



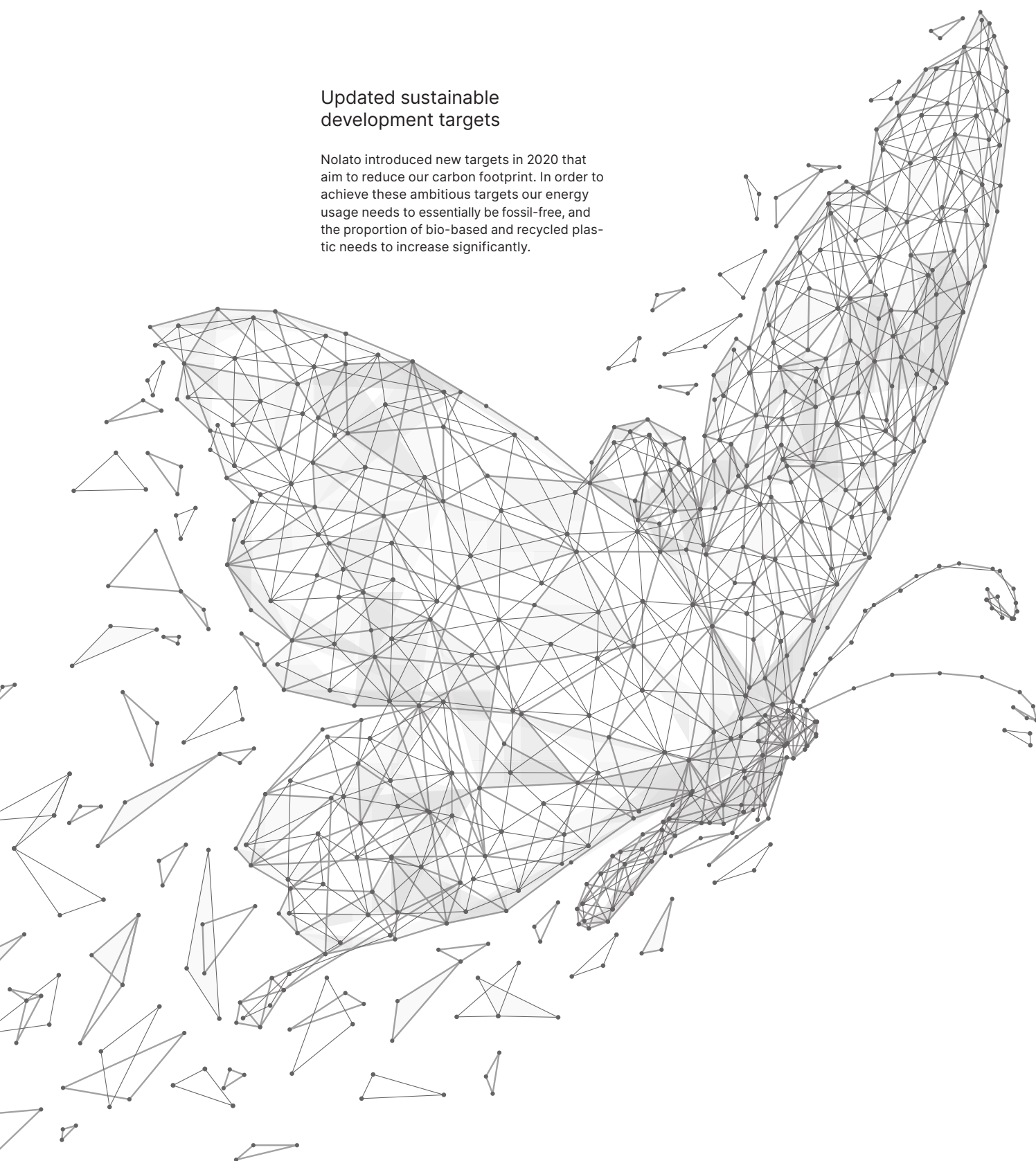
NOLATO AB (PUBL)

# Our Sustainability Work 2020



## Updated sustainable development targets

Nolato introduced new targets in 2020 that aim to reduce our carbon footprint. In order to achieve these ambitious targets our energy usage needs to essentially be fossil-free, and the proportion of bio-based and recycled plastic needs to increase significantly.



## THE NOLATO GROUP

Nolato is a Swedish, publicly listed group with a well-established global position on three continents – Europe, Asia and North America.

Nolato's three business areas – Medical Solutions, Integrated Solutions and Industrial Solutions – develop and manufacture products in plastic, silicone and TPE for leading, often global, companies.

Professional – Well-organized – Responsible. Three basic principles that comprise Nolato's group-wide values and are key to a long-standing tradition of responsible business conduct and our sustainable development strategy.

In 2020, Nolato generated sales of SEK 9,359 million and employed approximately 6,700 people in 12 different countries.

## NOLATO SUSTAINABILITY REPORT 2020

Sustainability work is part of Nolato's business strategy, with the overriding goals of contributing towards sustainable development and creating opportunities for the Group. The Sustainability Report should be regarded as an integrated report that provides information about the relationship between financial and non-financial results, and demonstrates how the Group's strategy, governance and earnings can create value for stakeholders.

Nolato's 2020 Annual Report contains the information (statutory sustainability report) required for large companies, in accordance with the Swedish Annual Accounts Act. The purpose of this report is to provide more detail and complement the statutory sustainability report included in the Annual Report.

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*"The measures to cut our carbon footprint are strong and consistent with the Paris Agreement's goal of reducing global warming. Nolato's measures include more efficient use of energy, heat pump installations, procurement of fossil-free electricity, installation of solar panels and the phasing out of fossil fuels. The environmental impact of our products will decrease through greater use of bio-based and recycled raw materials."*

**Find out more in the section on Nolato's sustainability targets on pages 12–13**

# Significant events in 2020

## FINANCIAL PERFORMANCE

- > 2020 saw the acquisition of GW Plastics, USA.
- > Nolato's sales rose to SEK 9,359 million (7,919).
- > Operating profit (EBITA) increased to SEK 1,066 million (895).
- > Operating margin (EBITA) of 11.4% (11.3).
- > Diluted earnings per share were SEK 30.24 (26.60).

## SUSTAINABLE DEVELOPMENT

- > New tough climate target launched – 80% reduction in emissions by 2025.
- > Successful customer projects with bio-based and recycled plastic raw materials.
- > Strong measures introduced to protect employees' health during the global pandemic.



### Medical Solutions

Key performance indicators	2020	2019
Sales, SEKm	3,089	2,484
Operating profit (EBITA), SEKm	402	320
EBITA margin, %	13.0	12.9
Average no. of employees	1,870	1,624

Development and manufacture of complex product systems and components for medical devices, the pharmaceutical industry and diagnostics.



### Integrated Solutions

Key performance indicators	2020	2019
Sales, SEKm	4,068	3,292
Operating profit (EBITA), SEKm	548	427
EBITA margin, %	13.5	13.0
Average no. of employees	3,712	3,201

Design, development and manufacture of advanced components, subsystems and ready-packaged products for consumer electronics. EMC & Thermal develops and manufactures shielding and heat dissipation products and systems for electronics.



### Industrial Solutions

Key performance indicators	2020	2019
Sales, SEKm	2,205	2,159
Operating profit (EBITA), SEKm	168	181
EBITA margin, %	7.6	8.4
Average no. of employees	1,133	1,109

Development and manufacture of products and product systems for customers in the automotive, hygiene, packaging, gardening/forestry, domestic appliance and furniture sectors, and other selected industrial segments.



## CEO'S COMMENTS

# New long-term sustainability targets

2020 was a year that many of us will find hard to forget. The effects of the global pandemic were felt by all of us, and Nolato was no exception. However, I can note that despite the challenging global situation, Nolato's robust business model proved its worth. The strong figures in our financial statements are proof that the year was Nolato's most profitable to date.

Rapid adjustment to the recommendations and rules that were introduced enabled us to systematically contribute towards reducing the spread of infection. Our fundamental approach was to protect our employees while maintaining production and customer deliveries. But at Nolato we also felt it was important to make a social contribution. Several of the Swedish plants switched periodically from production for the automotive industry to manufacturing PPE for health care.

Our ambitions within sustainable development are long term and the pandemic only had a limited effect on this work.

Responsible business conduct includes Nolato's long-standing affiliation to the UN Global Compact, a global initiative containing ten principles that provide guidance for our sustainability work.

In 2020, we devised several new long-term and ambitious targets, with our sights set on 2025. The targets indicate a sustainability shift that has already begun alongside our customers and suppliers. The transition means that we are upping the pace of phasing out fossil plastics in favor of bio-based and recycled plastic raw materials. Meanwhile, we are adapting and designing products to suit a circular economy. Nolato is an important link between suppliers of materials

and the products that our customers sell on the market. This gives us a key role in our customers' transition to products with a lower carbon footprint.

I look forward to working with our dedicated employees to raise the bar further in our efforts with sustainable development. Our overriding objective is to develop solutions that appeal to our customers, and that create environmental, social and business benefits in a comprehensive approach. I am confident about our prospects for the coming years.

Torekov, March 2021

**Christer Wahlquist**  
President and CEO

*"To ensure early on in the development phase that a new product is easy to recycle is an important step that contributes to a circular economy. If we can also make it from recycled or bio-based plastic raw material then we've come a fair way towards environmental adaptation. And naturally the product must be manufactured in a plant with a certified environmental management system, and where energy is derived from fossil-free electricity."*

**Christer Wahlquist**  
President and CEO



# Long tradition of sustainability work

Nolato developed a tradition of responsible business conduct at an early stage, and caring about people and the environment became a natural element of this work right back when the company was first established in 1938. Today this responsible approach is described in the Group's values document, The Nolato Spirit, and the concept of sustainable development is firmly rooted in the company's strategy plans as well as day-to-day operations.

## Systematic and targeted

Nolato's commitment to sustainable development has its origins in fundamental work within health and safety and the environment. Satisfying legal requirements within these areas was naturally important for Nolato's management, but from an early stage they realized the importance of working systematically and with a future-oriented approach. Several important steps were taken in the 1990s, for example Nolato was quick to introduce the certified environmental management system (ISO 14001) at its production plants. In the 2000s, work was developed and intensified in several areas to include a clearer strategy and long-term sustainable development targets. In 2010, sustainability work was linked to the ten principles in the UN Global Compact, and in 2016 to the 2030 Agenda and the Sustainable Development Goals.

Transparency has gradually increased, and over the past 11 years Nolato has published sustainability reports according to global guidelines and standards. The timeline below

highlights key stages en route towards sustainable development, and the table on the next page provides a summary of key performance indicators in the field of sustainable development over the past ten years.

## 2020 in brief

Despite the global pandemic, there was a continued strong interest in sustainability issues. Nolato's sustainability work was marginally affected by the pandemic, and essentially all scheduled measures were carried through. Updates to our Code of Conduct and policies, along with new sustainability targets demonstrate our persistently high level of ambition. Climate change and the role of plastics in society continued to be a topic of concern for the Group's stakeholders.

Several projects were implemented, with the aim of increasing the use of bio-based plastics and recycled plastic raw materials. Progress and positive results were also achieved in other priority areas such as energy efficiency, health and safety and social responsibility.

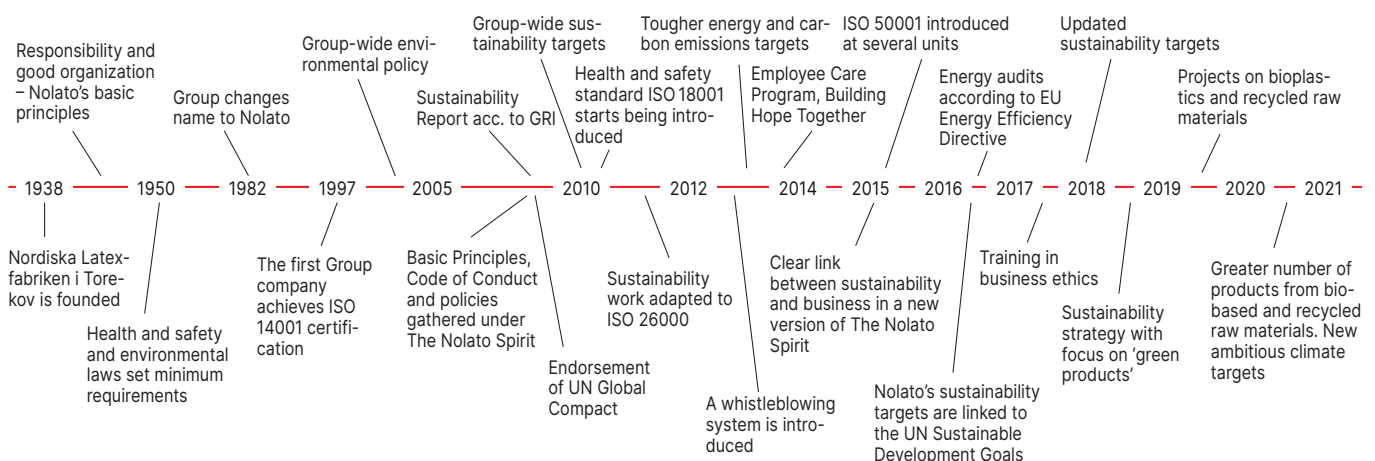
The Group's sustainability work was reported to the Global Reporting Initiative (GRI), UN Global Compact and Nasdaq Listing Center (ESG; Environment, Social, Governance). Separately, we also reported under the Carbon Disclosure Project (CDP).

## Further work

In 2021 we will continue to work with our customers on the goal of developing products with a lower carbon footprint that contribute to a circular economy. Nolato will offer sustainable alternatives relating to choice of raw materials, product design, production technologies and transportation. We will forge ahead with internal measures on effective use of resources and preventive activities that make for a safer, more stimulating work environment.

Work to adapt to the EU taxonomy for sustainable activities and introduce TCFD guidelines (Task Force on Climate-related Financial Disclosures) has been initiated and will continue throughout 2021. Find out more about the EU taxonomy and TCFD on pages 18 and 20.

