

Corporate Social Responsibility Report 2017

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' 2017 Corporate Social Responsibility (CSR) Report. The CSR Report is our sixth Sustainability Report and covers the period from January 1st to December 31st, 2017.

The 2017 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.

The report also serves as our annual Communication on Progress (COP report), as required by the United Nations' Global Compact (UNGC). It is based on qualitative and quantitative data from our business units and all our sites in Denmark, Poland and China have reported data in a systematic manner.

The report contains Standard Disclosures from the GRI Sustainability Reporting Guidelines and the reader will find references to the Global Reporting Initiative's (GRI) G4 Guidelines and indicators throughout the report. The list of used Standard Disclosures and their location in the report can be found in the GRI G4 Content Index on page 35.

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 established our management approach.

SP Moulding welcomes the Sustainable Development Goals (SDGs) as a global agenda for change. The SDGs define global priorities and aspirations for 2030 and call on governments, civil society actors and businesses to apply their knowledge, innovation and creativity to contribute to solving the world's sustainable development challenges. The 17 SDGs are interrelated, but each goal has its own targets to achieve.

In 2017, SP Moulding initiated a process to use the goals to guide and inspire our CSR-initiatives. We have assessed the goals against our core business and most material sustainability aspects and identified the most material SDGs as well as the most relevant target(s) for each SDG:



Throughout the report, the reader will find references to the SDG's and how SP Moulding contributes to specific targets pertaining to these goals.

The report is organized into four main components, reflecting the 10 principles of the UN Global Compact:

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

In 2017 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.

In 2017, SP Moulding introduces the Sustainable Development Goals (SDGs) in our reporting framework. The goals will guide and inspire our CSR initiatives in the years to come.

Again, this year, we set specific targets and initiated activities to deliver on our ambition to make a positive impact. This 2017 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 10 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 'Frank Gad', written over the 'Yours sincerely' text.

Frank Gad
CEO, SP Moulding A/S

PROFILE AND BUSINESS MODEL

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 adhere 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:

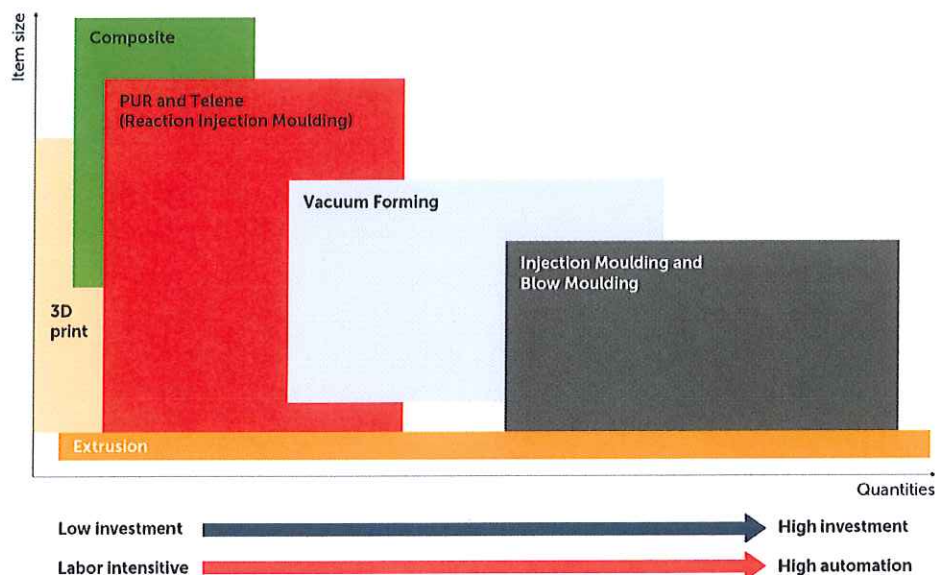


Figure 1. Value creation in SP Group

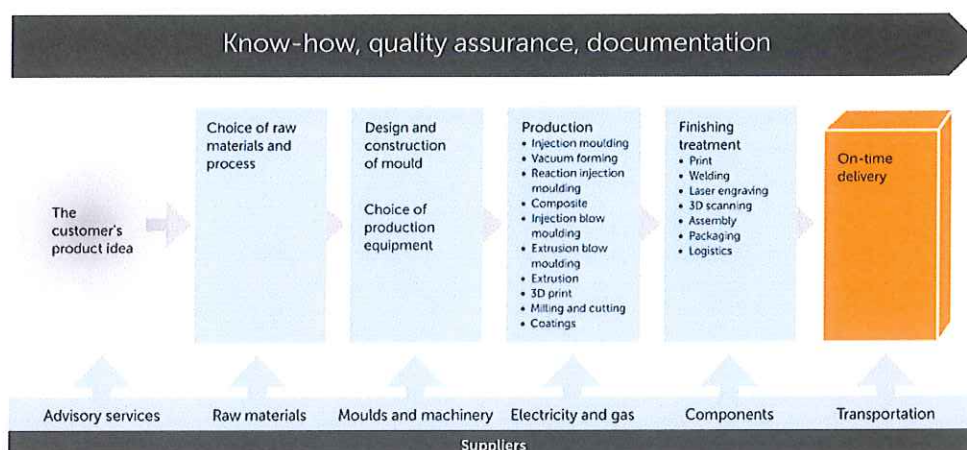


Figure 2. Value creation in SP Group

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 2017, SP Moulding generated revenue of DKK 678.9 million. EBITDA (earnings before depreciation and amortisation) was DKK 77.8 million. EBIT (profit/loss before net financials) amounted to DKK 43.1 million².

