

COMMUNICATION ON PROGRESS

SEPTEMBER 2014



YOUR
PACKAGING
SOLUTION.

NEFAB

SUPPORT STATEMENT

CEO , DAVID MÖRK

In October 2008, Nefab signed the United Nations Global Compact. The Global Compact is a global strategic business initiative on corporate responsibility initiated by the former UN Secretary-General, Kofi Annan in 1999. Global Compact brings together businesses with UN Agencies, labour and civil society in the common objective of achieving a more sustainable and inclusive global economy.

Being reflected in our core values and underlined in our code of conduct, we continuously strive to make the principles of Global Compact a natural part of our way of doing business. We realize that continuous improvements are necessary in order to promote and further integrate the ten principles of Global Compact within and outside Nefab.

Nefab wants to secure a place in a sustainable future society. To achieve this, we work within our supply chain, our own operations as well as with our value proposition to achieve sustainable development and manage our stakeholders' requirements and expectations. We focus on the key aspects of the company's social and environmental impact, based on stakeholder dialogue and the strategic importance of each area for the company.

There are many opportunities to join forces with engaged stakeholders. Customers are often interested to partner with us in order to create win-win situations. A common example of that is when we support customer objectives of CO2-reductions by analyzing current and proposing new packaging solutions. In our yearly employee survey, we can see that a vast majority of our employees believe that it is important to work for a company who takes sustainability seriously and that most of them think Nefab is working with sustainability in a good way. We believe that our continuous commitment to the Global Compact Initiative will be beneficial for Nefab and its stakeholders and at the same time help to improve the conditions in general for the global community.

Consequently, I am pleased to confirm Nefab's continuous support of the ten principles of the Global Compact with respect to human rights, labour, environment and anti-corruption. With this Communication on Progress (COP), we express our aim to advance those principles within our sphere of influence.

Jönköping, September 2014



David Mörk
CEO, Nefab AB

SUSTAINABILITY

BY OFFERING COMPLETE PACKAGING SOLUTIONS THAT REDUCE COST AND ENVIRONMENTAL IMPACT, NEFAB INTEGRATES SUSTAINABILITY IN THE VALUE PROPOSITION TO THE MARKET. WORKING WITH SUSTAINABILITY MEANS THAT WE CARE FOR THE WELFARE OF OUR EMPLOYEES AS WELL AS OTHER STAKEHOLDERS AND TRY TO BALANCE ECONOMIC WITH SOCIAL AND ENVIRONMENTAL ASPECTS OF OUR BUSINESS. A STRUCTURED APPROACH TO SUSTAINABILITY LEADS TO A FAVOURABLE BUSINESS CLIMATE THAT ATTRACTS SKILLS AND STRENGTHENS THE BRAND. IT ALSO FACILITATES BUSINESS DEVELOPMENT BY ATTRACTING CUSTOMERS HAVING THE SAME MIND-SET.

THE SUSTAINABILITY WORK IS GOVERNED BY NEFAB'S VISION, CORE VALUES AND CODE OF CONDUCT AS WELL AS THE POLICIES ESTABLISHED IN RELATION TO LAWS AND REGULATIONS.

NEFAB'S CORE VALUES

The corporate culture is based on our shared core values: "Simplicity", "Respect" and "Empowerment". Our continuous work to communicate the core values to all employees continued during 2013 and in the yearly employee survey, 89 % answered that they thought our core values were communicated either "OK" or "Good".

VISION AND STRATEGY FOR SUSTAINABILITY

In 2011 strategies were established for Nefab sustainability work, with measurable objectives for the next three years. The overall goal is to position Nefab as a leading "green" company within industrial packaging. Nefab uses the term "green" to communicate its sustainability work from a broad perspective. For this to be achievable, three basic strategies have been developed:

- Nefab will ensure sustainability throughout the supply chain.
- Sustainability shall be more clearly instilled into Nefab's own operations and internal processes.
- Sustainability will be an integrated part of Nefab's customer offering.

During 2013, sustainability work has been focused on realizing action plans in the three areas mentioned above and some further progress can be reported.

Supply chain

In our process for supplier evaluations, we made about 50 evaluations during 2013 with an approval rate of 80 %. One area of evaluation concerns how the supplier works with environment.

