

Corporate Social Responsibility Report 2015 Communication on Progress (CoP)



This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact**.

We welcome feedback on its contents.

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ABOUT THIS REPORT

It is our pleasure to present SP Moulding A/S' 2015 Corporate Social Responsibility (CSR) Report. The CSR Report covers the period from 1st January 2015 to 31st December 2015.

This is our fourth Sustainability Report and it is based on qualitative and quantitative data from our business units. All our sites in Denmark, Poland and China have reported data in a systematic manner.

The report serves as our annual Communication on Progress (CoP report), as required by the United Nations' Global Compact (UNGC). It is organized into four main components, reflecting the 10 principles of the UN Global Compact:

1. Human Rights,
2. Labour Rights,
3. Environment, and
4. Anti-corruption.

This report contains Standard Disclosures from the GRI Sustainability Reporting Guidelines. Therefore, within each of the abovementioned components, the reader will find references to the Global Reporting Initiative's (GRI) G4 Guidelines and indicators. The list of used Standard Disclosures and their location in the report can be found in the GRI G4 Content Index on page 29.

We have followed the process of G4 and identified a list of material sustainability aspects that are currently the most important to SP Moulding A/S and its stakeholders. During this process, we have identified the sustainability impacts that are critical to be managed in our organization and we have drawn up our management approach.

The 2015 CSR report describes how SP Moulding A/S is working within the areas of human rights, social and employee aspects, environmental matters as well as anti-corruption and bribery issues. Pursuant to § 99 a and § 99 b of the Danish Financial Statements Acts, this report constitutes the statutory statement on Corporate Social Responsibility as well as the underrepresented gender in management.

In 2015 none of our sites have received administrative or judicial sanctions for failure to comply with laws, regulations and prevailing industry standard¹. The report has not been verified by a third party. However, a comprehensive work with the collection and internal verification of information has been completed during the preparation of this the report.

¹ GRI G4 SO 08

A LETTER FROM THE CEO

In SP Moulding, it is our ambition to contribute to sustainable development while at the same time developing our business. We see a good correlation between behaving responsibly while increasing our internationalisation, earnings and growth.

To ensure that we live up to our responsibility, we have a well-established CSR policy for SP Moulding, which reflect our core values: to create the best plastic solutions for the benefit of both our customers and the surrounding environment. We act as an innovative, reliable, responsible and competitive partner for our customers and the societies.



We have always focused on running a responsible and sustainable business, and since 2012, we have been committed to the United Nations' Global Compact.

Again, this year, we set specific targets and initiated activities to deliver on our ambition to make a positive impact. This 2015 CSR Report is our concrete way of telling how we are meeting our ambitions and commitments. We are also actively sharing this information with our stakeholders through our primary channels of communication.

In conclusion, I am pleased to confirm that SP Moulding A/S reaffirms its support of the Ten Principles of the United Nations' Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption.

Yours sincerely

A handwritten signature in blue ink that reads "Frank Gad". The signature is stylized and cursive.

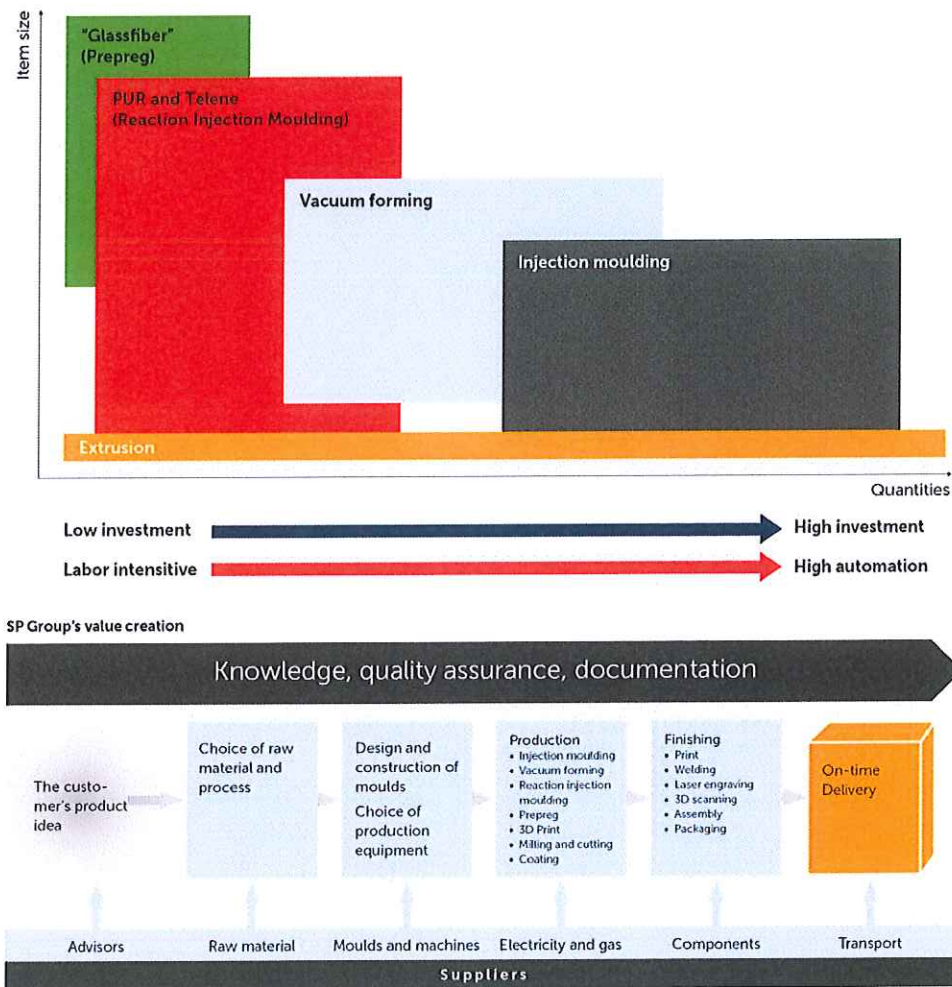
Frank Gad
CEO, SP Moulding A/S

PROFILE

SP Moulding A/S is a leading manufacturer of injection moulded plastic precision components for a wide range of industrial companies worldwide.

