

# COMMUNICATION ON PROGRESS

MAY 2018



YOUR  
PACKAGING  
SOLUTION.

**NEFAB**

# SUPPORT STATEMENT

PRESIDENT & CEO, STAFFAN PEHRSON

The UN Global Compact is a global strategic business initiative related to corporate responsibility, initiated by the former UN Secretary-General, Kofi Annan in 1999. Global Compact works with businesses to transform our world, aiming to create a sustainable and inclusive global economy that delivers lasting benefits to all people, communities and markets.

Nefab became a signatory to the United Nations Global Compact in October 2008. As reflected by our core values and underlined in our code of conduct, we continuously strive to integrate the principles of Global Compact into our business. We realize that continuous work is needed in order to promote and further integrate the ten principles of Global Compact within and outside Nefab.

We want to lead the way towards a sustainable future society. To achieve this, we work with our supply chain, our own operations as well as with our value proposition to achieve sustainable development and manage our stakeholders' requirements and expectations. A strategic priority for us is to support our customers' ambitions in reducing their environmental impact. An example of that is when we support customer objectives of CO2-reductions by analyzing their current solution and propose new packaging solutions which reduce not only cost, but also environmental impact. In our yearly staff survey, we can see that our employees feel that it is important to work for a company who takes sustainability seriously in all aspects.

We believe that our continuous commitment to the Global Compact Initiative will be beneficial for Nefab and its stakeholders and at the same time help to improve the conditions in general for the global community. Consequently, I am pleased to confirm Nefab's continuous support of the ten principles of the Global Compact with respect to human rights, labor, environment and anti-corruption. With this Communication on Progress (COP) for the year 2016, we express our aim to advance those principles within our sphere of influence.

Stockholm, May 2018



Staffan Pehrson  
President & CEO, Nefab Group

## SUSTAINABILITY

WE OPTIMIZE TOTAL COST AND REDUCE ENVIRONMENTAL IMPACT WITH INNOVATIVE PACKAGING AND LOGISTICS SOLUTIONS.

SUSTAINABILITY IS AN INTEGRAL PART OF OUR VALUE PROPOSITION TO THE MARKET. WORKING WITH SUSTAINABILITY MEANS THAT WE CARE FOR THE WELFARE OF OUR EMPLOYEES AND OTHER STAKEHOLDERS, WHILE WE BALANCE ECONOMIC, SOCIAL AND ENVIRONMENTAL ASPECTS OF OUR BUSINESS.

TAKING A STRUCTURED APPROACH TO SUSTAINABILITY HELPS BUILD A FAVOURABLE BUSINESS CLIMATE THAT ATTRACTS SKILLS AND STRENGTHENS OUR POSITION IN THE MARKET. SUSTAINABILITY ALSO FACILITATES BUSINESS DEVELOPMENT BY ATTRACTING CUSTOMERS HAVING THE SAME MIND-SET.

OUR SUSTAINABILITY WORK IS GOVERNED BY NEFAB'S VISION, CORE VALUES AND CODE OF CONDUCT, AS WELL AS OTHER RELEVANT POLICIES, LAWS AND REGULATIONS.



#### NEFAB'S CORE VALUES

The corporate culture of Nefab is based on our shared core values: "Respect", "Empowerment" and "Simplicity". The value "Respect" means that we put the environment and our customers first. We are proactive and responsive to customer needs. We also encourage people to share their opinions. Our second value "Empowerment", means that we let people take decisions to enable profitable growth, within our strategic direction. We also give colleagues trust, responsibility and mandate within their areas of responsibility. The third value "Simplicity", implies that we drive innovation to simplify for our customers. It also means that we share ideas and best practices, and work as a team.

#### VISION AND STRATEGY FOR SUSTAINABILITY

The overall goal is to position Nefab as a leading sustainable company within industrial packaging. For this to be achievable, three basic strategies have been developed:

- Nefab will ensure sustainability throughout the supply chain.
- Sustainability shall be more clearly integrated in Nefab's own operations and internal processes.
- Sustainability is an integrated part of Nefab's customer offering.

