



## Our Sustainability Work in 2015

## Nolato in 15 seconds

Nolato is a Swedish publicly listed group with 7,800 employees in Europe, Asia and North America. Nolato develops and manufactures products in polymer materials such as plastic, silicone and TPE for leading customers within medical technology, pharmaceuticals, telecom, automotive and other selected industrial sectors.

Nolato's business model is based on close, long-term, innovative collaboration with our customers. Nolato endeavours to create added value for both customers and shareholders through leading polymer technology, wide-ranging capabilities and highly efficient production.

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# Sustainable development in everything we do

## New record year

2015 was Nolato's best ever year for the fourth consecutive year, with both record sales and profit. Our sales totalled SEK 4,726 million (4,234) and operating profit (EBITA) was a record SEK 570 million (470).

All three of our business areas performed very well and over the past two years Nolato has made significant investments in expanding its project and production resources. We have extended our factories in Hungary and China, built a new production facility in Malaysia and increased capacity at some of our Swedish units.

## From contract manufacturer to high-tech partner

During my eight years as CEO of Nolato I have had the privilege of leading a company of the highest quality. During this time we have put a great deal of effort into repositioning ourselves from historically having been a contract manufacturer to becoming an advanced high-tech partner for our customers. By offering customers innovative technical solutions together with world-class productivity and quality, we are able to support them from initial concept to finished product. We have come a long way but there is, of course, plenty still to do. We want to offer customers even greater value creation, more integrated solutions and greater geographic presence to become a global partner.

## Continual development of our core values

Another important issue has been continuing to develop Nolato's strong corporate culture. We have continually developed our values, which together with our Code of Conduct are set out in The Nolato Spirit booklet.

## Sustainable development is a key area

Our commitment to CR – corporate responsibility – is important and vital for good business operations. Corporate

responsibility issues and our UN Global Compact-based guidelines are a fully integrated part of our business operations.

We work within numerous areas of sustainability issues, and we prioritise issues regarding good business ethics, meeting customers' needs and ensuring good health and safety. We also aim to use resources such as materials, energy and water as efficiently as possible and, of course, to minimise our environmental impact. Our work is underpinned by our certified management systems in accordance with ISO 14001, ISO 18001 and ISO 50001.

## Social responsibility is a high priority

Another high priority is social responsibility. This is true of our operations around the world, but we are carrying out particular initiatives in China. I am proud of the work we are doing under the Employee Care Programme and Building Hope Together projects in Beijing, but there are good examples throughout the Group. This sustainability report provides detailed information about how we focus on systematically enhancing Nolato's efforts within sustainability.

With our highly capable employees, a solid organisation, responsible business practices, a strong balance sheet, and under the leadership of Christer Wahlquist as the new CEO, Nolato will continue its journey towards achieving the company's vision of being 'the customer's first choice of partner'.



**Hans Porat**  
Outgoing President & CEO

*"A key area for Nolato is our commitment to corporate responsibility. Corporate responsibility issues and our UN Global Compact-based guidelines are a fully integrated part of our business operations."*



**Christer Wahlquist**  
Incoming President & CEO

Torekov, Sweden, February 2016

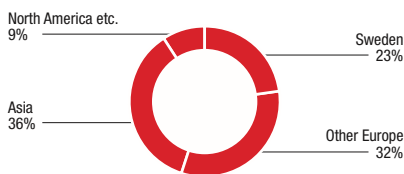
Hans Porat, President and CEO

# The Nolato Group in brief

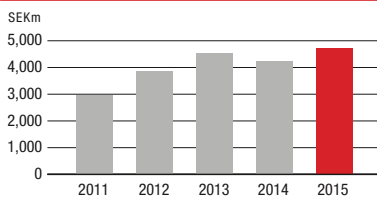
- Development, production & sales  
○ Sales & technology



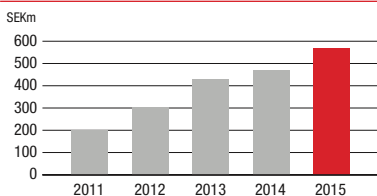
## Sales by market



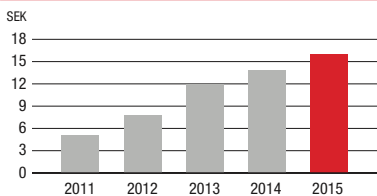
## Sales



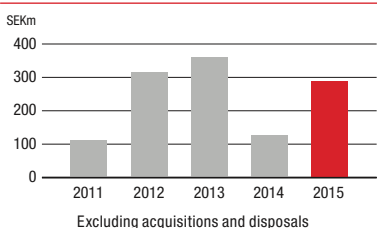
## Operating profit (EBITA)



## 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 autoinjectors, insulin pens and catheter balloons).
- ◆ telecommunications components (such as subsystems for mobile phones, often with significant cosmetic content, as well as methods and materials for shielding electronics).
- ◆ products for industrial companies (such as vehicle components, hygiene products and specialist packaging).

## Our offering

Nolato's customer offering comprises most technologies in the field of polymers and covers the entire value chain from development 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 materials and product design to help achieve better and more cost-effective end products.

## Our values

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

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

## Our employees

The average number of employees in 2015 was 7,759. Of these, 90% were outside Sweden.

## Our shares

Nolato was listed on the stock exchange in 1984, and its B shares are listed on NASDAQ Stockholm 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:	2015	2014
Sales, SEKm	1,464	1,333
Operating profit (EBITA), SEKm	191	176
EBITA margin, %	13.0	13.2
Average number of employees	1,053	1,031

### Customer offering:

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

### Geographic information:

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

### Success factors:

Medical understanding, broad technological offering, expertise in developing robust product solutions, global production and robust quality.

### Customers include:

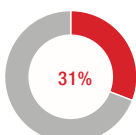
Abbott, Becton Dickinson, Boston Scientific, Coloplast, Medtronic, Novo Nordisk, Pfizer, Roche, Sanofi and Takeda.

### Volatility:

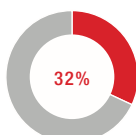
Low. Steady market growth.  
Long-term growth potential.

### Product life cycle:

Long.



Share of the Group's  
net sales



Share of the Group's  
operating profit (EBITA)



## Nolato Telecom

Financial highlights:	2015	2014
Sales, SEKm	2,017	1,799
Operating profit (EBITA), SEKm	272	199
EBITA margin, %	13.5	11.1
Average number of employees	6,002	6,297

### Customer offering:

Design, development and manufacture of advanced components and subsystems for mobile phones, and products and systems for shielding electronics to achieve electromagnetic compatibility (EMC).

### Geographic information:

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

### Success factors:

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

### Customers include:

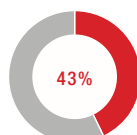
Ericsson, Huawei, Microsoft, Motorola Solutions, Nokia, Sonos, Sony Mobile, Xioami and ZTE.

### 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:	2015	2014
Sales, SEKm	1,251	1,106
Operating profit (EBITA), SEKm	132	118
EBITA margin, %	10.6	10.7
Average number of employees	698	687

### Customer offering:

Development and manufacture of products 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:

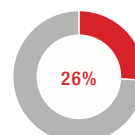
Atlas Copco, Brose, Geberit, Husqvarna, Jaguar/Land Rover, MCT Brattberg, Scania, SKF, Volvo and Volvo Cars.

### Volatility:

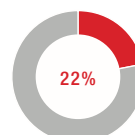
Medium. Follows the Northern European industrial business cycle.

### Product life cycle:

Medium/Long.



Share of the Group's  
net sales



Share of the Group's  
operating profit (EBITA)

# 2015 in brief

## Financial performance

Nolato's sales for 2015 amounted to SEK 4,726 million (4,234). For the fourth successive year, operating profit (EBITA) was the best in the company's almost 80-year history, amounting to SEK 570 million (470) and corresponding to an operating margin (EBITA) of 12.1% (11.1). The good performance came from across the Group, with sales and profit increasing in all business areas. Earnings per share were SEK 15.97 (13.84) and the equity/assets ratio was 54% (54).

## Sustainable development

The 10 principles of the UN Global Compact permeate our organisation and in 2015 we continued our sustainable development efforts. One such example is the updating of The Nolato Spirit booklet to make a clearer link between business operations and sustainable development.

We implemented energy efficiency measures throughout the Group and as part of this our UK company introduced the ISO 50001 energy management standard. Our carbon emissions measures involve initiatives such as improving energy efficiency and phasing-out of fossil fuels for heating. The purchase of 'green electricity' in Hungary is the latest step in reducing our carbon footprint. Another example of environmental sustainability measures was our investment in advanced purification equipment to help reduce air pollution in Beijing.

Work on introducing the OHSAS 18001 health and safety standard continued with the aim for all units to be certified under this standard. Nolato participated in the updating of the ISO 14001 environmental management standard and Group companies are now starting work on adapting to this new standard. Our social engagement work was

further developed, with important initiatives, including in China and Hungary.

## Continued work

In 2016, Nolato will be working on measures including the following:

- ▶ Activities to help improve energy efficiency, cut carbon emissions and reduce waste.
- ▶ Adaptation of the environmental management system to the new version of ISO 14001.

- ▶ Health and safety through the continued introduction of the OHSAS 18001 standard.
- ▶ A persistent focus on suppliers' sustainability measures, including through new procurement of transportation services.
- ▶ Further development of social engagement and social responsibility, including projects such as the Employee Care Programme and Building Hope Together.
- ▶ Updating sustainable development targets.

## Key sustainability figures

	2015	2014	2013
<b>Financial responsibility</b>			
Sales, SEKm	4,726	4,234	4,522
Operating profit (EBITA), SEKm	570	470	427
EBITA margin, %	12.1	11.1	9.4
Average number of employees	7,759	8,020	9,357
<b>Environmental responsibility</b>			
Breach of environmental and occupational environment legislation, number of cases	2	0	0
Energy consumption, MWh/SEKm sales	0.035	0.038	0.036
Water consumption, m <sup>3</sup> /SEKm sales	37.9	37.8	35.2
Greenhouse gas emissions, CO <sub>2</sub> tonnes/SEKm sales	12.1	14.7	13.7
Waste, tonnes/SEKm sales	1.1	1.0	1.1
Certified environmental management system, % of total no. of plants	95	100	100
<b>Social responsibility</b>			
Workplace accidents, (cases of ≥1 day's absence; cases per employee)	35 (0.004)	43 (0.005)	34 (0.004)
Certified environmental management systems, OHSAS 18001 % of total no. of plants	30	26	16
Female employees, %	53	52	57
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 suppliers; evaluations performed with regard to environment/social responsibility	134	161	106

# Sustainability work for long-term growth

Sustainability work is an integral part of Nolato's strategy for growth and value creation and is a natural part of our day-to-day work. The aim is to create business opportunities, reduce costs, minimise risks and meet the requirements and expectations of external and internal stakeholders.

