharper focus on our suppliers' sustainability work. Our suppliers are informed about Nolato's Code of Conduct and supplementary specifications of requirements and monitoring through questionnaires and audits. The Nolato Ethical Audit Questionnaire forms the basis for the way in which we evaluate our suppliers.

In addition to the auditors who already exist within Nolato, around twenty auditors were trained in China during 2013 on auditing environmental and social responsibility. In the UK, a handful of auditors were trained on environmental auditing. Almost 80 suppliers were evaluated during the year via questionnaires, and 29 via site visits or audits. The criteria for selecting suppliers for evaluation vary within the Group, but it is usually new suppliers, key suppliers or suppliers for whom there are specific risks who are selected for monitoring.

Based on the results of completed evaluations, we have not identified any specific risks in connection with the environment and social responsibility.

Investors

For the fourth year running, Nolato's sustainability work was awarded the highest grading in the business publication Veckans Affärer's Sustainable Portfolio. In insurance company Folksam's responsible enterprise index, Nolato came 25th among 250 listed companies in terms of the environment, and 40th place when it comes to human rights.

Customer requirements	Percentage of units which report customer requirements within sustainable development	
	2013	2012
Implement ISO 14001	32	33
Phase out hazardous chemicals	42	48
Compliance with REACH and RoHS	26	14
Product-related environmental information	42	57
Follow the customer's Code of Conduct / CR issues	74	71
Other requirements (including "conflict minerals")	21	9

Social commitment

Nolato has contact with neighbours, schools, universities, voluntary organisations, authorities, sports clubs and cultural institutions. During 2013, there were many cases of contact with schools and universities, with the most common being study visits. In around a dozen cases, this involved degree projects within fields such as nanotechnology, quality systems, flexible learning and organisational theory.

During 2013, Nolato continued to work on sustainability issues together with the International Institute for Industrial Environmental Economics (IIIEE) at Lund University, Sweden.

In Hungary, the employment of workers with various disabilities has attracted a very positive reaction from the local community and the authorities. Thanks to employment, people with visual and hearing impairments now have a better quality of life, and make

excellent contributions to the company's production.

We make financial contributions to schools, healthcare, sports clubs and social activities, and in many cases we have long-term involvement that includes many of our employees. One current example is Building Hope Together in China.

Building hope together

"Nolato has had a presence in Beijing for more than twelve years, and many of the thousands of employees who work or have worked for us come from small - and often very poor - villages in China," says Jörgen Karlsson, MD of Nolato Beijing. "The time has come to give something back, and we are involved in Daxiwan Town Central Primary School."

The school, which 150 pupils and 23 teachers, is located in a poor area around three hours from Beijing and had virtually no computers. Nolato saw opportunities to improve the education provided and the teachers' working conditions, and has established long-term cooperation with the school.

"During 2013, we contributed 20 computers, desks for the teachers, printers and photocopying machines. We are convinced that this equipment will be of benefit, and the next stage involves increasing contact

between the school and Nolato. For example, this will involve teachers visiting us so we can show them the work we do and what our workplaces are like.

We are also planning to donate further equipments, such as projectors. The school has really captured the interest of many of our employees."



Financial responsibility

A successful year

In recent years, Nolato has concentrated on creating a balanced Group structure with three business areas, and this has taken place alongside continuous strengthening of our profitability. The strategic focus has resulted in a number of successful acquisitions within Nolato Medical.

2013 was a successful year for Nolato, and sales rose by 17 percent to SEK 4,522 million. Operating income (EBITA) was up 41% to SEK 427 million, and earnings per share rose to SEK 11.94. Cash flow after investments was extremely strong, totalling SEK 362 million excluding acquisitions and disposals.

Sustainable development and finance

During 2013, Nolato invested SEK 13.3 million (11.4) in measures relating to reducing environmental impact and improving the working environment. The biggest investments were made within the field of energy, and around a quarter of investments involving working environment improvements. Investments relating to energy-efficiency measures remain at a high level, and include new equipment and more efficient lighting.

