

Corporate Social Responsibility Report 2016

Communication on Progress (CoP)



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

We welcome feedback on its contents.

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ABOUT THIS REPORT

It is our pleasure to present SP Moulding A/S' 2016 Corporate Social Responsibility (CSR) Report. The CSR Report covers the period from 1st January 2016 to 31st December 2016.

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

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

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

This report contains Standard Disclosures from the GRI Sustainability Reporting Guidelines. Therefore, within each of the abovementioned components, the reader will find references to the Global Reporting Initiative's (GRI) G4 Guidelines and indicators. The list of used Standard Disclosures and their location in the report can be found in the GRI G4 Content Index on page 26.

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

The 2016 CSR report describes how SP Moulding A/S is working within the areas of human rights, social and employee aspects, environmental matters as well as anti-corruption and bribery issues. Pursuant to § 99 a and § 99 b of the Danish Financial Statements Acts, this report constitutes the statutory statement on Corporate Social Responsibility as well as the underrepresented gender in management.

In 2016 none of our sites have received administrative or judicial sanctions for failure to comply with laws, regulations and prevailing industry standard¹. The report has not been verified by a third party. However, a comprehensive work with the collection and internal verification of information has been completed during the preparation of this report.

¹ GRI G4 SO 08

A LETTER FROM THE CEO

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

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



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

Again, this year, we set specific targets and initiated activities to deliver on our ambition to make a positive impact. This 2016 CSR Report is our concrete way of telling how we are meeting our ambitions and commitments. We are also actively sharing this information with our stakeholders through our primary channels of communication.

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

Yours sincerely

A handwritten signature in blue ink, appearing to read 'F. Gad', written over a horizontal line.

Frank Gad
CEO, SP Moulding A/S

PROFILE

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

SP Moulding has modern production sites in Denmark, China and Poland.

SP Moulding (Suzhou) Co., Ltd. in China and SP Moulding Poland Sp. z o.o. manufacture technical plastics and perform assembly work. The business unit SP Medical manufactures to medical device customers, and is located in Karise (Denmark) and Zdunska Wola (Poland).

In addition to the actual moulding, we handle all finishing such as ultrasound welding, surface treatment and print. SP Moulding and SP Medical also handle partial or full assembly, packaging and consignment for many customers.

The owner of SP Moulding - SP Group - has developed and implemented a value creation process that all companies in the group adheres to. The goal is to ensure that customers always get the optimal solution when they choose SP Group as a partner (see figure 1 and 2). SP Moulding's business area and key competencies lie within injection moulding.

The choice of production technology depends, among other things, on the size of the component and the number to be produced:

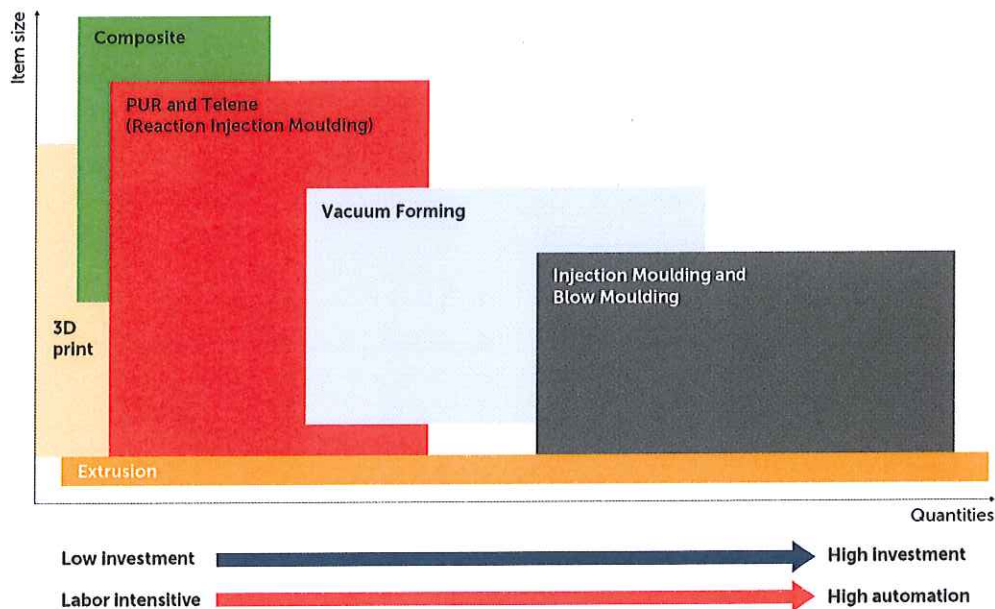


Figure 1. Value creation in SP Moulding

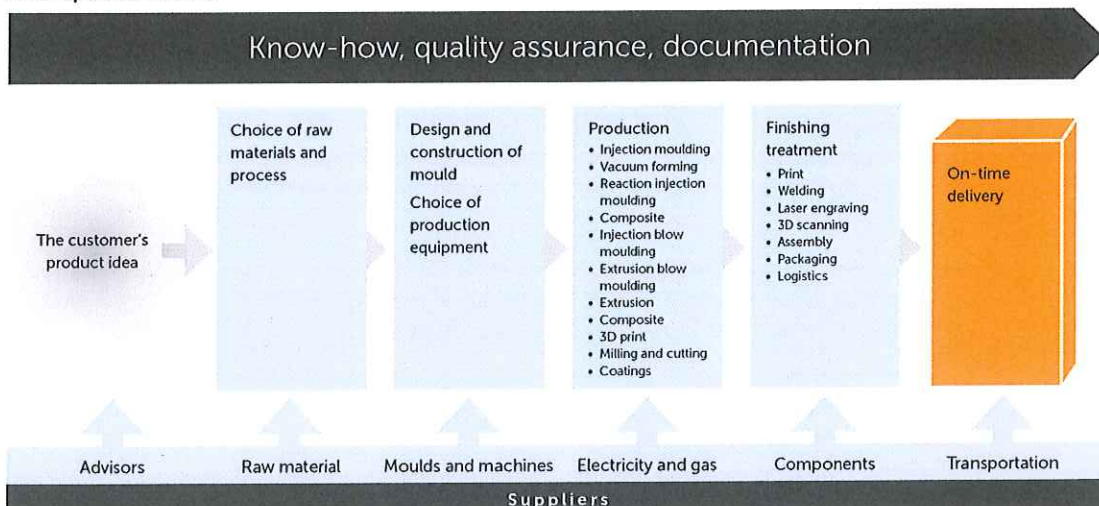


Figure 2. Value creation in SP Moulding

As a leading manufacturer of injection-moulded plastic components SP Moulding produces a wide variety of products. We constantly improve our production processes, which, on the one hand, enable us to produce cheaper than before, and on the other hand, give our customers a competitive advantage in their markets.

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

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

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

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

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

In 2016, SP Moulding generated revenue of DKK 640.2 million. EBITDA (earnings before depreciation, amortisation and impairment losses) was DKK 59.5 million. EBIT (earnings before financial items) amounted to DKK 25.0 million².

Case: CSR helps to develop and enhance relationships with customers

SP Mouldings' commitment to CSR helps us develop and enhance relationships with our customers. For the past four years, a major global customer has awarded us the status of being a *preferred supplier*. The company only grants this stamp of approval to a small group of its suppliers, and having been considered 'preferred supplier' for four years in a row, naturally makes us very proud. The customer has a strong focus on CSR and our commitment to CSR is a significant factor in our supplier status. The customer engages actively in our CSR efforts by, for instance, following our progress and providing us with remarks, when they consider it relevant. We greatly appreciate this cooperation as it encourages us to maintain a high standard and continuously look for ways to improve our efforts.



Juelsminde, Denmark

² GRI G4 EC-01. Please refer to SP Moulding Annual Report 2016

HUMAN RIGHTS

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

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

Our support

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

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

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

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

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

Implementation

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

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

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

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

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

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

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

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

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

Progress

No incidents of involvement in human rights violations or negative impacts on human rights were reported in 2016³.

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

During 2016 SP Moulding **employee turnover** has been as follows⁴:

Employee turnover Poland Total no. of employees: 408	Employees hired		Employees left		Total
	Male	Female	Male	Female	
Age < 30	17	19	14	15	7
age 30-40	19	37	8	14	34
age 40-50	13	10	1	5	17
age 50-60	2	1	-	1	2
age 60-70	1	-	-	-	1
age > 70	-	-	-	-	-
Total	52	67	23	35	61

³ GRI G4 HR-03

⁴ GRI G4 LA-01

Employee turnover China Total no. of employees: 80	Employees hired		Employees left		Total
	Male	Female	Male	Female	
Age < 30	39	13	41	13	-2
age 30-40	8	4	6	5	1
age 40-50	-	2	1	5	-4
age 50-60	-	-	-	-	-
age 60-70	-	-	-	-	-
age > 70	-	-	-	-	-
Total	47	19	48	23	-5