## Nolato and international goals

2015 will be seen as one of the Group's most important years yet for its work in sustainable development. During the year, the UN presented new global development goals and expectations for efforts by businesses are high, both in terms of responsible business practice and in terms of developing products and services that contribute to sustainable development. Working towards these new goals is a natural extension of Nolato's commitment to the UN Global Compact. The Group's targets are currently in line with a number of these global goals and the long-term aim is to enhance our sustainable development efforts. In so doing, Nolato also contributes to Swedish environmental quality targets.

Nolato has also opted to sign up to a number of global initiatives regarding the reporting of sustainability measures. This reporting is prepared in accordance with Global Reporting Initiative (GRI G4) guidelines and the Group's carbon emissions performance is reported in accordance with the Carbon Disclosure Project (CDP). Nolato received a score of 89 out of 100 in its CDP reporting.

## Continual improvements

Nolato began its sustainability work when the company was formed in 1938 and a focus on responsibility and good organisation was part of the corporate culture from an early stage. Since then we have made constant improvements and consistently raised our ambitions in this area. The time line below shows some of the key steps along the way and developments will continue with new initiatives and activities. It has always been important to meet environmental and health and safety legislation, but the requirements and expectations of society and the Group's stakeholders have become increasingly significant. These include growing requirements among Nolato's customers relating to the environment and social responsibility and expectations on us to pass these requirements on to our suppliers. Another example is involvement by staff, and in this respect we see the importance of sustainability issues in attracting new employees.

## 2015 highlights

- ▶ Work based on the UN Global Compact was further developed and Nolato's objectives are contributing to the UN's global sustainable development goals and Sweden's environmental quality targets.
- ▶ The Nolato Spirit booklet was updated, with a clearer link between business operations and sustainable development.
- ▶ Continued focus on energy efficiency.

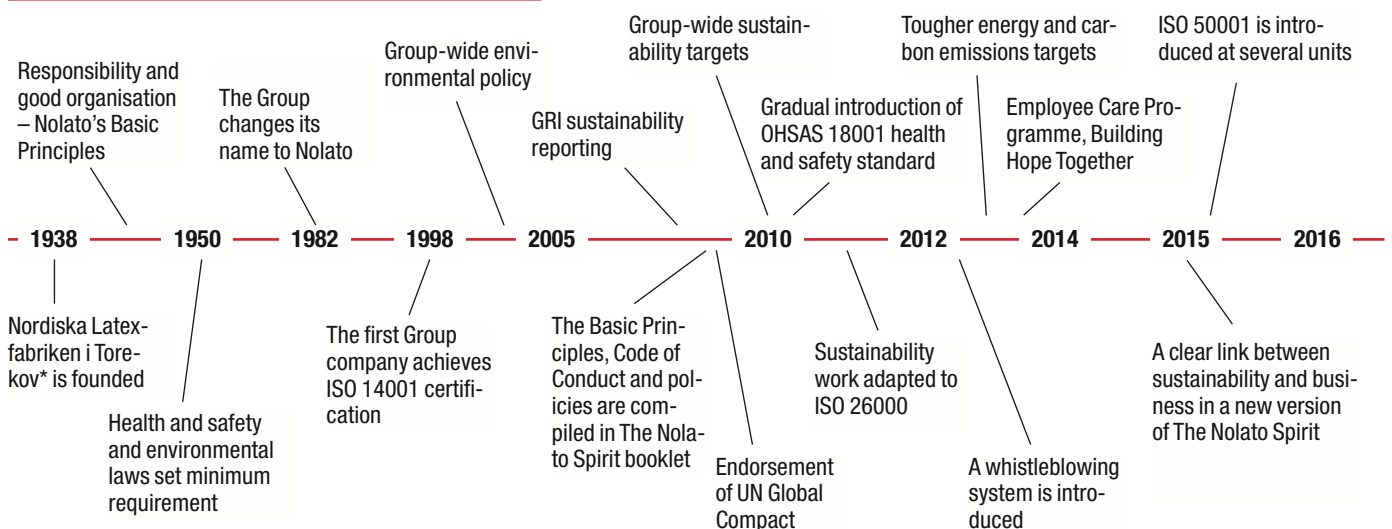
- ▶ Energy audits and energy efficiency measures were widely implemented and ISO 50001 was introduced at several plants.
- ▶ Reduced carbon emissions through energy efficiency measures, phasing-out of fossil fuels and the purchase of green electricity. Reporting of carbon emissions under the Carbon Disclosure Project, which Nolato is doing along with around 5,500 other global companies.
- ▶ Involvement in a school in a poor area of Beijing, known as the Building Hope Together project, is highly valued by teachers, students and Nolato employees.
- ▶ Work on introducing the OHSAS 18001 health and safety standard continued with the aim for all units to be certified under this standard.
- ▶ Nolato's sustainability work was analysed by Swedbank Robur and the Group was once again approved under the bank's responsible investment criteria.

## Sustainability strategy

The Group has long had preventive measures in place relating to health and safety and environmental issues and these are important elements of The Nolato Spirit. Views on corporate social responsibility have changed over time and issues relating to social responsibility and good business ethics have become increasingly important.

There are also significant expectations that Nolato and other companies must apply a clear life cycle approach to raw materials,

## Some important steps on the road to sustainability



\* This translates as the Nordic latex factory in Torekov

product development, processes and products.

Nolato's customers face four fundamental challenges: Managing continued globalisation, meeting customer requirements for constant innovation and ever lower prices and meeting growing demands for corporate responsibility. The aim of our sustainable development strategy is to contribute successful business operations by meeting customer expectations and taking responsibility for people and the environment. The strategy encompasses the following areas:

- ▶ Lowering the level of risk, minimising harm to people and the environment, as well as reducing costs. We do this through preventive measures, risk analysis and investments in modern technology.
- ▶ Working systematically on continuous improvement. International standards on the environment and health and safety are important tools in our systematic improvement efforts. In addition to this, concepts such as lean manufacturing and 5S contribute to improving the environment and health and safety.
- ▶ Enhancing competitiveness and increase customer confidence. Many of Nolato's customers have ambitious sustainable development targets and this corresponds closely with our own business strategy.
- ▶ Motivating and involving our employees. Issues relating to health, safety and employees' social situation are of particular priority. We want to be an attractive company for both new and existing employees.
- ▶ Being a good corporate citizen. Our social engagement includes cooperation with universities and schools, employment of people with disabilities and support for sporting activities.
- ▶ Applying sound business principles. We have a zero tolerance approach to corruption and anti-competitive practices.
- ▶ Be transparent in our communication. This makes it easier for our customers, investors and other stakeholders to follow up on their requirements and evaluate our work.
- ▶ Endorsement of international guidelines. Nolato is a signatory to the UN Global Compact and reports its sustainability work in accordance with Global Reporting Initiative (GRI) guidelines.
- ▶ Integration of sustainable development. Sustainability issues are an integral part of the way we operate. It involves areas such as investments, monitoring, external com-

munication, company acquisitions, crisis and risk management, procedures, reporting and training.

### Governance of sustainability work

Sustainability issues relate to Nolato's operations in a number of ways, including the introduction of new technology, internal and external communication, corporate acquisitions, crisis and risk management, accounting and training.

The overall focus of and responsibility for our sustainability work is set out in Nolato's Basic Principles and Code of Conduct. The Code of Conduct is complemented by Group-wide goals on the environment, social responsibility and business ethics. Each unit works towards these overall goals, as well as their own detailed targets.

Operational responsibility for sustainability issues is delegated to the Managing Director of each company. Group management regularly follows up on the development of this work and how sustainability measures are being integrated into strategic planning. One representative on Nolato's Board has special responsibility for these issues. These activities are followed up through dialogue with the companies' management and

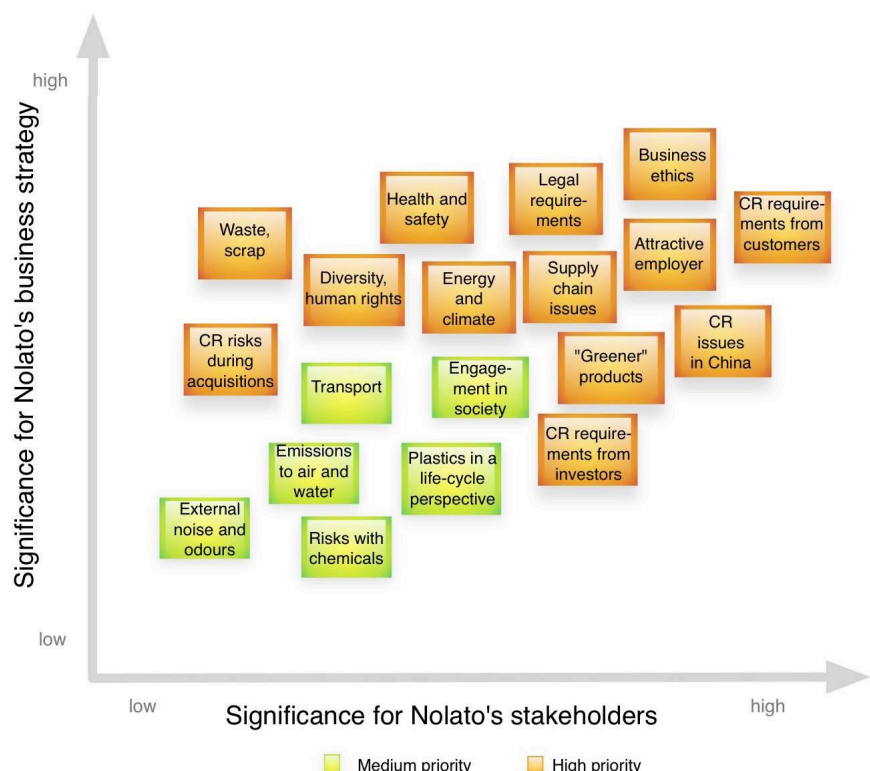
through internal and external audits. Along with the annual sustainability report, we also carry out an in-depth analysis of compliance with legislation, target outcomes and the development of performance and key indicators during the year.

### Materiality analysis

Within the framework of the ISO 14001, OHSAS 18001 and ISO 50001 standards, Nolato's companies endeavour to identify and manage significant aspects relating to environment, health and safety, and energy. This forms an important backdrop to Nolato's materiality analysis, which is developed based on the requirements set out in the GRI G4 sustainability reporting guidelines. The analysis also includes risks and opportunities regarding social responsibility and business ethics. The end of the report (pages 26–28) contains a list of the GRI indicators that we refer to.

