



View from the Bjäre Peninsula, a stone's throw from Nolato's headquarters in Torekov, southern Sweden.

Our Sustainability Work 2014

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Sustainable development in everything we do

► How do you view Nolato's financial performance in 2014?

Our financial performance has been good for a number of years, and although sales decreased slightly compared with the exceptionally strong 2013, they are much higher than previous years. I think the fact that we improved profit despite lower sales is testament to the great work of our employees in constantly optimising our offering and the business. Cash flow was lower as a result of higher investments and working capital requirements, but despite this we have a very strong balance sheet, which gives us significant scope for the future.

► How do you view corporate responsibility?

Nolato has a long tradition of responsible business practice. It's part of our company's spirit to be a good employer and corporate citizen, and to take responsibility for what we do and always apply sound business ethics. We believe that a future-oriented, responsible approach is not only necessary from a sustainability perspective, but also creates opportunities and business benefits. Especially when combined with our strong focus on efficiency and professionalism.

► What corporate responsibility action have you taken over the past year?

We've taken a number of specific sustainability measures, both large and small. For example, in Beijing we installed a cutting-edge facility for reducing atmospheric solvent emissions from the painting of mobile phone components. Our work on this was reported on by Chinese television. Another example is that we now have a total of five factories in Hungary, Romania and China that are certified to the OHSAS 18001 health and safety system. A third example is our social project, Building Hope Together, which we are running with a school in Daxiwan, China.

In addition, we have updated our corporate values document The Nolato Spirit, which includes our Basic Principles and our Code of Conduct, which are areas that reflect the Group's commitment to the UN Global Compact. We have also further developed our reporting of sustainability work in accordance with GRI G4 standards.

► What are Nolato's goals for 2015?

Growth and good profitability! We aim to achieve this by continuing our goal-oriented work of recent years together with close cooperation with customers, lean manufacturing and strong technical expertise. Nolato Medical is focussing on a greater proportion of system projects, which comprise development of integrated complex products and high-volume production. Nolato Telecom is continuing to develop technologies that are attractive to our customers in the mobile phone sector, and is also endeavouring to expand its operations into related customer segments. Our EMC business is also being given the opportunity to continue its strong growth. Nolato Industrial is increasing its marketing to selected key customers, with the aim of taking further market share.

We are also continuing to develop our strong corporate culture that has made Nolato into such a successful company. This work includes achieving our Group-wide sustainability goals. Greater energy efficiency, a reduced carbon footprint, a healthy and safe work environment and sound ethical principles benefit our company, our employees and society as a whole.

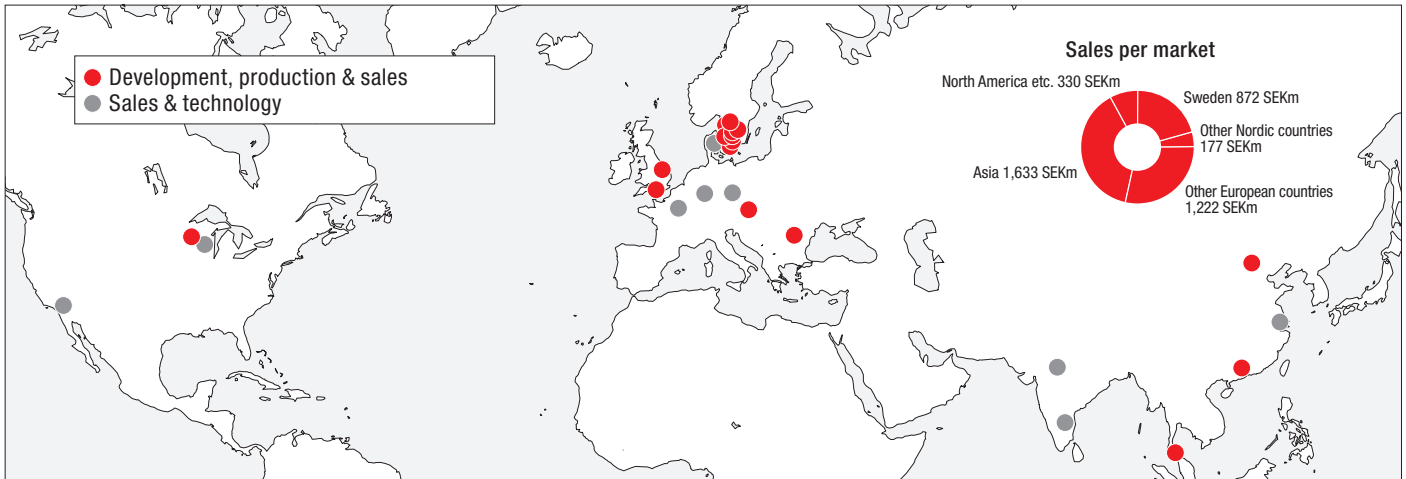


"2014 was the best year yet in Nolato's almost 80-year history, with operating profit of SEK 470 million. This achievement is based on a successful and long-term strategy that has contributed to good performance by all three business areas, and our own EMC operations have also shown strong growth with healthy profitability," says President and CEO Hans Porat.

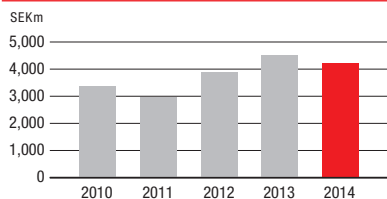
Torekov, March 2015

Hans Porat, President and CEO

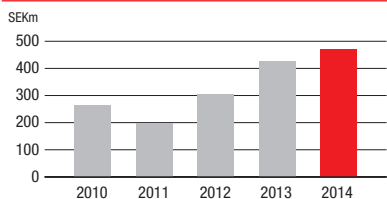
The Nolato Group in brief



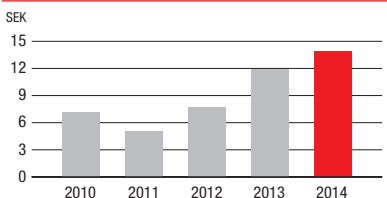
Sales



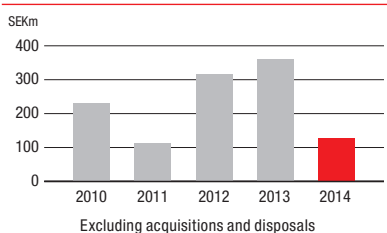
Operating profit (EBITA)



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 automotive 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 consideration of the environment. 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 2014 was 8,020. Of these, 90% were outside Sweden.

Our shares

Nolato was listed on the stock exchange in 1984. Its B shares are listed on the NASDAQ Stockholm Exchange in the 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.



Nolato Medical

| Financial highlights: | 2014 | 2013 |
|-----------------------------|-------|-------|
| Sales SEKm | 1,333 | 1,274 |
| Operating profit EBITA SEKm | 176 | 165 |
| EBITA margin % | 13.2 | 13.0 |
| Average number of employees | 1,031 | 988 |

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, UK, Hungary, USA and China. Sales offices in Denmark, Germany, France and the Czech Republic.

Success factors:

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

Customers include:

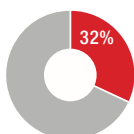
Becton Dickinson, Boston Scientific, Coloplast, Novo Nordisk, Pfizer, Roche, Sanofi, Takeda.

Volatility:

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

Product life cycle:

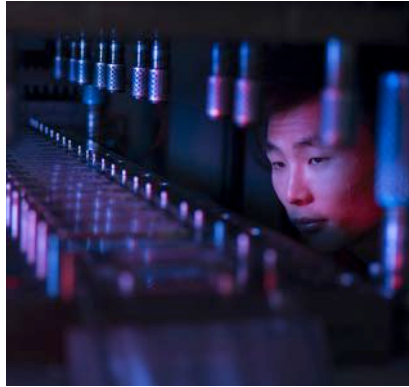
Long.



Share of the Group's net sales



Share of the Group's operating profit (EBITA)



Nolato Telecom

| Financial highlights: | 2014 | 2013 |
|-----------------------------|-------|-------|
| Sales SEKm | 1,799 | 2,079 |
| Operating profit EBITA SEKm | 199 | 166 |
| EBITA margin % | 11.1 | 8.0 |
| Average number of employees | 6,297 | 7,611 |

Customer offering:

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

Geographic information:

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

Success factors:

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

Customers include:

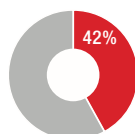
Ericsson, Huawei, Microsoft (Nokia), Motorola Solutions, Sony Mobile, Xioami, ZTE.

Volatility:

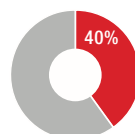
High. Project-based operations.

Product life cycle:

Short.



Share of the Group's net sales



Share of the Group's operating profit (EBITA)



Nolato Industrial

| Financial highlights: | 2014 | 2013 |
|-----------------------------|-------|-------|
| Sales SEKm | 1,106 | 1,170 |
| Operating profit EBITA SEKm | 118 | 119 |
| EBITA margin % | 10.7 | 10.2 |
| Average number of employees | 687 | 753 |

Customer offering:

Development and manufacturing of components and product systems for customers in the automotive industry, hygiene, packaging, gardening/forestry, furniture 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:

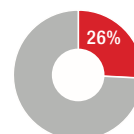
Atlas Copco, Brose, Husqvarna, Jaguar/Land Rover, MCT Brattberg, Sanitec, SKF, Volvo, Volvo Cars.

Volatility:

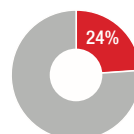
Medium. Follows the Northern European industrial business cycle.

Product life cycle:

Medium/Long.



Share of the Group's net sales



Share of the Group's operating profit (EBITA)

2014 in brief

Financial performance

Nolato sales for 2014 amounted to SEK 4,234 million (4,522). For the third successive year, operating profit (EBITA) was the best in the company's almost 80-year history, amounting to SEK 470 million (427), corresponding to an operating margin of 11.1 percent (9.4). All business areas achieved a double-digit operating margin (EBITA), which contributed to the healthy profit. Earnings per share was SEK 13.84 (11.94) and the equity/assets ratio improved further to 54 percent (52).

Sustainable development

The Group undertook numerous activities relating to sustainable development during the year. The driving forces in this work included long-term goals, commitment to the Global Compact, reporting in accordance with the Global Reporting Initiative, and the requirements and views expressed by the Group's stakeholders. We saw increased interest among customers in ensuring responsible business practice in the value chain, which is an approach that corresponds with how we view these issues in our value chain.

In 2014, we continued to work on issues relating to energy and resource usage, climate impact, work environment, social engagement and business ethics. As shown in the table to the right, development has mainly been positive. But work relating to sustainable development constantly generates new challenges and there is always more we can do.

Further work

In 2015, our continued work will include the following:

- ▶ Information about the updated version of The Nolato Spirit, which provides guidelines on our core business principles, values and Code of Conduct.
- ▶ Further measures that help improve energy efficiency, cut carbon emissions and reduce waste.
- ▶ Health and safety activities, including the introduction of the OHSAS 18001 health and safety standard at a number of units.
- ▶ Initial measures to adapt environmental management systems in accordance with the new version of the ISO 14001:2015 environmental management standard.
- ▶ Continued social engagement and social responsibility, including projects such as the Employee Care Programme and Building Hope Together in China.

Key sustainability figures

| | 2014 | 2013 | 2012 |
|--|---------------|---------------|---------------|
| Financial responsibility | | | |
| Sales, SEK million | 4,234 | 4,522 | 3,874 |
| Operating profit (EBITA), SEK million | 470 | 427 | 303 |
| EBITA margin, % | 11.1 | 9.4 | 7.8 |
| Average number of employees | 8,020 | 9,357 | 8,421 |
| Environmental responsibility | | | |
| Breach of environmental and occupational environment legislation, number of cases | 0 | 0 | 0 |
| Energy consumption, GWh/SEK million sales | 0.038 | 0.036 | 0.043 |
| Water consumption, m ³ /SEK million sales | 37.8 | 35.2 | 43.7 |
| Emissions of greenhouse gases, tonne CO ₂ /SEK million sales | 14.7 | 13.7 | 15.5 |
| Waste, tonnes/SEK million sales | 1.0 | 1.1 | 1.4 |
| Certified environmental management system, % of total no. of plants | 100 | 100 | 86 |
| Social responsibility | | | |
| Occupational accidents, (cases of ≥1 day's absence; cases per employee) | 43 (0.005) | 34 (0.004) | 64 (0.007) |
| Female employees, % | 52 | 57 | 62 |
| Training on Nolato's Basic Principles and Code of Conduct, % of employees | >90 | >90 | >90 |
| Application of ethical & humane principles and number of registered breaches of corruption rules | 0 | 0 | 0 |
| Evaluation of subcontractors, number of assessments conducted (questionnaires, audits) | 161 | 106 | 140 |

Sustainability contributes to profitable business

Sustainable development is part of Nolato's business model and we create value for our stakeholders by taking a strategic approach on issues relating to people and the environment. Effective, responsible and profitable business operations are based on sound business ethics and forward-looking environmental measures, and these are clearly expressed in Nolato's Basic Principles.