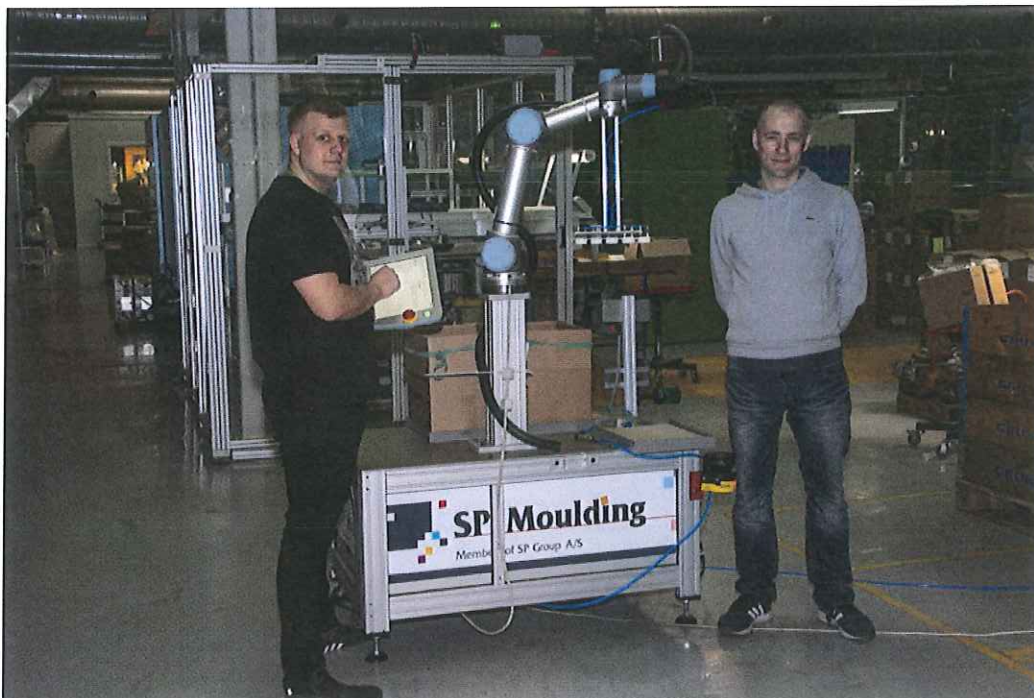
² GRI G4 EC01. Please refer to SP Moulding Annual Report 2017

CASE: Contributing to local communities through educational opportunities

In all our production sites we take responsibility for the surrounding local communities and intend to contribute positively. We welcome school classes, ranging from fifth graders to university students, to visit us and experience firsthand, what it is like to work in a factory. Some groups even try and learn how to program a robot making it do simple movements.

We also offer apprenticeships for young people within the areas of plastics, automatization, and logistics. Like apprentices, we cooperate with students who wish to do a specific project in our facility. These co-operations generally last several months.

During the final months of 2017, two students worked with us to train their skills in programming robots. The students gained experience and we – as a company – also learned new things. In fact, the process resulted in a simple and flexible robot-packaging unit, that significantly eases the workload for our employees substituting manual packaging with automated packaging. It was all in all a win-win situation.



Students at SP Moulding, Juelsminde, Denmark

HUMAN RIGHTS

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

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

UN Global Compact – The Ten Principles

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. The CSR policy is available in [Danish](#) and [English](#).

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 structured data collection process during which our production sites report data on several 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 CSR efforts, 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. The latest screening process took place in 2016.

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.

<p>8 DECENT WORK AND ECONOMIC GROWTH</p> 	<p>SDG Targets: 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value. 8.8: Protect labour rights and promote safe and secure working environments of all workers, including migrant workers, particularly women migrants, and those in precarious employment.</p>
<p>SP Moulding's Contribution:</p> <ul style="list-style-type: none"> • A happy and healthy work force is essential for achieving good financial performance. We provide decent work for men and women of all ages and a safe and secure work environment. • We offer co-operations and apprenticeships for young people. • At all our production sites, we offer fair wages, career and development reviews as well as training and education opportunities. 	

Indicators of Progress

No incidents of involvement in human rights violations or negative impacts on human rights were reported in 2017³.

³ GRI G4 HR-03

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.