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 shows the issues that were identified

### Materiality analysis 2015



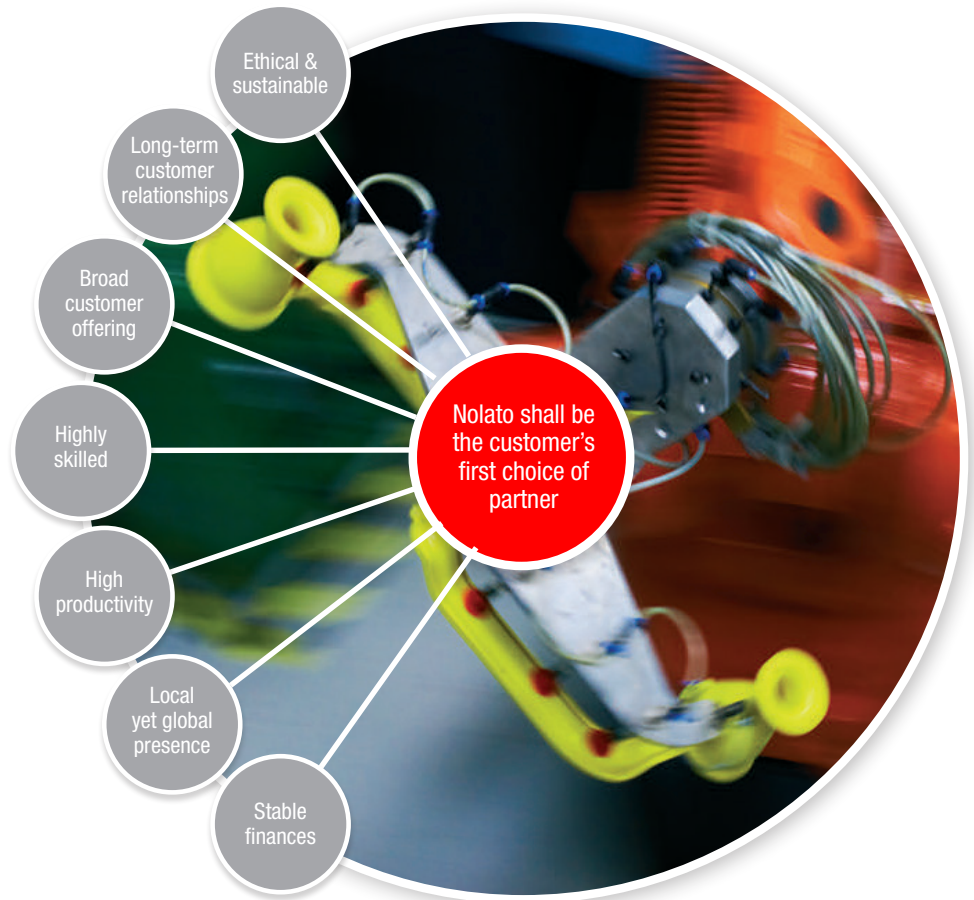


in 2015 as significant and our sustainability reporting describes how these issues are managed and monitored.

The materiality analysis has been modified in a few areas compared with previous years. Investor requirements have gained greater priority as interest in sustainability issues has grown in the financial sector. And facts about the life cycle of plastics have gained significant media coverage in recent years. These relate to the origin of plastics in fossil raw materials and the occurrence of microscopic plastic particles in the world's oceans. We are therefore including these issues in the materiality analysis and are monitoring developments within these areas.

### Value for stakeholders

Nolato interacts with a number of stakeholder groups, which brings a range of requirements and expectations in relation to sustainable development. Our understanding of which stakeholders are significant – and what they consider to be important – is based on experience, commercial relationships and dialogue over a long period, as well as events over the past financial year.



### Overview of dialogue with stakeholders in 2015

Stakeholder	Aims, requirements and expectations	Value created
Customers	Nolato believes that sustainability measures strengthen customer relationships. Many customers demand that Nolato have a code of conduct, certified management systems, the phasing-out of hazardous chemicals and active sustainability measures in collaboration with Nolato's suppliers.	Nolato's sustainability work was reviewed by around 50 customers during the year. The overall results were excellent and Nolato's sustainable development aims are valued by customers. The operations in China and Malaysia are certified as Sony Green Partners.
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 were addressed during the year via dialogue with customers and the demands they place on Nolato.
Employees	Health, safety, pay, benefits, social conditions, well-being, development opportunities.	In 2015, Nolato paid a total of SEK 1,250 million in salaries to employees. The frequency of accidents remained low and OHSAS 18001 is currently being introduced throughout the Group. Almost 300,000 hours of training were undertaken during the year, which equates to around 39 hours per employee. Positive employee survey results. The Employee Care Programme is being further developed in China.
Suppliers	Nolato endeavours to have long-term and transparent relationships with suppliers. The aim is to ensure the right quality, financial stability and sustainable development for both parties.	In 2015, Nolato paid its suppliers a total of SEK 2,996 million. Suppliers were provided with the new version of The Nolato Spirit booklet and over the year the Group conducted more than 130 assessments, which also addressed sustainability issues.
Shareholders	The aim is for this sustainability work to create value for shareholders. Nolato ensures this, for example, through efficient resource usage and investments in new environmentally sustainable technology. The integration of sustainability issues in business operations, such as more environmentally sustainable products, reduces risks and creates business opportunities.	Nolato's share price rose by 45% in 2015. The Group gained renewed approval from Swedbank Robur for ethical investments. Reporting of carbon emissions to global investors in accordance with the Carbon Disclosure Project was undertaken with good results.
Society	Social engagement is an important aspect and something that is expected by local communities where the Group operates. As a global company, the Group is expected to undertake measures that contribute to national and global sustainable development goals.	In 2015, Nolato paid SEK 159 million in tax. The Group's companies contributed in numerous ways to local communities. The Building Hope Together school project in China was further developed. By signing up to the UN Global Compact, Nolato is making a long-term contribution to these global development goals.

## Environmental and health and safety legislation

Nolato's companies 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 relevant measures. From a strategic perspective, it is 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.

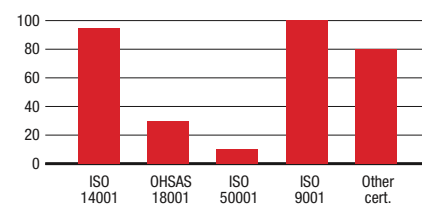
In Sweden, the Group conducts activities that are subject to notification obligations in accordance with the Swedish Environmental Code at ten plants. The units in China, Hungary, Romania, Malaysia and the US require permits or are covered by other requirements under the environmental legislation of the country in question. No significant updates to permits and conditions are expected in the near future. Many of the units report regularly to the environmental authorities, and the supervisory authorities carry out inspections. In 2015, eight plants were inspected by environmental authorities and no significant deviations were noted.

Legislation relating to hazardous chemicals (REACH, RoHS, refrigerant regulations, 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, was introduced with new risk symbols, which Nolato's operations have adapted to. The EU Energy Efficiency Directive was introduced during the year, which affects production units, among other things, as a result of energy audit requirements. A summary of how Nolato will fulfil the Directive has been submitted to the Swedish Energy Agency. Energy audits have been conducted or are planned at a number of units. Nolato Jaycare in the UK fulfils the energy directive through its certification under the ISO 50001 energy management system. Fourteen of the units are affected by EU legislation relating to producer responsibility for packaging waste and pay annual charges for this.

In 2015, there were no significant breaches of permits, conditions or any other relevant environmental legislation. In one case, a minor penalty was issued relating to incorrect reporting of refrigerants. In another case, there were elevated concentrations of pollutants in wastewater. Measures to rectify these

matters have been undertaken. Within health and safety, five of the units were inspected by occupational environment authorities during the year without any deviations.

Certifications (% of all units)



## Certified management systems

The ISO 14001 environmental management system standard was introduced in 1996, and within around a year Nolato had its first plant certified to the standard. Since then, ISO 14001 has formed part of Nolato's sustainable development strategy and our working practices, and the environmental audits and certification creates confidence among our stakeholders. All units, except for a newly established unit in Malaysia, are certified and Nolato Medical Devices (Beijing) achieved ISO 14001 certification during the year.

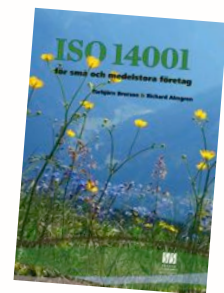
Our continuous improvement measures include internal and external environmental audits. Nolato has around 110 internal environmental auditors, who conducted almost 100 environmental audits during the year. The facilities were reviewed by external auditors on 19 occasions.

A new version of ISO 14001 was published in autumn 2015 and in recent years Nolato participated in the Swedish reference group on the development of ISO 14001:2015. We now have three years to implement the required changes to environmental management systems and many Group companies have already started this work.

All units are certified in accordance with the requirements of the ISO 9001 quality management system. In addition, approximately 80% of units are certified in accordance with ISO standards for the automotive industry (ISO/TS 16949) or medical technology (ISO 13485). At most of the plants, the various management systems are entirely or partly integrated into the operational system.

OHSAS 18001-based health and safety management systems have been introduced at 6 (5) units and a further four units are planning to achieve certification within the

next 6–18 months. During the year, UK-based Nolato Jaycare achieved certification under 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.



## Lots of new features in ISO 14001

The ISO 14001 environmental management standard has been implemented widely throughout the world. It is used by around 325,000 companies and other organisations internationally and contributes to better management of environmental issues.

The standard has now been updated for the third time and includes a raft of new features. Key changes include the structure of the environmental management system, the view of management's responsibility and the importance of environmental issues being part of strategic measures. In addition, stakeholder requirements and expectations must be managed clearly and the environmental impact of the business must be viewed from a life cycle perspective.

Together with Richard Almgren, Nolato's Director of Sustainable Development Torbjörn Brorson has written the book 'ISO 14001 för små och medelstora företag' [ISO 14001 for Small and Medium-sized Enterprises] and the latest version was published in early 2016.

The book provides clear guidance on how to introduce ISO 14001 in a company and describes how the existing environmental management system can be adapted to the new ISO 14001:2015 requirements. This will be part of the in-house environmental management training that is now being planned.

# Sustainable development targets and key figures

Target-based management is a requirement under the ISO 14001 environmental management standard and the Group's units have therefore been working towards local environmental targets for some time now. Group-wide long-term targets for key sustainable development areas were introduced in 2010

in order to coordinate activities. The targets have been gradually raised and individual units have significant freedom in designing their own detailed targets and adding targets in other areas.