SP Moulding has modern production sites in Denmark, China and Poland. SP Moulding (Suzhou) Co., Ltd. in China and SP Moulding Poland Sp. z o.o. manufacture technical plastics and perform assembly work. The business unit SP Medical manufactures to medical device customers, and is located in Karise (Denmark) and Zdunska Wola (Poland). In addition to the actual moulding, we handle all finishing such as ultrasound welding, surface treatment and print. SP Moulding and SP Medical also handle partial or full assembly, packaging and consignment for a large number of customers.

The owner of SP Moulding - SP Group - has developed and implemented a value creation process that all companies in the group adheres to. The goal is to ensure that customers always get the optimal solution when they choose SP Group as a partner (see figure 1). SP Moulding's business area and key competencies lie within injection moulding.



Value Creation in SP Moulding

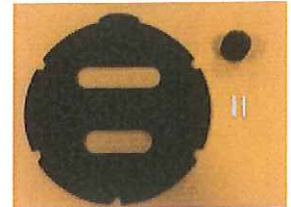
As a leading manufacturer of injection-moulded plastic components SP Moulding produces a wide variety of products. We constantly improve our production processes, which, on the one hand, enable us to produce cheaper than before, and on the other hand, give our customers a competitive advantage in their markets. An example could be this case from Denmark where we have optimized the moulding process and assembly of a car speaker:

Optimization process – the moulding and assembly of a car speaker

In Stoholm, Denmark, we have recently worked with a customer to optimize the moulding and assembly of a car speaker. Together with the customer, we redesigned the product in a way that allowed us to insert the terminals directly into the tool by means of a robot. On top of that, we made a Failure Mode Effects Analysis (FMEA) to ensure that we had evaluated all aspects of the process and identified possible failure modes.

As illustrated in picture 1, the terminals' foam plug and gaskets were previously mounted manually in a separate process. Today, the car speaker is produced automatically, without any manual handling. Picture 2 shows a speaker cabinet as it looks today with in-mould terminals and mounted gaskets.

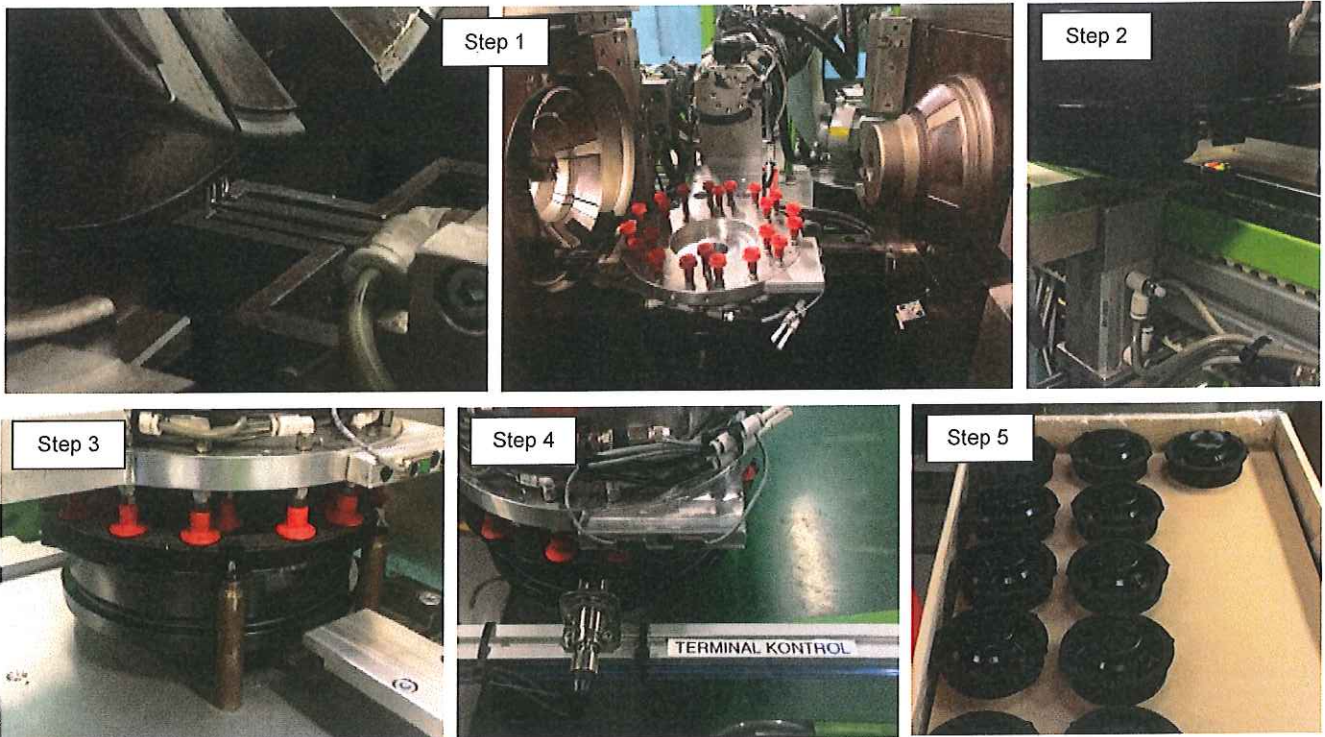
The optimization process encompasses five steps: Step 1: Install terminals in the tool → Step 2: Mount filter plug → Step 3: Mount the gasket → Step 4: Control the terminals → Step 5: Pack the finished product.



Picture 1. Manual process



Picture 2. Automatic process



SP Moulding will increase exports from the two Danish factories to the neighbouring markets, and the Polish factory will strengthen the marketing of technical plastics and assembly on the growth markets in Eastern and Western Europe. In China, production capacity has been expanded, and sales are strengthened.