Internal processes

Nefab continuously work with certification according to ISO 14001. During 2013, focus has been on North America, where our site in Dallas was the first to obtain certification in December. Processes were started in four more sites during the year and certification audits thus will continue to take place throughout 2014. Internal trainings for our engineers have been carried out in order to strengthen their competence in terms of using our tool "Green Calc", which generates complete life cycle analyses. To make environmental considerations in the early design phases of a packaging solution is important in order to optimize the business process.

Customer offering

The demand for sustainable packaging solutions is increasing and with the use of GreenCalc we have been able to offer substantial reductions of GWP (Global Warming Potential) to our customers. Introducing new materials that are environmentally friendly is an area where we continue to work. We still find it quite challenging to implement them on a larger scale and here secure supply is often a major concern.

Organization

Nefab's sustainability work is directed by its "Green Team", a network with representatives from various parts of the global organization, with responsibility to initiate new concepts and tools.

STAKEHOLDER DIALOGUE

Stakeholders to Nefab's business are employees, customers, suppliers, owners, environment and society (e.g. authorities and various interest groups). The company engages in a continuous dialogue with the stakeholders on multiple levels.

Employees and customers

Every year, employees and customers are given the opportunity to express their views and wishes in comprehensive surveys. In the 2013 customer survey we asked our customers what area of sustainability they thought Nefab should focus on and the main focus area was human rights, closely followed by environment. The employee survey addresses issues relating to health, leadership, job satisfaction, working conditions and sustainability. Response rates for 2013 were recorded at 21 % for the customer survey and 83 % for the staff survey.

Suppliers

The dialogue with suppliers is on-going in daily contacts as well as in the work of supplier evaluations. Questions about code of conduct, including human rights, working conditions, quality, delivery precision and environment are asked, following a standard process established in our global procurement guidelines.

Owners

Owners question the business model and how it can be sustainable in its value creation. The organization is always prepared to answer specific questions.

Economic value creation

Sustainability work affects both revenues and costs and is part of Nefab's long-term value creation, which is of vital importance not only for the company but also for society as a whole.

Created and distributed economic value, SEK m	Stakeholders	2013
Directly created economic value		
Revenues	Customers	2,929
Distributed economic value		
Operating costs	Suppliers	2,122
Personnel costs	Employees	621
Financial net	Owners/Banks	196
Tax	Society	23
Investments		
Net investments	Suppliers	48

Environment and society

Authorities in the countries where Nefab operates are mainly concerned about safety, working conditions and health issues. The dialogue primarily takes place through recommendations and inspections. As a member of Global Compact, Nefab also indirectly contributes to a comprehensive global stakeholder dialogue.

ENVIRONMENT

Nefab's greatest contribution to the environment is directly linked to the business offering, in which the customer is presented not only with the most cost efficient packaging solution, but also its environmental impact. With the use of the "GreenCalc" tool, customers are offered life cycle analysis, showing how a (new) packaging solution can impact CO2 emissions, comparing different solutions.

Nefab always strives to optimize the packaging to give maximum protection with minimal material consumption. In this way, resources can be saved in the packaging supply chain, while also reducing losses due to damage and discarded products. Designing the packaging properly leads to more efficient loads in trucks and containers, which means that customers carry less air and can reduce CO2 emissions. As far as possible, all packaging solutions from Nefab are also designed with consideration to recycling. The customer offering includes a range of smart returnable packaging and rental systems that increase utilization and reduce the consumption of materials and energy.

Environmental policy

Nefab's environmental policy is based on the principle that with our complete packaging solutions, we can avoid wasting resources both in the packaging itself and in terms of damages. The goal is that the packaging products should have low environmental impact throughout their life cycles. The minimum requirement in our own production is to comply with current laws and regulations and the aim is to surpass them. As per end of 2013, fourteen of Nefab's facilities are certified in accordance with ISO 14001 with the aim of all production facilities becoming certified – a process that will take a few years.

Key ratios	2013	2012	2011
Plywood consumption (m ³)	134,234	90,444	104,181
Steel consumption (tons)	7,293	8,141	9,810
Consumption of paint/coatings (tons)	49	55	45
Energy consumption (MWh)	33,131	39,942	44,081
Water consumption (m ³)	51,029	53,456	80,932
Direct and indirect emissions of greenhouse gases (tons) ¹⁾	917	981	878

¹ Emissions from our own production, excluding inbound and outbound transportation.