### Key stages en route to sustainability



## Ten-year summary

In a global industrial company, improvements within sustainable development happen gradually over a long period of time. The basic technologies and raw materials have been established for a long time, and improvement

work therefore needs to focus on the right things, clear goals and follow-up. Adjustments to more sustainable production methods and raw materials involve investments in innovative solutions and the courage to use them. In

a ten-year perspective, Nolato can demonstrate progress in a number of significant sustainability areas. This is positive, but there is still much to work on, primarily in terms of dependency on fossil-based raw materials.

Area	Key performance indicators*	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>ENVIRONMENT</b>											
Compliance	No. of breaches of environmental legislation (fines, sanctions)	0	2	0	2	1	2	0	2	1	1
Energy	Energy consumption (GWh)	183	184	182	188	169	167	163	164	168	141
	Energy consumption/sales (GWh/SEKm)	0.021	0.023	0.022	0.028	0.038	0.035	0.038	0.036	0.043	0.047
	Purchased fossil-free electricity (% of total electricity use)	72	75	62	53	23	16	0	0	0	0
Carbon emissions	Carbon dioxide emissions from energy consumption (tons)**	44,300	33,900	36,600	49,000	51,200	57,200	62,400	67,800	65,600	53,200
	Carbon dioxide emissions/sales (tons/SEKm)	5.0	4.3	4.5	7.3	11.5	12.1	14.7	15.0	16.9	17.7
Water	Water consumption (m <sup>3</sup> x 1,000)	141.0	146.7	146.3	177.9	163.7	179.3	170.8	159.3	169.3	120.7
	Water consumption/sales (m <sup>3</sup> /SEKm)	16.0	18.5	18.1	26.5	36.8	37.9	40.3	35.2	43.7	40.6
Waste	Waste volume (tons)	7,300	6,900	7,300	6,500	5,200	5,000	4,400	5,300	5,300	3,900
	Waste volume/sales (tons/SEKm)	0.8	0.9	0.9	1.0	1.2	1.1	1.0	1.3	1.4	1.3
Raw materials	Recycled/bio-based plastics (% of total consumption)	2	2	2	2	1	1	1	0	4	2
Mngmt systems	ISO 14001-certified plants (% of total)	91	100	95	95	91	95	100	100	86	85
<b>PEOPLE</b>											
Employees	Number of employees (average)	6,721	5,941	6,449	7,249	6,418	7,759	8,020	9,357	8,421	5,491
Compliance	Number of breaches of health and safety legislation (fines, sanctions)	0	0	0	0	0	0	1	0	0	0
Health and safety	Occupational accidents (number/million hours worked)	5.2	4.9	4.1	3.7	5.0	2.3	2.9	2.0	3.9	2.2
Diversity	Number of women on Group Board (%)	33	30	30	30	22	30	22	30	30	30
	Percentage of women on local management teams (%)	25	25	22	22	20	19	24	24	24	18
Education	Employee training (hours/employee)	36	26	24	47	53	39	29	18	11	4
Management systems	ISO 45001-certified plants (% of total)	27	29	24	27	27	30	26	16	5	5
Code of Conduct	Reported human rights breaches (number)	0	0	0	0	0	0	0	0	0	0
<b>FINANCIAL</b>											
	Economic value allocated by stakeholder (SEKm)	8,526	7,592	7,993	6,530	4,434	4,407	3,610	3,840	3,238	2,846
	Tax paid (SEKm)	208	154	199	159	515	102	98	89	70	51

\* The newly acquired company GW Plastics is not included in this report (apart from the number of employees).

\*\* Scope 1 and Scope 2 according to GHG Protocol.

# Nolato and sustainable development

Preventive and targeted initiatives enable Nolato to create value for customers, employees, shareholders and all other stakeholders. Put simply, we want to be the natural choice for our customers when it comes to sustainable development, and for Nolato this means responsible business conduct:

➤ **A proactive approach** – Nolato will be the experts regarding the impact of our business on people, the environment and society. Risks and costs can be reduced through preventive measures, risk analysis and investments in modern technology.

➤ **New business opportunities** – Through resource-efficient production and greater use of environmentally sustainable raw materials, environmental benefits and new business opportunities are generated.

➤ **Responsibility and transparency** – Nolato complies with international conventions and principles for sustainable development, including via being a Signatory to the Global Compact. The long-term targets set out the road map for our sustainability work and our progress and setbacks are reported transparently, according to international standards for sustainability reporting.

## Link to business model

Nolato is a high-tech developer and manufacturer of polymer products and systems for leading customers in specific market areas. Sustainability work is a natural element of our business concept and business model, and by creating safe and stimulating workplaces, minimizing environmental impact and generating lasting value for our shareholders and stakeholders, Nolato is benefitting both business and society.

Customers often approach us with a concept or an initial sketch of a new product, and by becoming actively involved in the development process, Nolato is able to help ensure functional, cost-effective products reach the market. Traditional success factors include experience, knowledge of the materials and processes, involvement early on in the project, expert project management and a sound knowledge of customers and markets.

One increasingly important success factor is that our knowledge of sustainable production methods can help reduce the carbon footprint of our customers' products. We can make a real difference by presenting sustainable solutions relating to choice of raw materials, product design, production technologies

and transportation. Greater use of bio-based and recycled polymers reduces our carbon footprint from a life cycle perspective. Product design for sustainable development can help make the products easier to recycle and/or extend their lifespan. We are prepared to decline assignments that are incompatible with our sustainability ambitions.

## Sustainability strategy

The key strategic issues for Nolato are reducing the carbon footprint from raw materials, production plants and products, along with preparing ourselves for the impact of climate change on the Group's value chain. Our sustainable development strategy is therefore focused on addressing challenges in the near future, while equipping ourselves to respond to future expectations and requirements. The strategy encompasses targets and activities within social responsibility, business ethics, financial responsibility and the environment. It includes the following areas:

➤ We aim to create business opportunities through responsible conduct and transparent communication. Opportunities are created for us and our customers through resource-efficient production methods and the development of products with a low environmental impact.

➤ We reduce risk and costs through preventive measures, risk analysis and investments in modern technology. Issues relating to energy and carbon emissions are particularly prioritized and are subject to long-term targets. Regarding the use of materials, we aim to increase the percentage of recycled plastic raw material and the use of bioplastics.

➤ Using ISO standards and concepts such as lean manufacturing, Medical Excellence and 5S, we create a systematic approach to, and credibility for our sustainability work.

➤ We involve our employees through a safe, gender-equal and stimulating work environment. Sustainability work should be a factor that encourages new employees to apply to the company.

➤ Nolato is a good corporate citizen and reli-

able business partner through the company's application of sound business principles and good ethics. Preventing corruption is an important aspect of this work and something we have undertaken in accordance with the principles of the UN Global Compact.

## Guidelines and standards

Nolato's sustainability work is based on international guidelines and standards that are applied in internal policy documents and management systems. The guidelines and standards below are particularly significant in this context:

➤ The Nolato Spirit booklet summarizes the Group's core values, Code of Conduct and policies, and explains how they relate to the business model. The Code of Conduct is based on international guidelines, conventions and standards. The Nolato Spirit applies equally to all Nolato employees, regardless of where in the world they work. An updated version of the document was presented in 2020.

➤ Since 2010, Nolato has been a Signatory to the Global Compact, a framework document that is part of the UN and comprises ten principles on the environment, human rights, labor and anti-corruption. These ten principles are integrated into Nolato's Code of Conduct and policies, and the Group's long-term targets are linked to the UN Sustainable Development Goals.

➤ Nolato's sustainability work is reported in accordance with the Swedish Act on Sustainability Reporting by Large Companies, GRI guidelines, CDP and the Nasdaq Listing Center, as well as Global Compact reporting requirements.

➤ The majority of our production facilities are certified to the international standards ISO 14001 (environment), ISO 9001 (quality management) and, where applicable, to industry-specific ISO standards. We also work with health and safety (ISO 45001) and energy management (ISO 50001) standards. The ISO 26000 social responsibility standard provides guidance for our overarching sustainable development efforts.



► Preparations are ongoing for the introduction of the guidelines in the EU's strategy for sustainable activities and TCFD recommendations (Task force on Climate-related Financial Disclosures) in governance and the report on Nolato's sustainability work (page 18).

## Governance and monitoring

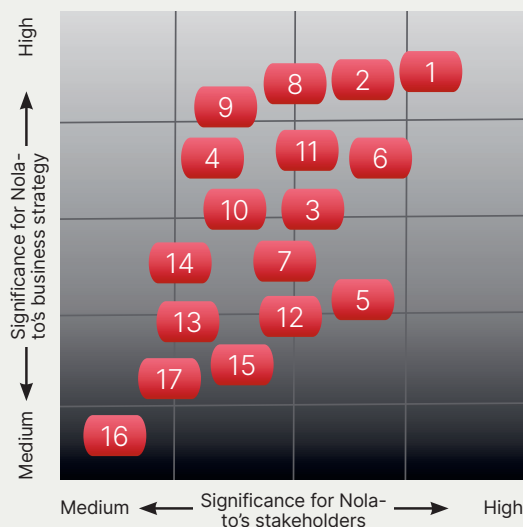
Sustainability issues are managed in a methodical way and they are integrated into both strategic planning and our day-to-day operations. We have established long-term Group targets and follow-up indicators in key areas. Operational responsibility for sustain-

able development is delegated to the Managing Director of each Group company. These activities are followed up through dialogue with the companies' management and through internal and external audits. Along with the Sustainability Report, we also carry out an in-depth analysis of compliance with legislation, target outcomes and performance and KPI development during the year. A representative on Nolato's Board of Directors has overall responsibility for aspects pertaining to sustainability, including carbon footprint. Matters relating to strategy, risks, monitoring, sustainability reporting, sustainability risks associated with acquisitions and dialogues with investors are managed at Group level.

## Materiality analysis

The materiality analysis highlights the key issues for Nolato's stakeholders and the Group's business strategy. The analysis forms the basis of our priorities, targets and action plans with regard to sustainable development. Energy usage and carbon footprint have been assigned a somewhat higher priority compared with last year's analysis. Furthermore, investors and other financial providers have pushed sustainable development further up the agenda, which is clearly reflected in the materiality

analysis. We are convinced that initiatives such as TCFD and the EU taxonomy for sustainable activities will lead to heightened requirements of Nolato from investors. The prioritized area 'Plastics in a life cycle perspective' hides the bigger question of the use of plastics in society. It is an issue that is of major concern for the Group's customers, and we are devoting an increasing amount of time and energy to developing products that contain bio-based and/or recycled raw materials.



- Customer requirements in relation to sustainable development
- Sound business ethics
- Attractive employer
- Legal requirements in relation to sustainable development
- Sustainability issues in developing countries
- Plastics in a life cycle perspective
- Suppliers' sustainability work
- Energy usage and carbon footprint
- Safe and stimulating working environment
- Gender equality, human rights
- Investor requirements
- Social engagement
- Environmental impact of transport
- Sustainability issues in connection with acquisitions
- Emissions to air and water, waste
- Disruption in surrounding area (noise, odor)
- Use of chemical products

## SUSTAINABLE DEVELOPMENT GOALS

The UN presented its Sustainable Development Goals in 2017, within the scope of the 2030 Agenda for Sustainable Development. The 17 goals provide a clear and useful framework for addressing global challenges, and they have had a huge impact on society.

They are also a catalyst for innovation and business opportunities within the field of sustainability. Private and public organizations have an important role to play, and businesses are expected to contribute through responsible business conduct, providing transparent reporting of their own targets and outcomes and developing products and services that foster sustainable development.

The UN Sustainable Development Goals help Nolato identify key areas within sustainable development, and we have highlighted several goals that are clearly relevant to the Group's operations. With these goals as a starting point, we can see that we are able to both reduce our environmental impact and create business opportunities.

We have therefore linked the Group's targets to seven of the UN Sustainable Development Goals. This allows us to contribute to a more sustainable society, while creating conditions for profitable growth for Nolato.

Minimizing Nolato's use of resources and carbon footprint is an important principle in achieving our targets. We accomplish this by working with innovation, efficiency improvements, investments in new technology, greater use of renewable energy and initiatives focusing on bio-based and recycled plastics.

The UN Sustainable Development Goals also provide inspiration for measures within social responsibility, social engagement and business ethics.



## Value for stakeholders

Nolato interacts with stakeholders, who bring requirements and expectations in relation to sustainable development. Our understanding of which stakeholders are significant – and what they consider to be important – is based on experience and long-standing commercial relationships, as well as events over the past financial year. Stakeholder engagement is carried out in multiple ways and includes performance reviews with employees, customer satisfaction surveys, analyst meetings, discussions with investors and cooperation with customers, suppliers and contractors.