In all markets, SP Moulding is to win market shares by improved customer service, intensified participation in the customer product development and a targeted effort towards growth sectors. Expertise is strengthened on an ongoing basis so that SP Moulding can differentiate itself in the future. In all plants, the production efficiency programme will continue, among other things by means of Lean projects, more automation, focus on energy and raw material consumption, disposals as well as switch-over times. SP Moulding will continue to strengthen our position in the Nordic countries where relevant.

SP Medical will continue to intensify marketing efforts towards new customers, especially benefiting from the fact that the unit in Poland (Zdunska Wola) has become increasingly competitive in relation to labour-intensive tasks. The medical device expertise is strengthened on an ongoing basis, and the clean room production in Denmark and Poland will be expanded. In China, 'white room production' has been established.

SP Moulding wants to reflect society and, in particular, our customers, both in terms of gender but also in terms of nationality and ethnicity. This reflection of society should contribute positively to the company as an attractive company for both customers and current and future employees so that the SP Moulding will be able to fulfil its business goals in the long term.

Production and processes in SP Moulding Denmark, Poland and China have been certified in accordance with ISO 9001 and ISO 14001. SP Medical Denmark and Poland have been certified in accordance with ISO 9001, ISO 13485 and ISO 14001.

In 2015, SP Moulding generated revenue of DKK 609.9 million. EBITDA (earnings before depreciation, amortisation and impairment losses) was DKK 59.4 million. EBIT (earnings before financial items) amounted to DKK 26.8 million².

² GRI G4 EC-01. Please refer to SP Moulding Annual Report 2015

HUMAN RIGHTS

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights

Principle 2: make sure that they are not complicit in human rights abuses.

Our support

We embrace our responsibility to respect human rights and we commit to respecting all internationally recognized human rights standards, - including the International Bill of Rights and the International Labour Organization's Declaration on the Fundamental Principles and Rights at Work.

We communicate our support of human rights in our CSR policy and we stipulate our human rights expectations to our suppliers through a Supplier Code of Conduct.

As recommended in the Global Reporting Initiative G4 Guidelines, SP Moulding conducts a materiality assessment as a part of our reporting cycle, during which we reflect upon our economic, environmental and social impacts (the latter including human rights, labour rights, societal issues and product responsibility).

We disclose our significant impacts in our yearly Communication on Progress (CoP) to the UN Global Compact.

We strive to prevent and mitigate adverse impacts on human rights that we may cause or contribute to through our own activities and remedy violations of human rights in case we are involved in such. Negative impacts on human rights and labour standards may lead to significant fines and reputational damage and impact our social license to operate.

Implementation

We have distributed our CSR Policy to our employees and published it on our website to make it available to all interested stakeholders.

Every year we initiate a data collection process during which our production sites collect data on a number of non-financial indicators, representing the material aspects that we identify in the materiality assessment.

SP Moulding has production sites in Denmark, China and Poland. Some of our suppliers are located in countries where the risk of adversely impacting human rights is larger than it is in Denmark. We want to work with our suppliers to continuously promote their respect for human rights and our Supplier Code of Conduct (CoC) is instrumental for including our suppliers in the process.

The CoC outlines our human rights expectations, it forms the basis for dialogue with our suppliers and we use it to monitor their responsibility. For all new

suppliers, the CoC constitutes a part of their co-operation agreement with us. Existing suppliers have received and signed the Supplier Code of Conduct.

As our suppliers of materials are large reputable international companies that already in a detailed manner publish their efforts in the area of CSR, the management of our supply chain primarily focuses on our suppliers of tools.

To prevent being involved in adverse impacts through these suppliers, we continuously conduct risk assessments and based on these, initiate self-assessment screening processes of the selected suppliers, which among other issues cover human rights. As a minimum this process is done every third year.

In the implementation of our CSR policy, we are especially focused on providing good employment conditions, ensuring development opportunities and a safe and healthy working environment for our employees. Without them SP Moulding is nothing. We focus on employee satisfaction, safety and health as an essential part of risk management to avoid accidents, illnesses and lost working days.

Attention towards employee development and health and safety improves the quality of life of individual employees and their families to the benefit of our company and the local community.

Progress

No incidents of involvement in human rights violations or negative impacts on human rights were reported in 2015³.

Our HR system records data on employee turnover. Accidents, illnesses, lost working days etc. are recorded in our management system, verified by quality and production managers on all sites.

During 2015 SP Moulding **employee turnover** has been as follows⁴:

Employee turnover Poland Total no. of employees: 336	Employees hired		Employees left		Total
	Male	Female	Male	Female	
Age < 30	8	44	-	23	29
age 30-40	1	2	3	18	-18
age 40-50	1	0	0	1	0
age 50-60	0	0	0	0	0
age 60-70	0	0	0	0	0
age > 70	0	0	0	0	0
Total	10	46	3	42	11

³ GRI G4 HR-03

⁴ GRI G4 LA-01

Employee turnover China Total no. of employees: 85	Employees hired		Employees left		Total
	Male	Female	Male	Female	
Age < 30	45	11	49	18	-11
age 30-40	5	8	11	7	-5
age 40-50	0	2	5	4	-7
age 50-60	0	0	0	1	-1
age 60-70	0	0	0	0	0
age > 70	0	0	0	0	0
Total	50	21	65	30	-24

Employee turnover Denmark Total no. of employees: 314	Employees hired		Employees left		Total
	Male	Female	Male	Female	
Age < 30	14	19	8	12	13
age 30-40	6	10	2	5	9
age 40-50	4	17	0	11	10
age 50-60	4	12	3	15	-2
age 60-70	1	2	2	7	-6
age > 70	0	0	0	0	0
Total	29	60	15	50	24

Occupational Health and Safety

We have set up Occupational Health and Safety organization at all sites. We have established and follow adequate health and safety policies and procedures. We take concrete measures to improve health and safety at all our workplaces and we provide our employees with protective equipment including safety shoes, safety glasses, safety gloves and work wear. We also provide our employees with necessary training to perform their tasks safely, including fire handling and first aid training.