##### *Supply chain*

In the process for supplier evaluations, we made a total of 140 evaluations during 2016 with an approval rate of 86%. One area of evaluation relates to how the supplier works with environment. Suppliers also have to go through an online process to accept our Code of Conduct and comply with our Banned and Restricted substances list.

##### *Internal processes*

In 2016 we initiated a group-wide initiative with the objective to define our way forward with regards to quality management and Code of Conduct. A thorough situation- and

gap analysis was performed, which identified the need to implement a group wide quality management system and an updated Code of Conduct, to further strengthen our efforts related to continuous improvement and sustainability at large. The objective is now to certify the whole Nefab Group according to ISO9001:2015, during 2017 and 2018. To facilitate the implementation of the new quality management system and the updated Nefab Code of Conduct, we are using an IT-system, which will make it easier and more efficient to work with quality and CoC-related issues. In 2016, 17 of Nefab sites were certified according to ISO 14001:2004.

##### *Customer offering*

Nefab's business concept is to optimize Total Cost and reduce Environmental impact with innovative packing and logistics solutions. In line with this, Nefab has developed a tool to quantify environmental impact from packaging solutions, the Nefab GreenCALC. GreenCALC is a Life Cycle Assessment method analyzing environmental impact from raw material, produc-

tion, logistics, use phase and end of life. It analyzes multiple impact categories, such as Global Warming Potential (GWP), water and energy consumption. The impact calculations are based on the databases of the World's leading LCA software; SIMA Pro.

During 2016, Nefab worked on 271 GreenCALC projects to customers around the world. Introducing new materials that are environmentally friendly is an area where we continue to work. In 2016, Nefab developed EdgePak which has an easy recycling process as it is completely made out of paper.

##### *Organization*

Nefab's sustainability work is directed by the executive management, with the responsibility to monitor and improve the implementation of our sustainability efforts. Nefab believes that commitment to sustainability in all levels of the organization benefits the overall trajectory of our sustainability management, throughout the global organization.

### STAKEHOLDER DIALOGUE

Stakeholders to Nefab's business are employees, customers, suppliers, owners, environment and society (e.g. authorities and various interest groups). The company engages in relevant dialogues with the stakeholders on multiple levels.

#### *Employees and customers*

Every year, employees and customers are given the opportunity to express their views and wishes in comprehensive surveys. In the 2016 customer survey we asked our customers to rate how they perceive Nefab. The five most prominent factors were Global Presence, Sustainable Solutions, Delivery Performance, Design Capabilities and Service Level. The employee survey addresses topics relating to health, leadership, job satisfaction, working conditions and sustainability. Response rates for 2016 were recorded at 21 % for the customer survey and 81 % for the staff survey.