The Group's targets cover those areas that are both important for internal sustain-

ability 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		Performance in 2015
<b>Environmental responsibility</b>	Energy	The object is more efficient energy use and for 2014–2016 Nolato is targeting a 10% reduction compared with the average for 2011–2012. The Group-wide KPI is GWh/net sales and many of the production units use locally adapted targets, such as energy use in relation to the amount of plastic raw material used.	► Energy audits and efficiency measures were carried out during the year at Nolato's facilities. The measures included installation of energy-efficient electric injection moulding machines and LED lighting, as well as the introduction of energy management systems. It is believed there is good potential for achieving the energy target (see pages 12–13).
	Carbon emissions	Carbon emissions are a global challenge and Nolato's objective is to reduce its emissions of greenhouse gasses. The target is the reduction of carbon dioxide (CO <sub>2</sub> ) from energy consumption by 10% during 2014–2016 compared with the average for 2011–2012. The Group-wide KPI is tonnes of CO <sub>2</sub> /net sales and there are also different types of local targets.	► Energy efficiency, a move to renewable energy, more environmentally sustainable shipping and the purchase of electricity from renewable sources is helping to reduce carbon emissions. The situation in China presents a significant challenge, as the Group is currently only able to use electricity generated by coal-fired power plants. Despite this, the trend is positive and it is believed that the target will be met (see page 13).
	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 14.
	Waste	The Group-wide objective is for the volume of waste to be reduced in relation to net sales. In this regard, the Group's units are using various types of local targets relating to scrap levels and the volume of waste. These targets are part of our lean manufacturing work or other initiatives, and as part of ISO 14001.	► Over a 10-year period the percentage of waste disposed of in landfill has decreased and the percentage that is recycled has increased. Many of the Group's companies have succeeded in their efforts to reduce scrapping to very low levels. Positive initiatives have also been undertaken involving innovative packaging solutions cutting waste for customers and reducing carbon emissions from transportation (see page 15).
	Environmental management systems	The objective is for all units to be ISO 14001-certified. Acquired companies should be certified within two years.	► All units, except for a newly established unit in Malaysia, are certified to ISO 14001 standard. We now need to adapt these systems to the updated ISO 14001:2015 version, and this work will be completed within three years.
	Environmentally sustainable products	In 2015, Nolato shall 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 are undertaken in cooperation with customers or on our own initiative (see pages 15–16).
<b>Social responsibility</b>	Safe workplaces	Continually reducing the number of accidents and illnesses in the workplace is an essential objective. An intermediate goal towards this is for all units to have a functioning system for registering and addressing near misses, i.e. events that could have caused an accident. In conjunction with the updating of The Nolato Spirit, the Group introduced the requirement that companies need to be certified in accordance with the OHSAS 18001 health and safety standard.	► Systems for reporting incidents are in place at 95% of facilities and more than 500 near misses were recorded and addressed. The accident rate remains largely unchanged. OHSAS 18001 has now been introduced at six units (see page 10).
	Ethical and human principles	There should be no cases of infringements of human rights, discrimination or forced labour. Active information shall continue to be provided to employees and new staff.	▲ An updated version of The Nolato Spirit has been produced and training has been provided at the Group's units. No cases of infringements of human rights were recorded during the year. Activities in China and Hungary regarding integration of employees with disabilities (see pages 16–17).
<b>Business partners and other stakeholders</b>	Anti-corruption measures	There should be no cases of bribery, corruption or cartel formation. Continued active information for employees.	▲ The Group has introduced a whistleblowing system and no events relating to corruption or inadequate business ethics were recorded in 2015 (see pages 16 and 20).
	Suppliers	Improved evaluation of suppliers' sustainability work. In 2015, each company should have evaluated at least five suppliers.	► In 2015, Group companies conducted 134 (161) evaluations of suppliers' sustainability work. A strong emphasis was placed on environmental and social responsibility in the procurement of transportation services. Several training courses were arranged during the year for accountants, with a focus on suppliers and CR (see page 20).
	Customers	Customer requirements regarding the environment and social responsibility shall be met by a comfortable margin.	► The results of evaluations and audits were good during the year. Three plants in China and one in Malaysia have been approved as Sony Green Partners (see 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.	► Social engagement activities in China and elsewhere. Good results from evaluations of sustainability work in business magazines and by investors, such as Swedbank Robur. CPD-based reporting of carbon emissions for the first time (see 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. Production technologies include:

- ▶ **Injection moulding** – Technology for manufacturing components from plastic, silicone and TPE to highly precise dimensions and stringent quality requirements. Our most common production technology.
- ▶ **Injection blow moulding** – Technology for manufacturing plastic containers and bottles. We use this method for the manufacture of pharmaceutical packaging.
- ▶ **Dip moulding** – Technology for the production of flexible, airtight latex rubber products. This is used to manufacture products such as catheter balloons and breathing bags.
- ▶ **Extrusion** – Technology for the production of tubing and other tubular products. This technique is used to manufacture items such as heart and urine catheters and EMC shielding gaskets.
- ▶ **Die-cutting** – Technology for producing flat products from one or more materials. We use die-cutting for manufacturing gaskets, seals and cosmetic details such as loudspeaker protection and logos.
- ▶ **Post-processing and assembly** – We give components the desired finish through painting, decoration or metallisation. We then assemble them to create a complete product or subsystem. Assembly 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 use of energy, raw materials (mainly plastics) and solvents. Other significant environmental aspects are the occurrence of 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. In the final phase of their life cycle products are recycled in the form of materials or energy, but as with other plastic products some of the material ends up in landfill or the natural environment.

## Energy

Energy is consumed by production equipment, lighting, ventilation, cooling, transport, purification facilities and heating. Nolato mainly uses indirect energy in the form of electricity (85%) and district heating (10%). Some units use fuel oil and natural gas for heating and running purification equipment. The use of fuel oil is decreasing and being replaced with heat pumps or biofuel. The latest measure in this respect in the installation

of a heat pump at Skånes Fagerhult and similar systems are in place at a few other plants.

Energy consumption amounted to 167 GWh (163) in 2015 and the key performance indicator, which relates energy consumption to sales, has shown a declining trend since 2011. The cost of energy in 2015 was around SEK 128 million (119).

Measures aimed at boosting energy efficiency include:

- ▶ The energy audits that have been performed in recent years. These reviews almost always identify good energy saving opportunities. These often involve optimising ventilation, cooling, lighting and compressed air. We will be continuing energy audits and relevant



## Nolato Jaycare first to achieve ISO 50001

The new energy efficiency directive is raising the importance of energy issues within the EU. In accordance with the requirements of the directive, a number of Nolato's plants have carried out, or plan to carry out, energy audits. Investments in more efficient injection moulding machines, compressors, pumps, ventilation and other technical equipment are an important element of this work.

The first company to be certified under the ISO 50001 energy management system was Nolato Jaycare in the UK. The work to audit the company's energy use and develop the management system was overseen by Darren Whitworth. The Newcastle-based plant also established an innovative energy and process monitoring system. This computer-based system allows the energy consumption of infrastructure and production equipment to be continually monitored. During the year, investments were also made in energy-efficient injection moulding machines and cooling systems. Training of staff in energy efficiency was another key aspect of the work.

As well encouraging more efficient use of energy, ISO 50001 reduces carbon emissions. The management system also enables Nolato Jaycare to show how it is meeting UK ESOS (Energy Savings Opportunity Scheme) legislation.



measures within the scope of EU's energy efficiency directive.

- ♦ The introduction of a certified energy management system (ISO 50001) at UK units.
- ♦ The change from hydraulic injection moulding machines to electrical machines increases energy efficiency and reduces the handling of hydraulic oils.
- ♦ A new dipping robot at Nolato MediTor, which has been in operation for around a year, is saving significant amounts of energy.
- ♦ Replacement of lighting with LED bulbs. Installation of lighting sensors.
- ♦ Production planning to gain maximum efficiency from equipment and the turning off of equipment when it is not being used.
- ♦ Shorter cycle times for presses reduces energy consumption.
- ♦ Measures to minimise scrap and production reruns, which also reduces energy consumption.
- ♦ Training and close monitoring of energy consumption gets employees involved in saving energy.

## Atmospheric emissions

### Greenhouse gas emissions

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

Reporting of carbon dioxide emissions includes direct and indirect energy consumption. Emissions from transport, business travel, suppliers and users of Nolato's products are not insignificant but have yet to be quantified. The new procurement of transport services will provide better access to emissions data, which will be reported in future sustainability reports.

In 2015, Nolato's production plants emitted 57,000 (62,000) of carbon dioxide, less than 3 % of which was caused by the use of fossil fuels. Other carbon dioxide emissions were generated mainly from the production of electricity and district heating 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. Measures are carried out where it is possible to reduce emissions, including the following:

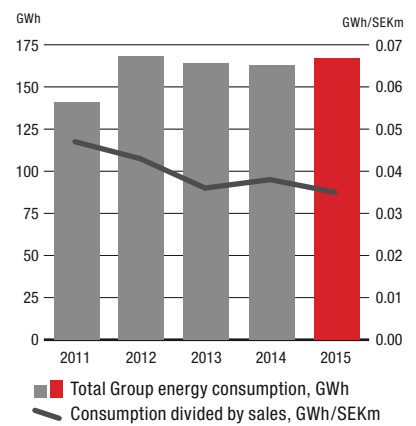
- ♦ The business in Hungary reduced indirect CO<sub>2</sub> emissions by almost 11,000 tonnes by purchasing 'green electricity'. The purchase of fossil-free electricity from autumn 2015 in the UK has already led to reducing emissions by around 4,000 tonnes. The full impact of this measure will be seen in 2016.
- ♦ Continued measures to boost energy efficiency, including energy audits and the introduction of ISO 50001.
- ♦ The phasing-out of fuel oil and installation of heat pumps or the use of bio-fuel.
- ♦ 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 to counteract climate change. 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 British Plastics Federation and has, for example, access to tools for calculating and reducing its impact on climate.

### Other atmospheric emissions

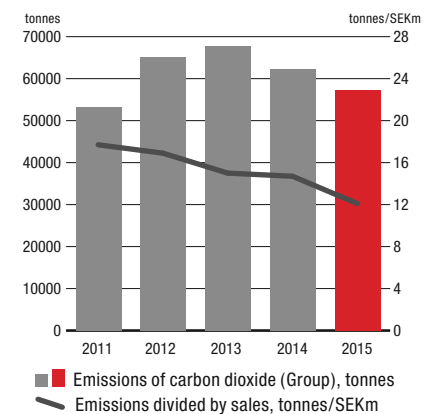
The use of more than 280 tonnes of paints and solvents resulted in emissions of around 55 tonnes (114) of VOCs (volatile organic compounds). The majority of the paints and solvents are used for the painting of mobile phones in Beijing. New purification equipment helped cut these emissions by half during the year.