During 2015, the following concrete measures were taken to improve health and safety at the various work places⁵:

SP Moulding Poland

In SP Moulding Poland, employees are subject to Occupational Health and Safety (OHS) training, encompassing preliminary, job-specific, and periodic training. This is pursuant to local labour laws - (Journal of Laws from 2011, no.232, pos. 1378.).

Furthermore, SP Moulding Poland has a contract with the company LUXMED, which is broker of medical services that guarantees faster medical service. For instance, vaccination against the flu is available for employees, whom are interested.

⁵ GRI G4 LA-06

In addition, employees have received training in:

- Health and safety at the work place (pursuant to Polish law),
- First aid,
- Working instructions, and
- Fire training (how to behave during fire).

SP Moulding Poland complies with Polish labour law regarding work clothing and shoes (Journal of Laws from 2011, no. 232, pos.1378). This means that we guarantee safety shoes, safety glasses, safety gloves, workwear, and other necessary protective equipment.

SP Moulding China

In SP Moulding China, we provide our operators with earplugs and our technicians with safety shoes. We also provide dust protecting mask and noise reducing earmuffs (reduces 30dB) for relevant employees. Relevant employees have been provided with crane training. We implement 5S to ensure safe production facilities. When providing protective equipment to our employees, we ensure that they receive instructions about its proper usage.

SP Medical Karise

All personnel are trained in performing their jobs, including safety requirements. All necessary protective equipment is supplied in accordance with legal requirements and common sense.

SP Moulding Juelsminde

During 2015, the Working Environment Organization (Danish: *Arbejdsmiljøorganisation*, AMO) tested and purchased equipment to reduce and/or eliminate heavy lifts for:

- Operators lifting boxes of plastic parts from injection moulding machines to the scale and then to the pallet.
- Personnel lifting plastic bags with raw material (app. 25 kg each bag) from pallet to dryer or to container.
- Tool setters lifting plastic bags (app. 25 kg each bag) from pallet to hopper at injection moulding machine or when emptying the hopper after ended production.

If a box's weight cannot be reduced to < 12 kg pr. box, then the operator has to use lifting equipment.

In 2015, the Working Environment Organization has continued previous years' work and has been implementing lifting equipment in our production site to reduce and/or eliminate heavy lifts for operators lifting boxes and for personnel lifting raw material stock and granulate.

The questionnaire for the mandatory workplace assessment, pursuant to Danish law, has been updated and sent to our employees for answering in December 2015. The evaluation of the workplace assessment will take place in the Q1 of 2016 and needed action will be taken and implemented during the course of 2016.

According to Danish law, SP Moulding must supply our employees with training and the necessary protective equipment required for the job. For instance, all employees can get safety shoes, if they request them. It is not only for our tool setters and toolmakers, - employees working in production or stock can have them too.

In addition, all types of jobs are subject to evaluations to reduce and prevent monotonous repetitive work. New employees have been trained in "how to act safe in the factory" and "how to work and prevent accidents from happening", according to our factory regulations.

We have implemented improvements of the working environment to secure better working place for all employees especially in production and assembly line. For instance, we have improved the venting systems and heating systems to the benefit of all employees in production areas and offices.

SP Moulding Stoholm

To ensure the health of those of our employees who are permanently working night shifts, we have had regular health examinations at our premises carried out by a doctor.

All our employees have undergone training according to their job function. Those of our employees, whose job requires personal protective equipment, have been provided with such and informed about its proper usage.

SP Moulding and SP Medical in general

Lost working Hours 2015⁶	
Number of occupational injuries for employees	13
Lost working hours for employees because of occupational injuries	928
Fatalities of employees arising from an occupational injury	0
Lost working hours for employees because of sickness not due to occupational injuries	27,663

Training and Education

In SP Moulding, we do an active effort to retain and attract the most qualified employees. We seek to improve the qualifications of our employees through supplementary training and continuous education. Our goal is to improve the

⁶ GRI G4 LA-06

qualifications of the employees to enable them to handle different tasks, which increases production flexibility and provides varied workdays for the individual employee. Many of our employees receive regular performance and career development reviews.

During 2015, the average hours of training by gender and employee category accounted for:

Average hours of training⁷	Male	Female	Total
Management / Executives	175	92	267
White collar employees	1,022	817	1,839
Blue collar employees	7,175	2,026	9,201
Total	8,372	2,935	11,307

At all our sites, career and development reviews have been performed as follows:

Career and development reviews 2015⁸	Male	Female	Total
Management / Executives	5	4	9
White collar employees	43	125	168
Blue collar employees	88	237	325
Total	136	366	502

SP Moulding has in 2015 implemented training programs at all our production sites to enable our employees to improve their qualifications⁹.

Compared to 2014, the average hours of training for our blue collar employees has increased significantly. Our tool setters have attended various specialist-training courses internally and externally, and our operators have received additional training in quality assurance to meet the demands of our customers.

In Denmark, all personnel are trained to perform their job and the effectiveness of this training is evaluated on a yearly basis. Documenting training and conducting evaluations is Good Manufacturing Practice (GMP).

We have conversations with our employees to identify potential needs to upgrade their skills and based on these conversations, we plan training accordingly in order to ensure that our employees are well equipped to perform according to the function.

In Poland, HR programs are implemented in order to control and record all job training. An extra employee has been hired to operate training. We have created a competence matrix, which reflects our employees' skills level. If and when needed, we organize additional training internally or externally.

⁷ GRI G4 LA-09

⁸ GRI G4 LA-11

⁹ GRI G4 LA-10

In China, training has included: crane and forklift training, CAD training, training in ERP, electricity training (medium voltage), OHSAS 18001 as well as components of TS 16949.