Employees in SP Moulding A/S 2017 ⁴	No. of employees		
	Male	Female	total
Denmark	143	167	310
China	43	35	78
Poland	146	387	533
Total	332	589	921

During 2017, SP Moulding's **employee turnover** has been as follows⁵:

Employee turnover Poland Total no. of employees: 533	Employees hired		Employees left		Total
	Male	Female	Male	Female	
Age < 30	46	72	15	28	75
age 30-40	16	48	14	24	26
age 40-50	7	38	7	15	23
age 50-60	3	2	4	0	1
age 60-70	1	0	1	0	0
age > 70	0	0	0	0	0
Total	73	160	41	67	125

Employee turnover China Total no. of employees: 78	Employees hired		Employees left		Total
	Male	Female	Male	Female	
Age < 30	33	19	30	23	-1
age 30-40	17	8	15	9	1
age 40-50	2	8	3	7	0
age 50-60	0	0	0	2	-2
age 60-70	0	0	0	0	0
age > 70	0	0	0	0	0
Total	52	35	48	41	-2

⁴ GRI G4-10

⁵ GRI G4 LA-01

Employee turnover Denmark Total no. of employees: 310	Employees hired		Employees left		Total
	Male	Female	Male	Female	
Age < 30	12	23	12	10	13
age 30-40	2	2	4	5	-5
age 40-50	3	9	2	15	-5
age 50-60	3	3	6	14	-14
age 60-70	-	1	2	4	-5
age > 70	1	-	-	-	1
Total	21	38	26	48	-15

Occupational Health and Safety

We have set up Occupational Health and Safety organizations 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.

Lost working Hours 2017 ⁶	
Lost working hours for employees because of sickness not due to occupational injuries	83,033
Lost working hours for employees because of occupational injuries	2,863
Number of occupational injuries for employees	19
Number of fatalities of employees arising from an occupational injury	0

During 2017, the following concrete measures were taken to improve health and safety at the various work places⁷:

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.). The Occupational Health and Safety Inspector conducts quarterly reviews of production areas.

Employees have received training in:

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

⁶ GRI G4 LA-06

⁷ GRI G4 LA-06

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

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 employees are guaranteed 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, operators are provided with earplugs and technicians with safety shoes. Dust protecting masks, noise reducing earmuffs (reduces 30dB), crane and forklift training is provided for relevant employees. 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 2017, the Working Environment Organization (AMO) has continued previous years' work and has implemented 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. In addition, all types of jobs are subject to evaluations to reduce and prevent monotonous repetitive work.

Robot solutions are being implemented in production and assembly lines to prevent heavy lifts for operators and reduce repetitive work, for instance in the production of design chairs.

During the 4th quarter of 2017, the AMO has initiated a project regarding the proper use of existing aids to prevent occupational injuries (e.g. height adjustable desks). Moreover, the AMO focuses on production areas where so-called 'heavy plastic parts' are produced and handled to inform and educate employees about the proper use of aids.

Sadly, two occupational injuries occurred during 2016. In 2017, the AMO has carefully analysed the root causes behind the incidents and implemented mitigative measures to prevent similar accidents from happening again.

SP Moulding and the AMO group work to ensure that "SP Moulding is a good place to be". Not only with regards to the physical work environment, but also with regards to the psychological work environment. Therefore, two members

from the AMO group have participated in training about employee welfare and the psychological work environment, and will raise awareness of these issues in the time to come.

SP Moulding Stoholm

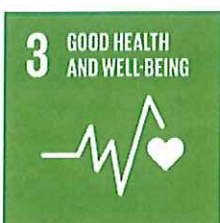
In 2017, the AMO group conducted a Work Place Assessment to assess the work environment. To ensure the health of those of our employees who are permanently working night shifts, we have had regular health examinations at our premises carried out by a doctor.

The AMO has continued previous years' work of implementing lifting equipment in production to reduce and/or eliminate heavy lifts for:

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

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.

Finally, automation and robot solutions are being implemented in production and assembly lines to prevent heavy lifts for operators and reduce repetitive work.



SDG Target 3.8:

Achieve universal health coverage (UHC), including financial risk protection, access to quality essential health care services, and access to safe, effective, quality, and affordable essential medicines and vaccines for all.

SP Moulding's Contribution:

- SP Medical develops and produces medical devices that contribute to both better health and well-being of the world's population.
- Some products are used in surgery and other products are used as aids for people with disabilities. The products used in surgery are primarily disposables, which reduce the risk of infection.

CASE: Reducing the manual workload by reengineering plastic components

In cooperation with a major customer, SP Moulding has developed a large plastic component that significantly reduces the manual workload needed to assemble the product.

The new component replaces an old component, that was very difficult to assemble and required the employee to handle the part in an ergonomically incorrect position. In addition, during the development process, we discovered that glue could be removed altogether from the product, and we have succeeded in creating a glue-free component.

By reengineering the component, we have not only improved the process of assembly making it more ergonomically correct for SP Moulding's employees, but also removed glue from the component and reduced the total energy used to produce the component.