Within the framework of ISO, local entities are involved in various improvement projects, like energy efficiency and reduction of emissions from own vehicles. Concerning energy consumption, the main parameter affecting the consump-

tion is temperature as especially cold winters require a lot of energy for heating of the premises, while the production itself is not very energy consuming.

EMPLOYEES AND COMMUNITY

Nefab is a knowledge-based company and its market-leading position is maintained by focusing on the individual employee’s development. Nefab will offer attractive opportunities to ensure that employees choose to remain while allowing valuable new skills to be recruited. Nefab is characterized by a customer-oriented corporate culture where employees are encouraged to develop a proactive approach. Nefab’s values and code of conduct form the basis for the corporate culture to reflect the Group’s global expertise and diversity.

All employees are invited to participate in a yearly employee survey in which they respond to a number of questions concerning health, job satisfaction, leadership, physical and psychological working conditions, etc. Based on the outcome, a so called “Employee Satisfaction Index (ESI)” is measured, which easily can be compared year by year. Units that scored the lowest index are subject to improvement measures. The employee survey is conducted by an external partner to ensure the methodology and integrity in every aspect.

Internal trainings – Web Academy & Pakademy

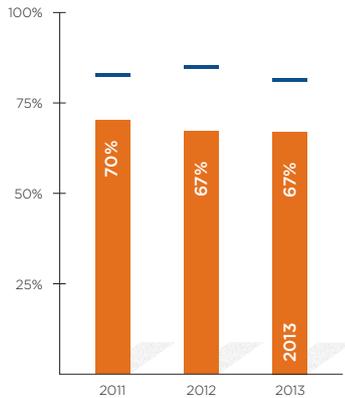
Web Academy is Nefab’s intranet-based skills portal. As part of Web Academy, employees are offered a variety of basic tutorials on the company’s packaging solutions and sales processes, as well as courses dealing with the company’s social responsibility, environment and human rights.

Pakademy started in China in order to address the need to educate newly recruited engineers and salespeople. The five week training program includes theory and practice regarding packaging materials, sales processes and testing methods. Classes are organized on a needs basis and during 2013, we did not run any class.

Key ratios	2013	2012	2011
Percentage of employees who have union agreements	24 %	22 %	19 %
Hours of training per employee	12.7	14.5	12.2
Percentage of employees who have regular development talks	42 %	32 %	29 %
Board members for the Group, gender breakdown	10 % female 90 % male	8 % female 92 % male	5 % female 95 % male
Presidents and other senior executives*	20% female 80 % male	17 % female 83 % male	20% female 80% male
Percentage of employees trained in anti-corruption policies	8 %	8 %	7 %

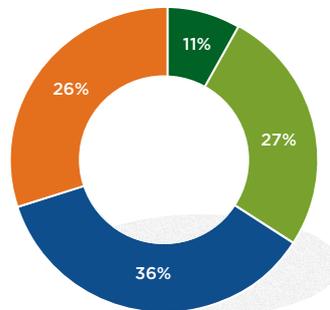
* Management team members and similar.

EMPLOYEE SATISFACTION INDEX (ESI)



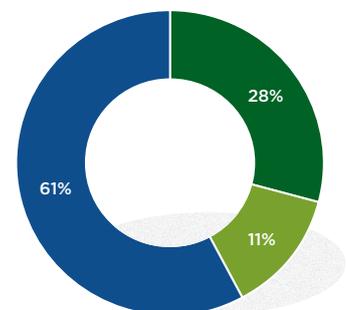
EMPLOYEE SATISFACTION INDEX (ESI)
RESPONSE RATE

AGE DISTRIBUTION - ALL EMPLOYEES



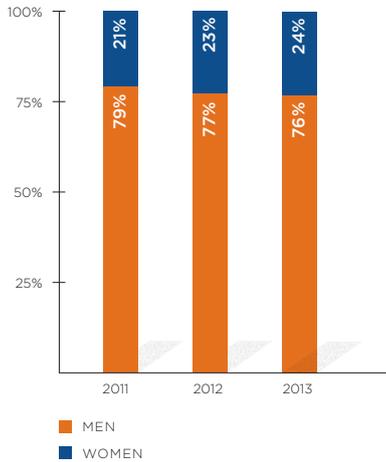
EMPLOYEES UP TO 29 YEARS OLD
EMPLOYEES 30-39 YEARS OLD
EMPLOYEES 40-54 YEARS OLD
EMPLOYEES 55 YEARS OR OLDER