Environmental, health and safety costs totalled SEK 13.9 million (6.0), and were dominated by costs for operating the purification plants for solvents in Beijing. Costs for environmental coordinators, environmental management systems, reporting to authorities and other administrative activities account for around a fifth of these costs. During the year, environmental, health and safety improvement measures generated cost savings of SEK 3.2 million (2.0). These savings were mainly made through more efficient use of energy and improved waste management.

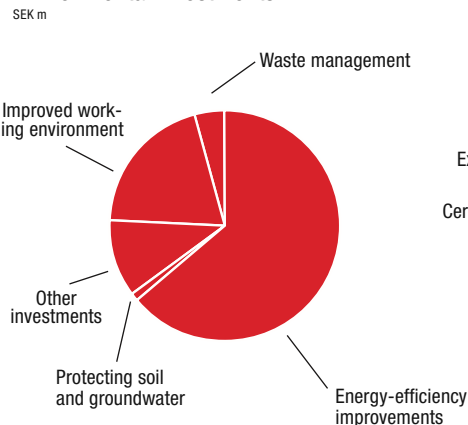
Financial value for stakeholders

Nolato's business generates financial value that is distributed among the various stakeholders. This includes suppliers, employees, shareholders, creditors and society. (See the table to the right.)

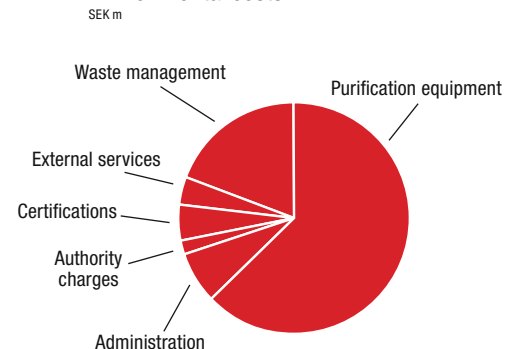
Financial highlights

SEKm (unless otherwise specified)	2013	2012
Net sales	4,522	3,874
Operating profit (EBITA)	427	303
EBITA margin, %	9.4	7.8
Profit after financial income and expense	403	272
Profit after tax	314	202
Return on capital employed %	26.7	19.4
Return on shareholders' equity	24.9	17.7
Net financial assets (+) / net financial liabilities (-)	122	- 113
Equity/assets ratio, %	52	44
Earnings per share, SEK	11.94	7.68
Dividend per share	8.00	6.00
Average number of employees	9,357	8,421

Environmental investments



Environmental costs



Financial value for stakeholders

Stakeholder	2013	2012	Comment
Suppliers	2,438	1,984	Comp. for materials and services
Employees	1,095	1,012	Salaries and benefits
Shareholders	210	158	Dividend
Creditors	8	15	Interest expenses
Society	89	70	Reported effective tax for the Group
Total	3,840	3,238	

Risks relating to sustainability

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

Nolato's annual report for 2013 provides detailed information about operational and financial risks. Within the field of sustainability, we have identified a number of risks that could be significant in terms of the Group's financial position. More demanding environmental legislation, taxes, fees and other environmental requirements can entail significant costs for industrial operations. There are also risks from a business perspective relating to the environment and social responsibility, which have been identified in recent years, with a particular focus on production in developing countries. Nolato carries out regular risk assessments 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 possible.

Environmental legislation

Nolato's production units have the permits required for their operations, and no more extensive applications for renewing permits are planned for 2014. At the plant in Beijing, stricter authority requirements have been introduced in connection with reducing atmospheric solvent (VOC) emissions. Investments will be made in air emission abatement equipment to supplement existing equipment. This does not currently involve any significant costs for the Group, but in

view of the pollution situation in Beijing there is a risk that environmental requirements will increase.

Where applicable, the Group's units meet the requirements of the REACH chemical legislation, the RoHS product legislation, producer responsibility for packaging waste and other relevant environmental and working environment legislation. We have not currently identified any increasing risks with relation to new or amended legislation.

Contaminated land and hazardous substances in buildings

There has been no known occurrence of contaminated land, and nor are there any requirements in terms of investigations or decontamination. In Sweden, three of the plants have been classified in accordance with the environmental authorities' Mifo methods. The risk assessment is administrative in nature, and is not based on actual samples of soil and groundwater. All our plants are in the lowest risk class, and are not prioritised by the authorities for further action.