Injection moulding machine - movable side of the tool, Juelsminde, Denmark



Injection moulding machine - fixed side of the tool, Juelsminde, Denmark

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 our 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.



SDG Target 4.4:

By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship

SP Moulding's Contribution:

- SP Moulding offers apprenticeships for young people within the areas of plastics, automatization, and logistics. We are conscious about giving young people the opportunity to acquire relevant skills which will help them achieve decent work.
- We also ensure a well-trained staff by providing employees with continuous training and education opportunities.

SP Moulding has in 2017 implemented training programs at all our production sites to enable our employees to improve their qualifications⁸.

In Denmark, all personnel are trained to perform their job and the effectiveness of this training is evaluated on a yearly basis. All new employees undergo training to prepare them for the position. 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 to ensure that our employees are well equipped to perform according to the function. 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 SP Medical, Poland, HR programs are implemented to control and record all job training. Last year an employee was hired to facilitate the training. In SP Moulding, Poland, we use competence matrices to monitor and strengthen skills among employees. The matrices reflect each employee's skills level and when needed, we organize additional training for the employee(s) in question.

In China, training has included: forklift training, CIP Project Management, Quality Management & Error Proofing, Standardization & IE Tools Training, Problem

⁸ GRI G4 LA-10

Solving Program, and Lean training, including; Value Stream Mapping (VSM), Total Productive Maintenance (TPM), and Single Minute Exchange of Die (SMED).

During 2017, the average hours of training⁹ by gender and employee category accounted for:

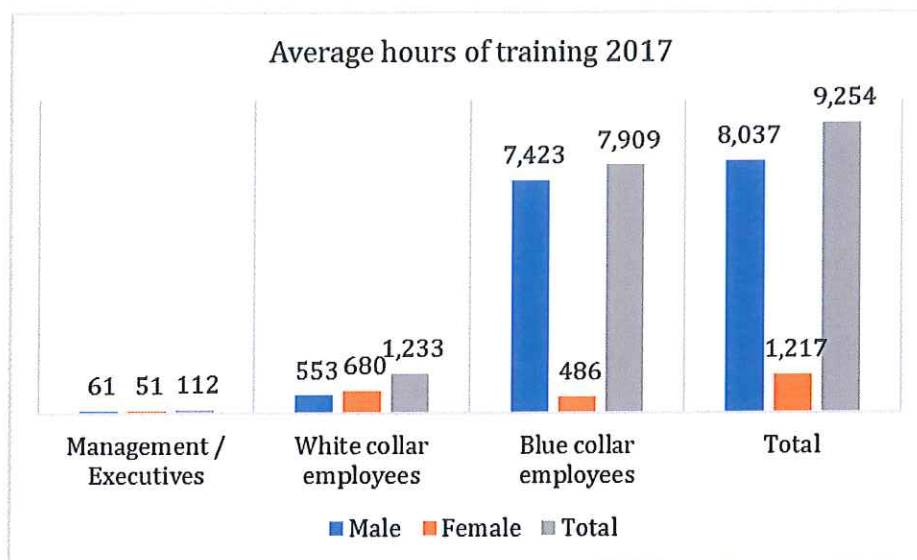


Figure 3. Average hours of training 2017 (GRI G4 LA-09)

Figure 3 shows that male employees have – on average – received far more training than female employees. This is especially noticeable in the employment category blue collar employees.

The apparent gender gap in training is due to the fact that SP Moulding's female blue collar workers primarily work as operators, a position that requires far less training than e.g. tool setters, a position that is predominantly held by male employees.

⁹ GRI G4 LA-09

During 2017, career and development reviews¹⁰ have been performed in all our sites and for our different employee categories:

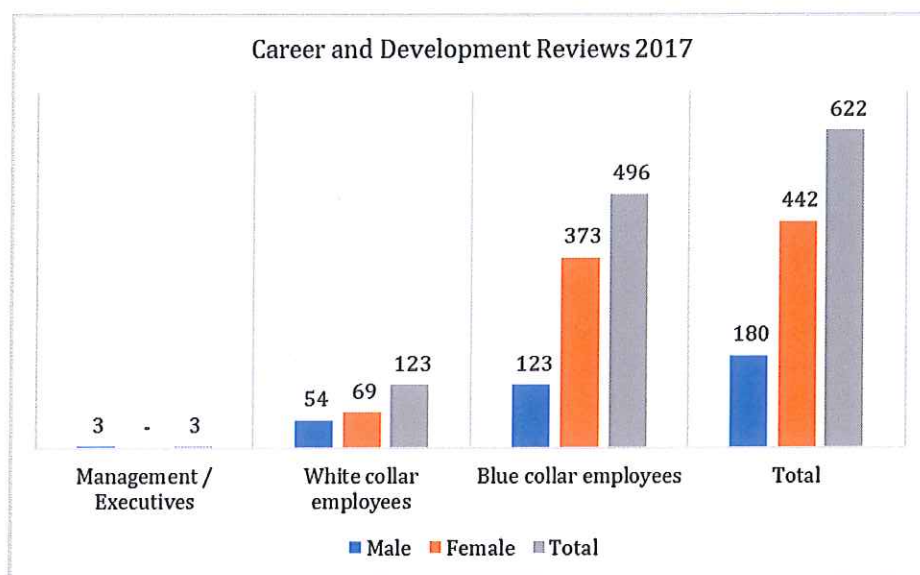


Figure 4. Career and Development Reviews 2017 (GRI G4 LA-11)

Supply chain – Human rights

The most recent supplier screening took place in 2016. The suppliers reported on several 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 rights¹¹.