Supply chain – Human rights

The most recent supplier screening took place in 2015. The suppliers reported on a number of indicators concerning human rights, labour, environment and anti-corruption. We did not find any issues of concern leading to further investigations or on site audit with regards to human rights¹⁰.

¹⁰ GRI G4 HR-10

Case: New technology improves work place safety in Poland

SP Moulding Poland has installed a CNC machine¹¹ on which plastic parts are drilled and threaded. It improved safety for our employees because all operations are now done in a closed area. Additionally, monotonous repetitive operations were eliminated and one employee could be delegated to another project. The employees who are working on the CNC machine is primarily controlling the quality of drilled and threaded parts.

Before:



After:



¹¹ A CNC machine comprises a mini computer that acts as a controller of the machine. The employee feeds the CNC machine with instructions and the computer then directs the machine to perform accordingly.

Case: SP Moulding, Suzhou, improves work environment

SP Moulding (Suzhou, China) is focused on improving the working environment to ensure safe working conditions for all employees. During 2015, we have put many efforts into improving the semi-automatic productions. In particular, operations with repeated heavy operations or operations requiring operators to insert components into moulds for over-moulding have been in focus.

Over-moulding of metal axle in a piston

Previously the metal axle was inserted in the mould manually by the operator. Due to material requirements for processing, the mould is operating at 90°C. This means the operator needs to insert a metal axle into a mould on which, if you are not careful, you have a risk of touching 90°C hot mould components.

Using gloves takes care of the temperature issue, but it is inconvenient when positioning the metal axle. Secondly, the operator needs to handle the axle in a “stretched arm” condition. The metal axle is heavy, and continuously inserting the metal axle and taking out the moulded part from the mould every 60 seconds was considered stressful.

The optimized solution means the axles are loaded into a feeding system away from the hot mould and in a much more “operator friendly” position. A robot takes the metal axle from the feeding system and inserts it into the mould and in the same operation taking out the moulded part from the previous shot.



Our technician is working with our supplier to develop the automated handling system to improve working conditions for our operators

LABOUR RIGHTS

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Our support

We find it important to comply with international human rights and labour standards. In our CSR Policy, we state that we recognize our employees' right to freedom of association and collective bargaining, and that we denounce forced labour and child labour. We stipulate our expectations with regards to labour rights to our suppliers through a Supplier Code of Conduct (CoC).

As an international company, we respect differences in cultures and traditions and we value a diverse workforce. We will comply with national legislation on non-discrimination and promote equal opportunities at the work place.

With regards to gender, non-discrimination and diversity, our Board of Directors has decided that the target for the underrepresented sex within the Board should be minimum one member by the time of the General Assembly in 2017. On the next level of management (executive management and management), we have set a target of 20 %, which is to be met before the end of 2017.

Implementation

We have distributed our CSR Policy to our employees and published it on our website to make it available to all interested stakeholders.

We are geographically represented through our suppliers in countries where compliance with human rights and labour rights is not a given. We want to work with our suppliers to continuously promote their respect for labour rights and have developed a Supplier Code of Conduct (CoC) that we use to do so. The CoC outlines our labour rights expectations, it forms the basis for dialogue with our suppliers and we use it to monitor their responsibility. For all new suppliers, the CoC constitutes a part of their co-operation agreement with us. Existing suppliers have received and signed the Supplier Code of Conduct.

As our suppliers of materials are large reputable international companies that already in a detailed manner publish their efforts in the area of CSR, the management of our supply chain primarily focuses on our suppliers of tools.

To prevent being involved in adverse impacts through these suppliers, we continuously conduct risk assessments and based on these, initiate self-

assessment screening processes of the selected suppliers, which among other issues cover labour rights. As a minimum, this process is done every third year.

All our sites follow international and national legislation. Employees have the right to freely unionise, express their opinions and participate or elect people to participate in collective bodies.

Through our membership of the Confederation of Danish Industries (DI) we follow collective agreements on fair and equal salaries and employment conditions. At our sites in Denmark, wages, salaries and working conditions are determined in collective agreements subsequent from central and local negotiations. Through our membership of DI and in our daily practice, we support the right to freedom of association and collective bargaining and most of our employees are members of labour unions. In Poland and China (the smallest organizational entity), the conditions and rights of the employees are primarily stipulated by legislation, codes and regulation.

In general, we follow national labour market regulations and make sure that the salary of our employees is fair and equal; that the workweek is limited to an absolute maximum of 48 hours; that overtime is infrequent and limited; and that employees are given reasonable breaks and rest periods. All employees are provided with an employment contract. We also seek to offer our employees additional benefits.

Generally, we do not employ children or young workers below 18 years of age. We only accept the hiring of children above 13 years of age to help with lighter work after school for a maximum of two hours a day.

To comply with general discrimination rules, all employment-related decisions are based on relevant and objective criteria. We only recruit, appoint and promote employees on the basis of their qualifications and experience.

To reach our target of having at least one female member in the Board of Management at the time of the General Assembly in 2017 and to meet our target of 20 % female managers at the next level of management, we have established a Policy on Equal Opportunity, supporting diversity and non-discrimination with regard to gender.

Progress

Our yearly materiality assessment, and subsequent data collection, showed that none of our production sites has negatively impacted the right to freedom of association and collective bargaining during in 2015¹². Likewise, no claims have been reported on forced labour¹³ and child labour¹⁴ in 2015.

¹² GRI G4 HR-04

¹³ GRI G4 HR-06

¹⁴ GRI G4 HR-05

Our efforts to support freedom of association and collective bargaining in Denmark has entailed the appointment of representatives for joint consultation committees and working environment committees, that regularly meet with local management. At the sites in Poland and China, systems have been established where the employees appoint spokespersons for negotiations with management¹⁵. In SP Moulding's site in China, we have a labour club.

With regard to harassment and discrimination¹⁶, we have had two cases of unacceptable behaviour among our operators in China, which resulted in the termination of their employment with SP Moulding. In Denmark and Poland, no cases have been reported in 2015. Discrimination and bullying were covered by the workplace evaluation (Danish "APV") in Stoholm, Denmark, and no issues were raised.