Milestones along the way

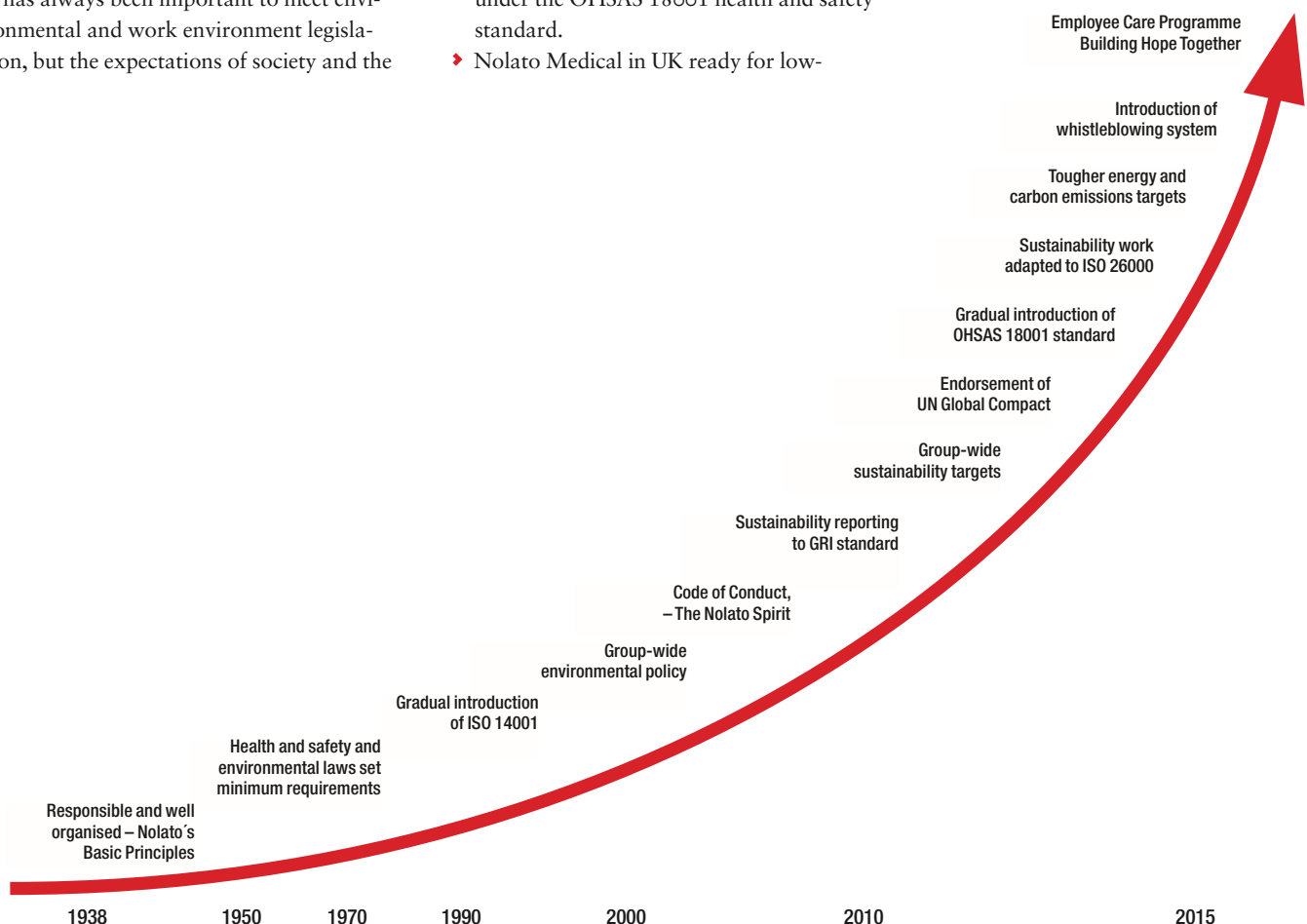
Nolato actually first began its sustainability work with a focus on responsibility and good organisation when the company was first formed in 1938. Since then, we have taken many both large and small steps with ever greater ambitions and the chart below shows some of the milestones along our way towards sustainable development. Of course, it has always been important to meet environmental and work environment legislation, but the expectations of society and the

Group's stakeholders constitute increasingly important drivers in our work. For example, requirements relating to the environment and social responsibility are increasing among Nolato's customers and we are expected to pass these requirements on to our suppliers. A significant portion of sustainability measures are initiated by committed managers and staff, and this made a significant contribution to Nolato undertaking numerous activities in this area in 2014:

- ▶ Successful measures for energy efficiency and reduced climate impact.
- ▶ Programmes for social responsibility in China and Hungary continue to be developed.
- ▶ Additional production units in Sweden, Hungary, Romania and China certified under the OHSAS 18001 health and safety standard.
- ▶ Nolato Medical in UK ready for low-

carbon packaging and transport solutions.

- ▶ New purification plant to minimise solvent emissions and contribute to a better environment in Beijing.
- ▶ Development of environmentally adapted products – everything from bio-compatible ceramics to environmentally friendly traps for bed bugs.
- ▶ Sustainable development is an important part of the Medical Excellence project at Nolato Medical.
- ▶ Nolato Beijing and Lövepac Converting remain certified as Sony Green Partners.
- ▶ Nolato's sustainability work continues to receive great reviews in the sustainable portfolio of Veckans Affärer.



Sustainable development strategy

The Group's business concept includes the aim for Nolato to be the customer's first choice of partner. This aim includes an ethical and sustainable approach as a success factor and the purpose of this sustainable development strategy is to contribute to both successful business and sustainable development. The strategy encompasses the following areas:

- ▶ Reducing risks, minimising the impact on people and the environment, and reducing costs. We do this through prevention, risk analysis and investment in modern technology.
- ▶ Working systematically with continuous improvement. International standards regarding the environment and health and safety are important tools in systematic improvement work. In addition to this, concepts such as lean manufacturing and 5S contribute to a better environment and health and safety.
- ▶ Improving competitiveness and increasing customer trust. Many of Nolato's customers have high ambitions for sustainable development, which are consistent with our own business strategy.
- ▶ Motivating and caring for our employees. Questions concerning health, safety and employees' social situation are given priority. We want to be an attractive company for both new and current employees.
- ▶ Being a good citizen. Partnerships with universities and schools, the employment of people with disabilities and support for sports activities are some examples of our social engagement.
- ▶ Applying sound business principles. We have zero tolerance when it comes to corruption and illegal business competition.
- ▶ Being open in our communication. This makes it easier for customers, investors and other stakeholders to follow up their demands and evaluate our work.
- ▶ Adherence to international guidelines. Nolato is affiliated to the UN Global Compact and reports on sustainability in compliance with the guidelines in the Global Reporting Initiative (GRI).

- ▶ Integration of sustainable development. Our approach includes sustainability issues in a natural way. This involves investment, follow-up work, external communication, acquisitions, crisis and risk management, procedures, reporting and training.

Governance of sustainability work

Sustainability issues arise in many forms in Nolato's operations, including in the introduction of new technology, internal and external communication, corporate acquisitions, crisis and risk management, reporting and training.

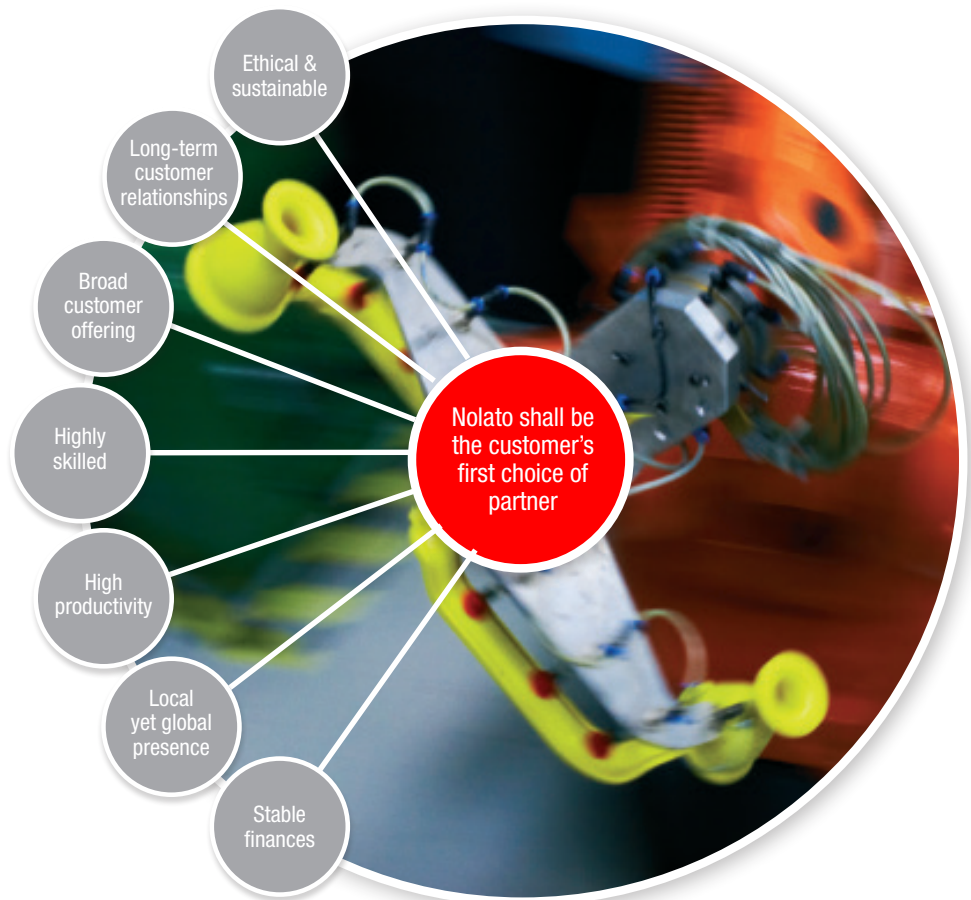
The overall focus of sustainability work is stated in Nolato's Basic Principles, Code of Conduct and policies. Operational responsibility for activities is delegated to the CEO

of each company. The Group Management regularly monitors sustainability work and the issues are integrated into strategic planning. A representative of Nolato's Board has a special responsibility for monitoring issues related to sustainable development.

Activities are monitored through dialogue with management and through internal and external audits. In connection with the annual sustainability report there is an in-depth analysis of compliance with legislation, the fulfilment of Group goals, and how performance indicators developed during the year.

Materiality analysis

Within the framework of the ISO 14001 standard, the Group's production facilities endeavour to identify and manage significant environmental aspects. This forms an impor-



tant backdrop to Nolato's materiality analysis, which is developed based on the requirements set out in the GRI G4 sustainability reporting guidelines.