Stakeholder	Key issues, requirements and expectations	Value created
Customers	Many customers impose requirements for a code of conduct and certified environmental management systems. Other requirements concern the phasing out of hazardous chemical substances and for sustainability issues to be implemented into the supply chain. There was an increased interest in products containing bio-based and/or recycled raw materials during the year. The Group's sustainability work is regularly evaluated by our customers.	With expertise in polymer materials, technical support and continual development, we boost our customers' competitiveness on their markets. Nolato is convinced that an ambitious approach to sustainable development strengthens relationships with our customers. In 2020, customer surveys and audits were carried out at 14 plants (13). Group companies received positive feedback about their efforts. The operations in China and Malaysia are certified as Sony Green Partners.
Employees	It is important for Nolato to retain and develop its employees and to attract new talent. Key areas for employees include health, safety, financial remuneration, personal development, social conditions and sound business ethics.	During the year, Nolato paid SEK 1,936 million (1,744) in remuneration to employees. The accident rate increased slightly, but remained low in an industrial perspective. The number of training hours totaled 200,500 (152,400). 2,093 (1,697) employees participated in performance reviews. Surveys relating to wellbeing in our workplaces comprised an important aspect of our improvement efforts. The Employee Care Program was further developed in China.
Suppliers	Nolato endeavors to maintain long-term and transparent relationships with its suppliers. The aim is to ensure the right quality, financial stability and sustainable development for both parties. Suppliers expect consistent and clear requirements.	Suppliers have been informed of Nolato's Code of Conduct and we expect them to share the Group's values. We assessed suppliers' sustainability work and conducted around 240 (200) surveys and audits. Suppliers met the Group's requirements to a satisfactory degree. In 2020, Nolato paid its suppliers a total of SEK 6,344 million (5,274).
Shareholders	Growth and dividends are at the core of value creation for our shareholders. The integration of sustainability issues into our business strategy reduces risk and creates business opportunities. Developing environmentally sustainable products, resource-efficient production and investments in environmental technology will help Nolato maintain its competitiveness.	Integration of sustainable development in strategies and day-to-day work created value for shareholders. Use of the Sustainability Report allowed shareholders and potential investors to evaluate the Group's sustainability work. In daily business paper Dagens Industri's ranking 'Sustainable companies 2020', the Group came in at number 5 in the capital goods category (5). No dividend was paid out to shareholders in 2020 due to the ongoing pandemic.
Society	Social engagement is an important aspect of The Nolato Spirit and something that is expected by local communities where the Group operates. As a global company, we are expected to undertake measures that contribute to national and global sustainable development goals.	Nolato is a Signatory to the UN Global Compact, and work with the Sustainable Development Goals continued. At a local level, the Group worked with schools and universities, and contributed in the areas of health care, education, sport and culture. Via rapid production of protective visors, Nolato Lövepac contributed to efforts to limit the spread of Covid-19. Nolato's tax expense for 2020 amounted to SEK 208 million (154).
Authorities	Satisfying legal obligations within the area of sustainable development is a basic requirement for Nolato's businesses.	There were no significant breaches of laws or regulations in 2020.

## Designing for the environment

# Interesting challenges when designing an environmentally sustainable product

Ensuring at the development phase that a new product is easily recyclable is one of the most effective ways of making it environmentally sustainable. If the product can also be made from recycled or bio-based plastic material and using eco-friendly production methods, then we've come a long way in terms of the product's environmental sustainability.

Here at Nolato, we take the view that a product's environmental impact should be a significant factor during development and manufacture. In simple terms, there are three key choices to be made at the very start of a product's life cycle, which determine whether it can be regarded as environmentally sustainable throughout its entire lifespan.

These choices relate to important considerations when it comes to the material, design and production method, which Nolato always factors in when discussing a new product with a customer.

### Eco-friendly materials

Choice of material is at the very core of a product's environmental profile. Following the significant developments in materials with a good environmental performance in recent years, Nolato endeavors to encourage customers to use the highest possible proportion of recycled plastic. Where this is not practical due to regulatory requirements or specific elements of the product's functionality, the alternative is to use bio-based plastic materials.

Fossil-based plastic materials can only be used where it is impossible to use recycled or bio-based material, for example in certain medical devices the recommendation is to use fossil-based plastic material.

"Both recycled plastic material and material made from biological sources, such as sugarcane, have a much lower carbon footprint than plastic made from crude oil," explains Patrik Ingvarsson, President of the Medical Solutions business area's development unit in Europe.

"Nolato has carried out meticulous testing with 'green' plastic made from sugarcane, including in the production of pharmaceutical packaging, and found that it is not only kinder to the environment but for many types of products it also more than satisfies

the requirements of both Nolato and the customer.

"Designing new products so they are easy to recycle is extremely important. Even if you've chosen a material with a low carbon footprint, it can hardly be regarded as environmentally sustainable if it is difficult or even impossible to recycle," notes Patrik Ingvarsson.

In principle it's about Design for Environment (DfE), which means either making the product from a single plastic material, or, where this isn't possible, designing the product so it's easy to dismantle.

"The best approach to take depends on the kind of product," says Patrik Ingvarsson. "Packaging or single-use products for health care can be made from a single material, to make recycling as easy as possible. Whereas a product with a longer lifespan that requires a combination of different materials to achieve the desired functionality can be designed so that the various materials are easily separable once the product has served its purpose and needs to be recycled."

### Snap fits instead of glue

"One possible solution may be to design the product so that two materials snap together instead of being welded or glued, making it much simpler to recycle."

However, sometimes you have to opt for more complex solutions, for example when it comes to a medical device that has to be completely sealed.

"This poses interesting challenges for the designers," observes Patrik Ingvarsson. "And in medtech we have the specific challenge of designing a product for recycling when it contains components that should not be recycled due to the risk of spreading infection."

"In this situation we need to make sure we design the product so that the risk element

can be safely managed, while the rest can be easily recycled without posing any risk."

### Efficient and sustainable

Efficiency has always been at the heart of the production process for Nolato, particularly since efficient production is often beneficial for the environment as well. The foundations are laid early on in the design phase of new products by ensuring that the production aspects (Design for Manufacturing) are continually in focus during development work.

"Here at Nolato we have an advantage in that we support our customers both during the development phase and the manufacturing phase for new products," explains Patrik Ingvarsson.

"The product itself must be environmentally sustainable, but we also make sure we minimize the use of resources such as energy and water during production. We choose renewable energy sources where possible, and always aim to make sure all transportation is low carbon, not just through the choice of logistics solution but also by optimizing the packaging of whatever is being transported to customers."






Efficient production also involves using as little material as possible. This starts at the product design stage as well, but in production too we must make sure we work efficiently to reduce the amount of waste.

"There are interesting solutions available for this," continues Patrik Ingvarsson. "For example, using a closed loop system to recover excess material immediately during the injection molding stage. But as always, you have to think it through properly first, so the process isn't environmentally sustainable at the cost of the desired level of product quality."

# Targets and KPIs

Nolato has introduced long-term group-wide goals covering environmental responsibility, social responsibility and business benefit. Several of these goals are linked to the UN Sustainable Development Goals. The production facilities work with local targets based on the UN Sustainable Development Goals, primarily within the framework of ISO 14001 and other ISO systems. The table below provides an overview of how our work on these targets is developing and how we evaluate our ability to achieve them. Detailed information on emissions data and other parameters are presented in other parts of the Sustainability Report.

## Environmental responsibility




Targets	SDGs	Measures to achieve goal	Outcome 2020
<b>Energy</b> More efficient energy use, and up until 2025 usage should decrease by 55% compared with the average for 2011–2012 (GWh/net sales).	<b>7 AFFORDABLE AND CLEAN ENERGY</b> 	Energy audits and continued investment in more energy-efficient production equipment, infrastructure and lighting. However, increased automation will mean higher electricity consumption.	The Group has significant energy requirements, but the resource is used in an increasingly efficient way. Since 2011–2012, GWh/net sales has decreased by more than 50 percentage points.
<b>Carbon emissions</b> Emissions of carbon dioxide from energy consumption (Scope 1, 2) will be reduced by 80% by 2025 compared with the average for 2011–2012 (tons/net sales). Carbon dioxide emissions that are related to the products (Scope 3) will be reduced by 5% between 2020 and 2025 (tons/net sales).	<b>13 CLIMATE ACTION</b> 	The measures to cut our carbon footprint are strong and consistent with the Paris Agreement's goal of reducing global warming. Nolato's measures include more efficient use of energy, heat pump installations, procurement of fossil-free electricity, installation of solar panels and the phasing out of fossil fuels. The products' environmental impact will decrease through greater use of bio-based and recycled raw materials.	Since 2011–2012, carbon dioxide emissions from energy consumption (tons/net sales) have declined by roughly 70 percentage points. One key climate measure that remains important is to enable the procurement of fossil-free electricity in China and the US. The use of bio-based and recycled plastic raw materials is currently helping reduce carbon dioxide emissions to a limited extent.
<b>Chemical products</b> Hazardous chemical substances should be identified and, where possible, phased out.	<b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b> 	A handful of chemical substances have been identified as candidates for phasing out. Continued measures for the safe handling of chemical products are being implemented.	A number of raw materials within silicone rubber were phased out in 2020. The reason was that hazards relating to certain cyclic siloxanes were detected by the European Chemicals Agency.
<b>Raw materials and products</b> The percentage of bio-based and recycled raw materials should increase.	<b>13 CLIMATE ACTION</b> 	Nolato will be the driving force in projects with customers and other stakeholders aimed at reducing the carbon footprint of existing or new products.	56 (43) tons of bio-based and 764 (626) tons of recycled plastics were used. It is positive to see that customer interest increased, and that a number of projects were carried out in this area.
<b>Environmental management systems</b> All units to be ISO 14001-certified.	<b>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</b> 	Acquired companies should be certified within two years.	91% of production units are certified in accordance with ISO 14001.



## Social responsibility

Targets	SDGs	Measures to achieve goal	Outcome 2020
<b>Safe workplaces</b> The number of workplace accidents must be kept to a minimum, with the long-term goal of no injuries at work.	<b>8 DECENT WORK AND ECONOMIC GROWTH</b> 	Work will be both preventive and systematic. International standards will be introduced where relevant. Systems for registering and managing near misses should be in place at all units.	5.2 accidents occurred resulting in absence per million hours worked (4.9). Systems for recording near misses are in place at 90% of units and there are certified management systems in place at 6 (6) units.
<b>Human rights and gender equality</b> There should be no cases of infringements of human rights, discrimination or forced labor. The proportion of women in management positions should increase at Nolato at all levels.	<b>5 GENDER EQUALITY</b> 	Up-to-date information will be provided to employees and new staff. Nolato will contribute towards employees' personal development and create career opportunities.	Employee training was held on The Nolato Spirit. No cases of infringements of human rights were recorded. Recruitment of people with disabilities continued. Local management teams are made up of approximately 25% (25) women.

## Business benefit

Targets	SDGs	Measures to achieve goal	Outcome 2020
<b>Anti-corruption</b> There should be no cases of bribery, corruption or cartel formation. Continued up-to-date information to employees.	<b>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</b> 	Continued application of preventive procedures and controls. In addition, training, information and discussions are tools being used in anti-corruption work. The whistleblowing system is to be applied throughout the entire Group.	The annual evaluation of Group companies' anti-corruption measures indicated a persistently high level of ambition. No incidents were recorded relating to corruption or inadequate business ethics.
<b>Customers</b> Nolato shall maintain a leading position and be perceived as the customer's first choice within sustainable development.	<b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b> 	Trends and customer requirements within sustainable development will be identified and, where relevant, transmitted into practical measures. The overriding aim is to exceed customer expectations.	The majority of the Group's companies managed customer requirements within sustainable development. Interest in renewable or recycled raw materials grew. Customers completed a significant number of evaluations, which on the whole gave Nolato excellent ratings.
<b>Suppliers</b> By 2025, all strategic suppliers will be assessed according to Nolato's guidelines for suppliers.	<b>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</b> 	Strategic suppliers represent 80% of purchasing expenditure, or can have a direct impact on Nolato's product quality and/or sustainability work.	The guidelines for suppliers were updated during the year. In 2020, roughly 240 (200) evaluations of suppliers' sustainability work were conducted. The suppliers satisfied Nolato's requirements at an acceptable or good level.

# Environmental responsibility

Nolato develops and manufactures customer-specific products in polymer materials such as plastic, silicone and TPE for customers within medical technology, pharmaceuticals, telecom, automotive and other selected industrial sectors. We manufacture everything from individual components, which the customer assembles in its own product, to complete products that are ready for delivery to a customer's client. We also develop and manufacture our own products, such as pharmaceutical packaging.

## Technologies and environmental aspects

The manufacture of products in polymer materials is associated with a number of sig-

nificant environmental aspects. Some examples include the use of materials (plastics, silicone rubber, metals), chemicals (solvents, varnish, paints), energy and water. Emissions of greenhouse gases and solvents (VOC), along with the occurrence of various types of waste, are other key environmental issues. Indirect environmental aspects relating to products, packaging and transportation are also significant. In the Group, the ISO 14001 environmental management system is the most important tool in efforts to systematically reduce our environmental impact.

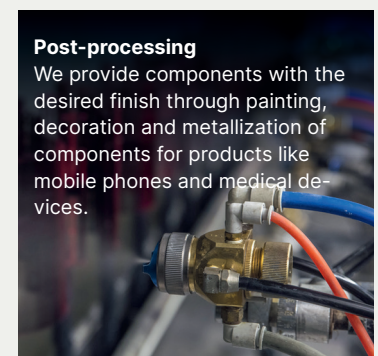
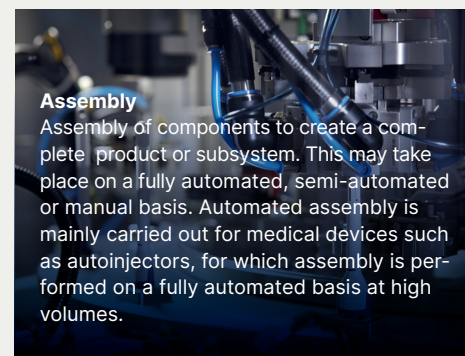
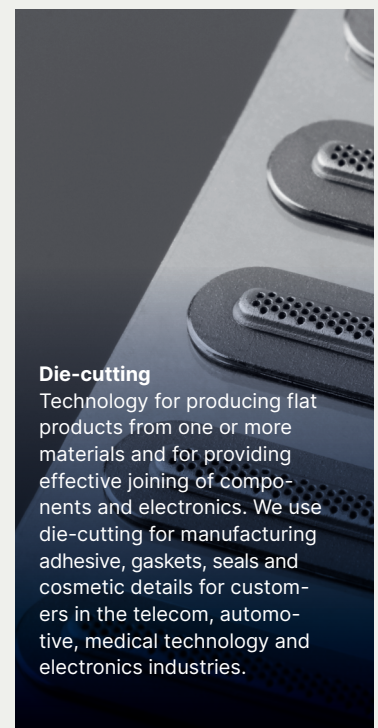
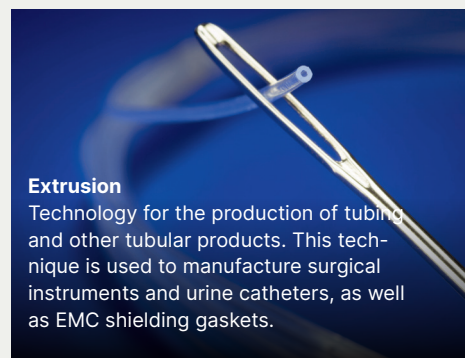
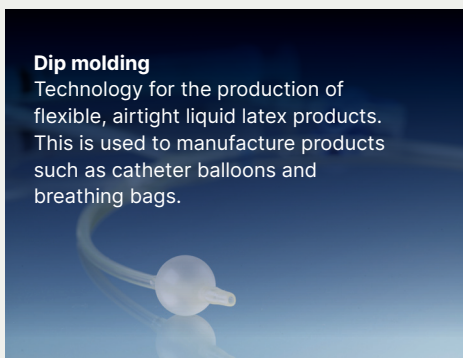
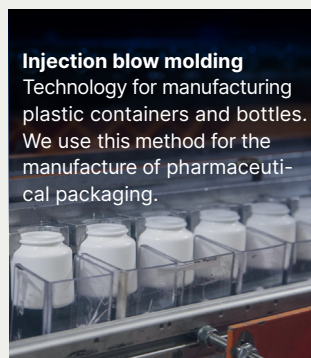
## Environmental legislation

Nolato's companies are subject to extensive legal requirements relating to the environment. This concerns both overarching legisla-

tion and specific terms for each business. We use ISO 14001 to identify applicable legislation and our companies implement the relevant measures. From a strategic perspective, it is important to evaluate the risks and opportunities of future legislation, and the Group does this by participating in networks and through regular contact with various authorities.