There are just over 2.7 tonnes of ozone-depleting substances (HFCs) in air-conditioning and other equipment at around 10 production units. Minor leakages occurred during the year, which corresponded to around 4 % of the installed amount. Emissions of sulphur dioxide and nitric oxides were low and amounted to 5 tonnes (3). Emissions of dust and malodorous substances are usually negligible, but a complaint about an unpleasant odour occurred at our Beijing facility. The odour may relate to a water recirculation system that is used in a purification facility for treating solvent emis-

## Energy consumption



## Carbon dioxide emissions, CO<sub>2</sub>



sions. Measures have been taken to reduce the problems for the plant's neighbours.

### Raw materials and chemicals

Production processes used around 30,000 tonnes of polymer materials in 2015. More than 96% consisted of plastics and the rest of synthetic rubber. This involves silicone and latex rubber used in 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 200 tonnes (300) and there are number of ongoing customer projects

in which the aim is to increase the proportion of recycled materials. We are also seeing interest in reducing polymer usage in some products, which is beneficial 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 designated chemical substances. In 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 few chemical substances are subject to phasing-out or other risk reduction measures. This includes plastic-softening phthalates.

Solvent-based paints are a another area in

which it is beneficial from a health and environmental perspective to switch to water-based products. Our aims sometimes conflict with customer requirements for a product's finish, but we undertake continual development work in this respect.

### Water issues

Water issues have become increasingly important in global terms and for Nolato it is important to consider the Group's water footprint. We use municipal water for cleaning, sanitary purposes and cooling. In 2015, 179,300 cubic metres (170,700) of water were used at a cost of around SEK 2.5 million (2.0).

A number of Nolato's units have systems in place to reduce water consumption, such as closed cooling water systems for injection moulding machines and other equipment.

Nevertheless, there are some processes in

## New purification equipment contributes to better Beijing air quality

Beijing's poor air quality has long been the topic of much discussion and many residents are concerned about the impact of the pollution on their quality of life and health.

Traffic and coal-fired power stations are considered key causes of the problem and a number of measures are being taken to reduce emissions.

### Cutting emissions from paint

As part of this work, the authorities have tightened requirements for industrial facilities. Nolato's Beijing factory has taken a number of steps to reduce emissions from the painting of mobile phone components.

"The main action we've taken so far is replacing older purification equipment with more efficient purification processes," says Jörgen Karlsson, Managing Director of

Nolato Beijing who has lived in Beijing with his family for many years.

### Significant reduction

In 2014, a significant investment was made in new, cutting-edge purification equipment, which will lead to a substantial cut in the volume of emissions in 2015.

"Our focus on advanced purification technology has really been appreciated. We were visited by a TV crew who shot a detailed report about how the purification facility works," says Jörgen Karlsson.

"We estimate the facility will deal with over 95 percent of emissions from painting, which is a good contribution to improving Beijing's air quality." ■

*From Nolato Magazine October 2015*



which water consumption is relatively high. This applies to the manufacturing of latex rubber products in Torekov, which accounts for just around 15% of total usage.

Just over 5,500 people work at Nolato Beijing and this reflects the fact that the unit accounts for just over 60% 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 consumption.

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.

Our Torekov plant has taken measures to identify substances in wastewater that cause nitrification inhibition and that may disrupt processes in municipal wastewater treatment plants. So far this work has not generated the desired results and attempts to treat the water using UV light have not been successful.

## Waste

The volume of waste for the year totalled 5,000 tonnes (4,400), of which hazardous waste constituted 8% (9).

Over the past 10 years the Group's management of waste has changed significantly. Less and less waste is ending up in landfill and the percentage being recycled into materials has increased substantially.

Nolato companies are focussing on numerous specific measures to prevent the occurrence of waste, improve waste management and increase recycling. An ISO 14001-based approach, lean manufacturing and 5S are important tools in this work.

Around 60% (49) of waste was recycled as materials and 14% (25) as energy. Waste sent to landfill is decreasing 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 management costs for the year amounted to SEK 3.4 million (2.9).

## Transport

In 2015, measures were taken to reduce the environmental impact of the transport of goods and business travel:

- ▶ Sustainability issues were prioritised in particular in the central procurement of transportation services in 2015. In addition to a reduced environmental impact, we also expect to have better data for calculating carbon emissions from transportation.
- ▶ When changing vehicles and company cars Nolato chooses low-emissions models, such as hybrids.
- ▶ Nolato Cerbo has increased its use of rail transport for moulds manufactured in China and transported to Sweden.
- ▶ The use of videoconferencing has increased.
- ▶ A better fill ratio of trucks and coordinated transport.
- ▶ Bulk handling instead of handling material in sacks reduces shipments.
- ▶ Intelligent packaging solutions by Nolato Jaycare are cutting the number of shipments between the UK and Italy.

## Continued environmental adaptation of products

Working together with customers, we contribute concept development, design, choice of materials, structure, prototypes, production moulds, high-volume production and post-processing.

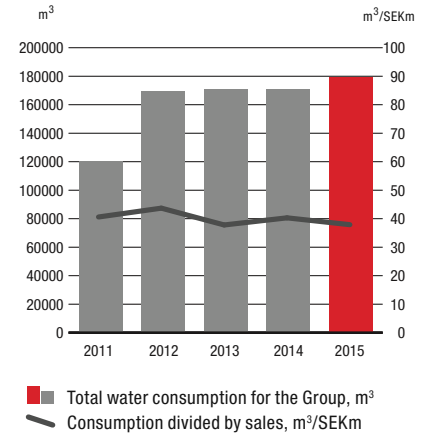
The environmental performance of products has become increasingly important and this applies to everything from mobile phones, components, vehicles, domestic appliances and chainsaws to pharmaceuticals packaging and medical devices.

From a business perspective, it is important for us to be active in environmentally optimised product development, particularly given the targets some companies have to phase out fossil-based plastic raw material.

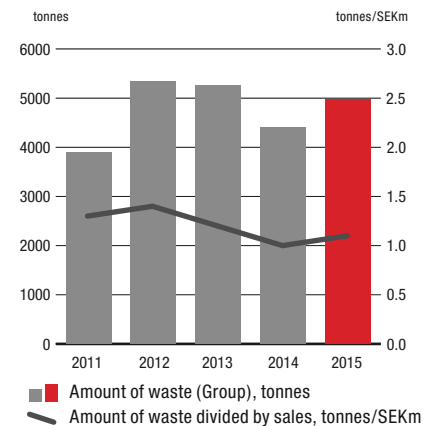
Here are some examples of projects and existing products:

- ▶ Nolato Gota and Nolato Lövepac produce components for Volvo Cars' Drive-E generation of engines. These engines are around 20% more efficient than their predecessors.
- ▶ Nolato Hertila produces whiteboard pens from recycled plastic.
- ▶ Sustainability issues are increasingly important for customers in the mobile phone sector. Nolato's unit in China is conducting a number of projects to make greater use of recycled plastic and water-based paints. Other measures include cutting the use of

## Water consumption



## Amount of waste



environmentally hazardous chemicals in products and paints.

- ▶ Nolato Plasttechnik is examining possibilities of replacing the chrome plating of plastic components using a different method. In addition, aluminium is continuing to be replaced with plastic in vehicle components.
- ▶ Plastics are replacing other materials in vehicles, household appliances and chain saws. This results in reduced weight and fuel consumption. Nolato Plasttechnik and Nolato Gota are some of the companies conducting this kind of product development.
- ▶ Nolato Jaycare in Portsmouth in the UK manufactures containers for handling hazardous clinical waste (Sharpak). The aim is to establish Sharpak as the first choice for clinical waste management globally.
- ▶ Nolato MediTor's environmentally optimised breathing bags use less polymer material and have a smaller carbon footprint. The company also offers phthalate-free breathing bags.
- ▶ Nolato participates in developing envi-

ronmental technology products, such as fuel cells.

- ▶ Nolato Lövepac has developed eco-friendly traps for bedbugs. Instead of pesticide they use strips with dark cavities that attract bedbugs, which are then killed off when exposed to diatomaceous earth.
- ▶ 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 products. Zirconium dioxide is a highly durable ceramic that is chemical-resistant, has a natural beauty and an exceptionally smooth surface. In addition, the material is fully biocompatible, which means wearers of items made from zirconium dioxide won't suffer any allergic reaction. In 2015, Nolato presented the material in the form of an item of jewellery at electronics trade fairs in Las Vegas and Barcelona. The Miragii jewellery is a high-tech wearable device, containing

advanced electronics and functions enabling the wearer to leave their mobile in their bag. The 'wearable' vibrates when the phone rings and to see who's calling the user can project information onto their hand. Calls can even be answered using an integrated detachable hands-free unit.

### Accidents

A break-in at Nolato Gota resulted in copper thieves destroying a transformer that contained transformer oil. This resulted in around 500 litres of oil leaking into the ground and the surface water network. Small amounts reached a nearby watercourse.

A well organised clean-up operation was undertaken in cooperation with local authorities and no permanent damage to the ground or water occurred. Around 10 tonnes of polluted soil were sent away for destruction.

*The Miragii jewellery is a high-tech wearable device, containing advanced electronics and functions.*





# Social responsibility

## Global operations

The average number of employees in 2015 was 7,759 (8,022). Around three-quarter 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 provides guidance

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

### *Everybody has the right of 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 at Nolato is based on the Code of Conduct but is decentralised in practice. It is conducted according to the gender equality plans of the individual companies and includes activities aimed at creating a balance between men and women in employment and career development, as well as measures that create opportunities for people with disabilities.

53% (51) of Nolato employees were women in 2015. 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% (30) of Nolato's Board are women, while the corresponding figure for Group management is 0 percent (0). Around 30 of other senior executives are women, which corresponds to 19% (24).

In accordance with the undertakings in the Code of Conduct, we work to combat all discrimination. For example, people with disabilities are treated the same as other Nolato employees. People with disabilities work at units in Beijing (China), Gothenburg (Sweden), Newcastle (UK) and Mosonmagyaróvár (Hungary). Nolato's work in Hungary has received significant attention and has been recognised with awards.