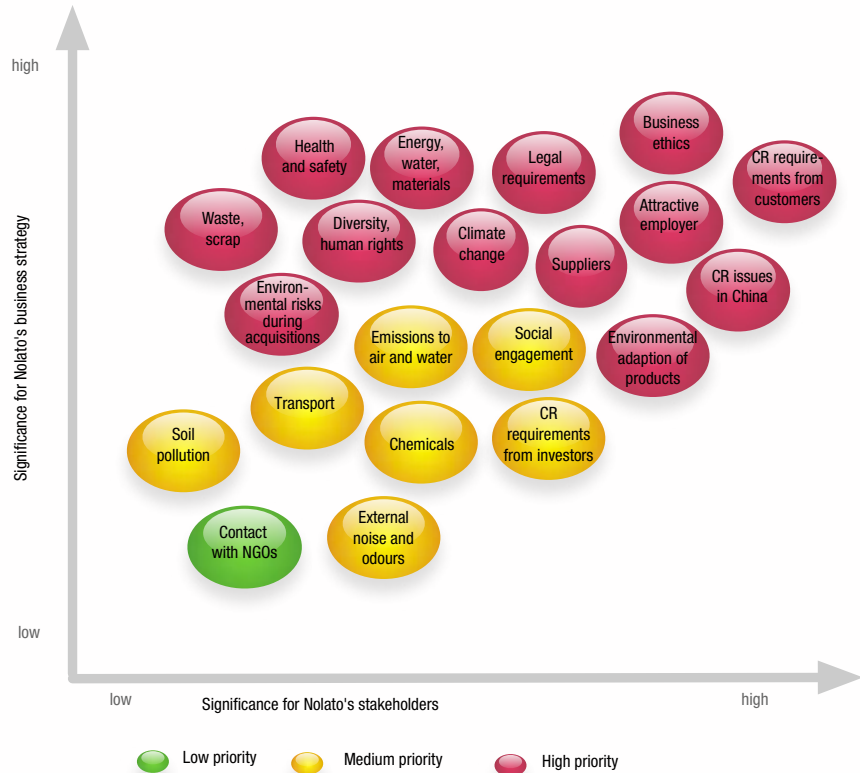
In addition to the environmental aspects, the analysis also includes risks and opportunities regarding health and safety, social responsibility and business ethics. Our approach is based on sustainability issues that are significant for Nolato's business strategy and that the Group has the ability to influence. These issues are then weighed up against aspects that we consider important for the Group's stakeholders.

The chart on the right shows the issues that were identified in 2014 as significant and our sustainability reporting describes how these issues are managed and monitored. The end of the report (pages 26 – 29) contains a list of the GRI sustainable development indicators that we refer to.

Dialogue with stakeholders

The table below indicates the importance of employees, customers and suppliers to Nolato, but also that the business interacts with various other groups of stakeholders. The perception of which stakeholders are significant – and what they believe is important – is based on experience, commercial relationships and dialogue over a long period, as well as events over the past financial year.

Priority of aspects relating to sustainable development in 2014



Overview of dialogue with stakeholders in 2014

| Stakeholder | Key areas | Activities in 2014 |
|--------------------------------|---|--|
| Customers | Product declarations, the presence of hazardous chemicals in products, environmental adaptation of products, and the correspondence of Nolato's Code of Conduct with customer requirements. | Dialogue with customers when discussing business and during customer visits and audits (see page 20). |
| 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 directly 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, well-being, development opportunities and business ethics. | Training, information, dialogue, performance reviews and employee surveys. |
| 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 20). |
| Shareholders and investors | Risk management and efficient use of resources. Integration of sustainability issues into business operations. Communication and image. | Meetings with investors. Regular reporting to Nolato's Board. Endorsement of UN Global Compact and reporting in accordance with GRI. |
| Society | Engagement with local communities where Nolato operates. Participation in industrial networks and other organisations. | Many examples of social engagement, including in China, contact with schools and universities, and participation in business initiatives (see pages 16–18.) |
| Authorities | Complying with legislation. Engagement in social goals for sustainable development. | Dialogue with environmental and health and safety authorities in connection with inspections and site visits (see page 10). By signing up to the Global Compact, we engage in global sustainability goals. |
| 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. |

Environmental and health and safety legislation

Nolato's production units are subject to extensive legislation relating to the environment and health and safety. We use our management systems to identify applicable legislation and implement the measures required. From a strategic perspective, it is also important to evaluate the risks and opportunities of future legislation, and we do this by participating in networks and through regular contact with various authorities.

In Sweden, the Group conducts operations subject to notification obligations in accordance with the Swedish Environmental Code at 10 units. The units in China, Hungary, Romania and the US require permits or are covered by other requirements under the environmental legislation of the country in question. No significant updates to permits and conditions are expected in the near future. Many of the units report regularly to environmental authorities and inspections are carried out by regulatory authorities. In 2014, nine plants were inspected by environmental authorities and no significant deviations were noted.

Legislation relating to hazardous chemicals (REACH, RoHS, refrigerants, safety data sheets) largely concerns the entire business and this is an area where many customers are demanding a guarantee of compliance with legislation. In 2015, a new chemicals labelling system, the CLP, is being introduced with new national symbols, and this affects Nolato's operations. Just under half of the units are subject to legislation relating to producer responsibility for packaging waste.

In 2014, there were no significant breaches of permits, conditions or any other relevant environmental legislation. In one case, a minor penalty was issued relating to fire safety at particular premises. With regard to health and safety, five of the units were inspected by occupational environment authorities during the year. Only one minor deviation was noted during these inspections.

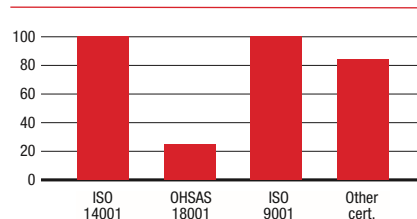
Looking ahead, we see growing interest among authorities in measures to improve energy efficiency and a transition to renewable energy. Different types of legislation have been introduced, and Nolato's units in the UK are considering introducing ISO 50001-based energy management systems to meet authorities' requirements.

Certified management systems create confidence

The ISO 14001 environmental management system standard was introduced in 1996, and by 1997 Nolato had its first plant certified to the standard. Since then, introducing certified environmental management systems has been part of our sustainable development strategy and something that creates confidence among our stakeholders. ISO 14001 systematises environmental work and aims to achieve continuous improvements and all units are certified. Our continuous improvement measures involve internal and external environmental audits. Nolato has around 100 internal environmental auditors, who conducted 88 environmental audits last year. Our plants were reviewed by external environmental auditors on 21 occasions. ISO 14001 is now being updated and a new version is expected to be published in autumn 2015. Nolato participates in the Swedish reference group as part of this work, which creates good conditions for the effective and efficient introduction of the new version. All units are certified in accordance with the requirements of the ISO 9001 quality management system. In addition, almost 85% of the units are certified in accordance with ISO standards for the automotive industry (ISO/TS 16949) or medical technology (ISO 13485). At most plants, the various management systems are entirely or partly integrated into the operational system.

OHSAS 18001-based health and safety management systems have been introduced at five units and a further four units are planning to achieve certification within the next 12 – 18 months. Our UK units have started work on supplementing their environmental management systems with the ISO 50001 energy management standard. At Group level, the ISO 26000 social responsibility standard provides a guideline for our overarching sustainability work. This standard is based on seven fundamental principles and describes how an organisation can work with environmental issues, social responsibility and ethics.

Certifications (% of all units)



Key guidelines

The Nolato Spirit

The Nolato Spirit is the fundamental values and policy document that conveys the principles and attitudes that constitute Nolato's values. An update of The Nolato Spirit was started in 2014 and courses for employees will be arranged in 2015.

Global Compact

Nolato is affiliated to the UN Global Compact, which encompasses 10 principles on the environment, human rights, working conditions and anti-corruption. Annual reports are prepared in accordance with UN guidelines (Communication on Progress, COP).

GRI

We report Nolato's sustainability work under the guidelines of the Global Reporting Initiative (GRI G4). The report includes indicators for environmental responsibility, social responsibility, ethics and financial responsibility.

Certified management systems

We work according to international standards relating to the environment (ISO 14001) and health and safety (OHSAS 18001). The standard for social responsibility (ISO 26000) gives us guidance in overall sustainability work.



► The Nolato Spirit is available for download at the Group's website, www.nolato.com/sustainability

Group-wide targets

Management by objectives in the environmental field is a requirement of the environmental management standard ISO 14001, so the Group units have been working with local environmental objectives for many years. To coordinate the activities introduced in 2010, shared long-term goals in the Group

were introduced for sustainable development. The goals have gradually been made more stringent and individual units are also free to draw up their own local goals.

The Group's targets cover those areas that are both important for internal sustainability work and for our stakeholders. The

table below provides an overview of how our work on these targets is developing and how we evaluate our ability to achieve them.

Detailed information on emissions data and other parameters are presented in other parts of this sustainability report.

| Area | | Sustainability target | How we performed |
|--|----------------------------------|--|---|
| Environmental responsibility | Energy | Reduced energy consumption in relation to sales. For the period 2014–2016 the target is a reduction of 10% compared with the average for 2011–2012, measured as GWh/net sales. | ► Energy efficiency measures were implemented. Despite the increase in production and size of premises at several units, total energy consumption decreased. Find out more on pages 12 and 24. |
| | Climate | Reduced greenhouse gas emissions in relation to net sales. For the period 2014–2016 the target is a reduction of 10% compared with the average for 2011–2012. | ► Reduced consumption of fossil fuels, and energy efficiency improvements resulted in reduced carbon dioxide emissions. Find out more on pages 13 and 24. |
| | Chemicals | Chemicals that are particularly hazardous to the environment or health shall be identified and phased out. | ► Over the year a number of chemicals were replaced and further candidates for substitution were identified. Find out more on page 13. |
| | Waste | Reduced waste quantities in relation to net sales. | ► Continued focus on issues relating to scrap and waste resulted in reduced waste volume. Find out more on pages 13–14. |
| | Environmental management systems | All plants are to be certified to ISO 14001. | ▲ All units are certified. Find out more on page 10. |
| | Environmentally adapted products | During 2014, Nolato will take part in at least three projects aimed at reducing the environmental impact of new or existing products. | ► Projects for environmental adaptation of existing and new products have been undertaken. Environmental adaptation of products is continuing, even though the target for this year has been achieved. Find out more on page 15. |
| Social responsibility | Safe workplaces | Minimise work-related accidents and illnesses. Introduce systems for reporting incidents ('near misses'). Continued introduction of OHSAS 18001. | ► Systems to report incidents are now in place at all plants, and nearly 500 incidents were recorded and measures taken. The accident rate remains largely unchanged. OHSAS 18001 has now been introduced at five plants. Find out more on pages 18–19. |
| | Ethical and humane principles | There must be no cases of human rights violations, discrimination or forced labour. Continued active information to employees and new employees. | ▲ Continued information and training initiatives were undertaken. An updated and expanded version of The Nolato Spirit corporate values booklet has been developed. Programmes in China and Hungary on integration of disabled employees. Find out more on pages 16 and 21. |
| Business partners and other stakeholders | Anti-corruption measures | There must be no cases of bribery, corruption or formation of cartels. Continued active information to employees. | ▲ The whistleblowing system has been implemented throughout the Group. Find out more on pages 16 and 20. |
| | Suppliers | Improved evaluation of suppliers' sustainability work. In 2014, each company must have evaluated at least five sub-contractors. | ► The number of suppliers audited for environmental, health and safety and social responsibility increased by 50% compared with 2013. Find out more on page 20. |
| | Customers | Customer requirements in relation to the environment and social responsibility shall be met by a comfortable margin. | ► The results of the evaluations and audits were good. Three plants in China have been approved as Sony Green Partners. Find out more on page 20. |
| | Society, investors and analysts | Reporting must be in accordance with GRI. Nolato shall continue to endorse the Global Compact. We shall achieve good results in evaluations by analysts and independent institutions through transparent information in the field of sustainability. | ► Continued social engagement activities in China and elsewhere. Good results from evaluations of sustainability work in business magazines and by investors. Adaptation to GRI G4 implemented. Find out more on pages 17 and 21. |

▲ Goal achieved. ► Positive trend, but work is still required to achieve target. ▼ Negative trend.

Environmental responsibility

Technologies and environmental aspects

Nolato develops and manufactures products in polymer materials such as plastic, silicone and TPE for customers within medical technology, pharmaceuticals, telecom, automotive and other selected industrial sectors.

We manufacture everything from individual components, which customers assemble in their own products, to complete products that are ready for delivery to a customer's client.

We also develop and manufacture our own products, such as pharmaceutical packaging.

- ▶ **Injection moulding** – Technology for manufacturing components in plastic, silicone and TPE to highly precise dimensions and stringent quality requirements.
- ▶ **Injection blow moulding** – Technology for manufacturing containers and bottles in plastic. We use it to produce pharmaceutical packaging.
- ▶ **Dip moulding** – Technology for manufacturing flexible, airtight products in latex rubber. We use it to manufacture items such as catheter balloons and breathing bags.
- ▶ **Extrusion** – This is a method of manufacturing tubing and other continuous casting products. We use it to produce tubing for products such as heart catheters and EMC shielding gaskets.
- ▶ **Die-cutting** – Technology for manufacturing flat products in one or more materials. We use die-cutting for packaging, gaskets and cosmetic details such as loudspeaker protection, logos etc.
- ▶ **Decoration and assembly** – We give components the desired finish through painting, printing or metallisation, and assemble them to create a complete product or a subsystem. This may take place on a fully automated, semi-automated or fully manual basis.