When it comes to age and gender, we have a relatively diverse workforce:

Composition of governance bodies and employment categories 2015¹⁷			
	Male	Female	Total
Board, Management / Executives	20	7	27
White collar employees	85	155	240
Blue collar employees	169	341	510
Total	274	503	777

Composition of governance bodies and employment categories 2015¹⁸				
	Board, Management / Executives	White collar employees	Blue collar employees	Total
Age <30	1	34	140	175
Age 30-40	11	50	198	259
Age 40-50	2	69	103	174
Age 50-60	9	64	58	131
Age 60-70	1	19	12	32
Age > 70	2	2	2	6
Total	26	238	513	777

Supply chain – Labour rights

The most recent supplier screening took place in 2015. The suppliers reported on a number of indicators concerning human rights, labour, environment and anti-corruption. We did not find any issues of concern leading to further investigations or on site audit regarding to labour rights¹⁹.

¹⁵ GRI G4 HR-04

¹⁶ GRI G4 HR-03

¹⁷ GRI G4 LA-12

¹⁸ GRI G4 LA-12

¹⁹ GRI G4 LA-14

ENVIRONMENT

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Our support

We acknowledge our environmental responsibility and we find it important to contribute to sustainable development. We are determined to comply with international environmental standards and we are committed to undertake initiatives to implement and promote environmental responsibility.

In our CSR Policy, we state that we will work systematically to reduce our negative environmental impact and promote greater environmental responsibility through our certified environmental management systems. In our Supplier Code of Conduct, our suppliers and business partners are requested to support and respect these principles of environmental responsibility.

Plastic has a number of unique characteristics that contributes to the reduction of environmental impact compared to components made of materials such as glass fibre, wood and metal. Therefore components of these materials can advantageously be replaced by plastic, as plastic is lighter and easier to mould. This way, plastic components, that are produced and used wisely, have a more positive impact on the environment.

We are aware of current laws and regulations relevant to the environmental impacts of our activities, products and services. Transparency with regard to our legal compliance is crucial for us.

We seek to promote the use of more environmentally friendly technologies and materials. We believe that it is good business to invest in environmental protection and to improve our environmental performance.

Implementation

We have distributed our CSR Policy to our employees and published it on our website to make it available to all interested stakeholders.

Through our suppliers we are present in countries where environmental compliance constitutes a challenge which differs from the one in Denmark. We want to work with our suppliers to continuously promote their support and respect for the environmental principles of the UN Global Compact, and we apply our Supplier Code of Conduct (CoC) to achieve that. In our Supplier Code of

Conduct, our suppliers and business partners are requested to respect the principles of environmental responsibility. For all new suppliers, the CoC constitutes a part of their co-operation agreement with us. Existing suppliers have received and signed the Supplier Code of Conduct.

As our suppliers of materials are large reputable international companies that already in a detailed manner publish their efforts in the area of CSR, the management of our supply chain primarily focuses on our suppliers of tools. To prevent being involved in adverse impacts through these suppliers, we continuously conduct risk assessments and based on these, initiate self-assessment screening processes of the selected suppliers, which among other issues cover environmental impacts. As a minimum this process is done every third year.

We work systematically to prevent, minimise and remedy adverse environmental impacts of our activities and we manage environmental issues to ensure appropriate and continuous improvements. Based on our strategy regarding environmental protection, we evaluate all new investments in the factories and administration from an environmental point of view, securing that all projects comply with our ambitions to lower energy consumption, emissions and waste. This is done through action plans for the individual projects.

Production and processes at all SP Moulding and SP Medical sites have been certified in accordance with ISO 9001 and ISO 14001. The business units of SP Medical (Denmark and Poland) have furthermore been certified in accordance with ISO 13485. An external audit company performs audits yearly at all sites to verify our different ISO certifications.

In 2016 SP Moulding in Stoholm has been certified in accordance with TS 16949.

Our management system includes key elements from ISO/TS 16949. We comply with all environmental directives, among these the REACH (1907/2006/CE), Candidate list of Substances of Very High Concern and RoHS directive (2011/65/EU).

We ensure legal compliance through training, awareness, operational control and monitoring. Environmental compliance is managed through internal procedures as part of our management system. Our Environmental Management system and CSR Policy make up the foundation for environmental compliance and optimization activities.

Progress

We have not received any administrative or judicial sanctions for failure to comply with environmental laws and regulations in 2015²⁰.

In the following, we inform about our environmental impacts with regard to materials, energy, water, greenhouse gas emissions and waste:

²⁰ GRI G4 EN-29

Materials

We use different kinds of plastic in our production and we strive to increase the use of recycled materials depending on customer requirements.

Total plastic raw materials used - 2015²¹	Kg
Virgin plastic	5,649,552
Regranulate	138,072
Total	5,787,624

Total materials being used for packaging purposes - 2015²²	Kg
Plastic wrap	86,085
Cardboard	356,453
Total	442,538

Recycled materials - 2015²³	Kg
Weight of plastic regranulate from own production in kg	135,950
Weight of purchased regrinded plastic material in kg (plastic regranulate from external sources)	37,000
Total	172,950

Energy

SP Moulding is always considering how to reduce energy consumption when we are investing in new injection moulding machines, equipment and/or installations. We make investments in energy saving equipment, and every month a number of key figures for consumption of energy are examined, which has proven to reduce the energy consumption.

Energy consumption within the organization (excl. electricity) - 2015²⁴	Giga Joules
Natural gas	8,554
Fuel oil	21
Total	8,575

Purchase of electricity within the organization - 2015²⁵	kWh
Total purchase of electricity in kWh	23,581,178
Total purchase of electricity produced by renewable wind energy sources in kWh	1,305,368
<i>More than 50% of all electricity produced in Denmark are produced from wind. Our Danish sites pay a premium price for it (PSO tax), but have chosen not to pay for certificates proving it</i>	
Total	24,886,546

²¹ GRI G4 EN-01

²² GRI G4 EN-01

²³ GRI G4 EN-02

²⁴ GRI G4 EN-03

²⁵ GRI G4 EN-03

In 2015, some of our initiatives to increase energy efficiency and save energy have included²⁶:

In **SP Medical, Karise, Denmark**, we have changed the lightening in our production unit, installed circulation pumps, updated technology and isolated hot water pipes.