Hazardous substances such as asbestos exist in a few individual buildings, and only give rise to action in connection with extensive rebuilding or renovation work. PCB inventories have been carried out at the Swedish operations, and small quantities of these environmentally harmful substances have been identified. These substances have been removed in accordance with Swedish environmental legislation.

Making products more environmentally friendly

Society has a growing interest in environmentally friendly products, and one identifiable business risk is our product range includ-

ing products that are no longer accepted by customers.

As a supplier, Nolato has limited possibilities for countering this risk, since most products are manufactured on behalf of customers. However, Nolato works in close collaboration with them and continuously monitors developments in order to be able to initiate the replacement of hazardous materials, the introduction of new, more environmentally friendly polymers and the development of new products.

Climate-related risks

One of the Group's plants is located in an area where future climate changes could cause landslips (Gothenburg). Here, we monitor the risk and vulnerability analyses carried out by the authorities.

Climate change is important to Nolato, and an overview is provided on page 12 of how the Group is working to reduce its carbon footprint. At the same time, it is also important to be prepared for how climate change could affect operations from a financial perspective. This could involve damage to plants and infrastructure, as well as aspects relating to access to raw materials, the conditions faced by suppliers and changed customer behaviour. Taxes, charges and emission restrictions may, of course, also affect Nolato.

Many activities during a year

Over the course of a year, a great deal happens within the field of sustainability at Nolato's units. Here is a selection of initiatives and activities from Europe, China and the US. You can find out more about these activities elsewhere in this sustainability report.

Sweden

■ Nolato Polymer has invested in two new injection moulds with low levels of energy consumption. In Torekov, a system has been installed that treats and purifies cooling water. The installation of a geothermal heating system is also planned.

■ At Nolato MediTech in Hörby and Lomma, the work involved in Medical Excellence has been developed further with a training day for all employees and almost 1,300 improvements that have been implemented. In Hörby, more than 90 environmental and safety improvements have been implemented. Reject levels have dropped to the lowest ever level, and the key ratio for energy consumption has been reduced by 7 percent.

■ In order to reduce transportation and to be closer to customers, Nolato Silikonteknik has moved some of its production from Hallsberg to Beijing.

■ Nolato MediTor in Torekov has reduced reject levels and installed more efficient, more environmentally friendly dipping equipment. The number of near-accidents in the workplace has also been reduced, medical examinations have been carried out for all staff and an electronic system has been introduced for administering safety data sheets.

■ Nolato Gota in Götene is carrying out retrospective work to replace older equipment with new, more energy-efficient equipment. Three injection moulds were replaced during the year, and the new versions are thought to be 30 percent more energy efficient. Nolato Gota's scholarships for pupils at the municip-

ality's schools were advertised for the first time in 2013. Planning is underway to switch from fuel oil for heating to pellets.

■ At Nolato Cerbo in Trollhättan, energy consumption was reduced by 700 MWh. Absence due to illness fell to 2.7 percent, which is regarded as being low in Sweden. The work involved in lean production, the visualisation of activities and results, and working with improvement groups had a positive impact on many of the plants' key ratios.

■ A number of new pieces of energy-efficient production equipment and two eco-transformers were installed at Nolato Plastteknik in Gothenburg. The amount of material (plastic) used in key products has been reduced.

■ Nolato Hertila in Åstorp successfully passed inspections by the environmental and fire authorities. Having shared its management systems for several years with Nolato Polymer, the unit was certified separately in accordance with ISO 9001 and ISO 14001.

Hungary and Romania

■ Nolato Hungary in Mosonmagyaróvár introduced measures to reduce its consumption of water and energy and its waste volumes. Some of the staff took part in flood-prevention activities near the Danube during a week in summer 2013. The integration of disabled employees continued, and activities to introduce OHSAS 18001 have begun.

■ At Nolato Romania in Negoesti, energy consumption was reduced and the work to introduce OHSAS 18001 was started.