Employee turnover Denmark Total no. of employees: 325	Employees hired		Employees left		Total
	Male	Female	Male	Female	
Age < 30	11	10	11	15	-5
age 30-40	7	3	3	13	-6
age 40-50	2	14	2	16	-2
age 50-60	4	11	6	8	1
age 60-70	-	-	4	3	-7
age > 70	1	-	1	-	-
Total	25	38	27	55	-19

Occupational Health and Safety

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

During 2016, the following concrete measures were taken to improve health and safety at the various work places⁵:

SP Moulding Poland

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

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

⁵ GRI G4 LA-06

In addition, employees have received training in:

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

SP Moulding Poland complies with Polish labour law regarding work clothing and shoes (Journal of Laws from 2011, no. 232, pos.1378). This means that we guarantee safety shoes, safety glasses, safety gloves, workwear, and other necessary protective equipment. Moreover, an external company performs measurements of noise and light level in the plants.

SP Moulding China

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

SP Medical Karise

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

SP Moulding Juelsminde

In 2016, the Working Environment Organization (AMO) has continued previous years' work and has been implementing lifting equipment in our production site to reduce and/or eliminate heavy lifts for operators lifting boxes and for personnel lifting raw material stock and granulate. Robot solutions are being implemented in production and assembly lines to prevent heavy lifts for operators and reduce repetitive work.

Sadly, two occupational injuries occurred during 2016. Since then, the AMO has carefully analysed the root causes behind the incidents and implemented mitigative measures to prevent similar accidents from happening again.

According to Danish law, SP Moulding must supply our employees with training and the necessary protective equipment required for the job.

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

SP Moulding Stoholm

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

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

SP Moulding and SP Medical in general

Lost working Hours 2016⁶	
Number of occupational injuries for employees	16
Lost working hours for employees because of occupational injuries	2,539
Fatalities of employees arising from an occupational injury	0
Lost working hours for employees because of sickness not due to occupational injuries	65,562

Training and Education

In SP Moulding, we do an active effort to retain and attract the most qualified employees. We seek to improve the qualifications of our employees through supplementary training and continuous education. Our goal is to improve the qualifications of the employees to enable them to handle different tasks, which increases production flexibility and provides varied workdays for the individual employee. Many of our employees receive regular performance and career development reviews.

During 2016, the average hours of training by gender and employee category accounted for:

Average hours of training 2016⁷	Male	Female	Total
Management / Executives	110	158	268
White collar employees	642	586	1,228
Blue collar employees	6,682	2,124	8,806
Total	7,433	2,868	10,302

⁶ GRI G4 LA-06

⁷ GRI G4 LA-09

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

Career and development reviews 2016⁸	Male	Female	Total
Management / Executives	5	5	10
White collar employees	37	109	146
Blue collar employees	108	264	372
Total	150	378	528

SP Moulding has in 2016 implemented training programs at all our production sites to enable our employees to improve their qualifications⁹.

Our tool setters have attended various specialist-training courses internally and externally regarding robot programming, and our operators have received additional training in quality assurance to meet the demands of our customers.

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

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

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

In China, training has included: Demag training, forklift training, robot safety training, robot planning programming as well as training on how to clean water filters.

Supply chain – Human rights

The most recent supplier screening took place in 2016. The suppliers reported on a number of indicators concerning human rights, labour, environment and anti-corruption. We did not find any issues of concern leading to further investigations or on site audit with regards to human rights¹⁰.

⁸ GRI G4 LA-11

⁹ GRI G4 LA-10

¹⁰ GRI G4 HR-10

Case: Meeting new customer demands while improving work environment

SP Moulding, Juelsminde, recently entered a business relationship with a new and major customer. The customer has high volume parts, and it will require two large machines, running on full capacity, to meet the customer's needs. Therefore, we have invested in two new and energy efficient machines with corresponding vision cameras to ensure that all parts are checked directly in the process. The volume of the order will also put pressure on moving pallets in and out from the machine. We have prepared for this scenario and all equipment is organized around the machine in way that will allow for easy implementation of Automated Guided Vehicles (AGV), if we decide to invest in AGVs. Investing in AVGs will significantly reduce our operators' manual workload and thereby improve the work environment.



LABOUR RIGHTS

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

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

Principle 5: the effective abolition of child labour; and

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

Our support

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

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

With regards to gender, non-discrimination and diversity, our Board of Directors has decided that the target for the underrepresented sex within the Board should be minimum one member by the time of the General Assembly in 2017. At year-end, the ratio of women at general management level (Executive Board and management team) was 21 %.