ALL EMPLOYEES - BY FUNCTION

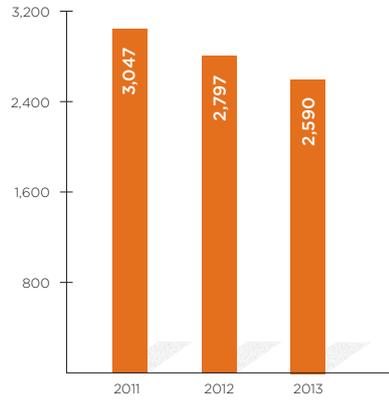


MANUFACTURING/ENGINEERING
ADMINISTRATION
SALES, MARKETING & DISTRIBUTION

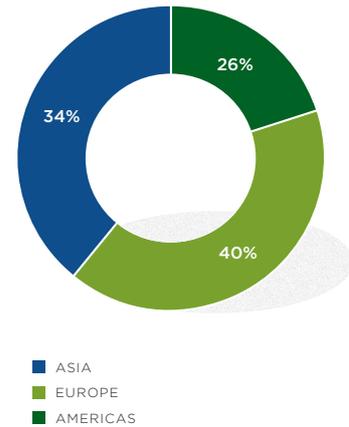
GENDER DISTRIBUTION - ALL EMPLOYEES



AVERAGE NUMBER OF EMPLOYEES



ALL EMPLOYEES - BY REGION



COMMITMENT AND ACTIONS

Nefab will continuously seek to implement the ten principles of the United Nations Global Compact.

The Nefab Code of Conduct (latest update in 2013) is an important document to fulfill this commitment, as it guides employee behavior to be in line with Global Compact principles.

Comparison of UNGC principles and the Nefab Code of Conduct

UNGC PRINCIPLES	NEFAB CODE OF CONDUCT
Human Rights	Human Rights
1. Businesses should support and respect the protection of internationally proclaimed Human Rights	Nefab supports and respects the protection of internationally proclaimed human rights and ensures that the company is not complicit in human rights abuses.
2. Businesses should make sure that they are not complicit in human rights abuses	
Labour	Labour standards
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	<i>Freedom of association</i> As local or relevant laws allows, all employees are free to form, join or not to join unions and have the right to collective bargaining when employed by Nefab.
4. Businesses should uphold the elimination of all forms of forced and compulsory labour.	<i>Forced and compulsory labour</i> No form of forced or compulsory labour is tolerated by Nefab and all employees have the right to leave their employment as stated by contracts or local laws.
5. Businesses should uphold the effective abolition of child labour.	<i>Child labour</i> Nefab shall not be complicit in any form of child labour or other forms of child exploitation. No one is employed below the completion of compulsory school or under the age of 15 and no one under the age of 18 is employed for hazardous work within Nefab.

UNGC PRINCIPLES	NEFAB CODE OF CONDUCT
Labour	Labour standards
6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.	<p><i>Workplace</i> Nefab shall provide a working environment that is healthy, safe and in accordance with international standards and local laws for all employees.</p> <p><i>Discrimination</i> Diversity among Nefab employees is a positive attribute and no one regardless of race, color, sex, sexual orientation, nationality, parental status, marital status, pregnancy, religion, political opinion, ethnic background, social origin, social status, age, union membership or disability shall be discriminated. Harassments in the form of physical or psychological abuse are strongly prohibited within Nefab as are any kinds of intimidation or other threats.</p>
Environment	Environment
7. Businesses should support a precautionary approach to environmental challenges.	<p><i>Precautionary approach</i> Sustainable development is a key concept for Nefab and finite resources is avoided as often as possible. Nefab also has a precautionary approach towards environmental challenges whereby dangerous materials are avoided when suitable and more environmentally friendly alternatives are available.</p>
8. Businesses should undertake initiatives to promote greater environmental responsibility.	<p><i>Environmental responsibility</i> Innovative developments in products and services that offer environmental and social benefits as well as greater environmental responsibility are promoted and supported by Nefab.</p>
9. Businesses should encourage the development and diffusion of environmentally friendly technologies.	
Anti-corruption	Anti-corruption
10. Businesses should work against corruption in all its forms, including extortion and bribery.	Nefab's reputation of honesty, integrity and responsibility must be upheld and any involvement in bribery, extortion or corruption is not tolerated by Nefab in any form. Nefab's Anti-corruption Policy further outlines our responsibility in this area.
	Consumer interests
	When dealing with consumers, Nefab acts in accordance with fair business, marketing and advertising practices. Nefab also ensures that the goods or services it supplies meet all agreed and legal standards.