UK

■ Nolato Jaycare's plants in Portsmouth and Newcastle were certified in accordance with ISO 14001. In Portsmouth, activities were carried out to reduce energy consumption and waste. A customer project was started which will result in a significant reduc-

tion in the amount of packaging, pallets and transportation. (See page 14). In Newcastle, waste management and recycling improvements reduced the amount of waste sent to landfill by 57 percent.

China

■ Many actions were carried out at Nolato Beijing during 2013 which are reported elsewhere in this sustainability report. Highlights include the Employee Care Programme, which focuses on creating a good, stimulating working environment for employees, and Building Hope Together, in which the company is supporting a school in a poor area near Beijing. Work to reduce energy and water consumption has also continued, and suppliers have been audited in relation to sustainable development. During the year, Nolato Beijing received the Best Practice Activity Safety Award 2013 from Beijing Development Area's working environment department.

■ Nolato Lövepac in Beijing and Shenzhen was certified in accordance with OHSAS 18001, and became an approved Sony Green Partner. A programme for employee suggestions for improvements was introduced, and the Lövepac Newsletter was launched.

USA

■ Nolato Contour in Baldwin stepped up its supplier assessment activities and increased its focus on issues relating to the environment and social responsibility. Thanks to increased recycling, the amount of waste was reduced from 95 tonnes in 2012 to 30 tonnes in 2013.

About our sustainability report

A focus on materiality

Nolato's sustainability report for 2013 includes aspects relating to the environment, the working environment, social responsibility and ethics. Our ambition is that this report, together with supplementary information, should give our employees and external stakeholders a transparent picture of the company's corporate responsibility activities and how this interacts with our business activities. One new feature for the year was that we have started the work involved in adapting the report in line with the new GRI G4 guidelines, which has involved a sharper focus on aspects of importance to Nolato and to the Group's stakeholders. We hope that this report will be of interest, and we welcome comments and suggestions for future improvements.

All Nolato's units were included in 2013 in the report, with the exception of the unit in Malaysia, which is operated by a subcontractor. The plant in Sunne, which was divested of during the year, is not included in the report. The same applies to a plant in India, where no operations were carried out during the year. In total, 19 production facilities contributed data.

Reporting principles

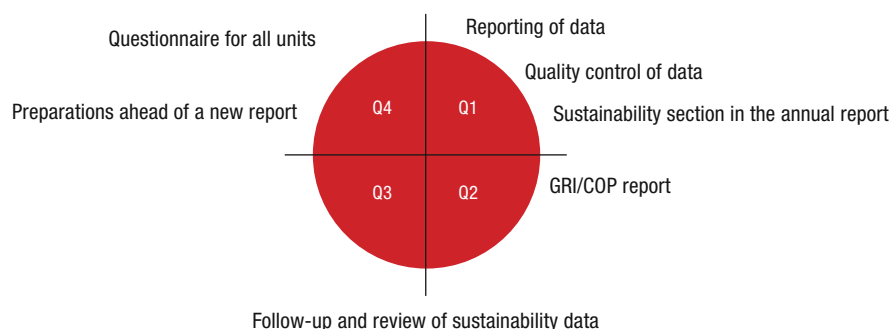
Each production unit provides quantitative and qualitative information in accordance with Nolato's sustainability reporting formula. The manager of the relevant company or unit is responsible for the quality assurance of the information submitted. The year's performance is compared and verified against information for previous years. Further quality checks are carried out in connection with interviews and site visits.

Emissions of carbon dioxide, sulphur dioxide and nitric oxides from direction energy consumption are calculated using conversion factors. These are based on the energy content and the quality of the fuel used. Carbon dioxide emissions from indirect energy consumption (primarily electricity) are based on emission data from the Greenhouse Gas Protocol (GHG Protocol)

for those countries where Nolato has operations. Information on emissions of VOCs (solvents and paints) is mainly based on mass balance calculations. In this year's report, compared with previous reports, we have

corrected data for emissions of VOCs, and costs for the operation of the air emission abatement equipment, at the plant in Beijing, China. (See pages 12 and 20.)