### *Whistleblowing*

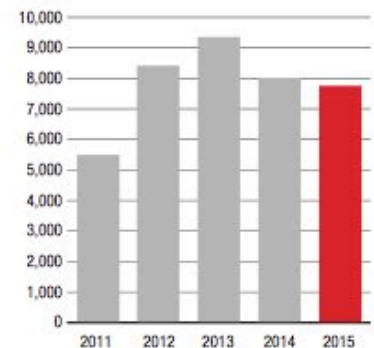
All staff have the opportunity to raise concerns about serious irregularities, without the risk of harassment or opposition, using Nolato's whistleblowing system. Serious irregularities include unethical or illegal behaviour, fraud and serious breaches of the Code of Conduct, such as bribery or discrimination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

## Training and personal development

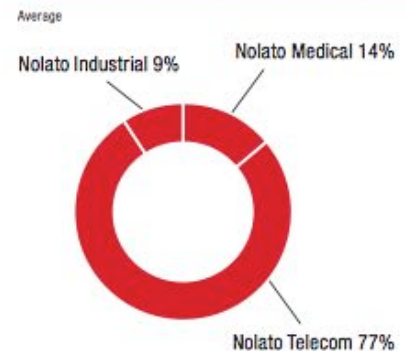
Training is a key development tool for personnel, and we run management development courses, as well as large number of specific training courses on quality, technology, our Code of Conduct, and health and safety. In 2015, employees attended a total of 300,000 (230,000) hours of training, which equates to 39 (30) hours per employee. A particularly large number of courses were arranged in China, Hungary, Sweden and the US. New employees are an important target group for information and training measures.

During the year, around 2,600 (1,000) employees participated in performance reviews, career development or other assessments of their own work. Employee surveys are carried out regularly 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. In China and Hungary the majority of employees were included. Overall, the work atmos-

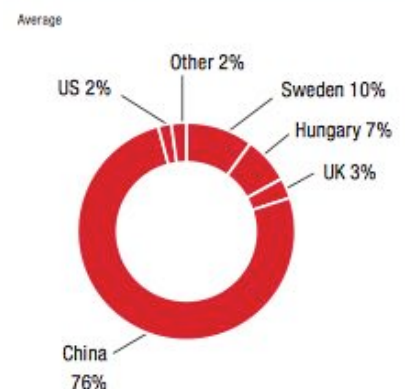
## Average no. employees



## Employees by business area



## Employees by country



phere was deemed to be good and a number of constructive improvements were suggested by employees.

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.

Health and safety

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% of units, which corresponds to essentially all employees. An important element of this systematic work is the introduction of health and safety management systems (OHSAS 18001). Six (five) units are currently certified and a further four are planning certification in the very near future. The Code of Conduct contains an undertaking regarding

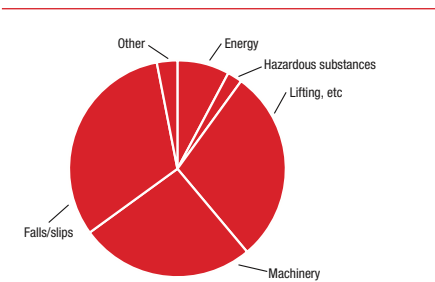
the continued introduction of OHSAS 18001 at all units.

In 2015, there were 36 (43) lost work cases (LWCs), which resulted in a total of 405 (929) days of absence. The most common causes were injuries from heavy lifting, repetitive work, machinery and falls and slips, which in most cases resulted in limited absence. Load-bearing injuries resulted in some cases of long-term absence and compared with previous years the number of muscular and skeletal injuries was higher. Systems for registering near misses were enhanced and are now in place at virtually all units. During the year, 501 (475) near misses were investigated and corrective and preventive action taken.

Training courses on the environment and health and safety are part of our preventive work and an average of 5.1 (4.5) hours per employee were spent on these courses. Training on first aid, chemical health risks, personal protective equipment, fire safety and machine safety is provided frequently.

During the year, Nolato Beijing received the Excellent Organization of Safety Production award from Beijing Business Development Area.

Causes of occupational accidents



Occupational accidents

Year	2011	2012	2013	2014	2015
LWC*	28	64	34	43	35
LWC per employee	0.005	0.007	0.004	0.005	0.004
LWD *	755	616	381	929	405
LWD per employee	0.1	0.08	0.04	0.1	0.05

LWC = Lost Work Case (absence ≥ 1 day)  
LWD = Lost Work Day



Informing visitors and customers about Nolato's safety rules is important. Here Nolato Lövepac Production Manager Mattias Leonardsson shows visitors how to access the protective equipment to be used when on the production floor.



## Sustainable development at Nolato in China

At Nolato's facility in Beijing, sustainable development issues are a high priority, and this has been recognised in the form of awards for a safe work environment. A wide range of activities were undertaken in 2015 to develop employees' skills. Over 500 employees participated for a total of 28,000 hours in an online training system focussed on lean manufacturing, quality management, safety, financial management and other subjects. Around 30 people took courses in English and a new book club generated lots of interest among employees. Various departments participated enthusiastically in competitions to produce the best video on the subjects of health and safety and correct behaviour in the workplace.

The Employee Care Programme was further developed, with greater communication between company management and employees, improvements to the canteen and meals, access to sports facilities and a number of social activities. Over 1,000 people participated in excursions to central Beijing. Exercise breaks have been an important feature of work for some time.

For a number of years now, Nolato has been involved in helping students and teachers at a school in a poor area around four hours' drive from Beijing. The school has around 100 pupils between the ages of 7 and 12. Through the Building Hope Together project, Nolato has donated computers and other equipment to improve lessons and student welfare. In 2015, Nolato donated new mattresses, pillows, blankets and bedsheets for the children. It is reported that they are now sleeping so well that it's difficult to wake them up in the morning!



## New version of The Nolato Spirit with extended Code of Conduct

*Nolato has a long tradition of responsible business practice, efficiency and professionalism. A new version of the Group's corporate values booklet, 'The Nolato Spirit', has now been produced.*

Nolato has a long tradition of responsible business practice. It's part of the company's spirit to be a good employer and corporate citizen, and to take responsibility for what it does and always apply sound business ethics.

"We believe that a future-oriented, responsible approach is not only necessary from a sustainability perspective, but also that it creates opportunities and business benefits. Especially when combined with our strong focus on efficiency and professionalism," says Nolato President and CEO Hans Porat.

The Nolato Spirit brings together the Group's core business principles and values in terms of business mission, vision, how it achieves its vision and, of course, Nolato's Basic Principles. The document also contains Nolato's Code of Conduct, which acts as an ethical compass to be followed by all Group employees, board members and others involved in Nolato's operations.

"It also sets out what we expect of our suppliers," notes Hans Porat.

The Code of Conduct has been expanded significantly since the Nolato Spirit was first published in 2009. The previously separate

policies on the environment, quality management and information are now incorporated in the Code of Conduct. It is also based on Nolato's undertakings under the UN Global Compact, international guidelines and conventions, and the ISO 26000 social responsibility standard.

"This enhancement of our corporate values document places significant emphasis on the fact that everything Nolato does is connected," says Hans Porat. "We're helping to create a sustainable future by taking responsibility for all aspects of our business, in which both financial and non-financial factors combine and help take us forward." ■

### BACKGROUND: The Nolato Spirit

The Nolato Spirit booklet is available in Swedish, English, German, French, Hungarian, Mandarin, Romanian and Malay. It can be downloaded at [nolato.com/sustainability](http://nolato.com/sustainability)

# 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 whistleblowers.

For a global company, these matters are complex and the perception of normal business principles 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 assessment for 2015 shows that this work is governed by Nolato's Code of Conduct and the companies continue to actively combat corruption. They have established detailed policies and guidelines covering gifts, entertainment and expenses. Several companies report that

they expanded their activities in relation to suppliers during the year.

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

An assessment 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 2015.

## 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, in which requirements for suppliers are gradually increasing.

We monitor developments closely and customer requirements are making a constructive contribution to the development of our sustainability work.

In 2015, virtually all units reported customer requirements within sustainable development (see table below). Requirements relating to REACH and RoHS have increased over the past five years. This is also true of requirements for a code of conduct. Recent years have seen significant interest in guarantees that no conflict minerals (see Definitions and Glossary) are used in products.

In 2015, 14 of the Group's units were reviewed by customers from a range of sectors. This involved more than 50 questionnaires and audits. The results were largely excellent, although some customers did request improvements. These requests include phthalate-free products for medical devices.

In addition to review systems, some customers have established systems under which suppliers qualify for sustainable development certification. One example is Sony Green Partner, for which Lövepac Converting, Nolato Beijing and Nolato Malaysia have qualified.

As part of these requirements from customers, Nolato is expected to pass corresponding requirements along its supply chain. This is done by informing suppliers about Nolato's Code of Conduct and specification requirements, as well as different types of monitoring.

In 2015, we carried out 134 (150) reviews of suppliers with a focus on sustainable development. Around 40 of the reviews were based on questionnaires and about 40 cases involved formal audits. These reviews did not identify any risks relating to the environment and social responsibility that cannot be managed, but we did identify a number of areas that need improvement.

Auditors were trained in China and the UK to strengthen this review work.

Assessments of suppliers' sustainability measures are 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 their own advanced CR measures in place and are therefore not the primary target of the evaluation. The detailed criteria for which suppliers 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 in 2015 was analysed by Swedbank Robur and the Group

Customer requirements	Percentage of units reporting sustainability requirements from customers			
	2015	2014	2013	2012
(%)				
Introduce environmental management systems	55	53	32	33
Phase out hazardous chemicals	40	42	42	48
Compliance with REACH and RoHS	30	37	26	14
Product-related environmental information	65	53	42	57
Compliance with customer's CoC/CR issues	75	79	74	71
Other requirements (including 'conflict minerals')	85	58	21	9



was once again approved under the bank's responsible investment criteria.

### 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 'open house' days, study visits, degree work, internships and development projects. Half of the units had contact with schools and universities. Over 1,000 students made a study visit to one of our production facilities or met

with Nolato in connection with presentations for students about future job opportunities. Degree work and internships were also undertaken at our facilities. In 2015, Nolato continued its collaboration on sustainability issues 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 people with visual and hearing impairments with a better quality of life, and they are making

an excellent contribution to the company's work. Our units in China and elsewhere also employ people with disabilities.

Nolato provides financial support for schools, healthcare, sports associations and social activities, and in many cases our involvement is long-term and involves many of our employees. One such project is Building Hope Together in China, where for the past three years we have been involved in helping a school in a poor area.

## SUSTAINABILITY IN PRACTICE

*From Nolato Magazine  
October 2015*

# Planting trees and teaching kids in Mosonmagyaróvár

*What do you do when you have to cut down trees when expanding a factory? You plant new trees. Then why not also take the opportunity to show children from the local school sustainability in practice?*

When Nolato extended its Hungarian plant recently at Mosonmagyaróvár it had to cut down some trees to make way for the new buildings. Nolato Hungary's management decided to plant not one but four trees for every one that had been cut down.

Some of the new trees were donated to the town's parks and were planted there, with the rest being planted in green areas around the factory site.

Nolato also took the opportunity to invite year 8–9 year-olds from the local school to

teach them about sustainability in practice.

"The children also helped plant the new trees and then were given a tour of the factory," says Norbert Meleg, Head of Sales and Administration.