¹⁰ GRI G4 LA-11

¹¹ GRI G4 HR-10

LABOUR RIGHTS

Our support

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.

UN Global Compact – The Ten Principles

We find it important to comply with international human rights and labour standards. As stated in our [CSR Policy](#), we recognize our employees' right to freedom of association and collective bargaining, and 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.

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, SP Moulding is geographically represented 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 CSR efforts, 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.

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 based on their qualifications and experience.

Indicators of Progress

No incidents of involvement in violations with regards to freedom of association, collective bargaining, forced or compulsory labour and child labour have been reported in 2017¹².

Our efforts to support freedom of association and collective bargaining in Denmark have 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 management. In SP Moulding's site in China, we have a labour club.

Gender, non-discrimination and diversity

No incidents of involvement in violations with regards to discrimination or workplace harassment (including physical, verbal or psychological harassment,

¹² GRI G4 HR-04; HR-05, and HR-06

abuse or threats) on grounds of race, ethnic origin, colour, gender, religion, disability, age, sexual orientation, political opinion, national or social origin have been reported in 2017¹³.

With regards to gender, non-discrimination and diversity, SP Group's Board of Directors decided in 2015 that the target for the underrepresented sex within the Board should be 20 % by the time of the General Assembly in 2017. The target was met. With regards to the next level of management, we also aim to increase the underrepresented gender and have established a Policy on Equal Opportunity, supporting diversity and non-discrimination.

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

Composition of governance bodies and employment categories 2017¹⁴			
	Male	Female	Total
Board	4	1	5
Management / Executives	16	8	24
White collar employees	86	89	175
Blue collar employees	230	492	722
Total (excl. board members)	332	589	921

The underrepresented gender in management in SP Moulding is female. In 2017, 33 pct. of personnel in the group 'Management/Executives' was female.

Composition of governance bodies and employment categories 2017¹⁵					
	Board	Management / Executives	White collar employees	Blue collar employees	Total*
Age <30	-	-	25	190	215
Age 30-40	-	11	43	252	306
Age 40-50	-	5	55	182	242
Age 50-60	3	7	37	76	120
Age 60-70	1	1	11	21	33
Age > 70	1	-	4	1	5
Total	5	24	175	722	921

* excl. board members

Supply chain – Labour rights

The most recent supplier screening took place in 2016. The suppliers reported on several 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 rights¹⁶.

¹³ GRI G4 HR-03-01; HR-03-02; HR-03-03

¹⁴ GRI G4 LA-12

¹⁵ GRI G4 LA-12

¹⁶ 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.

UN Global Compact – The Ten Principles

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.

Plastics are a debated material when it comes to its environmental impact. Plastics have several positive benefits when produced and used wisely. It is a unique material, it is very durable, light weight and able to guard against contamination. Because of these characteristics plastics are increasingly used in e.g. the automobile and health care industry with positive effects on the environment and human health.

The most fuel-efficient vehicles are light because the lighter the vehicle, the less fuel is consumed. When heavier components are replaced with plastic, the vehicles' weight is significantly reduced and so is fuel consumption. Plastic can guard against contamination, and when used in medical devices this means fewer infections and increased comfort and safety for employees and patients.

Despite these positive characteristics of plastics, it would be irresponsible not to recognise the detrimental environmental effect plastics have when they end up in our oceans or as landfill. These challenges are vital to address, and SP Moulding works to increase the use of recycled materials.

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 CSR efforts, 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 are certified in accordance with ISO 9001 and ISO 14001. The business units of SP Medical (Denmark and Poland) are furthermore certified in accordance with ISO 13485. In 2016, SP Moulding in Stoholm was certified in accordance with IATF 16949. External audit companies perform audits yearly at all sites to verify our different ISO certifications.

Our management system includes key elements from ISO/ IATF 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.

Indicators of Progress

We have not received any administrative or judicial sanctions for failure to comply with environmental laws and regulations in 2017¹⁷.

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

Water

Water withdrawal - 2017¹⁸	M³
Total volume of water purchased from municipal water supplies or other water utilities in cubic meters used for any purpose.	8,407



SDG Targets:

- 6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all
- 6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity, and substantially reduce the number of people suffering from water scarcity.