All production units in Sweden apart from one are obliged to provide notifications pursuant to the Swedish Environmental Code. Most of the Group's units outside Sweden require permits or are covered by similar requirements in accordance with environmental legislation in the country in question. Sales from operations with permit requirements and notifica-

## Our production technologies



tion obligations make up the majority of the Group's net sales. Routine updates to the environmental permits will be carried out at two plants in 2021. We do not anticipate any significant legal or financial consequences as a result of the renewal of these environmental permits.

Environmental legislation in the form of EU directives (REACH, RoHS, CLP, WEEE, energy efficiency, sustainability reporting), or other national or international legislation, relate in the main to the Group's operations and products. About half of the units are covered by legislation concerning producer responsibility for packaging. In most cases, regular reports are submitted to the environmental authorities, and the supervisory authorities carry out inspections. No significant breaches of environmental legislation were registered in 2020.

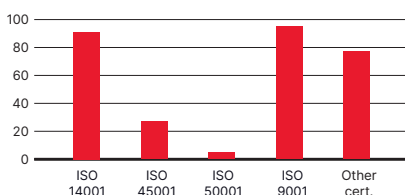
## Environmental management systems

In 1997, Nolato had its first plant certified according to the international environmental management system standard (ISO 14001), which was introduced in 1996. Since then this environmental standard has been a key element of our sustainable development strategy and systematic approach, as the environmental audits and certification create confidence among the Group's stakeholders.

The objective is for all units to be certified. Acquired companies that are not yet operating in line with ISO 14001 are expected to complete certification within two years.

Internal and external environmental audits are conducted to check that environmental management systems meet ISO 14001 requirements. Nolato has around 129 (127) internal environmental auditors, who conducted 76 (137) environmental audits during the year. The plants were reviewed by external auditors on 20 (28) occasions.

### Number of certified production units (%)



95% of our companies are certified in accordance with the requirements of the ISO 9001 quality management system. In addition, almost 80% (90) of units are certified in accordance with standards for the automo-

tive industry (IATF 16949), medical technology (ISO 13485) or other standards. At many of the plants, the various management systems are entirely or partly integrated into the overall operational system.

The health and safety management system (ISO 45001) has been implemented at 6 units (6) and 5 companies are planning to introduce the standard within the next 2 years. UK-based Nolato Jaycare is certified under the ISO 50001 energy management standard. The ISO 26000 social responsibility standard provides a guideline for our group-wide sustainability work. This standard is based on seven fundamental principles and describes how an organization can work with environmental issues, social responsibility and ethics.

## Energy

Energy is consumed by production equipment, lighting, ventilation, cooling, transport, purification facilities and heating. Nolato mainly uses indirect energy in the form of electricity (87%) and district heating (7%). Some units use fuel oil, natural gas or propane for heating and running purification equipment. Fuel oil accounts for less than half a percent of total energy consumption, and is gradually being replaced by heat pumps or biofuel (HVO). Fossil fuels account for approximately 5% (4) and purchased fossil-free electricity for 63% (66) of total energy consumption.

Energy consumption amounted to 183 GWh (184) in 2020 and the key performance indicator, which places energy use in relation to sales, has shown a declining trend since 2011. The cost of energy was approximately SEK 142 million (158). Measures aimed at boosting energy efficiency include:

> Smart control systems featuring sensors and variable-frequency control for cooling equipment and pumps.

> Energy audits in accordance with the EU energy efficiency directive have been performed at nine units and are updated over four-year cycles. The audits can result in optimization of ventilation, cooling, lighting and compressed air.

> More energy-efficient equipment and processes involving the replacement of hydraulic injection molding machines with electric ones. The dipping robot at Nolato MediTor continues to generate significant energy savings. Production planning to gain maximum efficiency from equipment and the turning off of equipment when not in use. Shorter cycle

times for presses reduces energy consumption. This also applies to variable-frequency control of electric pump motors in production equipment at Nolato Jaycare. Nolato Jabar has replaced DC motors with more energy-efficient AC motors.

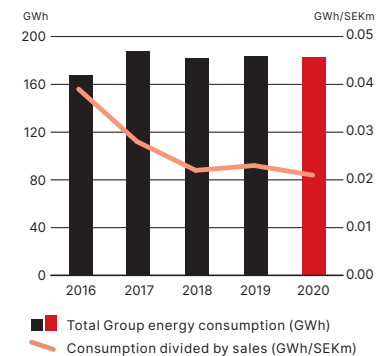
> The certified energy management system ISO 50001 at the UK unit is highlighting energy efficiency.

> The use of surplus heat from equipment to heat premises and warehouse buildings. The installation of systems for free cooling is reducing energy consumption. Lighting is also being replaced with LED bulbs on a large scale. Installation of movement sensors for lighting. Installation of electricity meters at strategic points in buildings.

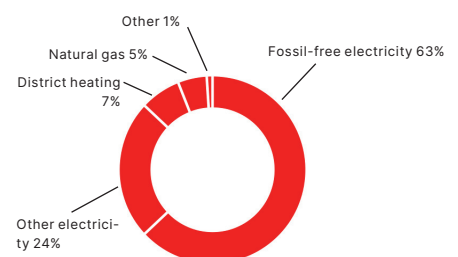
> During the year, Nolato Cerbo invested in vacuum transport systems, insulation of cooling systems and other measures to improve energy efficiency. Furthermore, production of SC Light, which contains less material, helped reduce energy usage.

> Measures to minimize scrap and production reruns, which also reduces energy consumption. Training and close monitoring of energy consumption gets employees involved in saving energy.

### Energy consumption



### Energy sources

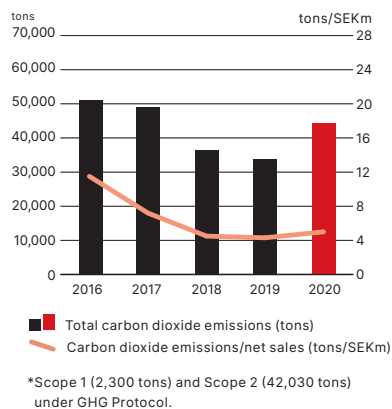


## Atmospheric emissions

### Greenhouse gas emissions

Nolato's emissions of the greenhouse gas carbon dioxide are caused by energy consumption, transportation of raw materials and finished products, and an array of indirect activities among the Group's suppliers and customers. Reporting of emissions primarily includes direct and indirect energy consumption (Scope 1 and 2 according to GHG Protocol).

### Carbon dioxide emissions\*



In 2020, Nolato's production plants emitted 44,300 (33,900) tons of carbon dioxide, 2,300 tons of which were from direct energy consumption (Scope 1), and 42,000 tons of which were indirect emissions from the production of electricity and district heating in the countries in which we operate (Scope 2). Countries such as China and the US use coal extensively for electricity production and district heating, causing significant carbon dioxide emissions, which consequently has a clear impact on the Group's carbon footprint. The situation regarding Nolato's carbon footprint is affected by a number of factors, such as the following:

> The businesses in Sweden, the UK and Hungary are reducing indirect carbon dioxide emissions by purchasing fossil-free electricity. To achieve our target of an 80% reduction in emissions by 2025, the purchase of fossil-free electricity needs to increase in the US and China.

> Our carbon footprint is decreasing as a result of measures to boost energy efficiency, including energy audits and the introduction of ISO 50001. The phasing-out of fuel oil and installation of heat pumps or the use of bio-fuel is also helping reduce our carbon footprint.

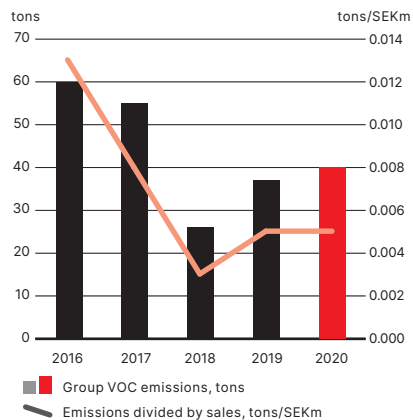
> Other measures concern reduced scrap, better waste management, the purchase of more fuel-efficient vehicles, increased use of teleconferences and improved logistics.

> Nolato Jaycare in the UK has signed a national climate change agreement to counteract climate change. The agreement covers energy-intensive industry and, by cutting energy usage, participating companies can receive reduced charges under a system in the UK known as the climate change levy.

### Other atmospheric emissions

The use of more than 390 (235) tons of paints and solvents resulted in emissions of around 40 (37) tons of VOCs (volatile organic compounds). The bulk of these emissions are derived from painting products in Beijing and in the production of breathing bags in Torekov. For the latter, around 14 (18) tons of gaseous ethanol was released into the atmosphere. A significant investment was made in Beijing to improve the catalytic purification facility, reduce atmospheric VOC emissions and satisfy increasingly stringent legislation.

### VOC emissions



There are just over 2.8 (3.5) tons of ozone-depleting substances (F-gases) in air-conditioning and other equipment at seven production units. Minor leakages occurred during the year, which corresponded to 10% of the installed amount. Emissions of sulfur dioxide and nitric oxides remained low, amounting to 1.8 (1.5) tons. Emissions of dust and malodorous substances are usually negligible. However, during the year we received a complaint regarding a disruptive odor at a plant in China.

## Raw materials and chemicals

Production processes used around 49,500 (42,000) tons of polymer materials in 2020. More than 98% (98) consisted of plastics and the rest of synthetic rubber. This involves silicone and latex rubber used in medical devices. Other materials used, amounting to around 1,600 (1,600) tons per year, include paints, solvents and metals.

For a number of the Group's products, the customer requires the polymer to consist of virgin raw materials. This mainly applies to pharmaceutical packaging and medical devices. Some customers are expressing interest in recycled plastic, for example for components for vehicles, furniture and garden equipment, as well as for packaging for dietary supplements. The amount of recycled plastic used during the year was approximately 760 (625) tons and customer projects are underway with the aim of increasing the proportion of recycled materials. The use of bioplastics amounted to 56 (43) tons. We are also seeing interest in reducing polymer usage in some products, which is beneficial both in terms of cost and environmental impact. Nolato has an express aim of increasing its use of renewable raw materials and recycled raw materials. The proportion of bio-based and recycled plastic raw materials is currently around 2% of total usage.

One environmental aspect that concerns most of the Group's companies is customer requirements for products not to contain certain hazardous chemical substances. In addition, there is continued substantial interest in the issue of conflict minerals (see Glossary and Definitions). Chemical substances that are identified by customers, and/or that have been identified as candidates for risk reduction under REACH chemical legislation are a priority. In practice this means that a limited number of chemical substances are subject to phasing-out or other risk reduction measures. A number of raw materials within silicone rubber were replaced in 2020. The reason was that hazards relating to certain cyclic siloxanes were detected by the European Chemicals Agency.



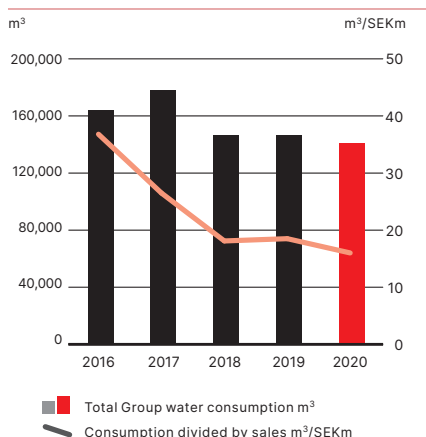
## Water issues

Nolato's facilities use municipal water for purification equipment, some production processes, cleaning, sanitation and cooling. In 2020, 141,000 (146,750) m<sup>3</sup> of municipal water was used at a cost of approximately SEK 2.6 million (2.3).

Plants have systems in place to reduce water consumption, such as closed cooling water systems for injection molding machines and other equipment. Nevertheless, there are some production processes in which water consumption is high. This mainly applies to the manufacture of latex rubber breathing bags in Torekov, which accounts for around 20% (18) of total water usage. Nolato Beijing has several thousand employees, and this is reflected by the fact that the business accounts for just over 41% (40) of the Group's water consumption. The city of Beijing has been identified as a water shortage area and the company is undertaking a number of measures to reduce its water consumption. Such measures include using campaigns to get staff involved in saving water, identifying leaks, repairing leaking equipment and checking that water is not being used when equipment and premises are not in use.