#### *Suppliers*

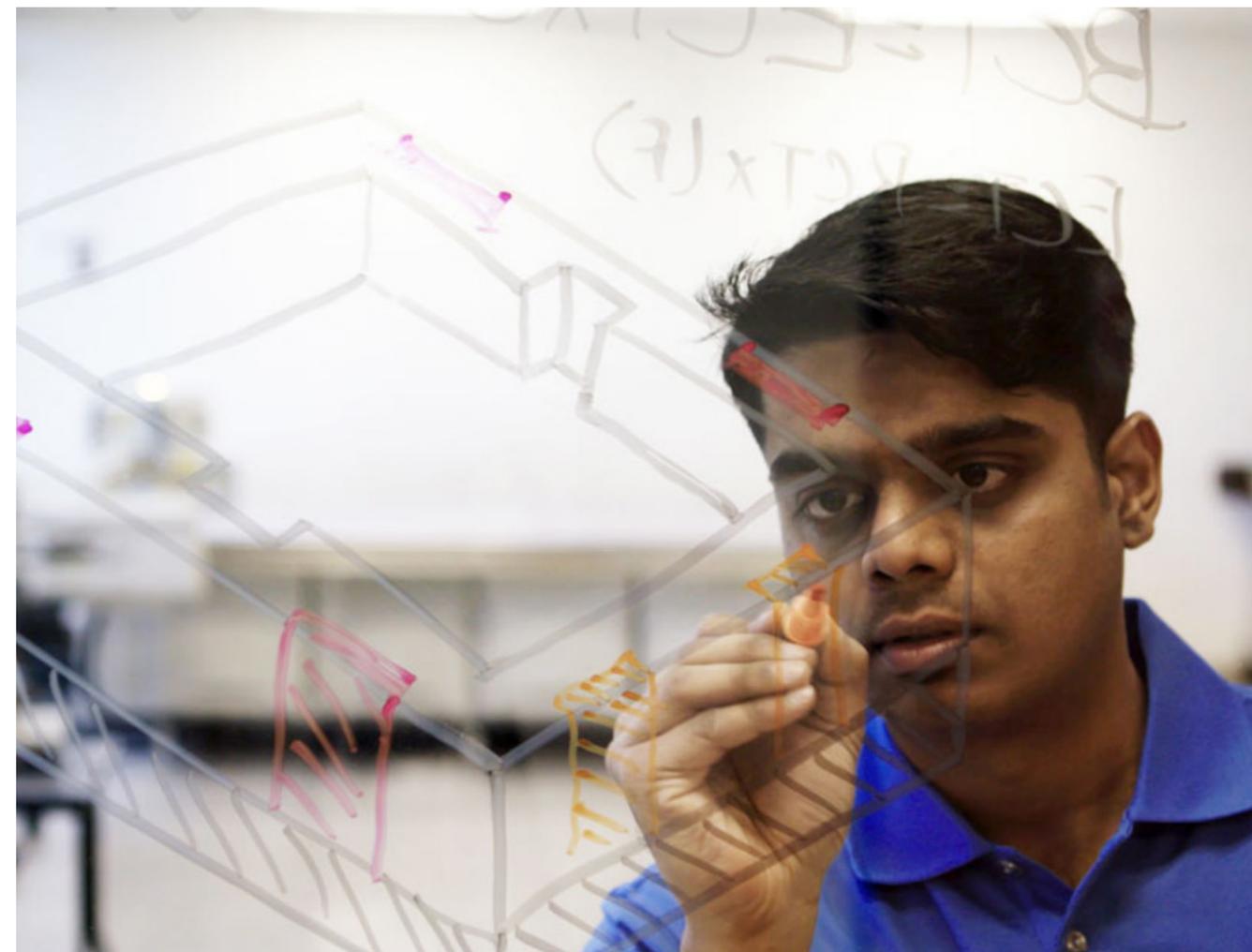
The dialogue with suppliers is on-going in daily contacts as well as in the work of supplier evaluations. Questions about code of conduct, including human rights, working conditions, quality, delivery precision and environment are asked, following a standard process established in our global procurement guidelines.

#### *Owners*

Since 2015, Nordgren/Pihl and FAM (Foundation Asset Management Sweden AB) are co-owners. The strong owners have provided the unique opportunity for Nefab to develop a long-term and holistic perspective when deciding our way forward. In board meetings and through direct questions, owners question the business model and how it can be sustainable in its value creation. Various initiatives and priorities are discussed and the organization is always prepared to answer specific questions. An extraordinary positive side of FAM is that the profits they make goes to funding of Swedish research, so companies owned by FAM contribute to the future development of Sweden.

#### *Environment and society*

Authorities in the countries where Nefab operates are mainly concerned about safety, working conditions and health issues. The dialogue primarily takes place through recommendations and inspections.



### ENVIRONMENT

Nefab's greatest contribution to the environment is directly linked to the business offering, in which the customer is presented not only with the most cost efficient packaging solution, but also its environmental impact. With the use of GreenCALC, customers are offered life cycle analysis, showing how a new packaging solution can impact CO2 emissions, comparing different solutions.