Company/plant	Country	Number of employees	Building area (m ²)	Established (year)	Environmental permits	Significance for the sustainability report
Nolato Beijing, Beijing	China	6,842	33,882	2001	Yes	High
Nolato Hungary, Masonmagyaróvár	Hungary	506	11,500	2000	Yes	High
Lövepac Converting, Beijing	China	675	4,721	2000	No	High
Lövepac Converting, Shenzhen	China		2,580	2008	No	High
Nolato Romania, Negoesti	Romania	29	2,960	2010	Yes	Medium
Nolato Polymer, Torekov/Ängelholm	Sweden	72	11,035	1973, 1995	Yes	Medium
Nolato Jaycare, Portsmouth	UK	271	11,132	1986	Yes	Medium
Nolato Jaycare, Newcastle	UK		4,790	1998	Yes	Medium
Nolato MediTech, Hörby	Sweden	175	7,000	1999	Yes	Medium
Nolato MediTech, Lomma	Sweden		5,000	1980	Yes	Medium
Nolato Cerbo, Trollhättan	Sweden	110	11,000	1971	Yes	Medium
Nolato MediTor, Torekov	Sweden	56	3,948	1973	Yes	Medium
Nolato Gota, Götene	Sweden	107	21,000	1965	Yes	Medium
Nolato Contour, Baldwin	US	167	8,631	1993	Yes	Medium
Nolato Plastteknik, Göteborg	Sweden	102	13,000	1980	Yes	Medium
Nolato Lövepac, Skånes Fagerhult	Sweden	40	4,200	1968	No	Low
Nolato Hertila, Åstorp	Sweden	23	4,474	2000	Yes	Low
Nolato Silikonteknik, Hallsberg	Sweden	36	2,500	1995	Yes	Low



Nolato and GRI

Adaptation in line with GRI G4 has begun

The organisation behind GRI has established voluntary comprehensive guidelines for how companies and other organisations should report on their sustainable development activities. The guidelines of version G3.1 were replaced by version G4 in 2013, and reporting organisations are expected to have adapted in line with the new guidelines by December 2015. Reporting in accordance with GRI shall focus on sustainability aspects that are significant to the organisation and its stakeholders. Reporting shall

give a complete, balanced, comparable, accurate and reliable picture of the organisation's development within sustainability. It should include both positive and negative aspects.

In this year's sustainability report, we have started to make adaptations in line with GRI G4 and this will continue during 2015. We have expanded the section on strategy, analysis and materiality, and have added information relating to some key indicators.

Nolato has chosen to report in accordance with the Core level, and the indicators area adapted in line with the evaluation of aspects on page 7.

The table below shows the extent to which Nolato works with GRI G4, and it should be noted that some work remains before the reporting can be regarded as being complete. The Swedish version of the sustainability report uses our own translation of GRI G4, since no official translation exists yet.

In the table, SR refers to the sustainability report and AR refers to the annual report for 2013.

Core areas covered by the report (General Standard Disclosures)			
Designation according to GRI	Requirement or indicator	Reference	External verification
Strategy and analysis			
G4-1	Statement from the most senior decision-maker of the organisation on the importance of sustainability issues and Nolato's sustainability strategy.	SR3; AR6-7	—
G4-2	Description of the most important effectors for Nolato's stakeholders, risks and opportunities. Trends, targets and programmes.	SR7-11	—
Organisational profile			
G4-3	Name of the organisation.	Nolato AB (publ)	—
G4-4	Primary brands, products and services.	AR5	—
G4-5	Location of Nolato's headquarters.	Torekov, Sweden	—
G4-6	Number of countries where Nolato operates and other geographic areas that are material with regard to sustainable development.	SR16, 23; AR4	—
G4-7	Ownership and legal form.	AR36-37	—
G4-8	Nolato's markets and customers.	AR18-29	—
G4-9	Number of employees, number of operations, net sales, debt and equity, quantity of products provided.	AR44-55	Yes
G4-10	Employees (employment type, gender, region, variations in employment numbers).	SR16	—
G4-11	Percentage of employees covered by collective bargaining agreements.	SR16	—
G4-12	Description of Nolato's supply chain.	SR18	—
G4-13	Significant changes during the reporting period (size, structure, ownership, supply chain).	SR23; AR15	—
G4-14	How the precautionary approach or principle is addressed by Nolato.	SR13, 17	—
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which Nolato subscribes or which it endorses.	SR9	—
G4-16	Membership of national and international organisations.	SR27	—
Identified material aspects and boundaries			