From a life cycle perspective, the above technologies cause different types of interaction with the surrounding environment, and in most cases they have a very limited negative impact. At production facilities, direct

environmental aspects may be linked to the consumption of energy, raw materials (mainly plastics) and solvents. Other significant environmental aspects include waste and emissions to air of carbon dioxide and solvents. Indirect environmental aspects mainly include supplier activities, transport and the use of Nolato's products.

Energy

Energy is consumed by production equipment, lighting, ventilation, cooling, transport, purification facility and heating. Nolato mainly uses indirect energy in the form of electricity (87%) and district heating (11%). Some units use fuel oil and natural gas for heating and running purification equipment. Fuel oil is being gradually phased out and replaced with heat pumps or biofuel.

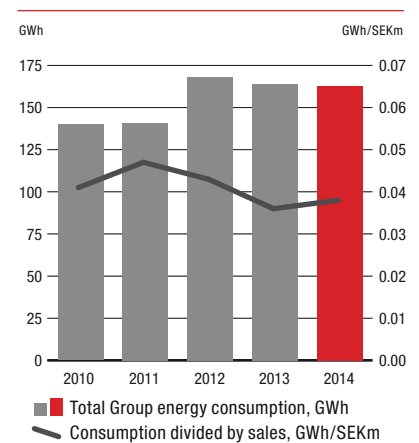
Over the year, this measure was implemented at the Skånes Fagerhult plant in southern Sweden, and the Götene facility in western Sweden is planning to also install a biofuel boiler.

Energy consumption amounted to 163 GWh (164) in 2014 and the key performance indicator, which places energy consumption in relation to sales, has shown a declining trend since 2011. The cost of energy in 2014 was approximately SEK 119 million (110).

Nolato has a long-term energy efficiency target (see page 11), which is met through targets and action plans at production units. We believe it is possible to achieve the energy target in 2016. In 2014 work continued on energy-saving activities, such as:

- ▶ Hydraulic injection moulding machines are being gradually replaced by electric machines. This both increases energy efficiency and cuts the handling of hydraulic oils.
- ▶ A new dipping robot at Nolato MediTor is saving significant amounts of energy.
- ▶ Replacement of lighting with LED bulbs. Installation of lighting sensors
- ▶ Optimisation of air-conditioning and cooling and improved ventilation equipment management.
- ▶ Production planning to gain maximum

Energy consumption



efficiency from equipment and the turning off of equipment when not in use.

- ▶ Measures to minimise scrap and production reruns, which also reduces energy consumption.
- ▶ Training, energy audits and detailed monitoring of energy consumption.



Hydraulic injection moulding machines are being replaced with electric equipment, which is contributing to more efficient energy use.

Atmospheric emissions

Greenhouse gas emissions

Nolato's emissions of the greenhouse gas carbon dioxide are caused by energy usage, transportation of raw materials and finished products, and an array of indirect activities among our suppliers and customers.

Reporting of carbon dioxide emissions is limited to include direct and indirect energy consumption. Emissions from transport, business travel, suppliers and users of Nolato's products are not insignificant but have not been quantified. Despite this, our work includes carbon reduction measures for transport, business travel and products.

In 2014, Nolato's production plants emitted 62,000 tonnes (67,700) of carbon dioxide, less than 2 percent of which was caused by the use of fuel oil and natural gas. Other carbon dioxide emissions were generated from the production of electricity in those countries in which we operate. Countries such as China, the US and Hungary use coal extensively for electricity production, causing significant carbon dioxide emissions, which has a major impact on the Group's carbon footprint. We have little ability to influence these circumstances, but we use other opportunities to reduce emissions. Measures include:

- ▶ Continued efforts to increase energy efficiency.
- ▶ Phasing-out of fuel oil and the installation of heat pumps or the use of bio-fuel. During the year, a heat pump facility was installed at Nolato Lövepac and Nolato Gota plans to use biofuel.
- ▶ Reduced scrap and lower amounts of waste.
- ▶ Purchase of more fuel-efficient vehicles and improved logistics.
- ▶ Nolato Jaycare has signed a national Climate Change Agreement. The agreement covers energy-intensive industry and, by reducing energy usage, participating companies can receive reduced charges under a system in the UK known as the Climate Change Levy.
- ▶ Nolato Jaycare is taking part through the industry organisation, the British Plastics Federation, and has, for example, access to tools for calculating and reducing its climate impact. Our UK units are planning to introduce the ISO 50001 management system to gain better management and control of energy consumption.

Nolato has a long-term climate target (see page 11) and the key performance indicator, which places emissions in relation to sales, shows that emissions have decreased in recent years. We believe it is possible to achieve our climate target in 2016.

Other atmospheric emissions

The use of around 430 tonnes of paints and solvents resulted in emissions of around 114 tonnes (140) of VOCs (volatile organic compounds). The majority of the paints and solvents are used for the painting of mobile phones in Beijing. In 2014, a significant investment was made in new emission abatement equipment, which will have full impact on the amount of emissions in 2015.

There are just over 2.5 tonnes of ozone-depleting substances (HFCs) in air-conditioning and other equipment at around 10 production units. Minor leakages occurred in 2014, which corresponded to around 2 percent of the installed amount. Emissions of sulphur dioxide and nitric oxides are low and amounted to 3 tonnes (4). Emissions of dust and malodorous substances are negligible, and no complaints were received from local residents during the year.

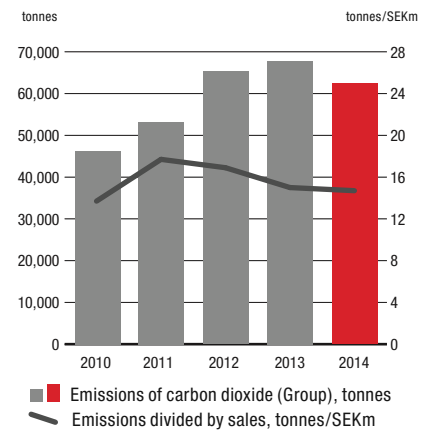
Raw materials and chemicals

Production processes used around 31,000 tonnes of polymer materials in 2014. More than 97% consisted of plastics and the rest consisted of different types of synthetic rubber. This involves silicone and latex rubber, which is found in various medical devices. Other materials used, amounting to around 1,100 tonnes/year, are paints, solvents and metals.

For a number of the Group's products, the customer requires the polymer to consist of virgin raw materials. This mainly applies to pharmaceutical packaging and medical devices. However, some customers are interested in using recycled plastic, such as in the use of some mobile phone models. The amount of recycled plastic used during the year was 300 tonnes and there are number of ongoing customer projects in which the aim is to increase the percentage of recycled materials. We are also seeing interest in reducing material usage in some products, which is advantageous both in terms of cost and environmental impact.

An environmental aspect that concerns most of the Group's companies are customer requirements for products to not contain certain hazardous chemical substances. In

Emissions of carbon dioxide, CO₂



A new air emission abatement equipment at Nolato's painting facility in Beijing was installed in 2014.

addition, there is increased interest in the issue of conflict minerals (see Definitions and Glossary). Chemical substances that are identified by customers, and/or that have been identified as candidates for risk reduction under REACH chemical legislation are a priority. In practice this means that a number of chemical substances are subject to phasing-out or other measures. This includes plastic-softening phthalates, certain organic solvents and mercury.

One of the Group-wide targets is to reduce chemical-related risks, and in 2014 some hazardous substances were substituted and further measures will be implemented.

Water issues

Water is used primarily for cleaning, sanitary purposes and cooling. In 2014, 170,700 cubic metres (170,800) of water were used at a cost of around SEK 2.0 million (1.7). Most of Nolato's units have installations to reduce water consumption; for example, closed cooling water systems are used for injection moulding machines and other equipment. Nevertheless, there are some processes in which water consumption is relatively high. This applies to the manufacturing of latex rubber products in Torekov, which accounts for just under 10 percent of total usage.

Just over 5,600 people work at Nolato Beijing and this reflects the fact that the unit accounts for just over 60 percent of the Group's water consumption. The city of Beijing has been identified as a water shortage area and we take continual measures to reduce Nolato's water footprint.

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. At our Torekov plant we have taken measures to identify substances in wastewater that cause nitrification inhibition and that may disrupt processes in wastewater treatment plant. We have carried out trials of ozone treatment of wastewater to reduce nitrification inhibition, which unfortunately did not produce the desired results.

Waste

In 2014, we reduced the amount of waste to 4,400 tonnes (5,300), 9 percent (15) of which consisted of hazardous waste. In line with the Group's targets to reduce the amount of waste, a number of specific measures were implemented to reduce the amount

of scrap, improve waste management and to increase recycling. During the year, the measures to reduce scrap were successful at several units. In many cases this was the result of using lean manufacturing and 5S. Development is currently positive and the key performance indicators are showing a downward trend (tonnes/net sales) can be noted.

Around 49 percent (50) of the waste was recycled as materials and 25 percent (22) as energy. Waste sent to landfill decreased from 10 to 5 percent and this was helped by Nolato Jaycare's units in the UK. Nolato Jaycare has also introduced measures to cut the amount of customer packaging material, i.e. material that customers would otherwise have to handle as waste.

External waste processing costs for the year amounted to SEK 2.9 million (2.7).

Transport

During the year, measures were continued to reduce the environmental impact of the transport of goods and business travel:

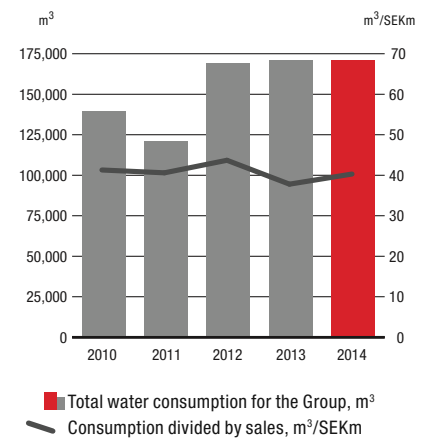
- ▶ Replacement of vehicles and company cars with more fuel-efficient options.
- ▶ Nolato Jaycare introduced a policy on passenger transport by train in the London area.
- ▶ Many units have increased the use of videoconferencing.
- ▶ Increased filling ratio of trucks and coordinated transportation; for example, Nolato Hungary cut the number of containers sent to the US by 10 percent through greater efficiency of packing.
- ▶ Intelligent packaging solutions by Nolato Jaycare cut the number of shipments between the UK and Italy.

Continued environmental adaptation of products

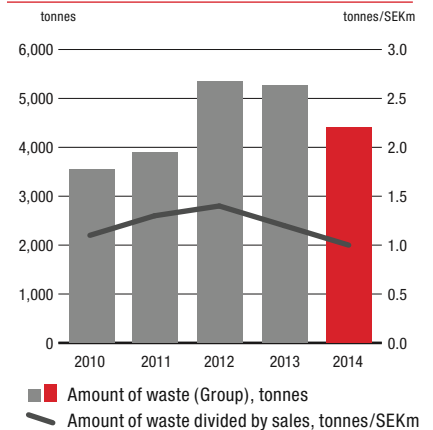
Through its cooperation with customers on products, Nolato is involved in concept development, design, material selection, structure, prototypes, production tools, volume production and post-processing.

The environmental performance of products has become increasingly important and this applies to everything from mobile phones, components, vehicles, domestic appliances and chainsaws to pharmaceuticals packaging and medical devices. From a business perspective, it is important for us to be an attractive provider in the area of environmentally optimised product development.

Water consumption



Amount of waste



By using intelligent solutions, Nolato Jaycare is cutting both the use of packaging material and the number of shipments.

Here are some examples of projects and existing products:

- ▶ At Nolato in China, a number of projects are being conducted on the increased use of recycled plastic and water-based paints for mobile phones and battery casings. Other measures include cutting the use of environmentally hazardous chemicals in products and paint; for example, some customers have strong restrictions on the use of PVC and halogenated flame retardants.
- ▶ Nolato Plasttechnik is examining possibilities of replacing the chrome plating of plastic components using different technology. In addition, projects to replace aluminium with plastic in vehicle components are continuing. The company has recently developed a new type of water atomiser that reduces water usage in toilets.
- ▶ Plastics are replacing other materials in vehicles, household appliances and chain-saws. This results in, for instance, reduced weight and fuel consumption. Nolato

Plasttechnik and Nolato Gota are some of the companies conducting such product development. One product that has been in the range for some years is a plastic crate made from recycled plastic and used by clothes retailer KappAhl for transporting clothing.