Implementation

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

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

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

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

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

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

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

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

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

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

The Board of Directors has set up a target for the ratio of the underrepresented gender among board members elected by the company in general meeting of 20 % by 2017. This target was set based on a time horizon of three years. At the annual general meeting of shareholders in 2017, the Board of Directors will nominate Bente Overgaard. If the company in general meeting elects Bente Overgaard, the target will be met.

Progress

Our yearly materiality assessment, and subsequent data collection, showed that none of our production sites has negatively impacted the right to freedom of association and collective bargaining in 2016¹¹. Likewise, no claims have been reported on forced labour¹² and child labour¹³ in 2016.

¹¹ GRI G4 HR-04

¹² GRI G4 HR-06

¹³ GRI G4 HR-05

Our efforts to support freedom of association and collective bargaining in Denmark has entailed the appointment of representatives for joint consultation committees and working environment committees, that regularly meet with local management. At the sites in Poland and China, systems have been established where the employees appoint spokespersons for negotiations with management¹⁴. In SP Moulding's site in China, we have a labour club.

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

Composition of governance bodies and employment categories 2016¹⁵			
	Male	Female	Total
Board, Management / Executives	19	8	27
White collar employees	80	134	214
Blue collar employees	198	374	572
Total	297	516	813

Composition of governance bodies and employment categories 2016¹⁶				
	Board, Management / Executives	White collar employees	Blue collar employees	Total
Age <30	1	14	158	173
Age 30-40	10	57	213	280
Age 40-50	4	65	118	187
Age 50-60	8	62	67	137
Age 60-70	2	14	14	30
Age > 70	2	2	2	6
Total	27	214	572	813

Supply chain – Labour rights

The most recent supplier screening took place in 2016. The suppliers reported on a number of indicators concerning human rights, labour, environment and anti-corruption. We did not find any issues of concern leading to further investigations or on site audit regarding to labour rights¹⁷.

¹⁴ GRI G4 HR-04

¹⁵ GRI G4 LA-12

¹⁶ GRI G4 LA-12

¹⁷ GRI G4 LA-14

ENVIRONMENT

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

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

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

Our support

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

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

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

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

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

Implementation

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

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

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

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

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

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

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

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

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

Progress

We have not received any administrative or judicial sanctions for failure to comply with environmental laws and regulations in 2016¹⁸.

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

¹⁸ GRI G4 EN-29

Materials

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

Total plastic raw materials used - 2016¹⁹	Kg
Virgin plastic	6,262,546
Regranulate	122,790
Total	6,385,336

Total materials being used for packaging purposes - 2016²⁰	Kg
Plastic wrap	56,715
Cardboard	342,249
Total	398,964

Recycled materials - 2016²¹	Kg
Weight of plastic reggranulate from own production in kg	144,258
Weight of purchased regrinded plastic material in kg (plastic reggranulate from external sources)	24,244
Total	168,502

Energy

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

Energy consumption within the organization (excl. electricity) - 2016²²	Giga Joules
Natural gas	7,224
Fuel oil	71
Total	7,295

Purchase of electricity within the organization - 2016²³	kWh
Total purchase of electricity in kWh	26,166,470
Total purchase of electricity produced by renewable wind energy sources in kWh <i>More than 50% of all electricity produced in Denmark are produced from wind. Our Danish sites pay a premium price for it (PSO tax), but have chosen not to pay for certificates proving it</i>	1,415,592
Total	27,582,062

¹⁹ GRI G4 EN-01

²⁰ GRI G4 EN-01

²¹ GRI G4 EN-02

²² GRI G4 EN-03

²³ GRI G4 EN-03

In 2016, some of our initiatives to increase energy efficiency and save energy have included²⁴:

In **SP Moulding, Stoholm, Denmark**, in 2016, we initiated a new project at the factory in Stoholm to reduce electricity consumption. Seven new injection moulding machines will replace old machinery, and finally, a new water heater for tools will be installed on several injection moulding machines during 2017.

In **SP Moulding, Juelsminde, Denmark**, we have invested in two 420 tons and one 350 tons injection moulding machines with frequency converters installed for controlling hydraulic pumps, which assures energy savings. The machines are equipped with servo driven dosage systems instead of standard hydraulic motors. The servo driven systems are more efficient. The total amount of electricity saved in kWh by efforts to increase energy efficiency has increased from 275,000 kWh in 2015 to approximately 400,000 kWh in 2016.