"We explained the importance of companies being sustainable and how Nolato works with these issues, all at the school children's level."

The visit by the children was successful and they were then able to develop their experience further in the classroom. ■



# Financial responsibility

## New record year

2015 was Nolato's best ever year for the fourth consecutive year, with both record sales and profit. Our sales totalled SEK 4,726 million (4,234) and operating profit (EBITA) was a record SEK 570 million (470). The figure corresponds to a margin of 12.1%, compared with 11.1% the previous year.

This success is based on two key elements of our strategy. First, for a number of years now we have been working specifically to reposition Nolato from being a contract manufacturer to being a high-tech partner for our customers. Second, we have made continual and ongoing improvements based on lean manufacturing to offer our customers efficient world-class production systems. It is therefore especially pleasing that one of our companies received the Swedish Lean Award for 2015. Being a Swedish champion lean manufacturer is a great honour and shows that our efforts to create efficient production systems and administrative processes are generating results.

## Sustainable development and financial performance

During the year, Nolato invested SEK 15.0 million (23.7) in measures to reduce environmental impact and improve health and safety. The largest investments were made in systems and equipment to increase energy efficiency and boost safety in the workplace.

Environmental costs amounted to SEK 13.6 million (12.2) 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 3.7 million (4.1). Savings arose mainly from more efficient energy consumption and increased recycling of production waste. The cost of water supply and sanitation amounted to SEK 2.0 million (2.0) and energy costs were SEK 128 million (119).

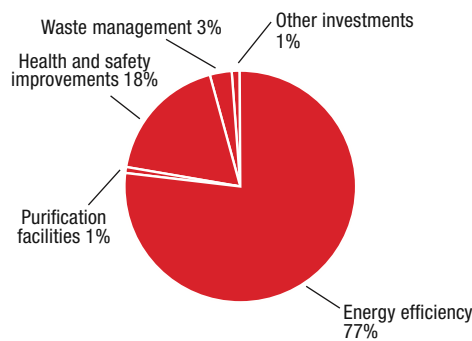
## Financial value for stakeholders

Nolato's business generates financial value that is allocated to the various stakeholders. This includes suppliers, employees, shareholders, creditors and society. See also page 20 for further information about the value created for stakeholders.

## Financial highlights

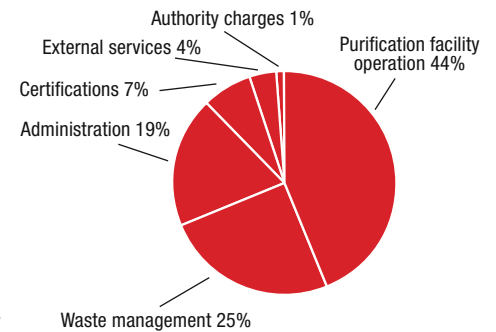
SEKm (unless otherwise specified)	2015	2014	2013
Net sales	4,726	4,234	4,522
Operating profit (EBITA)	570	470	427
EBITA margin, %	12.1	11.1	9.4
Profit after financial income and expense	555	462	403
Profit after tax	420	364	314
Return on capital employed, %	29.6	28.4	26.7
Return on shareholders' equity, %	25.3	25.0	24.9
Cash conversion	52	28	82
Equity/assets ratio, %	54	54	52
Earnings per share, SEK	15.97	13.84	11.94
Dividend per share	10.00	8.50	8.00
Average number of employees	7,759	8,020	9,357

## Environmental investments



Percentage share of the Group's investments in environment, health and safety.

## Environmental costs



Percentage share of the Group's costs in environment, health and safety.

## Financial value for stakeholders (SEKm)

Stakeholder	2015	2014	2013	Comment
Suppliers	2,752	2,166	2,438	Payment for materials and services
Employees	1,250	1,112	1,095	Salaries and benefits
Shareholders	263	224	210	Dividend
Creditors	7	10	11	Interest expenses
Society	135	98	89	Reported effective tax for the Group
<b>Total</b>	<b>4,407</b>	<b>3,610</b>	<b>3,840</b>	

# Sustainability-related risks

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

Nolato's annual report for 2015 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 can 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 our own production and that of suppliers. 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.

Sustainable development also creates lots of opportunities for Nolato and by integrating these issues into strategic efforts, product development and marketing we actively try to utilise these opportunities.

## Environmental legislation

Nolato's production units have the permits required for their operations, and no more extensive applications for permit renewals are planned for 2016. Authorities in Beijing, China have tightened air pollution regulations. We met these new requirements by installing an advanced purification facility in 2014 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, CLP chemical legislation (on classification, labelling and packaging) and other relevant environmental and health and safety laws. We currently expect no increase in risks concerning new or amended legislation. Nolato is subject to the EU's energy efficiency directive and additional energy audits will

be carried out over the next few years. This is associated with costs, but the Group's experience is that there are good opportunities for improving energy efficiency and opportunities for making cost savings.

## Contaminated soil 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. Their occurrence is documented and their status is inspected regularly. During the year, the remaining asbestos was removed from one of the Swedish facilities. 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 environmentally sustainable products, and one identifiable business risk is our product range including products that are not accepted by customers for health and environmental reasons. As mentioned previously in this sustainability report, the fossil fuel origin of plastics has been called into question by various stakeholder groups. And the issue of microscopic particles of plastic in the world's oceans has also gained attention. As a supplier, Nolato has some possibilities to counter this risk, but as most products are produced for customers, development must be carried out in collaboration with our clients.

We continually 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 targets relating to environmentally sustainable product development. We are following developments

closely regarding plastics made from renewable materials.

## 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. This may relate to damage to plants and infrastructure, and also aspects pertaining to raw materials supply, supplier circumstances and changed 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, including within the framework of the UN Global Compact, 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% of electricity requirements for the next four to 12 quarters.



# A busy year

Our work on continuous improvements forms the basis of our sustainability work and here we provide examples of initiatives and activities at Nolato's units around the world. You can read about various sustainable development measures elsewhere in this sustainability report.

## Sweden

- ▶ Nolato Polymer performed an energy audit which highlighted good opportunities to increase energy efficiency.
- ▶ Nolato MediTech in Hörby and Lomma are further developing the Medical Excellence concept and received the Swedish Lean Award 2015 for its work. A total of 3,600 proposed improvements have been implemented. Nolato MediTech conducted numerous activities to inform students about the sector and its business, including attending the ARKAD career fair at Lund University Faculty of Engineering, the Futures evening event in Hörby and the Industry evening event in Malmö. Over 900 students attended these events.
- ▶ Nolato Silikonteknik in Hallsberg continued implementing continuous improvements, including the training of all its staff on better waste management.
- ▶ Nolato MediTor in Torekov completed the final phase of its installation of a new dipping line. The new lines provide more efficient production and are much more energy-efficient. An energy audit was also carried out.
- ▶ Nolato Gota in Götene achieved OHSAS 18001 certification. Bulk handling of the largest raw materials reduced the number of shipments. The installation of modern hybrid injection moulding machines is reducing energy consumption.
- ▶ Nolato Lövepac in Skånes-Fagerhult replaced its existing oil heating with a geo-thermal system, which minimised carbon emissions. The company was the recipient of the Volvo Cars Quality Through Excellence Award (VQE).
- ▶ Nolato Cerbo in Trollhättan phased out three hazardous chemical substances. The number of workplace accidents and incidents

decreased. The use of district heating was lower than the previous year.

- ▶ Nolato Plastteknik in Gothenburg continued to implement energy efficiency measures and key performance indicators on energy consumption improved by 6%.

## Hungary and Romania

- ▶ Nolato Hungary in Mosonmagyaróvár achieved OHSAS 14001 and OHSAS 18001 re-certification. The company published its first own sustainability report in Hungarian.
- ▶ Nolato Romania in Negoiesti introduced a system for the reuse and collection of packaging that is sent to customers. The unit experienced zero accidents during the year and undertook a number of extensive training programmes.

## UK

- ▶ Nolato Jaycare in Portsmouth achieved ISO 50001 certification. The installation of two electric injection moulding machines is helping improve energy efficiency. The supplier evaluation programme was expanded.
- ▶ Nolato Jaycare in Newcastle achieved ISO 50001 certification and its energy efficiency measures included the installation of systems for free cooling and electric injection moulding machines. Water consumption decreased by 20%, trials using reusable plastic pallets were introduced and the volume of waste fell.

## China

- ▶ Nolato Beijing further developed its Employee Care Programme, including expanded dialogue with company management, Sunday excursions to central Beijing involving the participation of over 1,000 employees, lots of different leisure activities in the company's sporting clubs, the introduction of a book club and improvements to one of the canteens. A major training initiative, partly using e-learning, was undertaken during the year. Continued support of Building Hope Together, a programme through which Nolato supports a school in a poor area of Beijing. Work to reduce energy and water consumption continued and a large

number of suppliers were evaluated with regard to sustainable development. The company received the Well Organized Company and Excellent Organization of Safety Production awards from the health and safety department of BDA Beijing.

- ▶ Nolato Lövepac in Beijing declared June the safety month for the year. Other months focused on culture, books and good organisation. Expanded dialogue with employees.
- ▶ Nolato Lövepac in Shenzhen carried out expanded health checks of employees and a safety month was introduced. A regular exercise break was introduced. A system for collecting packaging from customers was developed.

## Malaysia

- ▶ Nolato EMC in Penang became a certified Sony Green Partner. A system for improved sorting of waste for recycling was introduced.

## US

- ▶ Nolato Contour in Baldwin cut the cycle times of presses to increase energy efficiency. The percentage of waste sent to landfill has decreased by almost 40% compared with past three years. Increased safety at the workplace as a result of all forklift trucks being removed from production premises and replaced with cranes.



# About our sustainability report

## A focus on materiality

Nolato's sustainability report for 2015, 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 for this report, together with supplementary information, to 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 in 2015 are included in the report, including a new business in Malaysia. In total, 20 production facilities contributed data. A summary of the different units' significance in terms of sustainability reporting is provided in the table.

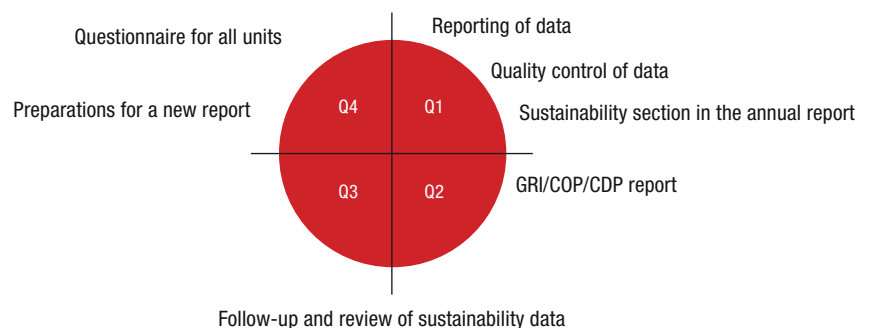
## Reporting principles

Each production unit provides quantitative and qualitative information in accordance with Nolato's sustainability reporting form. The head of each company/unit is responsible for assuring the quality of the information submitted. The year's performance is compared and verified against information for previous years. Further quality controls are conducted in connection with interviews and site visits.