Designing the packaging properly leads to more efficient loads in trucks and containers, which means that customers carry less air and can reduce CO2 emissions. As far as possible, all packaging solutions from Nefab are also designed with consideration to recycling. The customer offering includes a range of smart returnable packaging and rental

systems that increase utilization and reduce the consumption of materials and energy.

#### *Environmental policy*

Nefab's environmental policy is based on the principle that with our complete packaging solutions, we can avoid wasting resources both in the packaging itself and in terms of damages. The goal is that the packaging products should have low environmental impact throughout their life cycles. The minimum requirement in our own production is to comply with current laws and regulations and with the aim to surpass them.



**EMPLOYEES AND COMMUNITY**

Nefab's market-leading position is maintained by focusing on the individual employee's development, ensuring continuous competence development. Nefab will offer attractive opportunities to ensure that employees choose to remain while allowing valuable new skills to be recruited. Nefab is characterized by a customer-oriented corporate culture where employees are encouraged to develop a proactive approach. Nefab's values and code of conduct form the basis for the corporate culture.

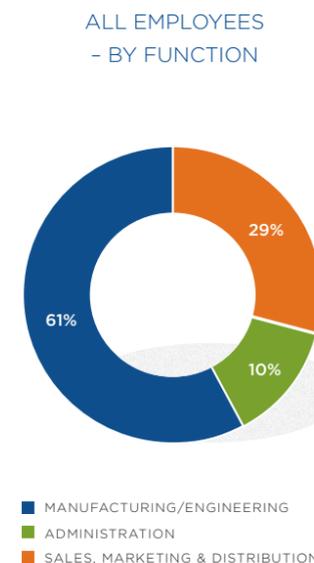
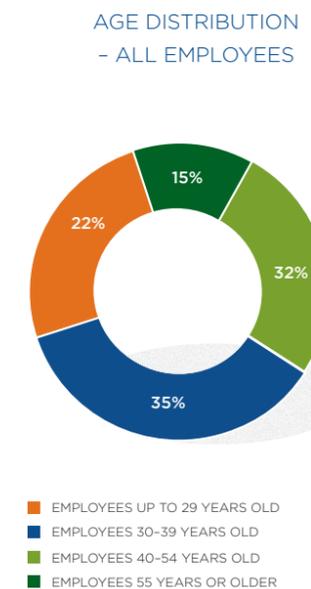
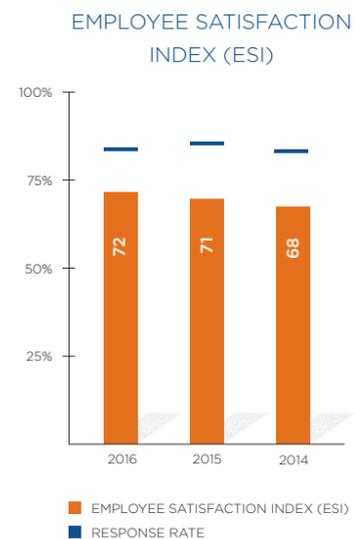
*Internal trainings - Web Academy & Pakademy*

Web Academy is Nefab's online-based e-learning system. As part of Web Academy, employees are offered a variety of basic tutorials on the company's packaging solutions and sales processes, as well as courses dealing with the company's social responsibility, environment and human rights. Pakademy is offered in China and Sweden, once a year in order to address the need to educate newly recruited engineers and salespeople. These training programs include

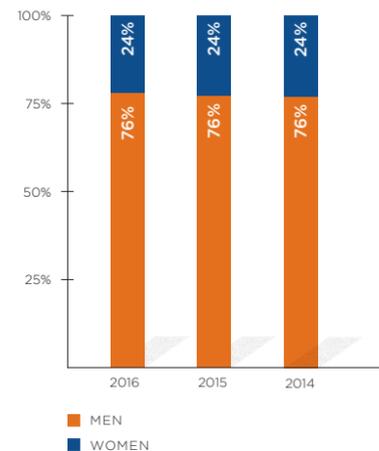
Key ratios	2016	2015	2014
Percentage of employees who have union agreements	25%	21%	21%
Board members for the Group, gender breakdown	5% female 95% male	8% female 92% male	7% female 93% male
Presidents and other senior executives*	21% female 79% male	18% female 82% male	20% female 80% male

\* Management team members and similar.