The amount of pollutants discharged to wastewater is limited and consists mainly of sanitary water. All production units are connected to municipal wastewater treatment plants. Emissions of wastewater are not normally expected to result in any environmental impact.

### Water consumption

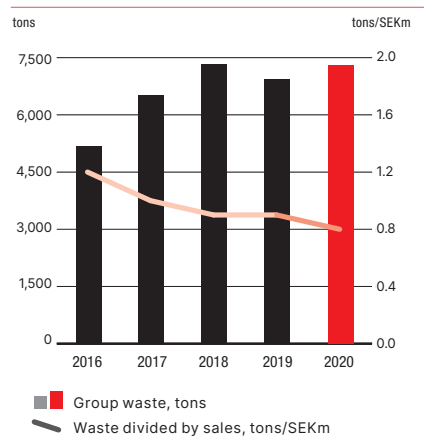


## Waste

Approximately 7,300 (6,900) tons of waste was generated in 2020. Around 53% (50) of waste was recycled as materials and 28% (32) as energy. Landfill disposal of waste remains at a low level, amounting to around 6% (6) of the total amount. From an environmental perspective, it is positive that the percentage of waste disposed of in landfill is decreasing and the percentage being recycled is increasing. This is the result of more demanding legislation in many countries, but ultimately relates to a range of preventive measures introduced at Nolato's facilities. An ISO 14001-based approach, lean manufacturing and 5S are important tools to reduce scrap and the occurrence of waste. Most of the units have targets and plans to reduce scrap.

Hazardous waste accounted for 9% (5), or 630 (360) tons. Hazardous waste is transported using companies with permits from authorities to carry out such transportation. External waste management costs amounted to SEK 8.8 million (7.0).

### Waste volume



## Transportation

We work to reduce the environmental impact of the transportation of goods and business travel. Here are some examples of action taken:

> Group companies are making use of opportunities for online conferencing, which has seen a significant increase during the Covid pandemic. Another effect of the pandemic is that many employees have been working from home during the year, which has reduced our carbon footprint from journeys to and from work.

> Central procurement of transport services in Sweden incorporates sustainability criteria, including access to emissions data for carbon dioxide, NO<sub>x</sub>, SO<sub>2</sub> and other air pollutants.

> At Nolato in China, environmental requirements are imposed on transport firms concerning the use of environmentally certified vehicles. In the UK, the main carrier used is a transport company registered under the Fleet Operator Recognition Scheme (FORS). This is a scheme that covers legal compliance, safety, efficiency and environmental protection.

> When replacing vehicles and company cars, Nolato chooses models with lower fossil fuel consumption, such as hybrids or electric vehicles. The number of charging stations for electric vehicles has been increased at several plants. For local transportation, the use of the bio-based fuel HVO 100 in trucks has risen.

> Many of the Group's companies are optimizing transportation, including through higher fill ratios in trucks, coordinated transport and environmentally optimized routes. Several companies opt for transport by train or boat as an alternative to truck or air. Other measures that have been implemented include purchasing raw materials from local suppliers, and relocation of product manufacture/assembly to plants that are located close to the customer.

> Bulk handling instead of handling material in sacks reduces the number of shipments. Intelligent packaging solutions by Nolato Jay-care are cutting the number of shipments between the UK and Italy.

> The number of production plants that measure carbon dioxide emissions from transportation (Scope 3 according to GHG) is gradually increasing. In 2020, 1,300 tons of carbon dioxide was registered.

## Products that contribute to sustainable development

We work with our customers on concept development, design, choice of materials, structure, prototypes, production molds, high-volume production and post-processing. The environmental performance of products has become an increasingly important competitive factor. For Nolato, this applies to everything from mobile phones, consumer electronics, vehicle components, domestic appliances and chainsaws, to pharmaceutical packaging and medical devices. Our preliminary assessment is that a number of Nolato's products can be included in the EU taxonomy for sustainable activities (page 20). Below are some examples of ongoing projects and existing products:

- > Nolato Cerbo is working according to the motto 'Design for Sustainability', with a particular focus on biomaterial and recyclability. The SC Light product has for some time had a lower fossil plastic content, and in 2020 it was launched with bio-based plastic raw material. There is a growing interest in bio-based packaging, primarily in the health food segment.
- > A project is underway at Nolato Plasttechnik that aims to replace fossil plastic in consumer packaging with bioplastics. Recycled plastic raw material is being used in products for hybrid cars and fuel cells.
- > Nolato MediTor is manufacturing breathing bags with a lower synthetic rubber content, thereby reducing its carbon footprint.
- > Nolato Beijing is working on several projects to increase the use of recycled raw materials and reduce the volume of waste. The company has become qualified to use water-based instead of solvent-based paint in consumer products.
- > Nolato Gota uses around 735 (610) tons of recycled plastic in some of its products, and is working alongside customers to explore opportunities to increase this figure. Plastic components cut the weight of the vehicle compared with the equivalent product in aluminum or steel.
- > Nolato Treff has expanded the number of products in a packaging unit, which means fewer transports.
- > Nolato Jaycare has developed products using fossil-free polyethylene plastic (PE), which is a raw material produced from sugar-cane. This bio-based plastic can be used in all the company's production processes.
- > Nolato Lövepac produces gaskets and seals for car and truck exhaust systems. The products have excellent sealing properties and help reduce exhaust emissions.
- > Nolato Contour has adjusted the design of several of its products in order to reduce their weight and the amount of material used.

## Accidents and complaints

There were no cases of accidents or uncontrolled environmental emissions in 2020. Three complaints were registered from local residents regarding disruptive noise levels, plastic pellet contamination and odors. One complaint from a local sewage treatment plant concerned raised levels of zinc in water from Nolato.

## Nolato and TCFD



The Task force on Climate-related Financial Disclosures (TCFD) is a market-run initiative that was launched in 2017. The aim is to develop recommendations for voluntary and consistent reporting of climate-related financial risks and opportunities. TCFD's guidelines

encompass governance, strategy, risk management, metrics and targets. For Nolato, this is about having financial control over how the Group is affected by climate change over time, and how operations are impacted by mechanisms aimed at limiting carbon dioxide emissions.

Supporting TCFD is voluntary. A growing number of companies and organizations are officially affiliated with TCFD, and Nolato is now taking the initial steps towards following the guidelines. TCFD outlines four key areas that investors and market operators are keen to be informed about. The Group's climate work is focused on these areas, but there is still work to do in order to comply with TCFD's guidelines:

- > **Governance** – Nolato's Board has assigned one of its members special responsibility for following up sustainability work, including climate-related risks and opportunities. The Board receives regular updates about how climate work is developing, and it has ultimate responsibility for the format and implementation of the Group's climate goals.
- > **Strategy** – Climate change creates risks and opportunities for Nolato, and climate issues are part of the company's overall sustainable development strategy. A scenario in which society decides to make dramatic changes in order to reduce emissions of fossil-based carbon dioxide will impact Nolato in the form of both increased costs (taxes, fees) and regulation, for example new or tougher legislation. The transition towards reducing the Group's carbon footprint is ongoing, but will demand significant resources over the next few years.
- > **Risk management** – To reduce the risks, the Group is moving away from fossil-based energy. Furthermore, opportunities are being created via the development of products containing bio-based and recycled raw materials. Find out more about risks and risk management on page 26.
- > **Metrics and targets** – For many years, Nolato has been reporting its carbon dioxide emissions and KPIs on how emissions change over time. A new, ambitious climate target was introduced for the Group in 2020.

Significant temperature increase is another scenario that will likely cause physical risks, with an effect on both Nolato and the company's value chain. Our current risk analyses factor in flooding, extreme weather events and drought. To meet

TCFD guidelines, the Group needs to work more on possible scenarios in order to quantify how earning capacity could be affected by these situations.



A comparative life cycle analysis shows that replacing glass containers with plastic containers can significantly reduce the carbon footprint.

## Comparative life cycle analysis

# Smaller carbon footprint from plastic pharma containers

In the public debate about how to reduce the carbon footprint of packaging, we often hear that glass would be a significantly more eco-friendly material than plastic in pharma packaging, for example. However, a comparative life cycle analysis of containers made from glass, aluminum and plastic gives a different result.

How does a plastic pharmaceutical container fare in comparison with an equivalent container made from glass or aluminum in terms of its carbon footprint? To get some clarity on this issue, Nolato Cerbo in Trollhättan asked an independent party to conduct a comparative life cycle analysis.

### From cradle to grave

The cradle-to-grave analysis examined a 200 ml container with an annual production of 5 million in glass, aluminum and three different types of plastic, also factoring in the environmental impact of a 800 km journey from Nolato's production plant to the customer.

The analysis found that the glass containers contributed 930 tons of CO<sub>2</sub> per year, the aluminum containers 575 tons of CO<sub>2</sub>, the plastic containers made from fossil raw materials 447 tons of CO<sub>2</sub>, the plastic containers made from bio-based raw materials 327 tons CO<sub>2</sub> and the plastic containers made from recycled plastic 300 tons of CO<sub>2</sub>.

So a plastic container made from recycled

plastic had a carbon footprint that was just 30% of that of the glass container.

### Cutting carbon footprint by half

The results of the analysis were then used to simulate the environmental impact of replacing the annual production of 40 million units of a 30 ml glass container with an equivalent plastic container. The simulation showed that changing from a glass container to a plastic one made from fossil raw materials would cut the carbon footprint by half. If the container were instead made of bio-based material, such as plastic made from sugarcane residue, the carbon footprint would decline by a further third of that of the glass container.

By using green electricity, which Nolato does wherever possible, including in Sweden, it would avoid an additional 180 tons of carbon dioxide. So all in all, there's the potential to cut the carbon footprint of the 30 ml packaging by over 1,600 tons of carbon dioxide a year!

"This is really interesting," says Glenn Svedberg, Managing Director of Nolato

Cerbo. "These analyses show that we already have the opportunity to opt for environmentally sustainable alternatives that would significantly reduce our carbon footprint."

### Bio-based plastic already in use

Nolato can already supply pharmaceutical packaging made from food-grade, bio-based raw material from sugarcane residue, but unfortunately as yet, for regulatory traceability reasons, we are not permitted to use recycled plastic in the containers.

"The thing that mainly differentiates pharmaceutical-grade from food-grade plastic is the extent of regulatory documentation and testing, and a two-year guarantee that the composition will remain the same," explains Glenn Svedberg. "Currently, the version of our most popular standard packaging that has been validated for bioplastic has 100% bioplastic in the container and around 80% in the lid.

"We're in the process of carrying out tests to achieve an even higher percentage of bio-based material in the lid as well."

# EU taxonomy for sustainable activities

The taxonomy for environmentally sustainable activities is one of the measures in the EU Action Plan for Financing Sustainable Growth. The taxonomy enables investors to identify and compare investments that are essential in achieving a sustainable economy. The idea is for it to form the basis of future standards and labelling of sustainable financial products. The Taxonomy Regulation will be fully introduced on 31 December 2022, and companies with more than 500 employees will be expected to report turnover, capital expenditure and operating expenditure in accordance with the taxonomy. Nolato will be subject to the Regulation and the Group is affected in several ways.

## Contributing to environmental objectives

In order to be classified as sustainable according to the Taxonomy Regulation, Nolato must make a significant contribution to at least one of the environmental objectives in the table. The contribution can be made via internal measures, such as by phasing out fossil fuels, and/or by Nolato facilitating a contribution from a stakeholder to one of the objectives. One example is Nolato working with a customer to develop a product that is made from bio-based raw material, and through this work reducing its carbon footprint. The separate Sustainability Report includes a number of examples of products that contribute environmental benefit.

The table shows that Nolato is contributing to the environmental objectives, but there is currently a lack of guidance regarding what is meant by 'significant' in our industry. To satisfy the taxonomy requirements, Nolato must also report revenue, investments and expenditure that can be linked to environmental objectives.

Objective	Nolato's contribution	
	Internal measures*	Facilitating for stakeholders**
Climate change mitigation	✓	✓
Climate change adaptation	✓	—
Sustainable use and protection of water and marine resources	✓	✓
Transition to a circular economy	✓	✓
Pollution prevention and control	✓	✓
Protection of healthy ecosystems	—	—

\* For example, energy efficiency improvements, risk analyses, ISO 14001, sustainability targets and waste management.

\*\* For example products with a lower fossil raw material content, saving fuel through use of lighter materials, products used within environmental technology.

## Must not obstruct environmental objectives

Nolato must not cause significant harm to any of the objectives detailed above. Several of them are already a priority for Nolato, and we have introduced group-wide targets and action plans. We do not believe the Group's operations cause significant harm to the objectives, but again there is currently a lack of guidance as to how this is to be determined.

## Satisfy fundamental principles and standards

This relates to conventions and guidelines in areas such as health and safety and human rights. In Nolato's case this requirement is sat-

isfied in that we work according to, and comply with the company's basic values (The Nolato Spirit), UN Global Compact, OECD Guidelines for Multinational Enterprises, the standard for social responsibility ISO 26000 and other international guidelines. Our sustainability work is reported in line with GRI's international standards and climate work is reported according to CDP.

## Adoption of technical criteria

The taxonomy has specifications and criteria for an activity or product to be regarded as sustainable. Activities that are covered by these criteria include forestry, cement manufacture and energy production. There are criteria for the production of primary plastic raw material, but not for activities where

plastic raw material is converted into products. So there are not currently any criteria available that can be applied to Nolato's operations.

The EU taxonomy for sustainable activities is new and Nolato will not be obliged to produce a complete report until 2022. This will certainly be made easier by the provision of guidance and examples of practical applications. Pending further guidance, we will continue to work with the taxonomy, primarily how to report direct and indirect activities in monetary terms.