G4-17	Companies included in Nolato's financial report. Companies included in the sustainability report	SR23	—
G4-18	The process for defining the report content and the aspect boundaries.	SR23	—
G4-19	List all the material aspects identified in the process for defining report content.	SR7	—
G4-20	Reason why aspects are regarded as material within Nolato. Internal limitation of the aspects.	SR7-9	—
G4-21	Reason why aspects are regarded as material outside Nolato. External limitation of the aspects.	SR7-9	—
G4-22	Comments on any restatements of information provided in previous reports.	SR23	—
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries.	No significant changes	—
Stakeholder engagement			
G4-24	List of stakeholder groups engaged by Nolato.	SR9	—
G4-25	Basis for identification and selection of stakeholders.	SR9	—
G4-26	Description of Nolato's stakeholder engagement.	SR8,9,18,19	
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how Nolato has responded to these.	SR9	—
Report profile			
G4-28	Reporting period.	SR23	
G4-29	Date of most recent previous report.	March 2013	—
G4-30	Reporting cycle.	SR23	—
G4-31	Contact point for questions regarding the report or its contents.	Torbjörn Brorson	—
GRI content index			
G4-32	References to requirements and indicators in GRI.	This list.	—
G4-33	Policy for external assurance for the report.	No external assurance.	—
Governance			
G4-34	Structure for Nolato's governance of sustainability work.	SR7-8	—
Ethics and integrity			
G4-56	Nolato's core values, Code of Conduct and policies.	SR8; www.nolato.com/ sustainability	—
G4-58	Mechanisms for reporting concerns about unethical behaviour, e.g. whistleblowing	SR10	—

Indicators			
Designation according to GRI	Requirement or indicator	Reference	External verification
Finance			
G4-EC1	Direct economic value generated and distributed.	SR20	Yes
G4-EC2	Financial implications and other risks and opportunities due to climate change.	SR21	—
G4-EC3	Coverage of the organisation's defined benefit plan obligations.	AR63–64	Yes
G4-EC4	Significant financial assistance received from government.	None	—
Environmental responsibility			
Material			
G4-EN1	Use of renewable and non-renewable materials.	SR13	—
G4-EN2	Percentage of materials used that are recycled input materials.	SR13	—

Energy			
G4-EN3	Direct energy consumption.	SR11	—
G4-EN4	Indirect energy consumption.	SR11	—
G4-EN5	Energy intensity.	SR10,11	—
G4-EN6	Reduction of energy consumption.	SR11,22	—
G4-EN7	Reductions in energy requirements of products.	SR15	—
Water			
G4-EN8	Total water withdrawal by source.	SR13	—
Emissions			
G4-EN15	Direct greenhouse gas (GHG) emissions (scope 1).	SR12	—
G4-EN17	Other indirect greenhouse gas (GHG) emissions (scope 3).	SR12	—
G4-EN18	Greenhouse gas (GHG) emissions intensity.	SR10,12	—
G4-EN19	Initiatives for reducing greenhouse gas emissions.	SR12	—
G4-EN20	Emissions of ozone-depleting substances (ODS).	SR12	—
G4-EN21	NO _x , SO ₂ and other significant air emissions.	SR12	—
Effluents and waste			
G4-EN22	Total water discharge.	SR13	—
G4-EN23	Total weight of waste by type and disposal method.	SR14	—
G4-EN24	Total number and volume of significant spills.	None	—
Products and services			
G4-EN27	Initiatives to mitigate environmental impacts of products and services, and results.	SR15	—
Compliance			
G4-EN29	Fines and non-monetary sanctions for non-compliance with environmental laws and regulations.	SR8	—
Transport			
G4-EN30	Significant environmental impacts of transporting products.	SR14	—
Overall			
G4-EN31	Total environmental protection expenditures and investments.	SR20	—
Supplier assessment			
G4-EN32	Percentage of new suppliers screened using environmental criteria.	SR18	—
Social responsibility			
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	SR16	—
G4-LA5	Participation in safety committees.	SR17	—
G4-LA6	Rates of injury and occupational diseases.	SR17	—
Training and education			
G4-LA9	Average hours of training per year per employee.	SR16	—
G4-LA11	Percentage of employees receiving performance and career development reviews or equivalent.	SR16	—
Diversity and equal opportunity			
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, etc.	SR16	—
Supplier assessment			
G4-LA14	Percentage of new suppliers screened using labour practices criteria.	SR18	—