SP Moulding's Contribution:

- All our cooling water runs in closed systems. At all our sites, we regularly control water consumption to detect possible leaks.
- At SP Moulding's factory in China, we manufacture various water purification products that are used by people in developing countries to clean contaminated water from rivers and lakes.

Energy

Most of SP Moulding's electric power consumption can be allocated to injection moulding machines and operating equipment in our factories. SP Moulding is always considering how to reduce energy consumption. We track and examine our energy consumption using key indicators. We also invest in energy saving equipment and/or energy efficient installations. These actions help us reduce our total energy consumption.

¹⁷ GRI G4 EN-29

¹⁸ GRI G4 EN-08

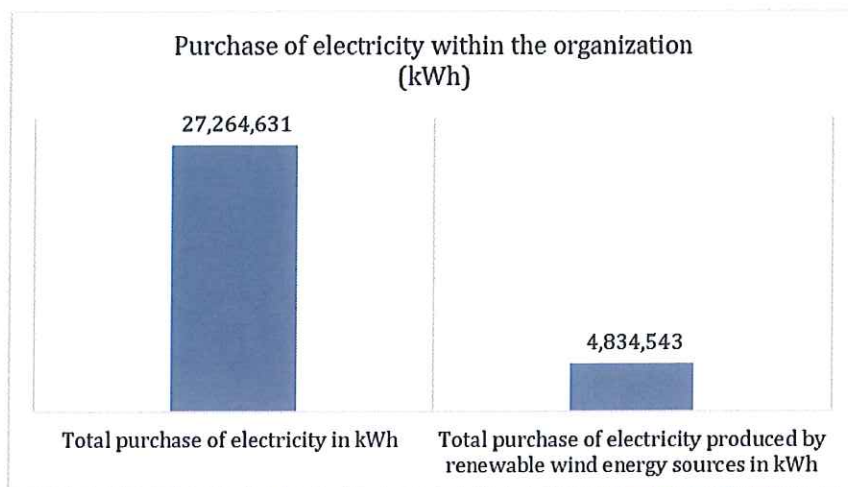


Figure 5. Purchase of electricity within the organization 2017 (GRI G4 EN-03)

Approximately 55 pct. of purchased electricity in our Danish sites comes from renewable sources; 35 pct. from wind energy, 13 pct. from water energy and 2 pct. from sun energy). However, SP Moulding has chosen not to pay for certification to document this.

Energy is also consumed when heating SP Moulding's factory buildings. Part of the energy consumption for heating comes from fossil fuels, more specifically natural gas and fuel oil. We are particularly focused on minimizing our consumption of fuel oil as it has several environmental disadvantages such as air pollution and carbon dioxide emissions.

Of our six sites, only one has used fuel oil as a source of energy in 2017. Although it is not entirely without environmental impacts, natural gas is a relatively clean-burning fossil fuel. Half of our sites used natural gas as a source of energy in 2017.

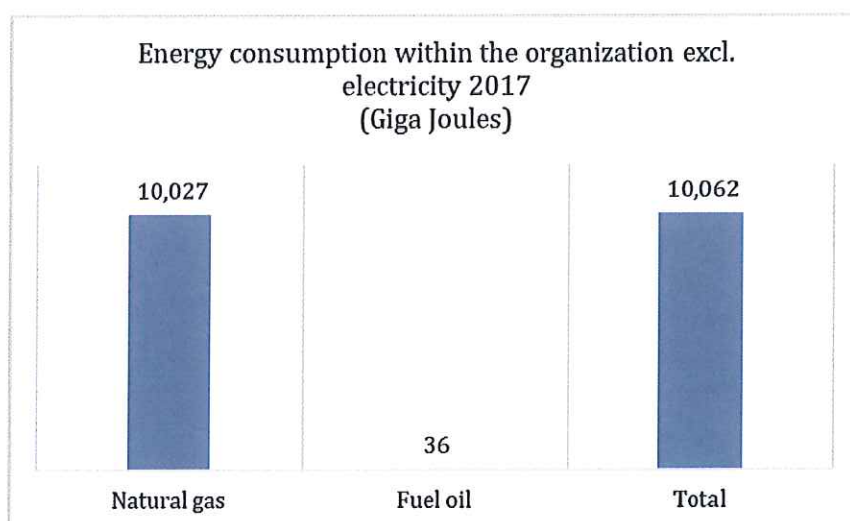


Figure 6. Energy consumption within the organization, excl. electricity 2017 (GRI G4 EN-03)

In 2017, some of our initiatives to increase energy efficiency and save energy have included¹⁹:

SP Moulding, Stoholm, Denmark, purchased nine new moulding machines replacing old and less energy efficient machines.

SP Moulding, Juelsminde, Denmark, purchased three new injection moulding machines replacing old and less energy efficient machines. It is estimated that the new machines have a 30 % reduction in energy consumption. Moreover, water pipes have been insulated, vacuum and air pipes and tubes have been sealed.

SP Moulding, Poland, purchased new and energy efficient machines and devices. The factory in Poland was also recently expanded by constructing a new factory hall with a specific focus on energy optimization. Learn more about our new factory hall in the case description on page 31.