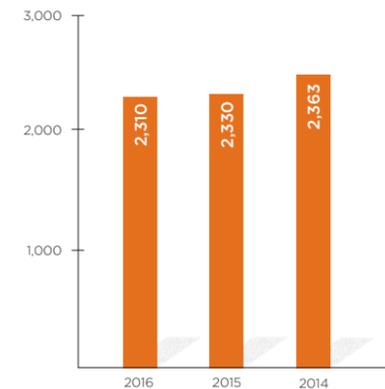
theory and practice regarding packaging materials, sales processes and testing methods. Classes are organized on a yearly basis. As an example, the 2016 Pakademy in China gathered 28 students from twelve different countries.



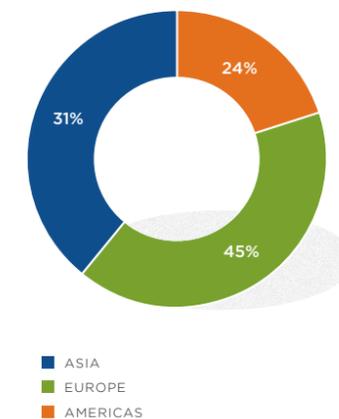
GENDER DISTRIBUTION - ALL EMPLOYEES



AVERAGE NUMBER OF EMPLOYEES



ALL EMPLOYEES - BY REGION



## COMMITMENT

Nefab will continuously seek to implement the ten principles of the United Nations Global Compact. The Nefab Code of Conduct is an important tool to fulfill this commitment, as it guides employee behavior to be in line with Global Compact principles. For 2016, no issues were reported through Nefab's internal "whistle-blower" network. Nefab will try to continue this positive trend by focusing on further training in line with the Code of Conduct.

### Human rights

Using our e-learning system (Web Academy), Nefab developed a basic course in "Human Rights", which was launched in June 2010. During 2016, a total of 67 employees received a diploma in this course. The course material contains the Universal Declaration on Human Rights as well as the principles from Global Compact and more business oriented issues in terms of Human Rights.

### Labour

Nefab's annual Staff Survey gives each employee the opportunity to provide feedback on working conditions, managers' behavior, physical and psycho-social working environment, stress and more. In addition, free text comments can be submitted. All answers are anonymous and the survey is administrated through an external partner, using a cloud based standard program. The response rate for 2016 was 81 %, which is considered to be very good. From the Staff Survey a combined key ratio, ESI (Employee Satisfaction Index), is communicated - as a generic output from each survey. The idea of a combined key ratio is to make it simple to communicate and simple to set targets in terms of improvements from one year to another. For 2016, ESI showed a result of 72 versus last year's 71, which is an improvement. Nefab also measure something called eNPS (employee Net Promoter Score) and Nefab's consolidated score was 9 this year (in 2015 it was 7).

### Environment

With the use of GreenCALC we have been able to offer important reductions of GWP (Global Warming Potential) to our customers. By using GreenCALC Nefab can support customers in their green initiatives by:

- Quantifying environmental impact in packaging solution.
- Identify areas of improvements.
- Quantify improvements in reduction of Global Warming Potential.
- Implementing engineered complete packaging solutions that are optimized in terms of total cost and environmental impact.

### Donations

In 2016, as the third consecutive year, Nefab supported the World Wildlife Foundation (WWF) tree planting project on Borneo. Nefab is also in a partnership with a NGO supplying computers to schools in developing nations. In this partnership, Nefab provides support in kind by supplying packaging solutions for the transportation.