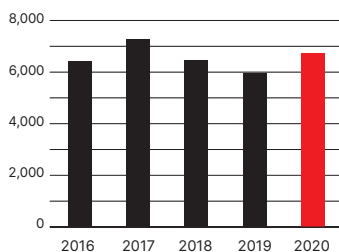


# Social responsibility

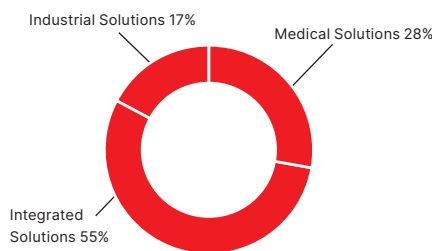
## Employees

The average number of employees at Nolato in 2020 was 6,721 (5,941) in 12 countries. All units are wholly owned by Nolato and comply fully with the guidelines in The Nolato Spirit. The practical work relating to personnel issues in the Group is decentralized. This means each individual Group company is responsible for managing issues in a way that complies with both Group guidelines and the legislation and culture of the country in question.

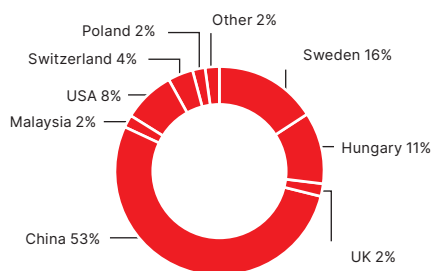
### Average number of employees



### Employees by business area (%)



### Employees by country (%)



The total figure for the number of employees includes staff in China who are employed through staffing agencies. This form of employment has mainly been chosen to make it easier for the business to recruit a workforce for various projects and consequently avoid creating its own large recruitment organization. In accordance with the Group's Code of Conduct, these employees are subject to the same principles as Nolato's other employees in China with regard to the setting of wages, benefits, working hours, work environment and social responsibility.

## Code of Conduct provides guidance

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

### Human rights

The Nolato Spirit is based on international agreements and guidelines relating to human rights, social responsibility and sustainable development, including the UN Global Compact and the standard for social responsibility (ISO 26000). The Group's requirements mean that workplaces must be safe, stimulating, and must satisfy health and safety and labor legislation. No employee may be discriminated against on the basis of their gender, religion, age, disability, sexual orientation, nationality, political views or ethnic origin. No deviations were registered at the Group's units or at suppliers during the year that could be attributed to human rights violations. Training/information was provided at all units on the company's Code of Conduct. Over 70% of employees are included in these activities.

### Everybody has the right of representation

All Nolato employees have the right to be represented by trade unions, and to collective agreements. In Sweden and China, the majority of employees are covered by collective agreements. At the units in other countries, there are no unions or collective agreements, and this reflects a normal situation in these countries.

### Gender equality and combating discrimination

The gender equality policy is an integral part of Nolato's Code of Conduct and day-to-day activities in this area are delegated to the management of local companies. Gender equality measures are conducted according to the gender equality plans of the Group's companies and include activities aimed at creating a balance between men and women in employment and career development, as well as measures that create opportunities for people with disabilities. Formal equality plans are in place at 13 of the companies and over the year 12 (10) units introduced measures to promote equality, for example relating to

recruitment and employment of people with disabilities.

In 2020, 46% (47) of Nolato employees were women. The balance between the number of men and women varies from country to country, and in Sweden, the UK and Switzerland there is a predominance of male staff. In Hungary, China, the US, Poland and Romania there is a predominance of women. Of Nolato's Board members, 33% (30) are women, while the corresponding figure for Group management is 0% (0). Of the company's other senior executives, 44 (37) are women, which corresponds to 25% (25). The recruitment of female managers continues to be an important issue for Nolato.

Function/country	% women
Nolato's Board of Directors	33
Group management	0
MD in Group companies.	0
Mngmt in Group companies	25
Sweden	32
France	100
Ireland	23
Poland	79
Romania	59
Switzerland	31
Hungary	52
UK	17
United States	37
Mexico	64
China	51
Malaysia	48
Group	46

In accordance with the undertakings in the Code of Conduct, we work to combat all discrimination. One target group for recruitment is people with disabilities, and these candidates are treated the same as others. People with disabilities work at units in Beijing (China), Gothenburg (Sweden), Baldwin (US), Newcastle (UK) and Mosonmagyaróvár (Hungary). Nolato's work in Hungary has received significant recognition and a number of awards.

### Whistleblowing

Compliance with our Code of Conduct is followed up via internal controls. Employees are encouraged to report suspected breaches to their managers or other management representatives. If reporting to a manager is not possible, or if the report is not taken seriously, there are opportunities to use the compa-

ny's whistleblowing function anonymously to highlight suspected breaches, for external assessment. Nolato does not tolerate reprisals against individuals who have in good faith forwarded complaints or suspicions of breaches of the Code of Conduct. Of the whistleblowing reports received in 2020 there were none that related to serious breaches of Nolato's Code of Conduct.

## Training and personal development

Nolato offers management development courses, as well as a large number of specific training courses on quality, technology, our Code of Conduct and health and safety. New employees are an important target group for information and training measures. In 2020, employees attended a total of around 200,000 (152,000) hours of training, which equates to approximately 36 (26) hours per employee.

During the year, 2,093 (1,967) employees participated in performance reviews, career development or other assessments of their own work. Employee surveys are carried out regularly at a number of the Group's units. In most cases, they are performed every year or every other year, and in 2020, 12 (11) surveys were conducted. Several suggestions for improvements were made by employees, such as better internal communication, measures to reduce stress and noise levels, and greater cooperation between colleagues and managers.

We carry out special initiatives in China to attract, retain and develop both permanent and temporary employees. These activities come under the umbrella of the Employee Care Program, which includes activities concerning health, safety, sports, lifestyle and language tuition. The program also includes employee surveys, which are supplemented by a forum that enables employees to regularly express their views to the company's CEO. E-learning is widely used and the system contains a large number of modules (64 new ones in 2020) on lean manufacturing, quality management, safety, project management, production technology and other areas. During the year, 641 (491) employees participated for more than 26,800 (19,600) hours in these online training courses. Personnel activities also extend to an e-book lending service, English language instruction and various courses in engineering, quality management and leadership. One particularly popular initiative is the one-day tour of central Beijing.

The pandemic meant that the tour had to be cancelled and replaced with an Employee Walking Activity. Almost 800 employees took part in the activity.

## Health and safety

Our preventive health and safety measures are implemented systematically. We identify risks and the causes of incidents and accidents and take appropriate action. This involves both technical improvements and training. Formal health and safety committees are in place at all our production plants. An important aspect of this systematic work is the introduction of health and safety management systems (ISO 45001). Six (six) units are currently certified and a further five are planning certification over the next year or so. With regard to health and safety, 11 (7) units were inspected by occupational environment authorities during the year. In several cases the focus was on how Nolato was managing the Covid pandemic.

In 2020, there were 62 (54) lost work cases (LWCs), which resulted in a total of 1,219

(1,390) days of absence. There were no work-related fatalities. We recorded two accidents concerning contractors. The most common reasons were falls and injury from equipment and machinery. Over a five-year period the accident rate averages 5.2 accidents resulting in absence per million hours worked (4.9). This is low from an industrial perspective, but additional measures remain to be implemented for all accidents to be ultimately eliminated. Systems for recording near misses have been further developed and during the year 1,271 (1,277) near misses were investigated and corrective and preventive action taken.

Training courses on the environment and health and safety are part of our preventive work and an average of 9.0 hours (7.8) per employee were spent on these courses. New employees were an important target group. Regular training is provided on first aid, chemical health risks, personal protective equipment, hot work, forklift driving, waste management, fire safety, ergonomics and machine safety. Training was carried out at all plants regarding protective measures to combat the spread of Covid-19.

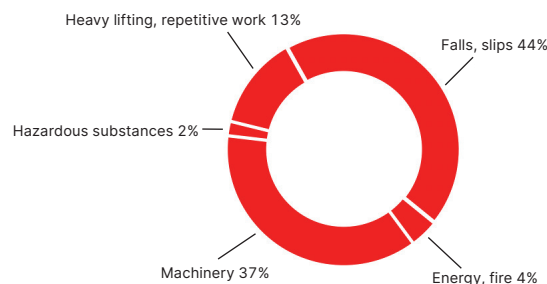
### Occupational accidents

	2020	2019	2018	2017	2016
LWC (absence $\geq$ 1 day)	62	54	47	47	63
LWC per million hours worked	5.2	4.9	4.1	3.7	5.0
LWD (Lost Work Days)	1,219	1,390	453	564	447
LWD per million hours worked	102	127	40	45	35

LWC = Lost Work Case (absence  $\geq$  1 day)

LWD = Lost Work Day

### Causes of workplace accidents



# Business partners and other stakeholders

## Sound business ethics

In accordance with the principles of Nolato's Code of Conduct and the tenth principle of the Global Compact, our business principles should be characterized by integrity and responsibility. The Code of Conduct states that:

- > We never offer, or accept, gifts, benefits or payments that could influence, or be seen to influence, the objectivity of the recipient's decisions or that breach legislation and/or local practice.
- > We avoid situations in which company loyalty could come into conflict with personal interests.
- > We apply sound business principles, comply with competition law and promote fair competition.
- > We respect ownership rights and intellectual property rights.
- > We endeavor to prevent our businesses from being used for money laundering or terrorism financing.
- > Nolato ensures that all staff can raise concerns about irregularities within the company without the risk of personal consequences (whistleblowing).

For a global company, these matters are complex and the perception of normal business principles varies between countries and cultures. The Group uses the following methods for governance and monitoring of the application of sound business ethics:

- > Nolato's Code of Conduct applies to all employees and Group company management teams are responsible for conveying the values in their organization and for checking compliance.
- > We monitor costs, expenditure and revenues on an ongoing basis.
- > We pay particular attention to ethical issues in our relationships with our partners. Standard business practice must be observed in each individual country, but if business principles do not comply with Nolato's Code of Conduct, we must refrain from doing business or take alternative relevant actions.

Senior managers and personnel in sales and marketing must complete an online course in business ethics. Using the Global Compact checklists, we conduct annual evaluations of what measures companies take to counteract bribery. The assessment for 2020 shows that this work is governed by Nolato's Code of Conduct and companies are continuing to actively combat corruption. An assessment for the year shows that the Group's companies are working on issues of business ethics at the same ambitious level as in previous years. No cases of bribery, corruption or cartel formation were recorded in 2020.

## Interaction with customers and suppliers

Nolato's customers operate in industries in which issues regarding the environment, health and safety and ethics have a high priority. This applies to sectors such as automotive, food, telecom and pharmaceuticals. There are greater requirements on us as a cooperation partner, and monitoring is becoming increasingly efficient. Customer requirements are making a constructive contribution to the development of Nolato's sustainability work. In 2020, virtually all units reported customer requirements within sustainable development (see table). In many cases, the majority of our customers actively impose requirements and request follow-up. Requirements shift over the years and are affected by changes such as the introduction of new legislation and new approaches to sustainable development within the corporate sector. There is growing interest from customers in recycled and bio-based raw materials, and we are also receiving more enquiries about products' carbon footprint.

During the year, 14 (13) of the Group's units were reviewed by customers from a range of sectors. All in all the reviews included a significant number of questionnaires and audits, either from the customer direct or via organizations such as EcoVadis. Overall, customers were very satisfied with Nolato's efforts, but some expressed a desire to see improvements. In addition to review systems, some customers have established systems under which suppliers qualify for sustainable development certification. One example is Sony Green Partner, for which several companies in the Group are qualified.

As part of these requirements from customers, Nolato is expected to pass corresponding requirements along its supply chain. This is done by informing suppliers about Nolato's Code of Conduct and specification requirements, as well as different types of monitoring. Over the year, we carried out 246 (199) reviews of suppliers with a focus on sustainable development. Some 216 (150) of the reviews were based on questionnaires and 26 (46) cases involved formal audits. The Covid pandemic meant that there were fewer physical audits than in previous years. These reviews did not identify any risks relating to the environment and social responsibility that cannot be managed, but we did identify a number of areas that need improvement.

Assessments of suppliers' sustainability measures are extensive and time-consuming. We therefore apply a risk-based model for selecting suppliers for review. The detailed criteria for which suppliers are selected varies among the Group's companies, but it is usually new suppliers, key suppliers, or suppliers with particular risks that are selected for follow-up. A substantial proportion of Nolato's suppliers

Percentage of units reporting sustainability requirements from customers (%)

	2020	2019	2018	2017	2016
Environmental management systems	59	62	67	55	67
Phase out hazardous chemicals	27	29	38	32	38
Product-related environmental info	36	62	48	32	52
Bio-based/recycled raw materials	32	33	-	-	-
Product's carbon footprint	23	14	-	-	-
Compliance with customer's CoC	68	76	71	64	71
Conflict minerals	64	81	76	82	80
Other requirements	27	57	57	27	24

consist of global groups in the polymer and chemical industry. These types of companies often have well-developed and transparent sustainability activities and the risks are consequently considered to be low. We therefore do not carry out detailed assessments of such companies.

## Investors

Nolato's sustainability work is analyzed regularly by investors and other organizations. We are seeing a strong increase in interest here in initiatives such as the EU taxonomy for sustainable activities and TCFD (see pages 18 and 20). In daily business paper Dagens Industri's ranking 'Sustainable companies 2020', the Group came in at number five in the capital goods category, which was the same position as for 2019.

## Social engagement

Nolato engages with those local communities where we have operations. It is important for Nolato to maintain contact with universities and schools and demonstrate that Nolato is an attractive employer. This may take the form of family days, 'open house' days, study visits, workplace degree projects, employ-

ment fairs for applicants, internships and development projects. Unfortunately in 2020, the Covid pandemic meant that many study visits and other activities involving the public had to be cancelled. To follow are a few examples of activities that were able to take place during the year:

> Nolato provides financial support for schools, health care, sports associations and social activities, and in many cases our involvement is long-term and Group employees contribute in different ways.

> Building Hope Together is an initiative that has been ongoing for the past seven years now. It is a long-term commitment to a school in a deprived area about four hours north of Beijing. Over the years, Nolato has contributed computers, warm clothing, printers and toys. In 2020, the pandemic meant we were unable to visit the school, but our employees sent the pupils gift parcels instead. The parcels contained school uniforms, lunch boxes and warm coats. Teachers received thermos mugs for hot and cold drinks.