In **SP Moulding, Stoholm, Denmark**, a new cooling tower was installed in 2015 and a new water heater for tools is ready to be installed in our moulding machines, which we expect to complete in 2016.

In **SP Moulding, Juelsminde, Denmark**, we have invested in a 1,300 tons machine with frequency converters installed for controlling hydraulic pumps, which assures energy savings (see case description). We have also invested in three Maquire material dryers with up to 40 % energy savings compared to traditional desiccant dryers. We have identified non-isolated pipes in our heating system and retrofitted them with isolation. Old and leaking compressed air piping installations have been replaced in two areas. We have succeeded in lowering the compressed air installation setting with one bar due to larger piping and the absence of leaks. We have also installed a new venting system with heat exchangers for energy saving.

In **SP Moulding, Poland**, we use a cooling system with a “free cooling” function. We also have moisture analysers. During the start-up of production, our tool setters check if the raw materials are dry enough, and this process results in energy savings.

In **SP Moulding, China**, two new machines with a 650 + 280 tons clamping force have been installed. In addition, we have replaced light sources with LED lightening in approximately 30 % of our production area.

We estimate that the total amount of electricity saved in kWh by efforts to increase energy efficiency amounted to 467,000 kWh in 2015²⁷.

To reduce energy for business-related travel and employee commuting²⁸, we have, when possible:

- Held video conferences
- Held phone- or video meetings with customers
- Encouraged our employees to use public transportation (such as bus, subway and bicycles)
- Transported several employees in one car, when conducting business visits out of the company.

We estimate that the total amount of energy saved in kWh by efforts to reduce energy for business-related travel and employee commuting amounted to 44,000 kWh in 2015²⁹.

²⁶ GRI G4 EN-06

²⁷ GRI G4 EN-06

²⁸ GRI G4 EN-06

Case: Saving energy with a new injection moulding machine in Juelsminde

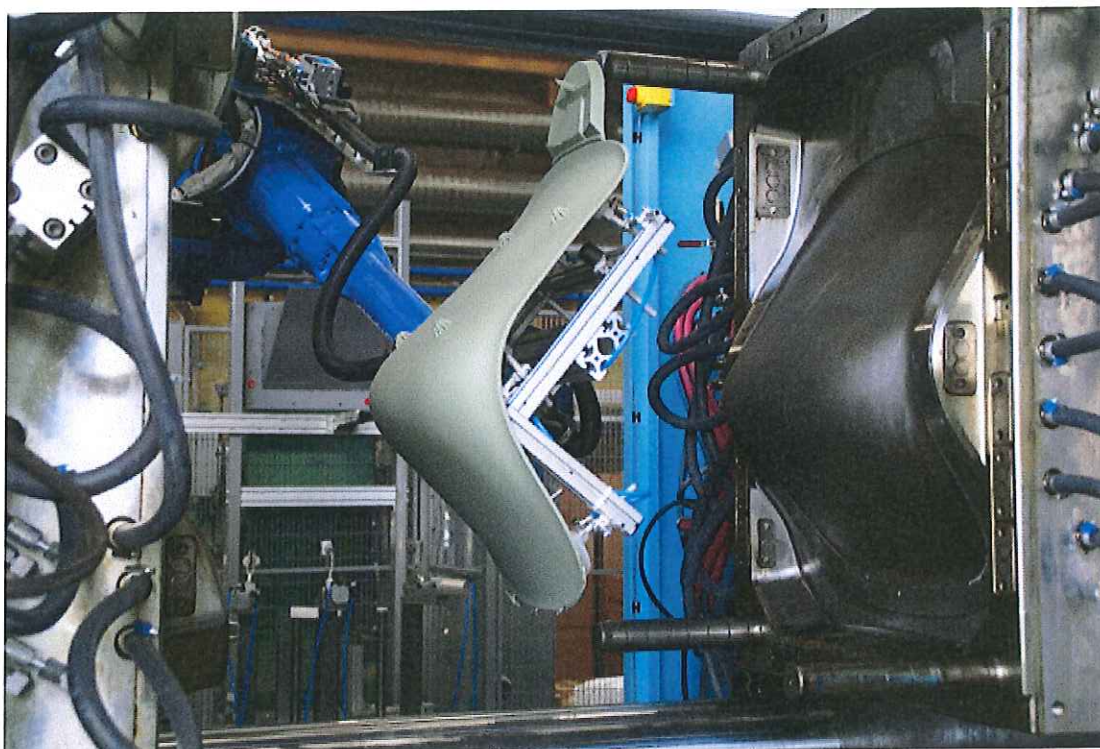
When we invest in new injection moulding machines and other production equipment we aim at purchasing machinery with an energy reducing effect.

In the autumn of 2015, SP Moulding in Juelsminde got a new 1,300 tons machine with frequency converters installed for controlling hydraulic pumps. These frequency converters will save energy. In addition to the frequency converters, the injection-moulding machine is also equipped with a servo driven dosage system instead of standard hydraulic motor. This new machine will save energy equal to approximately 250,000 kWh annually.

The 1,300 tons machine is used for producing chairs for several customers in the furniture industry, and therefore SP Moulding expects to save a considerable amount of energy compared to the machine previously used.

The electricity consumption for one production hour on the new 1,300 tons injection-moulding machine is 41.79 kWh. The old machine would use 74.37 kWh. The savings thus amounts to 43 %.