SP Moulding, China, replaced an old machine with a new and energy efficient one. The site also reduced the number of working days per week during periods with less production activity from seven to five days to save energy.

We estimate that the total amount of electricity saved in kWh by our efforts to increase energy efficiency was 255,000 kWh of electricity in 2017²⁰.

To reduce energy for business-related travel and employee commuting, 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 38,000 kWh in 2017²¹.

¹⁹ GRI G4 EN-06

²⁰ At the moment, only three of six sites report the estimated amount of electricity saved in kWh by efforts to increase energy efficiency.

²¹ At the moment, only two of six sites report the estimated amount of electricity saved in kWh by efforts to reduce energy for business-related travel and employee commuting.



SDG Target 7.3:

Double the global rate of improvement in energy efficiency by 2030

SP Moulding's Contribution:

- SP Moulding is focused on systematically reducing our negative environmental impact and promote greater environmental responsibility through our certified environmental management systems.
- SP Moulding tracks and examines energy consumption using key indicators. In all our production sites, we invest in energy saving equipment and energy efficient installations.

Greenhouse gas emissions

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 - 2017	kg CO ₂
Direct greenhouse gas emissions (from natural gas) (Scope 1) ²²	576,790
Indirect greenhouse gas emissions (from electricity) (Scope 2) ²³	8,663,309

²² GRI G4 EN-15

²³ GRI G4 EN-16

Materials

We use different kinds of plastic in our production and we strive to increase the use of recycled materials depending on customer requirements. Our products are primarily packaged with plastic wrap and/or cardboard depending on the product in question.

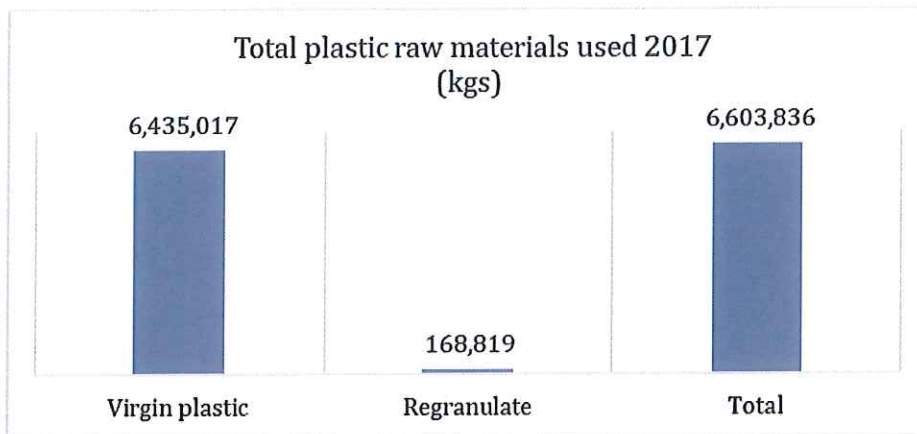


Figure 7. Total plastic raw materials used 2017 (GRI G4 EN-01)

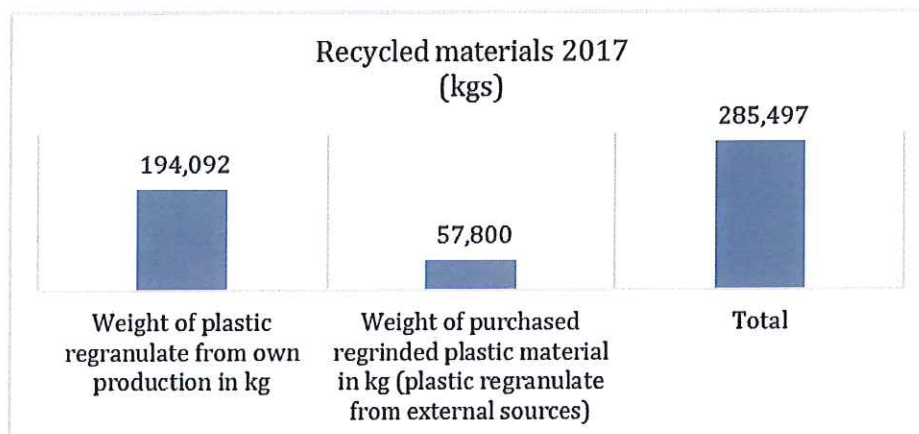


Figure 8. Recycled materials 2017 (GRI G4 EN-02)