> Nolato Cerbo and Nolato Plastteknik are members of the Nordic Bioplastics Organisation. Nolato Cerbo is taking part in a Vinnova project on packaging solutions for medical devices in a circular economy.

> Several of the units were in contact with schools and universities, including through study visits, degree projects, internships and research projects. A number of Nolato's employees teach regularly at universities and technical colleges.

> Nolato MediTor participates in Engineering Courses of the Future ('Framtidens teknikutbildningar') and the IUC Lean Network.

> In Hungary, the employment of staff with different types of disability continued. Employment has provided people with visual and hearing impairments with a better quality of life, and they are making an excellent contribution to the company's work. Our units in China, the US and elsewhere also employ people with disabilities.

> Nolato Beijing took part in an exhibition on environmental issues and presented the company's measures to reduce atmospheric VOC emissions and energy efficiency projects.

> Nolato Contour is a member of several networks (universities, business sector) that want to encourage young people to apply to the manufacturing industry.

# Gold for Nolato Cerbo in EcoVadis evaluation

For the second time in a row, Nolato Cerbo has been rated Gold under the criteria of EcoVadis' system for assessing companies' sustainability efforts. Nolato Cerbo received even more points than last time, placing it in the top two percent of the best companies

globally. The company gained the best result of any company in the plastics sector.

EcoVadis' assessment is based on management system indicators and criteria on the environment, working conditions, human rights, ethics and sustainable purchasing.

EcoVadis is an internationally recognized organization working with sustainability and has developed an assessment methodology that is used by approximately 65,000 companies worldwide.

The methodology is based on international principles and standards, including the UN Global Compact and the ISO 26000 social responsibility standard.

"Our sustainability work is a key part of our day-to-day work and it's great to have our efforts recognized by independent assessors," says Glenn Svedberg, Managing Director of Nolato Cerbo.

"Issues such as carbon footprint, a circular economy and good business ethics have become increasingly important for our customers. High ratings from EcoVadis clearly strengthen our position and encourage further work in this area."



Nolato receives another Gold rating in EcoVadis' sustainability audit



# Financial responsibility

## Nolato's best full-year earnings

Nolato's robust business model proved its worth by delivering impressive sales growth of 18%. The strong earnings meant that 2020 was Nolato's most profitable year to date. Consolidated sales totaled SEK 9,359 million (7,919) in 2020. Operating profit (EBITA) was SEK 1,066 million (895). The EBITA margin was 11.4% (11.3).

## Sustainable development and financial performance

In 2020, Nolato invested SEK 30.3 million (29.4) in measures that directly or indirectly help reduce environmental impact and improve health and safety. Roughly 60% of these investments related to energy and climate measures, primarily more energy-efficient production equipment and infrastruc-

ture. Around 16% went on preventive health and safety initiatives.

Environmental costs amounted to SEK 24.6 million (19.3) and were dominated by operating expenses for purification facilities, waste management, internal administration and fees to authorities and certification companies.

During the year, environmental improvement measures generated cost savings of SEK 0.5 million (1.8). Savings arose mainly from more efficient energy consumption. The cost of water supply and sanitation amounted to SEK 2.6 million (2.3) and energy costs were SEK 142 million (158).

## Financial value for stakeholders

Nolato's business generates financial value that is distributed between various stakeholders. This includes suppliers, employees,

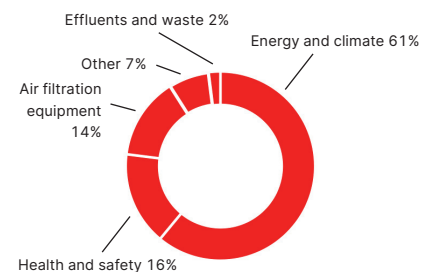
shareholders, creditors and society. See also page 10 for further information about the value created for stakeholders. The effective tax rate was 20.5% (18.0).

Financial highlights			
SEKm (unless otherwise specified)	2020	2019	2018
Net sales	9,359	7,919	8,102
Operating profit (EBITA)*	1,066	895	949
EBITA margin, %	11.4	11.3	11.7
Profit after financial income and expenses	1,014	857	921
Return on capital employed, %	20.7	23.1	29.7
Return on shareholders' equity, %	23.9	25.5	30.4
Equity/assets ratio, %	43	48	50
Diluted earnings per share, SEK	30.24	26.60	27.37
Dividend per share (proposed)	16.00	0	14.00
Average no. of employees	6,721	5,941	6,449

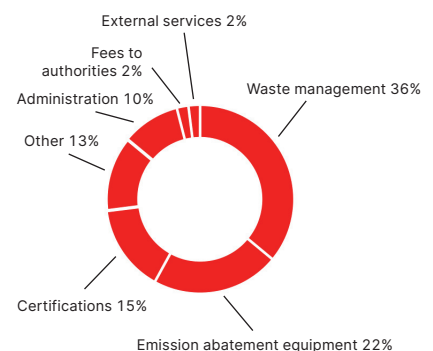
\* EBITA – Earnings before interest, taxes and amortization of intangible assets arising from acquisitions.

Distribution of stakeholders				
Stakeholder	2020	2019	2018	
Suppliers	6,344	5,274	5,757	Material costs
Employees	1,936	1,744	1,645	Salaries and benefits
Shareholders	0	385	368	Dividend
Lenders	38	35	24	Interest expenses
Society	208	154	199	Recognized effective tax, Group
Total	8,526	7,592	7,993	

## Investments in environment and health and safety



## Expenses for environment and health and safety



# Risks and opportunities

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

Nolato's Annual Report for 2020 provides detailed information about operational and financial risks. In terms of sustainability, we have identified a number of risks of potential importance to the Group's financial position. More demanding environmental legislation, taxes, fees and other environmental requirements can entail significant costs for industrial operations.

There are also risks from a business perspective relating to the environment and social responsibility, which have gained attention in recent years, with a particular focus on our own production and that of suppliers. Nolato carries out regular risk assessments in order to identify new risks and/or costs relating to the environment, ethics and social responsibility as early on as possible.

Sustainable development also creates lots of opportunities for Nolato and by integrating these issues into strategic efforts, product development and marketing we actively try to utilize these opportunities. We want customers to regard us as an important partner in sustainable development efforts.

Operational risks	Risk exposure	Risk management
The risk of significant environmental damage, which could lead to costs or have a negative impact on Nolato's reputation.	Nolato's operations do not involve any significant environmental impact through a risk of emissions to air, water and land. There are no known pollutants of land and groundwater at Nolato's plants. Hazardous substances (asbestos) are present in buildings and equipment to a very limited extent at a couple of plants. The risk to people and the environment is deemed to be very small.	The production units have the necessary environmental permits and fulfil the requirements of other relevant environmental legislation. All units apart from one are certified in accordance with ISO 14001. Regular risk assessments are carried out to identify new environmentally related risks and/or costs. Regular assessments are carried out of the risk of ground contamination and other environmental damage in connection with company acquisitions.
The risk of climate change affecting the Group's operations.	None of the Group's units are exposed to extreme weather conditions or flooding. The units in Beijing are located in an area with limited access to water.	The Group is proactive about cutting greenhouse gas emissions from production plants and products. Scenario analyses have been initiated into how Nolato is impacted by physical climate change, political decisions and legislation. Nolato has begun applying TCFD guidelines in relation to these issues (page 18). Climate-related risks are taken into account when carrying out acquisitions and supplier assessments.
The risk of lost business due to customers' interest in greater use of bio-based and recycled polymer raw materials not being satisfied. The risk of lost business through society being more cautious about plastic products.	Nolato makes polymer products that are primarily based on fossil raw materials. The use of fossil raw materials contributes to climate change. Our range includes products with both long and short lifespans. There is a risk of products with short lifespans ending up littering the environment.	Our range also includes a number of products that have an environmental benefit, for example through reduced weight and lower content of fossil raw materials. The Group is stepping up its efforts within environmentally sustainable product development to reduce the risk of losing business, and to contribute to sustainable development.
The risk of the Group's costs increasing significantly or of negative publicity owing to events relating to employees, respect for human rights, business ethics or other areas related to social responsibility.	Nolato has large units in Sweden, Hungary, the UK, Switzerland, the US and China. The majority of our employees operate outside Sweden. The concentration in Asia brings a heightened risk in areas such as working conditions and business ethics (corruption). There is always a risk of failure to apply sound business principles, irrespective of where operations are pursued. The materiality analysis therefore gives business ethics a very high priority.	All major units are wholly owned by Nolato, which facilitates the Group's management of sustainable development. Nolato has a significant focus on all units creating good working conditions for employees. Nolato has zero tolerance of bribery, corruption and cartel formation. Nolato's core values and Code of Conduct are continually communicated to staff. Whistleblowing is applied within the Group. Suppliers are regularly assessed via audits and questionnaires.

# An eventful year

Although the global pandemic affected many activities within the Group, there was still a great deal happening in the area of sustainable development during the year. Below is a small sample of activities at Nolato's units around the world. Further information about local initiatives can be found in other parts of the Sustainability Report.

## Sweden

> Nolato Polymer in Torekov and Ängelholm made safety improvements relating to machinery. A project was launched, with the aim of implementing a detailed energy audit.

> Nolato MediTech in Hörby and Lomma worked on different focus areas every month, for example stress and safety. The goal of a safe work environment was achieved. The number of charging stations for electric cars was expanded. A system was installed to treat industrial process water without the use of chemicals.

> Nolato MediTor in Torekov took action to reduce its carbon footprint from transportation and packaging. Energy efficiency improved and scrap declined. Several projects were carried out to increase automation of production and packaging lines.

> Nolato Gota in Götene achieved ISO 45001 certification. The proportion of recycled plastic raw material increased in products for a customer in the automotive industry. Scrap declined to a very low level. Additional charging stations were installed for electric vehicles.

> As the Covid pandemic gained momentum in spring 2020, we drew on our experiences from the automotive industry to quickly produce protective equipment. Nolato Lövepac worked in cooperation with truck manufacturer Scania and Karolinska University Hospital to develop a prototype for a face visor. The product was approved in a matter of days and the company made a total of almost 250,000 visors for Karolinska University Hospital.

> Nolato Cerbo in Trollhättan installed a new ventilation system in an assembly department. The installation has enhanced the work environment and improved energy efficiency. The pharmaceutical packaging Cerbo Classic BIO, made from bio-based raw materials, was launched. The company received a Gold rating in EcoVadis' supplier evaluation. Energy-efficient injection molding machines and other equipment were installed. Efforts continued on environmental optimization of transportation.

> Nolato Plasttechnik in Gothenburg used recycled plastic raw materials in products for the automotive industry. Transportation to local customers was optimized with the help of vehicles fueled with HVO 100.

## Hungary and Romania

> Nolato Hungary in Mosonmagyaróvár has been using fossil-free electricity since 2015, and energy-saving plans are meticulously followed up via quarterly evaluations.

> Nolato Romania in Negoesti improved ergonomics using new lifting equipment. Employee benefits were given a boost with higher value meal tokens and bonuses for weekend work.

## UK

> Nolato Jaycare in Newcastle updated its energy management system (ISO 50001) to the latest version. Energy efficiency increased and GoO fossil-free electricity was purchased throughout the entire year. There were no workplace accidents causing absence for the fourth consecutive year.

## Poland

> Nolato Stargard received positive recognition via the state competition 'Employer – organizer of safe work'.

## Switzerland

> Nolato Treff, which is located in the center of a small town, focused on reducing noise levels in the surrounding area. The company changed its source of heating from fuel oil to natural gas, cutting carbon dioxide emissions by half.

## China

> At Nolato Beijing (Mobile, Medical, EMC) a number of projects were carried out to improve safety procedures when handling aluminum powder. Another measure to

reduce risks in the work environment involved replacing propane gas with plasma in a drying process. Several other activities were carried out during 'Safe Production Month' to improve safety in the workplaces. The company continued to develop its Employee Care Program with activities such as walks, family days and various sports competitions. Training initiatives relating to e-learning were enhanced with the addition of a large number of different modules. Continued support for Building Hope Together, an initiative which involves Nolato contributing to a better situation for pupils and teachers at a school north of Beijing.

> Health and safety training sessions were carried out at the new plant in Sozhou, and an Employee Care Program was implemented. E-learning on topics such as lean production, quality management and technology were carried out.

> Nolato Lövepac in Beijing and Shenzhen adopted measures to protect employees from Covid-19. The company continued to focus on quality management, corporate culture and employee health. Health checks were provided and exercise equipment installed at the plants.

## Malaysia

> New procedures and instructions were introduced at Nolato EMC in Penang to protect employees during the Covid pandemic.

## United States

> Nolato Contour in Baldwin stepped up production of medical equipment and components in response to the Covid pandemic (tests, treatment, vaccination equipment).

> Nolato Jabar in New Jersey carried out important measures (procedures, technical installations) to improve safety regarding production equipment. The company introduced annual performance reviews.

# About this Sustainability Report

## A focus on materiality

Nolato's Sustainability Report for 2020, in accordance with GRI Standards and the Communication on Progress (Global Compact), includes aspects relating to the environment, health and safety, social responsibility and business ethics. Our ambition is for this report, together with supplementary information, to give our employees and external stakeholders a transparent view of the company's corporate responsibility activities (CSR/CR/ESG) and how these interact with our business activities.

All units that were part of the Nolato Group for the 2020 full year are included in the report. In 2020, a unit in the UK was closed and in the latter half of the year the company acquired GW Plastics, with production plants in the US, Mexico, China and Ireland. These units are not included in this year's Sustainability Report, apart from in relation to financial KPIs and the number of employees. Data was contributed by a total of 22 (21) production facilities.