- ▶ Nolato Jaycare in Newcastle cut the consumption of materials in the company's packaging and introduced a new type of resource-efficient shrink wrap. Nolato Jaycare in Portsmouth has long produced containers for handling hazardous clinical waste (Sharpak) and in 2014 Nolato took over the entire product concept from Amcor. The aim is to establish Sharpak as the first choice for clinical waste management globally.
- ▶ Nolato Gota and Nolato Lövepac manufacture components for Volvo Cars' Drive-E generation of engines. These engines are around 20 percent more efficient than their predecessors.
- ▶ Nolato MediTor's environmentally optimised breathing bags use less polymer

material and have a smaller carbon footprint.

- ▶ Product development during the year led to the company now offering phthalate-free breathing bags.
- ▶ Nolato participates in developing environmental technology products, such as fuel cells.
- ▶ Nolato Lövepac has developed eco-friendly traps for bedbugs.
- ▶ Nolato Cerbo produces pharmaceutical packaging (SC Light Caps) with smaller amounts of plastic and therefore a smaller carbon footprint.
- ▶ Lövepac Converting is working with researchers to develop zirconium dioxide-based (zirconia) products. This is an extremely durable ceramic that is also chemical-resistant and has an exceptionally smooth surface. It is used in products with stringent requirements in terms of appearance and surface quality. Its durability results in a long product lifespan for these items.

Environmental friendly trap for catching bed bugs

Humans and bed bugs go back a long way. In recent times, they have once again emerged as a problem in the West after being eradicated for many years. Growth in travel has resulted in the rapid spread of bed bugs, partly through their transfer via luggage left on hotel room floors.

Bed bugs are hard to detect and remove as they lie still in dark crevices most of the time. They come out at night to eat, but disappear back into nooks and crannies as soon as they are disturbed.

In the past, infestations were usually treated by spraying walls and furniture with insecticide. But because of bed bugs' unique ability to develop resistance to insecticides, a natural powder made from a type of fossilised algae, known as diatomaceous earth, is now commonly used. The diatomaceous earth covers the bed bug's shell, causing it to dry out and die.

Biotech company Nattaro Labs, based in Lund in southern Sweden, has now solved the problem of the powder dispersing and has come up with a solution that is more attractive to bed bugs. The product consists of a folded strip of cardboard with adhesive backing that is coated on the inside with a thin layer of diatomaceous earth. The design of the cardboard strip creates a dark, narrow tunnel with lots of places to hide, providing a highly attractive environment for bed bugs.

The product, called Nattaro Safe, is produced by Nolato Lövepac in Fagerhult, southern Sweden. Henrik Ohlson is Sales Manager at Nolato Lövepac:

"This has been an interesting and slightly different job for us," says Henrik. "We punch holes in the part of the strip facing the surface to which it adheres, we attach two types

of adhesive to the backing, insert the thin layer of diatomaceous earth and fold in the sides to create a tunnel to attract the bed bugs. We then roll up the strip into hundred-metre rolls and pack them so they're ready for use by pest controllers."

The adhesive backing has a dual purpose: the outer adhesive allows the strip to stick well to flooring and furniture, while the inner adhesive ensures that the diatomaceous earth sticks in the perforated holes.

The product is patent-protected in Sweden and there are patents pending in Europe and other markets of interest. ■



Social responsibility

Employees in eight countries

The average number of employees in 2014 was 8,020 (9,357). Almost 80 percent of employees work at Nolato's units in China. Other countries in which we have a significant number of employees are Sweden and Hungary.

Nolato has a long tradition of responsible business practice and we believe that this approach helps attract, recruit, develop and retain committed and skilled staff. All units are wholly owned by the Group and comply fully with the guidelines in Nolato's Basic Principles and Code of Conduct. The practical work relating to personnel issues in the Group is decentralised. This means each individual Group company is responsible for managing these issues in a way that complies with both Group guidelines and the legislation and culture of the country in question.

Code of Conduct – a moral compass

Nolato's Code of Conduct was updated in 2014 – 2015. It provides clear guidance on how our business principles and values should be put into practice. The Code of Conduct acts as an ethical compass to be followed by all staff within the Group, irrespective of workplace and function. It applies to Nolato's Board members and contract-based staff as well. 'The Code' also sets out what we expect of our suppliers in terms of responsible business practice.

Our Code of Conduct is based on documents such as the UN Global Compact, international guidelines and conventions, and the ISO 26000 social responsibility standard. The Code contains undertakings on human rights, labour relations, social engagement, business ethics, the environment, quality, suppliers and communication. Below is a summary of how work is undertaken in some areas that are subject to the Code:

All employees have a right to representation

All Nolato employees have the right to be represented by trade unions, and to collective agreements. At 14 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 a normal situation in these countries.

Gender equality and combatting discrimination

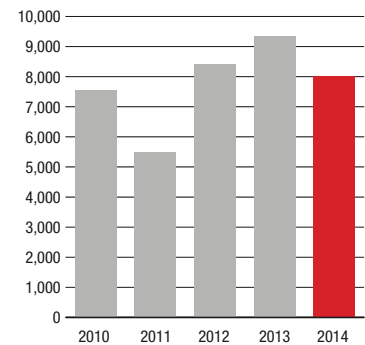
Gender equality work within Nolato is decentralised and conducted according to the equality plans of the individual companies. 51 percent (57) of Nolato employees were women in 2014. The balance between the number of men and women varies from country to country, and in Sweden and the UK there is a predominance of male staff. In Hungary and China, however, there is a predominance of women. 22 percent (22) of Nolato's Board are women, while the corresponding figure for the Group management is 0 percent (0). 24 percent (24) of other senior executives are women.

In accordance with the undertakings in the Code of Conduct, we work to combat all discrimination. One target group in this regard is people with disabilities, and these employees are making a great contribution to Nolato's development. People with disabilities work at units in Beijing (China), Gothenburg (Sweden), Newcastle (UK) and Mosonmagyaróvár (Hungary).

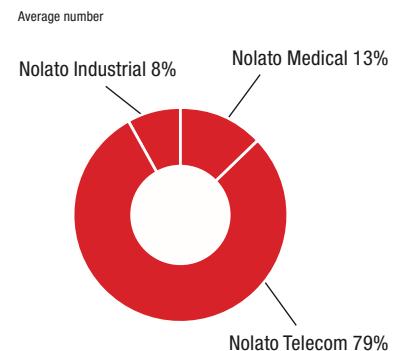
Whistleblowing

All staff have the opportunity to raise concerns about serious irregularities, without the risk of harassment or opposition, using Nolato's whistleblowing system. Serious irregularities include unethical or illegal behaviour, fraud and serious breaches of the Code of Conduct, such as bribery or discrimination against employees. No serious irregularities were identified during the financial year.

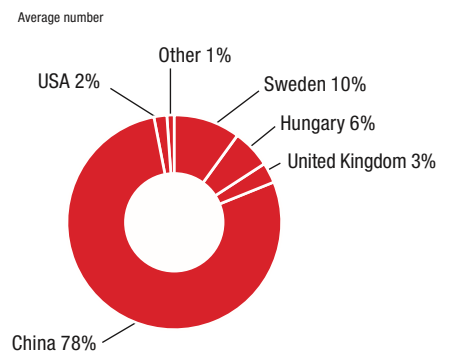
Average number of employees



Employees by business area



Employees by country





Nolato Beijing's MD Jörgen Karlsson with school children in Daxiwan.

Social responsibility important to Nolato

At the start of 2014 Nolato had just over 7,500 employees in China, making the Group one of the largest Swedish employers in the country. As a large employer, it's important that we take responsibility. Not just for our own employees, but also in a wider social sense.

Many of Nolato's employees in China are young and come from rural areas to work in Beijing for a relatively short period. They live in dormitories near their workplaces and spend most of their time together with colleagues.

An attractive environment

"So for us it's important to not only make the work environment as attractive as possible, but also help to make their free time meaningful," says Jörgen Karlsson, Managing Director of Nolato Beijing. "About a year ago we therefore started a special Employee Care Programme, which aims to attract, retain and develop staff."

The programme includes a range of activities for employees.

"We focus on health and safety through training, information and competitions," says Jörgen Karlsson. "Many employees work in assembly, so a communal break a few times every shift is beneficial."

An important aspect of the Employee Care Program is listening to suggestions from employees themselves. Lots of constructive proposals have been received through questionnaires and discussions.

"For instance, we've arranged English and Japanese lessons, bus trips to central Beijing on weekends and various competitions in things such as sport and handicrafts," he adds.

"We've also built a new canteen, introduced a range of meal options and two free meals a day."

Taking responsibility

While some staff are employed through staffing agencies so we can adapt resources to the short product cycles of the mobile phone industry, these employees are treated according to similar principles as for permanent employees.

"We rely on having well-motivated staff that enjoy their work," notes Jörgen

Karlsson. "So it's only natural that we take responsibility for ensuring that they are happy working for us."

Support for disadvantaged school

But responsibility doesn't stop there.

Nolato has now been in Beijing for more than twelve years. Many of the thousands of employees that work, or have worked, in the business come from small and, in some cases, very poor villages in rural China.

"We felt it was time to give something back," says Nolato Beijing's Managing Director. "That's why we started getting involved in Daxiwan Town Central Primary School."

Important contribution

The school, which has 120 pupils and 23 members of staff, is located in a poor area around three hours from Beijing. It essentially lacked any modern equipment. Nolato Beijing's management has established long-term cooperation with the school to help improve education and teachers' working conditions.

"We received a warm welcome on our first visit to the school," recounts HR Manager at Nolato Beijing Anna Wang. "Although the school lacks resources, we could see that both the teachers and pupils are trying to make the best of the situation."

"It's a good cause and we believe we have found an important way of making a vital contribution to the community."

The project is called Building Hope Together and has led to many Nolato Beijing employees, both management and staff, getting involved.

Computers and warm jackets

In 2013 Nolato Beijing contributed 20 computers, desks for teachers, printers and photocopiers.

"We believe that this equipment will be of benefit, and we hope to increase contact between the school and Nolato Beijing," adds Jörgen Karlsson. "Teachers at the school will visit us so that we can show them what we do and where we work."

"We also aim to contribute additional support for the school and plan to visit them again soon."

"As the village is at a height of 1,800 meters and it's very windy, we will be donating warm jackets and caps for all the children, as well as decent rucksacks." ■

Training and personal development

An important tool in our personnel work is training and we run management development courses, as well as large number of specific training courses on quality, technology, our Code of Conduct, and health and safety. In 2014, employees attended a total of 230,000 (166,000) hours of training, which equates to almost 30 (18) hours per employee. A particularly large number of courses were arranged in China, Hungary and Sweden. New employees are an important target group for information and training courses.

During the year, around 1,000 (1,400) employees participated in performance reviews, career development or other assessments of their own work. Employee surveys are regularly carried out at a number of the Group's units. In most cases, they are performed every other year or every three years, and in 2014 six surveys were conducted, with the most extensive one carried out at Nolato Beijing.

Employee Care Programme

We carry out special initiatives in China to attract, retain and develop both permanent and temporary employees. These activities come under the umbrella of our Employee Care Programme, which includes activities relating to health, safety lifestyle, opportunities to take language courses, and employee surveys that are supplemented by a forum in which staff can discuss issues with the company's managing director. In 2014, the programme was supplemented by the following activities:

- Employee involvement in discussions with business management has been encouraged. A total of seven meetings were arranged in which around 140 people participated.
- Health checks have been expanded and for those employees interested, courses in traditional Chinese medicine are offered.
- Leisure time is made more meaningful for employees by means of competitions in such things as handicrafts, sport and first aid. The compensation system for overtime has been made more favourable for staff and the amount for personnel's life insurance has been raised. Another initiative concerning temporary employees' finances is that an administrative monthly fee that they previously paid to the staffing agency has now been removed.

- In addition to this, there are various reward systems and competitions for groups of employees or individual members of staff, for example on improvements and quality.