For 2013, no violations of Nefab's code of conduct were reported.

Human rights

Using our e-learning system (Web Academy), Nefab developed a basic course in "Human Rights", which was launched in June 2010. At the end of 2013 we had in total 234 (of which 48 during the reporting period) students with a diploma in this course.

The course material contains the Universal Declaration on Human Rights as well as the principles from Global Compact and more business oriented issues in terms of Human Rights.

Labour

Nefab's annual Staff Survey gives each employee the right to provide feedback on working conditions, managers' behavior, physical and psycho-social working environment, stress and more. In addition, free text comments can be submitted. All answers are anonymous and the entire sur-

vey is handled by an external partner. The response rate for 2013 was 83 %, which is considered to be very satisfying.

From the Staff Survey a combined key ratio, ESI (Employee Satisfaction Index), is communicated - as a generic output from each survey. The idea of a combined key ratio is to make it simple to communicate and simple to set targets in terms of improvements from one year to another.

For the entities reporting the lowest ESI, root causes are analyzed and actions designed in order to improve.

Environment

Nefab's business concept is to offer engineered complete packaging solutions that reduce total cost and environmental impact. In line with this, Nefab has developed a tool to quantify environmental impact from packaging solutions, the Nefab GreenCALC.

GreenCALC - features:

- A Life Cycle Assessment method analyzing environ-

mental impact from raw material, production, logistics, use phase and end of life.

- Analyzing multiple impact categories, such as Global Warming Potential (GWP), water and energy consumption.
- The impact calculations are based on the databases of one of the World's leading LCA software; SIMA Pro. GreenCALC has been developed hand in hand with the French Environmental consultancy company EVEA.

By using GreenCALC Nefab can support customers in their green initiatives by:

- Quantifying environmental impact in packaging solution. Identify areas of improvements.
- Quantify improvements in reduction of Global Warming Potential.
- Implementing engineered complete packaging solutions that are optimized in terms of total cost and environmental impact.

Anti-Corruption

In September 2013 the Board of Directors approved Nefab's new Code of Conduct with a Anti-corruption policy added. Internal communications have been taking place and we started a process to prepare a small brochure (containing the anti-corruption policy and other common polices) for employees which will be distributed during 2014.

Performance

Nefab reports according to performance according to guidelines provided by Global Reporting Initiative (GRI). Below is a table, summarizing the performance indicators information that can be found in this COP.

GRI-TABLE

Performance indicators		Ref.page	Reported	Comments
Economic effects				
EC1	Direct economic value, generated and distributed	4	Complete	
Environmental impact				
EN1	Materials used by weight or volume	4	Complete	
EN8	Total water consumption	4	Complete	
EN16	Total direct and indirect greenhouse gas emissions by weight	4	Complete	
Working conditions and working terms				
LA1	Total number of employees, by employment type and region.	5-6	Complete	
LA2	Total number of employees and staff turnover by age group, gender and region	5-6	Partially	
LA4	Percentage of employees covered by union agreements	5	Complete	
LA10	Average hours of training per year per employee by employee category	5	Partially	
LA12	Percentage of employees receiving regular performance evaluation and career development.	5	Complete	
LA13	Composition of the Board and management and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity.	5	Partially	
SO3	Percentage of employees trained in organization's anti-corruption practices.	5	Complete	

Your mission is our mission. We develop complete packaging solutions optimized to reduce total cost and environmental impact in your supply chain. With our global engineering and supply capabilities we serve you in every corner of the world.

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