SP Moulding is not only saving energy using the new injection-moulding machine. SP Moulding also achieves a greener environment for the blue-collar workers by investing in new production equipment. The operators have less manual work and are avoiding heavy and monotonous processes. Instead, their main tasks are quality inspection and packing of the finished plastic parts.



Case: New investments lead to lower energy consumption in Karise

In 2014, SP Medical in Karise, Denmark, made a total screening of energy consumption on the plant, - in collaboration with their electricity contractor SEAS/NVE.

The screening showed a potential of reducing electricity consumption by 11 % and reducing gas consumption for heating by 43 %. In total, with a number of investments, SP Medical in Karise could obtain a reduction of energy consumption by 16 % (equalling 377 Tons of CO₂ emissions).

The suggested investments encompassing a new ventilation system, new cooling system, new heating system and the installation of LED lightening in production areas, have all been implemented in the period from autumn 2014 to summer 2015. The investment has an average payback time of 3.8 years.



Ventilation and cooling system

Water

Our use of water is for our kitchens, restrooms and bathing facilities as well as our cooling systems for machines and tools. All our cooling water runs in closed systems. At all our sites, we regularly control water consumption to detect possible leaks.

Water withdrawal - 2015³⁰	M ³
Total volume of water purchased from municipal water supplies or other water utilities in cubic meters used for any purpose.	8,001

Greenhouse gas emission

We continuously try to reduce transportation by delivering as large quantities per delivery as can be accepted by our customers. In addition, we focus on doing fully loaded transports for purchase of raw materials and for shipments of products to customers.

Direct and indirect greenhouse gas emissions - 2015	kg CO₂
Direct greenhouse gas emissions (from natural gas) (Scope 1) ³¹	492,843
Indirect greenhouse gas emissions (from electricity) (Scope 2) ³²	7,595,922

Waste

Weight of waste in kg - 2015³³	Plastic	Packaging*	Scrap	Other	Total
Recycling	332,840	68,355	13,370	14,844	429,409
Incineration	0	7,537	305,226	515	313,278
Landfill	0	0	0	0	0
Other	0	0	5,454	1,840	7,294
Total	332,840	75,892	324,050	17,199	749,981

* Plastic bags, cardboard, pallets etc.

We always prioritize recycling when possible. An approved waste contractor collects all types of waste for recycling, incineration or landfill.

Supply chain - Environment

The most recent supplier screening took place in 2015. The suppliers reported on a number of indicators concerning human rights, labour, environment and anti-corruption. We did not find any issues of concern leading to further investigations or on site audit with regard to the environment³⁴.

³⁰ GRI G4 EN-08

³¹ GRI G4 EN-15

³² GRI G4 EN-16

³³ GRI G4 EN-23

³⁴ GRI G4 EN-32

ANTI-CORRUPTION

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Our support

We believe in responsible behaviour and that we must take a clear stand against corruption in all its forms. We are obliged by legal obligations, including the UK Bribery Act, to work against corruption and facilitation payment.

Our CSR Policy clearly states that we do not participate in corruption or bribery. We will not offer, promise or give any kind of bribes to improperly influence public officials, judges or business associates. We will also refrain from receiving or accepting any bribes ourselves. Individuals acting on our behalf are subject to the same obligation of not participating in any form of corruption or bribery. In our Supplier Code of Conduct, our suppliers and business partners are requested to support and respect anti-corruption principles.

Corruption has a significant and negative societal impact, especially in poor countries, where corruption undermines international development and damages the integrity of the private sector. Corruption may result in prison sentences, large fines and reputational damage, which would adversely impact our business' sustainability and social license to operate.

Implementation

We have distributed our CSR Policy including our statement on corruption and bribery to our employees. We have started planning adequate procedures against corruption as well as formal training sessions on anti-corruption for core employees.

Our management makes detailed controls on all sites and all significant transactions are analysed by our management. As part of the audit of our companies, the auditors consider the risk of bribery and the measures taken by management to reduce this risk.

As explained previously, SP Moulding has production sites in Denmark, China and Poland. Some of our suppliers are located in countries where the risk of corruption is larger than in Denmark. Our Supplier Code of Conduct outlines our expectations regarding anti-corruption and it forms the basis for dialogue with our suppliers and for monitoring their responsibility. For all new suppliers, the CoC constitutes a part of their co-operation agreement with us. Existing suppliers have received and signed the Supplier Code of Conduct.

As our suppliers of materials are large reputable international companies that already in a detailed manner publish their efforts in the area of CSR, the management of our supply chain primarily focuses on our suppliers of tools.

To prevent being involved in adverse impacts through these suppliers, we continuously conduct risk assessments and based on these, initiate self-assessment screening processes of the selected suppliers, which among other issues cover anti-corruption policies and procedures. As a minimum, this process is done every third year.

We pay especially attention to processes and procedures in China due to the higher risk potential in this part of the world. Hence, we have established a specific audit team of 2-3 employees who audit our suppliers on a regular basis to ensure that our Supplier Code of Conduct and statement on anti-corruption is respected and adhered to.

Progress

We have established a process with the purpose of communicating and training our employees in our anti-corruption policies and procedures.

As part of this process, training material has been developed and will be introduced in formal training sessions on anti-corruption for core employees³⁵.

The training material has been designed to make clear how corruption can be avoided in daily routines and in interaction with external stakeholders and partners to SP Moulding. The material elaborates on different types of anti-corruption measures, and make our employees familiar with concepts such as facilitation payment, bribery, trading in influence, gifts and hospitality arrangements.

We have not received any administrative or judicial sanctions for failure to comply with anti-corruption laws. No claims or request for monetary sanction for corruption and no legal corruption cases against any of our sites were reported in 2015³⁶.

Supply chain - Corruption

The most recent supplier screening took place in 2015. The suppliers reported on a number of indicators concerning human rights, labour, environment and anti-corruption. We did not find any issues leading to further investigations or on site audit concerning corruption³⁷.

³⁵ GRI G4 SO-04

³⁶ GRI G4 SO-05

³⁷ GRI G4 SO-09

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