Emissions of carbon dioxide, sulphur dioxide and nitric oxides from direct energy usage are established 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). For the European units, emissions factors based on the EU Covenant of Mayors (2010) or on emissions data direct from electricity suppliers are used. Information about VOC emissions (Volatile Organic Compounds – solvents and paints) is based on mass balance calculations and/or measurements of the efficiency of the purification equipment used.

Company/plant	Country	Number of employees	Building area (m²)	Established (year)	Environmental permits	Significance for the sustainability report
Nolato Beijing, Beijing	China	5,565	36,309	2001	Yes	High
Nolato Hungary, Mosonmagyaróvár	Hungary	540	18,431	2000	Yes	High
Lövepac Converting, Beijing	China	204	6,313	2000	No	High
Lövepac Converting, Shenzhen	China	156	2,635	2008	No	High
Nolato Romania, Negoesti	Romania	31	2,960	2010	Yes	Medium
Nolato Polymer, Torekov/Ängelholm	Sweden	56	11,035	1973, 1995	Yes	Medium
Nolato Jaycare, Portsmouth	UK	141	11,132	1986	Yes	Medium
Nolato Jaycare, Newcastle	UK	122	4,790	1998	Yes	Medium
Nolato MediTech, Hörby	Sweden	128	7,000	1999	Yes	Medium
Nolato MediTech, Lomma	Sweden	57	5,000	1980	Yes	Medium
Nolato Cerbo, Trollhättan	Sweden	110	11,000	1971	Yes	Medium
Nolato MediTor, Torekov	Sweden	58	4,500	1973	Yes	Medium
Nolato Gota, Götene	Sweden	139	23,004	1965	Yes	Medium
Nolato Contour, Baldwin	US	208	8,361	1993	Yes	Medium
Nolato Plastteknik, Gothenburg	Sweden	111	13,000	1980	Yes	Medium
Nolato Lövepac, Skånes Fagerhult	Sweden	48	4,200	1968	No	Low
Nolato Hertila, Åstorp	Sweden	25	4,474	2000	Yes	Low
Nolato Silikonteknik, Hallsberg	Sweden	50	3,600	1995	Yes	Low
Nolato EMC, Penang	Malaysia	51	3,350	2015	No	Low

\* Average no of employees.



# 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 stakehold-

ers. The reporting should provide a comprehensive, balanced, comparable, thorough and credible presentation of the organisation's sustainability performance. 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 pages 8–9. The table below shows the extent to which Nolato works in accordance with GRI G4. SR in the table refers to pages in the Sustainability Report, and AR to pages in the Annual Report for 2015.

Core areas covered by the report (General Standard Disclosures)			
Designation according to GRI	Requirement or indicator	Reference	External verification
<b>Strategy and analysis</b>			
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	—
<b>Organisational profile</b>			
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	—
G4-6	Number of countries where Nolato operates and other geographic areas that are material with regard to sustainable development.	SR16, 23; AR4 17, 25	—
G4-7	Ownership and legal form.	AR36-37	Yes
G4-8	Nolato's markets and customers.	AR18-29	—
G4-9	Number of employees, number of operations, net sales, debt and equity, quantity of products provided.	AR4	Yes
G4-10	Employees (employment type, gender, region, variations in employment numbers).	SR17	—
G4-11	Percentage of employees covered by collective bargaining agreements.	SR17	—
G4-12	Description of Nolato's supply chain.	SR20	—
G4-13	Significant changes during the reporting period (size, structure, ownership, supply chain).	SR25; AR37	—
G4-14	How the precautionary approach or principle is addressed by Nolato.	SR7-8,10	—
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which Nolato subscribes or which it endorses.	SR7	—
G4-16	Membership of national and international organisations.	SR29	—
<b>Identified material aspects and boundaries</b>			
G4-17	Companies included in Nolato's financial 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.	SR8	—
G4-20	Reason why aspects are regarded as material within Nolato. Internal limitation of the aspects.	SR8-9	—
G4-21	Reason why aspects are regarded as material outside Nolato. External limitation of the aspects.	SR8-9	—
G4-22	Comments on any restatements of information provided in previous reports.	None during the year	—
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries.	No significant changes	—
<b>Stakeholder engagement</b>			
G4-24	List of stakeholder groups engaged by Nolato.	SR9	—
G4-25	Basis for identification and selection of stakeholders.	SR9	—

G4-26	Description of Nolato's stakeholder engagement.	SR8,9,18,20-21	
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how Nolato has responded to these.	SR9	—
<b>Report profile</b>			
G4-28	Reporting period.	SR25	
G4-29	Date of most recent previous report.	Mars 2015	—
G4-30	Reporting cycle.	SR25	—
G4-31	Contact point for questions regarding the report or its contents.	Torbjörn Brorson	—
<b>GRI content index</b>			
G4-32	References to requirements and indicators in GRI.	This table.	—
G4-33	Policy for external assurance for the report.	No external verification.	—
<b>Governance</b>			
G4-34	Structure for Nolato's governance of sustainability work.	SR8	—
<b>Ethics and integrity</b>			
G4-56	Nolato's core values, Code of Conduct and policies.	SR19; <a href="http://www.nolato.com/sustainability">www.nolato.com/sustainability</a>	—
G4-58	Mechanisms for reporting concerns about unethical behaviour, e.g. whistleblowing	SR17	—

Indicators			
Designation according to GRI	Requirement or indicator	Reference	External verification
<b>Finance</b>			
G4-EC1	Direct economic value generated and distributed.	SR22	Yes
G4-EC2	Financial implications and other risks and opportunities due to climate change.	SR23	—
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	—
<b>Environmental responsibility</b>			
Material			
G4-EN1	Use of renewable and non-renewable materials.	SR14	—
G4-EN2	Percentage of materials used that are recycled input materials.	SR14	—
Energy			
G4-EN3	Direct energy consumption.	SR12	—
G4-EN4	Indirect energy consumption.	SR12	—
G4-EN5	Energy intensity.	SR11-13	—
G4-EN6	Reduction of energy consumption.	SR11-13	—
G4-EN7	Reductions in energy requirements of products.	SR15-16	—
Water			
G4-EN8	Total water withdrawal by source.	SR15	—
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 <sub>x</sub> , SO <sub>2</sub> and other significant air emissions.	SR13-14	—

Effluents and waste			
G4-EN22	Total water discharge.	SR15	—
G4-EN23	Total weight of waste by type and disposal method.	SR16	—
G4-EN24	Total number and volume of significant spills.	SR16	—
Products and services			
G4-EN27	Initiatives to mitigate environmental impacts of products and services, and results.	SR15-16	—
Compliance			
G4-EN29	Fines and non-monetary sanctions for non-compliance with environmental laws and regulations.	SR10	—
Transports			
G4-EN30	Significant environmental impacts of transporting products.	SR15	—
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	SR17	—
G4-LA5	Participation in safety committees.	SR17	—
G4-LA6	Rates of injury and occupational diseases.	SR18	—
Training and education			
G4-LA9	Average hours of training per year per employee.	SR17	—
G4-LA11	Percentage of employees receiving performance and career development reviews or equivalent.	SR17	—
Diversity and equal opportunity			
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, etc.	SR17	—
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.	SR6,16	—
G4-HR3	Incidents of discrimination and corrective actions taken.	SR17	—
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.	SR17	—
Child labour			
G4-HR5	Operations identified as having significant risk for incidents of child labour, and measures taken.	SR17	—
Forced or compulsory labour			
G4-HR6	Operations identified as having significant risk of incidents of forced or compulsory labour, and measures taken.	SR17	—
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.	SR21	—
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.	SR15-16	—



# The UN Global Compact

## 10 principles on responsible business practice

In 2009, Nolato endorsed the UN initiative for responsible business, the Global Compact. 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. These 10 principles are based on various UN conventions, such as the Declaration of Human Rights and the Convention against Corruption.

The Global Compact also links in with the 17 global development targets presented by the UN in autumn 2015.

The booklet The Nolato Spirit, which covers Group's Code of Conduct, is an important internal document, guiding and coordinating employee activities in line with the ten principles.

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

## Communication On Progress

Organisations that have endorsed the Global Compact must produce an annual Communication on Progress (COP) detailing how they meet the 10 principles. In Nolato's case, we use the information provided in the Annual Report and the Sustainability Report. Together, these reports provide a fair presentation of Nolato's support of and compliance with the Global Compact principles. In order to simplify Communication On Progress, we use GRI indicators and the table of cross-references below shows which indicators are relevant in the context.



This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

The Global Compact Principles	GRI indicators
<b>Human rights</b>	
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
<b>Labour</b>	
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
<b>Environment</b>	
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
<b>Anti-corruption</b>	
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 (CO<sub>2</sub>)** Carbon dioxide is formed in all carbon combustion processes, such as fossil fuel combustion. It is very likely that carbon dioxide increases global warming (the greenhouse effect).

**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. These regulations were introduced in 2015.

**Code of Conduct** Guidelines for Nolato's employees, Board of Directors, suppliers, etc. regarding business ethics, the environment, labour relations and social responsibility.

**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 respon-

sibility, financial responsibility and business ethics. Often used in the same sense as the term 'sustainable development'.

**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 ten fundamental principles in relation to human rights, occupational conditions, the environment and anti-corruption. Nolato became a signatory to the Global Compact in 2009.

**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.

**ISO 14001** International standard relating to environmental management systems that was introduced in 1996. Over 325,000 organisations globally are currently certified according to ISO 14001. An updated version of the standard was published in 2015 (ISO 14001:2015).

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

**ISO 50001** An international standard relating to energy management systems.

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

**NGO** Non-governmental organisation, a voluntary organisation.

**NO<sub>x</sub> (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 standard.

**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.

**SO<sub>2</sub>** (sulphur dioxide) Sulphur dioxide is formed in the combustion of petroleum products. The gas contributes to the acidifi-

cation of watercourses and soil. Large concentrations are harmful to human health.

**Sustainable development** Development that “satisfies today’s needs without jeopardising future generations’ possibilities to satisfy their needs”. Sustainable development encompasses ecological, social and financial sustainability.

**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.

**The energy efficiency directive** The EU directive that was introduced in 2015 and that, among other things, covers energy audits at large companies. Nolato is subject to the directive.

**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.

**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.

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