A safe work environment

Our preventive health and safety measures are targeted and systematic. We identify risks, take appropriate action and implement technical improvements and training courses. Formal safety committees are in place at 95 percent of units, which equates to 98 percent of staff. An important part of this systematic work is the introduction of health and safety management systems (OHSAS 18001). Five units are currently certified and a further four are planning certification in the very near future.

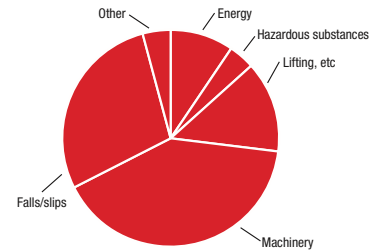
Nolato's updated Code of Conduct contains an undertaking regarding the continued introduction of OHSAS 18001 at all units.

In 2014, there were 43 (34) lost work cases (LWCs), which resulted in a total of 929 (381) days of absence. The most common causes were injury from machinery and equipment and falls and slips, which in most cases only resulted in one or two days' absence. Some cases of cut injuries and muscle injuries resulted in long-term absence. The recording of incidents has been enhanced and during the year 475 incidents were investigated and corrective and preventive action taken. Behind each accident that occurs are a significant number of near misses, and this is backed up by international statistics.

Training courses on the environment and health and safety are part of our preventive work and an average of 4.5 hours per employee were spent on these courses. For example, 700 employees in China attended first aid training. Other courses covered subjects such as chemical health risks, personal protective equipment, fire safety and machinery safety.

Nolato Beijing received Level B health and safety certification from Beijing Business Development Area, which is the second-highest level.

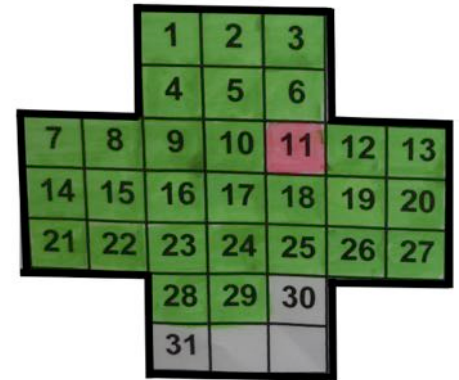
Causes of occupational accidents



Occupational accidents

| Year | 2010 | 2011 | 2012 | 2013 | 2014 |
|------------------|-------|-------|-------|-------|-------|
| LWC* | 44 | 28 | 64 | 34 | 43 |
| LWC per employee | 0.006 | 0.005 | 0.007 | 0.004 | 0.005 |
| LWD * | 534 | 755 | 616 | 381 | 929 |
| LWD per employee | 0.007 | 0.10 | 0.08 | 0.04 | 0.10 |

LWC = Lost work case (absence ≥ 1 day);
LWD = Lost work day.



The 'green cross' is used at many of Nolato's plants to visualise and address accidents and near misses in the workplace. A green day is an accident-free day, the day is marked yellow if a near miss occurs and an accident results in a red day.

Certification of work environment marks key step for the future

Nolato Gota, based in Götene, Sweden, is a world-class company. Well-organised, efficient, highly automated, with a good work environment and highly trained staff. Despite most aspects of the company being good, it is now making preparations to achieve OHSAS 18001 work environment certification. Nolato's units in China, Hungary and Romania are already certified.

"We're fortunate in Sweden in terms of our long tradition of cooperation and consensus between trade unions and companies," says Peter Holterberg, Managing Director at Nolato Gota. "We're used to incorporating work environment issues into our day-to-day work, which is not necessarily the case in all countries."

"But although we have good conditions it's important to formalise work environment-related activities so we can concentrate on production and revenues."

That's why Nolato Gota is making preparations to achieve OHSAS 18001 certification. A pre-audit will be carried out shortly before Christmas and certification should be achieved in 2015.

Aiming higher

"For quite a few years now we've taken a particular approach for a systematic work environment, without really having a genuine full understanding of the issue," says

Peter Holterberg. "So three years ago we overhauled training for all managers and union representatives in this area.

"Formalising working practices that have been in place for decades in the company and organising them into around 20 disciplines was a useful exercise," he continues.

"We also carried out a review and adapted production facilities in line with Nolato's risk manual and the current legislation. But just meeting the minimum legal requirements doesn't match our own expectations of a good working environment, we need to aim higher than that!"

Safety of greatest importance

Peter Holterberg believes managers need to ask themselves if they can always look employees in the eye and say that their safety is the most important issue.

"It might sound strange in this era of management speak, but the immediate safety of our employees is more important than

any other factor in the company, even more important than quality and profit. Once you know your priorities, you can make fairly rapid progress on issues of safety and work environment. We can then concentrate on production and revenues. And formalisation and certification of the work environment are an important part of that process."

Always vigilant

"But certification is just a platform," notes Peter Holterberg. "It's proof that we meet the minimum requirements, not that we are as good as we aim to be. That means we need to be continually vigilant and not relax, thinking that we're good enough. We're continually reminded that we constantly need to improve."

Peter Holterberg also believes that in a few years' time work environment certification will be a requirement to take part in certain tenders. As is already the case with quality management and environmental certifications.

"Nolato Gota has customers that are already asking for its suppliers to have OHSAS 18001 certification, even though they haven't achieved this themselves. For both us and our customers, it's ultimately not about getting certification, it's about being prepared and able to deal with problems when they arise." ■



Robotic cell at Nolato Gota.

Business partners and other stakeholders

Application of sound business ethics

In accordance with the principles of Nolato's Code of Conduct and the tenth principle of the Global Compact, our business principles should be characterised by integrity and responsibility. The Code of Conduct states that Nolato:

- ▶ Does not offer gifts, benefits or payments that could influence, or be seen to influence, the objectivity of the recipients' decisions or that breach legislation and/or local practice.
- ▶ Avoids situations where company loyalty could come into conflict with personal interests.
- ▶ Complies with competition law and promotes fair competition.
- ▶ Ensures that all staff can raise concerns about irregularities within the company without the risk of personal consequences for whistle-blowers.

For a global company, these matters are complex and the perception of 'normal business practice' varies between countries and cultures. The Group uses the following methods for governance and monitoring of the application of sound business ethics:

- ▶ Nolato's Code of Conduct applies to all employees and Group company management teams are responsible for conveying the values in their organisation.
- ▶ We monitor costs, expenditure and revenues on an ongoing basis.
- ▶ We pay particular attention to ethical issues in our relationships with our partners. Standard business practice must be observed in each individual country, but if business principles do not comply with Nolato's Code of Conduct, we must refrain from doing business or take alternative relevant actions.
- ▶ Using the Global Compact checklists, we conduct annual evaluations of what measures companies take to counteract bribery. The evaluation for 2014 shows that

a lot of this work is conducted within the framework of Nolato's Code of Conduct, and the target groups are chiefly employees, suppliers, customers and authorities. Many of the companies have established detailed policies and guidelines covering gifts, entertainment and expenses, and report that they continue to take action to combat corruption.

- ▶ A whistleblowing system has been introduced in the Group, giving employees the opportunity to confidentially report serious irregularities.

A study for the year shows that the Group's companies are working on issues of business ethics at the same high level of ambition as previous years. No cases of bribery, corruption or cartel formation were identified in 2014.

Interaction with customers and suppliers

Many of Nolato's customers operate in industries in which issues regarding the environment, health and safety and ethics have a high priority.

This applies to sectors such as automotive, food, telecom and pharmaceuticals. Over the past few years we have seen a gradual tightening of customer requirements, as well as additional requirements. An area about which we have received many enquiries in recent years is the use of 'conflict minerals' (see Glossary on page 31). Around 95 percent of units report customer requirements within a number of central areas of sustainable development (see table below).

During the year, 12 of the Group's units were reviewed by a number of different customers and the results were mainly excellent or good. In addition to reviewing systems, some customers have established systems under which suppliers qualify for sustainable development certification.

One example is Sony Green Partner, for which Lövepac Converting and Nolato Beijing have qualified.

As part of its interaction with customers, Nolato is expected to pass on sustainable development requirements further along its supplier chain. This is done by informing suppliers about Nolato's Code of Conduct and specification requirements, as well as different types of monitoring.

In 2014, we carried out more than 150 reviews of suppliers with a focus on sustainable development. Just over 120 of the reviews were based on questionnaires and about 40 cases involved formal audits. Overall the results were good and we did not identify significant risks concerning the environment and social responsibility. A few suppliers, however, were not approved by Nolato.

Assessment of suppliers' sustainability measures is complex and time-consuming. We therefore apply a risk-based model for selecting suppliers for review. A substantial proportion of Nolato's suppliers consist of global groups in the polymer and chemical industry. These companies often have advanced CR measures in place and are therefore not the primary target of our evaluations. The detailed criteria for which sup-

| Customer requirements | Percentage of units reporting sustainability requirements from customers | | |
|--|--|------|------|
| | 2014 | 2013 | 2012 |
| Introduce environmental management systems | 53 | 32 | 33 |
| Phase out hazardous chemicals | 42 | 42 | 48 |
| Compliance with REACH and RoSH | 37 | 26 | 14 |
| Product-related environmental information | 53 | 42 | 57 |
| Compliance with customer's code of conduct/CR issues | 79 | 74 | 71 |
| Other requirements (including 'conflict minerals') | 58 | 21 | 9 |

pliers are selected varies among the Group's companies, but it is usually new suppliers, key suppliers, or suppliers with particular risks that are selected for follow-up.

Investors

Nolato's sustainability work once again received a high score in the sustainable portfolio of Swedish business weekly *Veckans Affärer*.

Social engagement

We engage with those local communities where we have operations. It is important for Nolato to maintain contact with universities

and schools. This may take the form of study visits, degree work, internships and development projects. During the year, around a hundred pupils and students made study visits to production facilities. In addition, cooperation projects were undertaken in areas such as lean manufacturing, the design of employee surveys and degree work. In 2014, Nolato continued with its sustainability collaboration with the International Institute for Industrial Environmental Economics (IIIEE) at Lund University.

In Hungary, the employment of staff with different types of disability has been further developed. Employment has provided peo-

ple with visual or hearing impairments with a better quality of life, and they are making an excellent contribution to the company's work. A number of other Group units are also employing people with disabilities.

Nolato supports schools, healthcare, sports associations and social activities, and in many cases our involvement is long-term and includes many of our employees. One such example is the Building Hope Together project in China. Another example is school pupils being involved in planting trees at the Group's facility in Hungary.



When Nolato Hungary extended its facilities in 2014 it had to cut down four trees. As part of its sustainability work, however, new trees were planted and children from the local school helped with this. The children also visited the factory and learnt about Nolato's sustainability work.



Financial responsibility

Good financial development

Financial performance has been good for a number of years, and although sales decreased slightly in 2014 compared with the exceptionally strong 2013, they were significantly higher than previous years. However, profit increased despite the lower sales, and this is testament to the efforts of the Group's employees in constantly improving Nolato's operations.

Cash flow was lower as a result of higher investments and working capital requirements, but despite this Nolato has a very strong balance sheet, providing the Group with significant freedom of action for the future.

Nolato's sales for 2014 amounted to SEK 4,234 million (4,522). Operating profit (EBITA) was SEK 470 million (427), which resulted in an operating margin of 11.1 percent (9.4). All business areas achieved double-digit operating margins (EBITA), which contributed to the healthy profit. Earnings per share was 13.84 (11.94) and the equity/assets ratio improved to 54 percent (52).

Sustainable development and financial performance

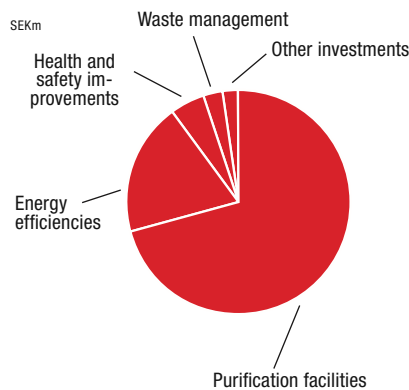
During the year, Nolato invested SEK 23.7 million (13.3) in measures to reduce environmental impact and improve the occupational environment. The largest investment was made at Nolato Beijing in an advanced emission abatement facility that significantly reduced VOC atmospheric emissions from the painting of mobile phones. Other significant investments were made in energy efficiency improvements and increased workplace safety.