Above that, Nefab local sites try to be active in different charities and donation projects. In 2016, Nefab Portugal made a donation to the Portuguese Cancer Institute, for the project "Smile Children Project". In the same year, Nefab Estonia supported Estonian Invasport Union, that provides aid-related and technical services for wheelchair athletes. Additionally, in 2016 Nefab China bought 1200 kg apples, in order to support the raising of eight orphans from the Gansu province during one year.

### Anti-Corruption

Nefab's Web academy course about Anti-corruption was launched in 2015 and by the end of 2016, 389 employees had this diploma. During 2016 the number of new diplomas was 119.

UNGC PRINCIPLES	NEFAB CODE OF CONDUCT
<b>Human Rights</b>	<b>Human Rights</b>
1. Businesses should support and respect the protection of internationally proclaimed Human Rights	We support and respect the protection of internationally proclaimed human rights and ensure that the company is not complicit in human rights abuses.
2. Businesses should make sure that they are not complicit in human rights abuses	
<b>Labour</b>	<b>Labour standards</b>
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	<i>Freedom of association</i> As local or relevant laws allows, all employees are free to form, join or not to join unions and have the right to collective bargaining.
4. Businesses should uphold the elimination of all forms of forced and compulsory labour.	<i>Forced and compulsory labour</i> No form of forced or compulsory labour is tolerated and all employees have the right to leave their employment as stated by contracts or local laws. Employees shall not be required to leave deposits of money or identity papers with their employer.
5. Businesses should uphold the effective abolition of child labour.	<i>Child labour</i> No person shall be employed who is below the minimum legal age for employment. We are not complicit in any form of child labour or other forms of child exploitation. A child means a person below the age of 18 years. No one is employed below the completion of compulsory school or under the age of 15 and no one under the age of 18 is employed for hazardous work.  Children shall not be employed for any work that is inconsistent with the child's personal development, including health or physical, mental, spiritual, moral or social development.
6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.	<i>Workplace</i> We provide a working environment that is healthy, safe and in accordance with international standards and local laws for all employees. Appropriate health and safety information and training shall be provided to employees including, but not limited to, safe evacuations of buildings and correct handling and marking of chemicals and machinery. <i>Discrimination</i> Diversity among our employees is a positive attribute and no one regardless of race, color, sex, sexual orientation, nationality, parental status, marital status, pregnancy, religion, political opinion, ethnic background, social origin, social status, age, union membership or disability shall be discriminated. Harassments in the form of physical or psychological abuse are strongly prohibited, as are any kinds of intimidation or other threats. Employees with the same qualifications, experience and performance shall receive equal pay for equal work.
<b>Environment</b>	<b>Environment</b>
7. Businesses should support a precautionary approach to environmental challenges.	<i>Precautionary approach</i> Sustainable development is a key concept and finite resources are avoided as often as possible. We also have a precautionary approach towards environmental challenges whereby dangerous materials are avoided when suitable and more environmentally friendly alternatives are available.
8. Businesses should undertake initiatives to promote greater environmental responsibility.	<i>Environmental responsibility</i> We strive to improve environmental performance in our own operations and to promote environmental responsibility within our sphere of influence
9. Businesses should encourage the development and diffusion of environmentally friendly technologies.	We support innovative developments in products and services that offer environmental and social benefits as well as greater environmental responsibility.
<b>Anti-corruption</b>	<b>Anti-corruption</b>
10. Businesses should work against corruption in all its forms, including extortion and bribery.	Nefab's reputation of honesty, integrity and responsibility must be upheld and any involvement in bribery, extortion or corruption is not tolerated by Nefab in any form. Nefab's Anti-corruption policy further outlines our responsibility in this area.
	<b>Consumer interests</b>
	When dealing with consumers, we act in accordance with fair business, marketing and advertising practices. We also ensure that the goods or services we supply meet all agreed and legal standards.



We optimize total cost and reduce environmental impact with innovative packaging and logistics solutions. With our global engineering and supply capabilities we serve customers in every corner of the world.

[NEFAB.COM](https://www.nefab.com)

**NEFAB** YOUR  
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