Human rights			
Non-discrimination			
G4-HR2	Proportion of employees informed/trained on human rights policies.	SR10,16	—
G4-HR3	Incidents of discrimination and corrective actions taken.	SR16	—
Freedom of association and collective bargaining			
G4-HR4	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and measures taken to support these rights.	SR18	—
Child labour			
G4-HR5	Operations identified as having significant risk for incidents of child labour, and measures taken.	SR18	—
Forced or compulsory labour			
G4-HR6	Operations identified as having significant risk of incidents of forced or compulsory labour, and measures taken.	SR18	—
Supplier assessment			
G4-HR10	Percentage of new suppliers screened using human rights criteria.	SR18	—
Society			
Local communities			
G4-S01	Percentage of operations with implemented local community engagement.	SR19,22	—
Anti-corruption			
G4-S04	Communication and training on anti-corruption policies and procedures.	SR18	—
G4-S05	Confirmed incidents of corruption and actions taken.	Nor recorded incidents	—
Product responsibility			
G4-PR1	Proportion of products for which health and safety impacts are assessed for improvement.	SR15	—

The UN Global Compact

Nolato follows ten principles for responsible business

In 2009, Nolato joined the UN initiative for responsible business, Global Compact. The Group thereby joined a global network of more than 10,000 organisations, of which 7,000 are businesses, in 135 countries. By participating in the Global Compact, Nolato agrees to support ten basic principles in the areas of human rights, working conditions, environment and anti-corruption.

The publication The Nolato Spirit, which includes the Group's Code of Conduct and Environmental Policy, is an important internal document that guides and coordinates employee activities in line with the ten principles.

Group companies' compliance with the Group's Code of Conduct is evaluated on a regular basis. In the introduction to the sustainability report, Nolato's CEO Hans Porat comments on the company's Global Compact work during the year.

Communication On Progress

Organisations that have subscribed to the Global Compact must produce an annual Communication on Progress (COP) detailing how it meets the ten principles. In Nolato's case, this is based on the information submitted in the annual report and the sustainability report. Together, these reports provide a true picture of how Nolato supports and

follows Global Compact's ten principles. We use GRI indicators to simplify the Communication on Progress, and the cross-reference table below details which indicators are relevant in the context.

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

Definitions and glossary

Carbon dioxide (CO₂) Carbon dioxide is formed in all carbon combustion processes, such as fossil fuel combustion. It is very likely that carbon dioxide increases global warming (the greenhouse effect).

Code of Conduct Guidelines for Nolato's employees. Supplemented by policies relating to the environment, quality and information.

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

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

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

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

Global Compact A UN initiative for responsible business practice. Participating organisations undertake to endorse ten fundamental principles in human rights, occupational conditions, environmental regard and anti-corruption.

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

HCFC/HFC Substances that contribute to ozone depletion.

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

ISO 14001 International standard relating to environmental management systems that was introduced in 1996. Over 280,000 organisations

globally are currently certified according to ISO 14001.

ISO 26000 International standard that provides guidance on how organisations can deal with social responsibility issues. 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 health and the environment and causes acid rain and eutrophication.

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

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

OHSAS 18001 Standard relating to health and safety in the workplace.

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

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

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

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

SO₂ (sulphur dioxide) Sulphur dioxide is formed in the combustion of petroleum products. The gas contributes to the acidification of watercourses and soil. Large concentrations are harmful to human health.

Sustainability Development that "satisfies today's needs without jeopardising future generations' possibilities to satisfy their needs". Sustainable development consists of three components: Ecological sustainability, social sustainability and financial sustainability.

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

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