Environmental costs amounted to SEK 12.2 million (13.9) and are dominated by operating expenses for purification facilities, waste management, internal administration and fees to authorities and certification companies. During the year, environmental improvement measures generated cost savings of SEK 4.1 million (3.2). Savings arose mainly from the recycling of material, more

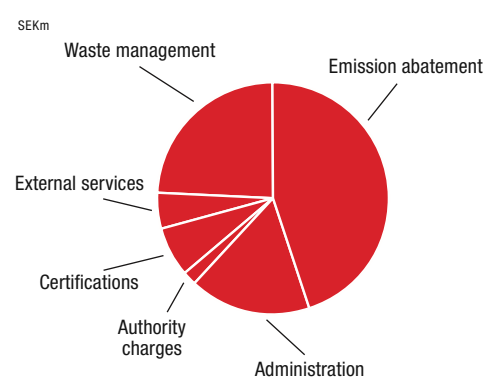
Financial highlights

| SEKm (unless otherwise specified) | 2014 | 2013 | 2012 |
|---|-------|-------|-------|
| Net sales | 4,234 | 4,522 | 3,874 |
| Operating profit (EBITA) | 470 | 427 | 303 |
| EBITA margin % | 11.1 | 9.4 | 7.8 |
| Profit after financial income and expense | 462 | 403 | 272 |
| Profit after tax | 364 | 314 | 202 |
| Return on capital employed % | 28.4 | 26.7 | 19.4 |
| Return on shareholders' equity | 25.0 | 24.9 | 17.7 |
| Equity/assets ratio. % | 54 | 52 | 44 |
| Earnings per share SEK | 13.84 | 11.94 | 7.68 |
| Dividend per share | 8.50 | 8.00 | 6.00 |
| Average number of employees | 8,020 | 9,357 | 8,421 |

Environmental investments



Environmental costs



Financial value for stakeholders (SEKm)

| Stakeholder | 2014 | 2013 | 2012 | Comment |
|--------------|--------------|--------------|--------------|--------------------------------------|
| Suppliers | 2,166 | 2,438 | 1,984 | Payment for materials and services |
| Employees | 1,112 | 1,095 | 1,012 | Salaries and benefits |
| Shareholders | 224 | 210 | 158 | Dividend |
| Creditors | 10 | 8 | 15 | Interest expenses |
| Society | 98 | 89 | 70 | Reported effective tax for the Group |
| Total | 3,610 | 3,840 | 3,238 | |

efficient energy usage and a reduction in the use of packaging material.

The cost of water supply and sanitation amounted to SEK 2.0 million (1.7) and energy costs were SEK 119 million (110).

Financial value for stakeholders

Nolato's business generates a financial value that is allocated to various stakeholders. This includes suppliers, employees, shareholders, creditors and society.

Risks relating to sustainable development

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 procedures for accepting, reducing or eliminating the risk.

Nolato's annual report for 2014 provides detailed information about operational and financial risks. In terms of sustainability, we have identified a number of risks of potential importance to the Group's financial position. More demanding environmental legislation, taxes, fees and other environmental requirements could entail significant costs for industrial operations. There are also risks from a business perspective relating to the environment and social responsibility, which have gained attention in recent years, with a particular focus on 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 permit renewals are planned for 2015. Authorities in Beijing, China have tightened air pollution regulations. We met these new requirements by installing a new purification facility that cuts solvent emissions.

Given the air pollution situation in Beijing, there is still a risk that environmental requirements will increase gradually. Where applicable, the Group's units meet REACH chemical legislation, RoHS product legislation, producer's liability for packaging waste, and other relevant environmental and health and safety legislation. We currently

expect no increase in risks concerning new or amended legislation.

Contaminated land and hazardous substances in buildings

There has been no known occurrence of contaminated land, neither are there any requirements in terms of investigations or decontamination.

In Sweden, three plants have been classified according to the MIFO method for contaminated soil. The risk assessment is administrative in nature and is not based on actual sample-taking of land and ground water. All the plants are in the lowest risk category and are not prioritised by the authorities for further inspections or measures.

Hazardous substances such as asbestos are present in some individual buildings and only result in measures in the event of refurbishment or renovation work. PCB inventories have been conducted at our Swedish operations in which small amounts of these hazardous substances were identified. Decontamination has been carried out in accordance with Swedish environmental legislation.

Environmental adaptation of products

Society has a growing interest in eco-friendly products, and one business risk could involve our product range including products that are no longer accepted by customers for health and environmental reasons.

As a supplier, Nolato has possibilities to counter this risk, but as most products are produced for customers, development must be carried out in collaboration with our clients.

We constantly monitor developments so we can initiate the substitution of hazardous substances, introduce more environmentally friendly polymers and develop new products. We also have Group-wide sustainability targets relating to eco-friendly product development.

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 performed by the authorities.

Climate change is an important issue to Nolato, and an overview of how we work to reduce our carbon footprint is provided on page 13. However, we need to be prepared for how climate change may affect the Group in financial terms. Potential effects relate to damage to plants and infrastructure, and also aspects pertaining to raw materials supply, supplier circumstances and changes in customer behaviour. Taxes, charges and limitations on emissions could, of course, also affect Nolato.

Business ethics

Deficient business ethics can damage Nolato's reputation and business operations. As set out by the information on page 20, we take a number of measures to prevent corruption and other irregularities.

Human rights

Infringement of human rights at the Group's companies or our suppliers could damage both the Group's reputation and its business operations. Nolato's Code of Conduct applies in the same way around the world. We promote the protection of human rights by informing people, training staff and through internal regulations and monitoring.

Energy costs

There is a risk of electricity prices rising and having a material negative impact on profitability and within Nolato this mainly applies to the purchase of electricity. The risk of negative effects from rising electricity prices is addressed by the Group entering into fixed price agreements for 20–80 percent of electricity requirements for the next four to twelve quarters.

A busy year

Our work on continuous improvements is continuing and here we provide some examples of initiatives and activities at Nolato's units in Europe, China and the US. You can read about various sustainable development measures elsewhere in this sustainability report.

Sweden

- ▶ Nolato Polymer has invested in new, more efficient injection moulding machines and has significantly upgraded its production facilities.
- ▶ Nolato MediTech in Hörby and Lomma are continuing their activities within Medical Excellence, with almost 500 proposed improvements concerning the environment and health and safety having been implemented and a training day for staff having been undertaken. Cooperation with Lund University (Lund University Faculty of Engineering) has been initiated as part of the ARKAD careers fair.
- ▶ Nolato MediTech was a host of the Lean Forum in 2014 with participants from 24 different industrial businesses. Charging points for electric cars were installed in the car park and energy efficiency improvements cut electricity consumption by more than 5 percent during the year.
- ▶ The main focus of the Nolato Medical Camp 2014 customer event was sustainability. A number of invited keynote speakers talked about "Sustainability – A Successful Growth Strategy?"
- ▶ Nolato Silikonteknik in Hallsberg installed low-energy lighting.
- ▶ Nolato MediTor in Torekov introduced PVC waste recycling systems. In addition, the new dipping robot generated energy savings of around SEK 200,000. Work on substituting hazardous chemicals continued and phthalate-free breathing bags were manufactured.
- ▶ Nolato Gota in Götene was subject to an audit to receive certification for the OHSAS 18001 work environment standard and is aiming for final certification in 2015.
- ▶ Nolato Gota in Götene installed data log-

gers, which resulted in a detailed energy analysis being conducted.

- ▶ Nolato Lövepac in Skånes Fagerhult replaced its existing oil heating with a geothermal system, which minimised carbon emissions.
- ▶ Nolato Cerbo in Trollhättan, Sweden phased out a number of hazardous chemical substances. Its energy consumption was cut by 625 MWh. Its lean manufacturing work continued, with a number of improvements being made.
- ▶ Nolato Plastteknik in Gothenburg installed new energy-efficient production equipment. Key figures for energy consumption fell by 6 percent over the year. Lean manufacturing work was further developed. In addition, development was undertaken on an advanced radiator fan solution for vehicles. Environmental benefits are gained from proximity to customers and this helped reduce the environmental impact of transporting finished products.

Hungary and Romania

- ▶ Nolato Hungary in Mosonmagyaróvár received OHSAS 18001 certification and the company was given additional recognition for measures to employ disabled workers. In addition, it developed an extensive database for measuring and monitoring energy consumption and volumes of waste.
- ▶ Nolato Romania in Negoiesti received OHSAS 18001 certification. The unit had no accidents at all in 2014 and staff turnover decreased. Natural gas consumption was lower than the previous year.

UK

- ▶ Nolato Jaycare in Portsmouth cut natural gas usage by 60 percent compared with the past three years and continued to develop its energy efficiency measures. Waste management improved, scrap was cut and the percentage of waste sent to landfill decreased. The number of supplier evaluations focusing on sustainable development increased year-on-year.
- ▶ Nolato Jaycare in Newcastle introduced

recyclable pallets and pallet usage is expected to decrease by 25 percent. A new type of shrink wrap was introduced for all packaging and this move will cut the use of shrink wrap by 20 – 30 percent. The percentage of waste sent to landfill and water consumption both decreased by 25 percent.

China

- ▶ Nolato Beijing further developed its employee programme, which involved improving financial terms, competitions, discussions with company management and training. A number of disabled workers were also employed.
- ▶ The Building Hope Together project, in which the company supports a school in a deprived area outside Beijing, continued with new initiatives for the pupils.
- ▶ Its work to cut energy and water consumption also continued.
- ▶ A significant number of suppliers were evaluated with regard to sustainable development. Nolato Beijing easily passed a number of significant customer sustainability evaluations.
- ▶ In the Beijing Business Development Area (BDA), Nolato came ahead of around 9,000 other companies to be named one of the 'Top 20 High Technology & High Expanding' companies in 2014. The BDA also graded Nolato Beijing a highly rated Level B for its environmental measures.
- ▶ Nolato Beijing also installed an additional purification facility to reduce atmospheric VOC emissions.
- ▶ Nolato Lövepac in Beijing and Shenzhen introduced a system of regular health checks for staff. Measures were implemented to collect packaging material from customers and reuse it.

US

- ▶ Nolato Contour in Baldwin increased its waste recycling programme

About our sustainability report

A focus on materiality

Nolato's sustainability report for 2014, in accordance with GRI G4 and the Communication On Progress (Global Compact), includes aspects relating to the environment, health and safety, social responsibility and ethics. Our ambition is that this report, together with supplementary information, should give our employees and external stakeholders a transparent view of the company's corporate responsibility activities and how these interact with our business activities.

All units belonging to Nolato are included in the report, with the exception of the unit in Malaysia, the new unit in Malaysia, which started in summer 2014. In total, 19 production facilities contributed data. A summary of the different units' significance in terms of sustainability reporting is provided in the table.

Reporting principles

Each production unit provides quantitative and qualitative information in accordance with Nolato's sustainability reporting form. The 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 direct energy consumption are calculated using conversion factors. These are based on the energy content and quality of the fuels used. Carbon dioxide emissions from indirect energy consumption (primarily electricity) in China and the US are based on emissions data from the Greenhouse Gas Protocol Initiative (GHG Protocol).