In **SP Moulding, Poland**, we continue to use a cooling system with a “free cooling” function. We also have moisture analysers. During the start-up of production, our tool setters check if the raw materials are dry enough, and this process results in energy savings. As part of the development of SP Moulding Poland, new and energy efficient machines and devices have been purchased and installed.

In **SP Moulding, China**, we have replaced light sources with LED lightening in approximately 30 % of our production area.

We estimate that the total amount of electricity saved in kWh by our efforts to increase energy efficiency has increased from 467,000 kWh in 2015 to 592,000 kWh of electricity saved in 2016²⁵.

To reduce energy for business-related travel and employee commuting²⁶, we have, when possible:

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

We estimate that the total amount of energy saved in kWh by efforts to reduce energy for business-related travel and employee commuting amounted to 46,000 kWh in 2016²⁷.

²⁴ GRI G4 EN-06

²⁵ GRI G4 EN-06

²⁶ GRI G4 EN-06

²⁷ GRI G4 EN-06

Water

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

Water withdrawal - 2016²⁸	M ³
Total volume of water purchased from municipal water supplies or other water utilities in cubic meters used for any purpose.	9,259

Greenhouse gas emission

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

Direct and indirect greenhouse gas emissions - 2016	kg CO₂
Direct greenhouse gas emissions (from natural gas) (Scope 1) ²⁹	416,669
Indirect greenhouse gas emissions (from electricity) (Scope 2) ³⁰	9,622,260

Waste

Weight of waste (kg) 2016³¹	Plastic	Pack-aging*	Scrap	Other	Total
Recycling	259,361	79,977	15,547	12,359	367,244
Incineration	8,259	8,115	295,665	875	312,914
Landfill	-	-	-	-	-
Other	17,484	-	3,804	-	21,288
Total	285,104	88,092	315,016	13,234	701,446

* Plastic bags, cardboard, pallets etc.

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

Supply chain - Environment

The most recent supplier screening took place in 2016. The suppliers reported on a number of indicators concerning human rights, labour, environment and

²⁸ GRI G4 EN-08

²⁹ GRI G4 EN-15

³⁰ GRI G4 EN-16

³¹ GRI G4 EN-23

anti-corruption. We did not find any issues of concern leading to further investigations or on site audit with regards to the environment³².

ANTI-CORRUPTION

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

Our support

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

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

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

Implementation

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

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

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

³² GRI G4 EN-32

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

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

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

Progress

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

As part of this process, material has been developed and will be introduced in formal training sessions on anti-corruption for core employees³³.

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

We have not received any administrative or judicial sanctions for failure to comply with anti-corruption laws. No claims or request for monetary sanction for corruption and no legal corruption cases against any of our sites were reported in 2016³⁴.

Supply chain - Corruption

The most recent supplier screening took place in 2016. The suppliers reported on a number of indicators concerning human rights, labour, environment and anti-corruption. We did not find any issues leading to further investigations or on site audit concerning corruption³⁵.

³³ GRI G4 SO-04

³⁴ GRI G4 SO-05

³⁵ GRI G4 SO-09

Case: Fighting corruption through training in SP Moulding, Suzhou, China

SP Moulding (Suzhou) Co., Ltd. supports the ambition of SP Moulding A/S to contribute to sustainable development. Our CSR policy has been established to ensure we meet this obligation. The CSR policy is based on our compliance with all laws, regulations and standards as well current practice within our business sector. We have, as part of SP Moulding A/S, joined the 10 principles of corporate social responsibility in the UN Global Compact, covering the 4 areas of human rights, labor rights, environment and anti-corruption.

We take a clear stand against corruption in SP Moulding (Suzhou) Co., Ltd. We will not offer, promise or give any kind of bribes for improperly influence public officials, judges or business associates. We also state that we will refrain from receiving or accepting any bribes ourselves and that persons acting on our behalf are subject to the obligation not to participate in corruption or bribery.

To ensure our employees are aware of our clear stand against corruption we are actively using the e-learning tool “The Fight Against Corruption”. The e-learning tool is a joint product of the UN Global Compact and the UN Office on Drugs and Crime and makes it easy for us to explain how we want our employees to act if they face corruption issues.

We are training all employees who have external contacts. These contacts are suppliers, customers, consultants and government officials.



HR Manager Vicky Dong is using the e-learning tool “The Fight Against Corruption” to train our employees.

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