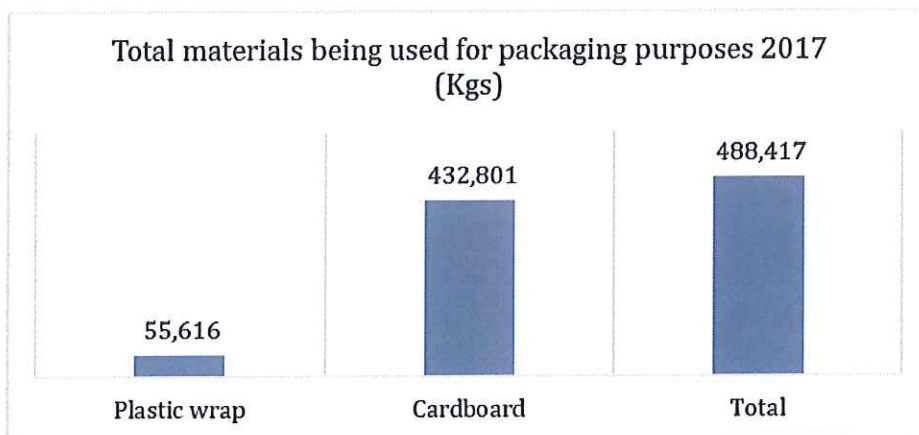


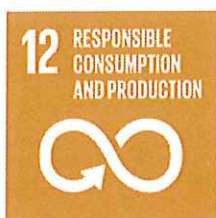
Figure 9. Total materials used for packaging purposes 2017 (GRI G4 EN-01)

Waste

Weight of waste (kg) 2017 ²⁴	Plastics	Pack-aging*	Scrap	Other	Total
Recycling	247,442	90,019	0	23,805	361,266
Incineration	111,101	69,628	215,071	1,022	396,822
Landfill	0	0	0	0	0
Other	0	0	13,500	0	13,500
Total	358,543	159,647	228,571	24,827	771,588

* Plastic bags, cardboard, pallets etc.

We always prioritize recycling when possible. An approved waste contractor collects all types of waste for recycling, incineration or other disposal. The 13,500 kilos of waste in the category 'other' comes from SP Moulding's site in Suzhou, China.



SDG Target 12.5:

By 2030, substantially reduce waste generation through prevention, reduction, recycling, and reuse

SP Moulding's Contribution:

- SP Moulding uses different kinds of plastics in production and aims to increase the use of recycled materials.
- An approved waste contractor collects all types of waste for recycling and incineration. Landfill is completely avoided when possible.

Supply chain - Environment

The most recent supplier screening took place in 2016. The suppliers reported on several 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 the environment²⁵.

²⁴ GRI G4 EN-23

²⁵ GRI G4 EN-32

CASE: Expanding our manufacturing facility in Poland with a focus on energy optimization

We recently expanded our factory in Poland by constructing a new factory hall. The new hall is optimized with new installations and machines. By constructing the building from scratch, we were able to optimize the building by design.

We designed the factory to optimize the workflow and make the manual work as smooth as possible. We bought equipment with energy saving solutions, ranging from dryers to cooling equipment and moulding machines. The energy savings are especially noticeable with regards to the large machines with clamping force of 800 and 1,500 tons.

With the new factory, we can produce a range of large products that cannot be produced in the old factory in Poland. One of our major customers of these large products is located 10 km from the new factory, which means we can significantly reduce transportation of products through Europe and thereby reduce the negative externalities of transportation.



New factory, SP Moulding, Poland

ANTI-CORRUPTION

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

UN Global Compact – The Ten Principles

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

Implementation

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

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

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

As our suppliers of materials are large reputable international companies that already in a detailed manner publish their CSR efforts, 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 extra 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.

Indicators of 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 employees.

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.


Communication and training on anti-corruption policies and procedures in 2017²⁶	Denmark	Poland	China	Total
Report the total number of employees that the anti-corruption policy has been communicated to in 2017	189	99	0	288
Report the total number of employees who have received training on anti-corruption in 2017	29	0	0	29

All staff members at SP Molding China with contact to external clients, supplier and authorities received training in 2016. Training in 2017 has not been relevant and new staff members in these areas have not been hired.

We have not received any administrative or judicial sanctions for failure to comply with anti-corruption laws. No claims or request for monetary sanction

²⁶ GRI G4 SO-04

for corruption and no legal corruption cases against any of our sites were reported in 2017²⁷.

	<p>SDG Targets:</p> <p>16.2 End abuse, exploitation, trafficking and all forms of violence against and torture of children 16.5 Substantially reduce corruption and bribery in all their forms</p>
<p>SP Moulding's Contribution:</p> <ul style="list-style-type: none"> • We denounce forced labour and child labour and stipulate our expectations to suppliers in our Supplier Code of Conduct. • SP Moulding will not participate in corruption or bribery in any form. We will refrain from receiving or accepting any bribes ourselves and in our Supplier Code of Conduct we request that our business partners support and respect anti-corruption principles. • We have rolled out anti-corruption training in our sites and monitor the number of employees who have received training and been informed about our anti-corruption policy 	

Supply chain - Corruption

The most recent supplier screening took place in 2016. The suppliers reported on several indicators concerning human rights, labour, environment and anti-corruption. We did not find any issues leading to further investigations or on-site audit concerning corruption²⁸.

²⁷ GRI G4 SO-05

²⁸ GRI G4 SO-09

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