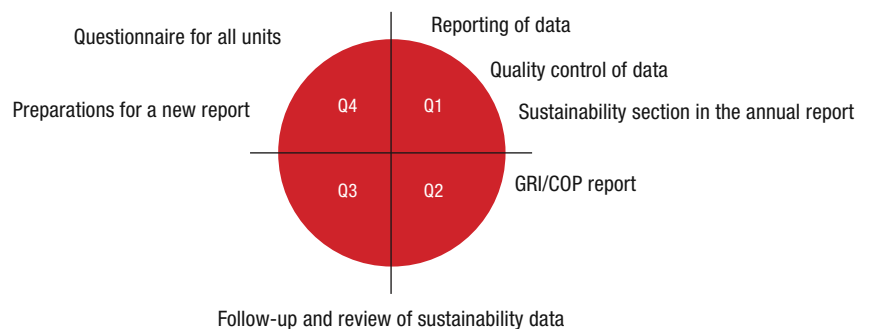
In this year's Sustainability Report, compared with the 2011 – 2013 reports, we have corrected carbon dioxide emissions data for the European units in accordance with the conversion factors in the Covenant of Mayors document.

| Company/plant | Country | Number of employees | Building area (m²) | Established (year) | Environmental permits | Significance for the sustainability report |
|-----------------------------------|---------|---------------------|--------------------|--------------------|-----------------------|--|
| Nolato Beijing, Beijing | China | 5,630 (4,893) | 36,309 | 2001 | Yes | High |
| Nolato Hungary, Mosonmagyaróvár | Hungary | 516 (506) | 18,431 | 2000 | Yes | High |
| Lövepac Converting, Beijing | China | 429 (386) | 4,721 | 2000 | No | High |
| Lövepac Converting, Shenzhen | China | 176 (140) | 2,635 | 2008 | No | High |
| Nolato Romania, Negoiesti | Romania | 28 (29) | 2960 | 2010 | Yes | Medium |
| Nolato Polymer, Torekov/Ängelholm | Sweden | 63 (68) | 11035 | 1973, 1995 | Yes | Medium |
| Nolato Jaycare, Portsmouth | UK | 259 (265) | 11132 | 1986 | Yes | Medium |
| Nolato Jaycare, Newcastle | UK | ** | 4,790 | 1998 | Yes | Medium |
| Nolato MediTech, Hörby | Sweden | 184 (263) | 7,000 | 1999 | Yes | Medium |
| Nolato MediTech, Lomma | Sweden | *** | 5,000 | 1980 | Yes | Medium |
| Nolato Cerbo, Trollhättan | Sweden | 109 (130) | 11,000 | 1971 | Yes | Medium |
| Nolato MediTor, Torekov | Sweden | 53 (65) | 4,500 | 1973 | Yes | Medium |
| Nolato Gota, Götene | Sweden | 128 (109) | 23,004 | 1965 | Yes | Medium |
| Nolato Contour, Baldwin | US | 169 (150) | 8,631 | 1993 | Yes | Medium |
| Nolato Plastteknik, Göteborg | Sweden | 105 (104) | 13,000 | 1980 | Yes | Medium |
| Nolato Lövepac, Skånes Fagerhult | Sweden | 41 (37) | 4,200 | 1968 | No | Low |
| Nolato Hertila, Åstorp | Sweden | 24 (24) | 4,474 | 2000 | Yes | Low |
| Nolato Silikonteknik, Hallsberg | Sweden | 48 (38) | 2,500 | 1995 | Yes | Low |

* Average no of employees. The number in 2013 is shown in brackets.

** Reported together with Nolato Jaycare, Portsmouth.

*** Reported together with Nolato MediTech, Hörby.



Nolato and GRI

The organisation behind GRI (Global Reporting Initiative) has established voluntary comprehensive guidelines for how companies and other organisations should report their sustainable development activities. Reporting in accordance with GRI should focus on sustainability aspects that are significant to the organisation and its stakeholders. Reporting should provide a complete,

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

Nolato has chosen to report in accordance with the Core GRI G4 level, and the indicators have been adapted in line with the evaluation of aspects on page 9. Compared with previous years, the strategy, analysis

and materiality sections have been expanded. Information on some key performance indicators has been supplemented.

The table below shows the extent to which Nolato works in accordance with GRI G4. In the table, SR refers to the sustainability report and AR refers to the annual report for 2014.

| 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, 25; AR4 | — |
| G4-7 | Ownership and legal form. | AR36-37 | Yes |
| G4-8 | Nolato's markets and customers. | AR16-29 | — |
| G4-9 | Number of employees, number of operations, net sales, debt and equity, quantity of products provided. | AR44-79 | 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. | SR20 | — |
| G4-13 | Significant changes during the reporting period (size, structure, ownership, supply chain). | SR25; AR12 | — |
| G4-14 | How the precautionary approach or principle is addressed by Nolato. | SR8, 13-14 | — |
| G4-15 | Externally developed economic, environmental and social charters, principles, or other initiatives to which Nolato subscribes or which it endorses. | SR8 | — |
| G4-16 | Membership of national and international organisations. | SR30 | — |
| Identified material aspects and boundaries | | | |
| G4-17 | Companies included in Nolato's financial report. Companies included in the sustainability report | SR25 | — |
| G4-18 | The process for defining the report content and the aspect boundaries. | SR25 | — |
| G4-19 | List all the material aspects identified in the process for defining report content. | SR9 | — |
| G4-20 | Reason why aspects are regarded as material within Nolato. Internal limitation of the aspects. | SR9 | — |
| G4-21 | Reason why aspects are regarded as material outside Nolato. External limitation of the aspects. | SR9 | — |
| G4-22 | Comments on any restatements of information provided in previous reports. | SR25 | — |

| | | | |
|-------------------------------|--|--|---|
| 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. | SR9, 20-21 | |
| 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. | SR25 | |
| G4-29 | Date of most recent previous report. | April 2014 | — |
| G4-30 | Reporting cycle. | SR25 | — |
| 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. | SR9 | — |
| | | | |
| Ethics and integrity | | | |
| G4-56 | Nolato's core values, Code of Conduct and policies. | SR10; www.nolato.com/ sustainability | — |
| G4-58 | Mechanisms for reporting concerns about unethical behaviour, e.g. whistleblowing | SR16 | — |

| Indicators | | | |
|-------------------------------------|---|----------------------|-----------------------|
| Designation according to GRI | Requirement or indicator | Reference | External verification |
| Finance | | | |
| G4-EC1 | Direct economic value generated and distributed. | SR21 | Yes |
| G4-EC2 | Financial implications and other risks and opportunities due to climate change. | SR24 | — |
| G4-EC3 | Coverage of the organisation's defined benefit plan obligations. | AR71 | Yes |
| G4-EC4 | Significant financial assistance received from government. | None during the year | — |
| | | | |
| Environmental responsibility | | | |
| Material | | | |
| G4-EN1 | Use of renewable and non-renewable materials. | SR13-14 | — |
| G4-EN2 | Percentage of materials used that are recycled input materials. | SR13-14 | — |
| Energy | | | |
| G4-EN3 | Direct energy consumption. | SR12 | — |
| G4-EN4 | Indirect energy consumption. | SR12 | — |
| G4-EN5 | Energy intensity. | SR11-12 | — |
| G4-EN6 | Reduction of energy consumption. | SR11-12 | — |
| G4-EN7 | Reductions in energy requirements of products. | SR15 | — |

| | | | |
|---------------------------------|--|----------------------|---|
| Water | | | |
| G4-EN8 | Total water withdrawal by source. | SR14 | — |
| Emissions | | | |
| G4-EN15 | Direct greenhouse gas (GHG) emissions (scope 1). | SR13 | — |
| G4-EN17 | Other indirect greenhouse gas (GHG) emissions (scope 3). | SR13 | — |
| G4-EN18 | Greenhouse gas (GHG) emissions intensity. | SR11,13 | — |
| G4-EN19 | Initiatives for reducing greenhouse gas emissions. | SR13 | — |
| G4-EN20 | Emissions of ozone-depleting substances (ODS). | SR13 | — |
| G4-EN21 | NO _x , SO ₂ and other significant air emissions. | SR13 | — |
| Effluents and waste | | | |
| G4-EN22 | Total water discharge. | SR14 | — |
| G4-EN23 | Total weight of waste by type and disposal method. | SR14 | — |
| G4-EN24 | Total number and volume of significant spills. | None during the year | — |
| 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. | SR10 | — |
| Transport | | | |
| G4-EN30 | Significant environmental impacts of transporting products. | SR14 | — |
| Overall | | | |
| G4-EN31 | Total environmental protection expenditures and investments. | SR22 | — |
| Supplier assessment | | | |
| G4-EN32 | Percentage of new suppliers screened using environmental criteria. | SR20 | — |
| | | | |
| 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. | SR18 | — |
| G4-LA6 | Rates of injury and occupational diseases. | SR18 | — |
| Training and education | | | |
| G4-LA9 | Average hours of training per year per employee. | SR18 | — |
| G4-LA11 | Percentage of employees receiving performance and career development reviews or equivalent. | SR18 | — |
| Diversity and equal opportunity | | | |
| G4-LA12 | Composition of governance bodies and breakdown of employees per employee category according to gender, age group, etc. | SR16,AR40-41 | — |
| Supplier assessment | | | |
| G4-LA14 | Percentage of new suppliers screened using labour practices criteria. | SR20 | — |
| | | | |
| Human rights | | | |
| Non-discrimination | | | |
| G4-HR2 | Proportion of employees informed/trained on human rights policies. | SR11,18 | — |
| 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. | SR16 | — |
| Child labour | | | |
| G4-HR5 | Operations identified as having significant risk for incidents of child labour, and measures taken. | SR20 | — |
| Forced or compulsory labour | | | |
| G4-HR6 | Operations identified as having significant risk of incidents of forced or compulsory labour, and measures taken. | SR20 | — |
| Supplier assessment | | | |
| G4-HR10 | Percentage of new suppliers screened using human rights criteria. | SR20 | — |
| Society | | | |
| | | | |
| Local communities | | | |
| G4-S01 | Percentage of operations with implemented local community engagement. | SR17,21 | — |
| Anti-corruption | | | |
| G4-S04 | Communication and training on anti-corruption policies and procedures. | SR20 | — |
| G4-S05 | Confirmed incidents of corruption and actions taken. | No recorded incidents | — |
| Product responsibility | | | |
| G4-PR1 | Proportion of products for which health and safety impacts are assessed for improvement. | SR15 | — |
| | | | |

Global Compact



Nolato follows 10 principles for responsible business

Nolato joined the UN initiative for responsible business, the Global Compact, in 2009. This meant the Group joining a global network of more than 12,000 organisations, 8,000 of which are businesses, in 135 countries. By participating in the Global Compact, Nolato endorses 10 basic principles in the areas of human rights, working conditions, the environment and anti-corruption.

The booklet *The Nolato Spirit*, which includes the Group's Code of Conduct, is an

important internal document that guides and coordinates employee activities in line with these 10 principles. Group companies' compliance with the Group's Code of Conduct is evaluated on a regular basis. In the introduction to this sustainability report, Nolato's CEO Hans Porat comments on the company's Global Compact work during the year.

Communication On Progress

Organisations that have endorsed the Global Compact must produce an annual Communication on Progress (COP) detailing how

they meet the 10 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 the Global Compact's 10 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

5S A Japanese method of organisation in the workplace. It involves sorting, systematising, cleaning, standardising and ensuring. 5S is an important element of lean manufacturing.

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

CFCs/HFCs Refrigerants such as chlorofluorocarbons (CFCs) and hydrofluorocarbons (HFCs) have negative impacts on the environment as a result of their ozone-depleting properties and their effect on climate. Demand for more eco-friendly refrigerants is growing globally.

CLP Classification, Labelling and Packaging is EU legislation that addresses dangers posed by chemical substances and mixtures and how users should be informed about them. The regulations are being introduced over a transitional period ending in 2015.

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

Conflict minerals Tantalum, tin, gold and tungsten are referred to as conflict minerals if they originate from the Democratic Republic of Congo and neighbouring countries. The term arose because of the armed conflicts in the region, where mining operations often contribute to continued conflicts and lead to human rights abuses.

COP Communication On Progress is an annual report submitted to the United Nations specifying how Nolato operates according to the 10 principles of the Global Compact.

CSR/CR Corporate Social Responsibility/Corporate Responsibility is a term that encompasses how companies handle issues concerning the environment, social responsibility, financial responsibility and business ethics.

EMC The shielding of electronics to achieve electromagnetic compatibility (EMC).

Energy consumption Nolato reports both direct energy consumption (usage of fuel in own energy facilities) and indirect consumption (purchased electricity and district heating).

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

Environment-related costs Costs attributable to measures for preventing, reducing or restoring environmental impact directly caused by the organisation's operations. The same applies for costs concerning the occupational environment. 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 10 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. GRI G4 was introduced in 2013.

HFCs/CFCs Refrigerants such as chlorofluorocarbons (CFCs) and hydrofluorocarbons (HFCs) have negative impacts on the environment as a result of their ozone-depleting properties and their effect on climate. Demand for more eco-friendly refrigerants is growing globally.

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 An international standard relating to environmental management systems that was introduced in 1996. Over 300,000 organisations globally are currently certified according to ISO 14001. An updated version of the standard is being introduced in 2015 (ISO 14001:2015).

ISO 50001 An international standard relating to energy management systems.

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

Lean manufacturing A systematic method for the efficient management of resources. Lean manufacturing aims to identify all the factors in a production process that do not create value for the customer.

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

NGO Non-governmental organisation.

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. It will be replaced by the ISO 45001

PAH (Polyaromatic hydrocarbons or polyaromatics) A group of substances found in coal and petroleum that are hazardous to health and the environment. These substances are released into the environment through combustion processes.

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.