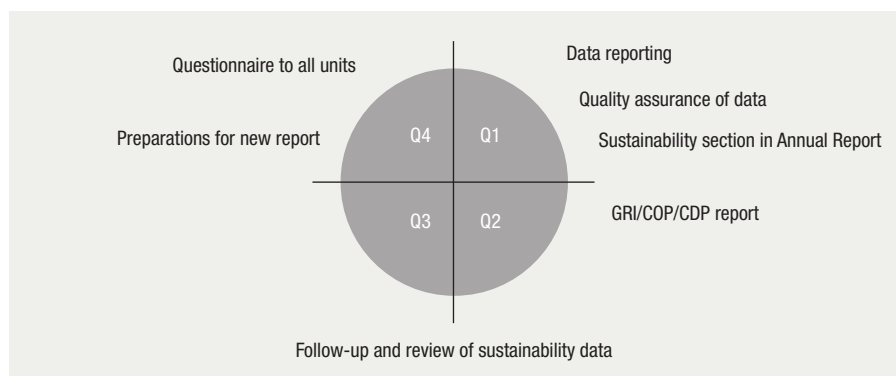
## Reporting principles

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

Emissions of carbon dioxide (CO<sub>2</sub>), sulfur dioxide (SO<sub>2</sub>) and nitric oxides (NO<sub>x</sub>) from direct energy usage (Scope 1 according to GHG Protocol) are established using conversion factors. These are based on the energy content and quality of the fuels used. Nolato also reports carbon dioxide emissions from indirect energy consumption, which comprises electricity and district heating (Scope 2 according to GHG Protocol). Emissions factors from purchased electricity in different countries are based on data from carbonfootprint.com (2019). Where energy suppliers provide specific information regarding the energy mix, the supplier's calculation model is used. Information about VOC emissions (from solvents) is principally based on mass balance calculations and on data on the efficiency of the purification facilities.

Company/plant	Country	Average no. of employees	Building area (m <sup>2</sup> )	Year established	Permit required*
Nolato Beijing, Beijing	China	2,690	37,795	2001	Yes
Lövepac Converting, Beijing	China	62	4,000	2010	No
Lövepac Technology, Shenzhen	China	81	4,000	2018	No
Nolato Electronic Technology, Suzhou	China	407	7,208	2018	Yes
Nolato Hungary, Masonmagyaróvár	Hungary	724	19,130	2000	Yes
Nolato Romania, Negoiesti	Romania	56	3,450	2011	Yes
Nolato Polymer, Torekov/Ängelholm	Sweden	96	11,100	1973, 1995	Yes
Nolato Lövepac, Skånes Fagerhult	Sweden	47	4,200	1968	No
Nolato Silikonteknik, Hallsberg	Sweden	76	3,600	1995	Yes
Nolato MediTech, Hörby	Sweden	210	12,000	1999	Yes
Nolato MediTech, Lomma	Sweden	85	5,000	1980	Yes
Nolato Cerbo, Trollhättan	Sweden	146	11,000	1971	Yes
Nolato MediTor AB, Torekov	Sweden	104	5,291	1973	Yes
Nolato Gota, Götene	Sweden	201	27,000	1965	Yes
Nolato Contour, Baldwin	United States	291	11,397	1993	No
Nolato Plastteknik, Gothenburg	Sweden	123	14,600	1980	Yes
Nolato Treff, Degersheim	Switzerland	264	13,000	1946	No
Nolato Stargard, Stargard	Poland	127	4,587	1980	No
Nolato Malaysia, Penang	Malaysia	115	3,350	2016	No
Nolato Jaycare, Newcastle	UK	145	4,790	1998	Yes
Nolato Jabar, New Jersey	United States	68	3,065	1968	Yes

\* According to environmental legislation





# GRI index 2020

The organization behind GRI (Global Reporting Initiative) has established voluntary comprehensive standards for how companies and other organizations should report their sustainable development activities. Reporting in accordance with GRI should focus on sustainability aspects that are significant to the organization and its stakeholders.

The organization behind GRI (Global Reporting Initiative) has established voluntary comprehensive standards for how companies and other organizations should report their sustainable development activities. Reporting in accordance with GRI should focus on sustainability aspects that are significant to the organization and its stakeholders.

The reporting should provide a comprehensive, balanced, comparable, thorough and credible presentation of the organization's sustainability performance. It should include both positive and negative aspects. Nolato has decided to report according to GRI Stan-

dards. The report has been prepared in accordance with GRI Standards: Core option.

The indicators have been adapted in line with the evaluation of the significant sustainability aspects detailed on pages 9–10. When it comes to Management Approach, the table refers to the overarching governance principles detailed on page 9. Boundaries, governance and evaluation of the material topics follow the same fundamental principles, and comments on these are given where the outcome of the material topics is reported, as well as in the table detailing the outcome of the group-wide targets. The table below does

not therefore provide specific references to Management Approach for the material topics. Nolato has chosen not to have the Sustainability Report independently verified. The statutory sustainability report in accordance with Chapter 6, Section 11 of the Swedish Annual Accounts Act has been reviewed and approved by EY (see 2020 Annual Report). The contact for this Sustainability Report is Torbjörn Brorson (info@nolato.com).

SR in the table refers to pages in the Sustainability Report (this document), and AR to pages in the Annual Report for 2020.

General standard disclosures		
GRI indicator	Description	Page reference
Organisational profile		
102-1	Name of the organisation	Nolato AB
102-2	Activities, brands, products and services	AR 4, 30, 34, 38
102-3	Location of headquarters	Torekov, Sweden
102-4	Location of operations	AR 17
102-5	Ownership and legal form	AR 40–41
102-7	Scale of the organisation	SR 21
102-9	Supply chain	SR 23
102-10	Significant changes to the organisation and its supply chain	SR 28
102-11	Precautionary principle or approach	SR 8
102-12	External initiatives	SR 8
102-13	Membership of associations	SR 8
Strategy and analysis		
102-14	Statement from senior decision-maker	AR 7, SR 4
Ethics and integrity		
102-16	Values, principles, standards, and norms of behaviour	SR 8-9, 23
Governance		
102-18	Governance structure	AR 43, SR 9
Stakeholder engagement		
102-40	List of stakeholder groups	SR 10
102-41	Collective bargaining agreement	SR 21
102-42	Identifying and selecting stakeholders	SR 10
102-43	Approach to stakeholder engagement	SR 10
102-44	Key topics and concerns raised	SR 10

Reporting profile		
102-45	Entities included in the consolidated financial statements	SR 28
102-46	Defining report content and topic boundaries	SR 28
102-47	List of material topics	SR 9
102-48	Restatement of information	Ingen
102-49	Changes in reporting	SR 28
102-50	Reporting period	SR 28
102-51	Date of most recent report	SR 28
102-52	Reporting cycle	SR 28
102-53	Contact point for questions regarding the report	SR 29
102-54	Claims of reporting in accordance with the GRI Standards	SR 29
102-55	GRI content index	SR 29
102-56	External assurance	SR 29
Management Approach		
103-1	Explanation of the material topic and its boundary	SR 8–9, 28
103-2	The management approach and its components	SR 9
103-3	Evaluation of the management approach	SR 9
<b>Topic-specific Standards</b>		
Economic		
Material topic GRI 201: Economic performance		
201-1	Direct economic value generated and distributed	SR 25
Material topic GRI 205: Anti-corruption		
205-2	Communication and training about anti-corruption policies and procedures	SR 23
205-3	Confirmed incidents of corruption and actions taken	None
Environment		
Material topic GRI 301: Material		
301-1	Materials used by weight or volume	SR 16
301-2	Recycled input materials used	SR 16, 18
Material topic GRI 302: Energy		
302-1	Energy consumption within the organisation	SR 15
302-3	Energy intensity	SR 15
302-4	Reduction of energy consumption	SR 15
302-5	Reduction of energy requirements of products and services	SR 18
Material topic GRI 303: Water		
303-1	Water withdrawal by source	SR 17
Material topic GRI 305: Emissions		
305-1	Direct (Scope 1) emissions of greenhouse gases (GHG)	SR 16
103-2	Indirect (Scope 2; energy) emissions of greenhouse gases (GHG)	SR 16
305-4	GHG emissions intensity	SR 16
305-5	Reduction of GHG emissions	SR 16
305-6	Emissions of ozone-depleting substances (ODS)	SR 16
306-7	Nitrogen oxides (NOx), sulfur oxides (SOx) and other significant air emissions	SR 16

Material topic GRI 306: Effluents and waste		
306-1	Water discharge by quality and destination	SR 17
306-2	Waste by type and disposal method	SR 17
306-3	Significant spills	SR 18
306-4	Transport of hazardous waste	SR 18
Material topic GRI 307: Environmental compliance		
307-1	Non-compliance with environmental laws and regulations	SR 14–15
Material topic GRI 308: Supplier environmental assessment		
308-1	New suppliers that were screened using environmental criteria	SR 23
Social		
Material topic GRI 403: Occupational health and safety		
403-1	Workers' representation in formal joint management-worker health and safety committee	SR 22
403-2	Types of injury, occupational diseases, lost days, and absenteeism, and work-related fatalities	SR 22
Material topic GRI 404: Training and education		
404-1	Average hours of training per year per employee	SR 22
404-2	Programmes for upgrading employee skills and transition assistance programmes	SR 22
404-3	Percentage of employees receiving regular performance and career development reviews	SR 22
Material topic GRI 405: Diversity and equal opportunity		
405-1	Diversity of governance bodies and employees	SR 21
Material topic GRI 406: Non-discrimination		
406-1	Incidents of discrimination and corrective actions taken	None
Material topic GRI 407: Freedom of association and collective bargaining		
407-1	Operations and suppliers in which the right to freedom of collective bargaining may be at risk	SR 21
Material topic GRI 408: Child labour		
408-1	Operations and suppliers at significant risk of child labour	SR 21
Material topic GRI 409: Forced or compulsory labour		
GRI 409-1	Operations and suppliers at significant risk of incidents of forced or compulsory labour	SR 21
Material topic GRI 412: Human rights assessment		
412-2	Employee training on human rights policies or procedures	SR 21–22
Material topic GRI 413: Local communities		
413-1	Operations with local community engagement, impact assessments, and development programmes	SR 24
Material topic GRI 414: Supplier social assessment		
414-1	New suppliers that were screened using social criteria	SR 23

# Global Compact

Ten principles of responsible business conduct. In 2010, Nolato endorsed the UN initiative for responsible business conduct, the Global Compact. The Group consequently joined a global network that now comprises more than 12,400 companies in 158 countries, including 390 in Sweden. Nolato participates as a Signatory.

Through the Global Compact, Nolato endorses ten basic principles in the areas of human rights, labor, the environment and anti-corruption. These ten principles are based on various UN conventions, such as the Declaration of Human Rights and the Convention against Corruption. The Sustainable Development Goals presented by the UN in autumn 2015 are now also connected to the Global Compact. In 2016, Nolato linked its Group targets to the UN Sustainable Development Goals.

The booklet *The Nolato Spirit*, which includes the Group's Code of Conduct, is an important internal document, guiding and coordinating employee activities in line with the ten principles. Group companies' compliance with the Group's Code of Conduct is evaluated on a regular basis. In the introduction to the Sustainability Report, Nolato's CEO Christer Wahlquist comments on the company's Global Compact work during the year.



## Communication on Progress

Organizations that have endorsed the Global Compact must produce an annual Communication on Progress (COP) detailing how they meet the ten principles. In Nolato's case, we use the information provided in the Annual Report and the Sustainability Report. Together, these reports provide a fair

presentation of Nolato's support of and compliance with the Global Compact principles. We use GRI Standards in order to simplify Communication on Progress, and the table of cross-references below shows which indicators are relevant in the context.

Global Compact	GRI indicators
Human Rights	
1. Businesses should support and respect the protection of internationally proclaimed human rights	103-2, 412-2, 413-1
2. Businesses should make sure they are not complicit in human rights abuses	103-2, 414-1
Labour	
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining	103-2, 102-41, 407-1
4. Businesses should work to eliminate all forms of forced and compulsory labour	103-2, 409-1
5. Businesses should work for the effective abolition of child labour	103-2, 408-1
6. Businesses should work to eliminate all discrimination in respect of employment and occupation	103-2, 102-8, 406-1
Environment	
7. Businesses should support a precautionary approach to environmental challenges	103-2, 102-11, 301-1
8. Businesses should undertake initiatives to promote greater environmental responsibility	103-2, 301-1, 302-4, 302-5
9. Businesses should encourage the development and diffusion of environmentally friendly technologies	103-2, 301-2, 302-4, 305-5
Anti-corruption	
10. Businesses should work against corruption in all its forms, including extortion and bribery	103-2, 102-16, 205-2, 205-3



# Definitions and glossary

**5S** A Japanese method of organization in the workplace. It involves sorting, systematizing, cleaning, standardizing and ensuring. 5S is an important element of lean manufacturing.

**Carbon dioxide (CO<sub>2</sub>)** Carbon dioxide is formed in all carbon combustion processes, such as fossil fuel combustion. Emissions of carbon dioxide increase global warming (the greenhouse effect).

**CDP Carbon Disclosure Project** is a voluntary system for reporting the environmental impacts caused by businesses. The primary target group is international investors that can refer to information on climate risks when making investment decisions about companies. Nolato has been reporting according to CDP since 2015.

**CFCs/HFCs** Gases containing chlorofluorocarbons (CFCs), hydrofluorocarbons (HFCs) and pollutants containing fluoride have negative impacts on the environment as a result of their ozone-depleting properties and their effect on the climate. These gases are called F-gases because of the fluoride content, and they have been regulated in the EU since 2015 by the F-gas regulation. These gases may be found in cooling and heat pumps, fire protection equipment and circuit breakers.

**CLP** Classification, Labelling and Packaging is EU legislation that addresses dangers posed by chemical substances and mixtures and how users should be informed about them. These regulations were introduced in 2015.

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

**Conflict minerals** Tantalum, tin, gold and tungsten are referred to as conflict minerals if they originate from the Democratic Republic of Congo and neighboring countries. The term arose because of the armed conflicts in the region, where mining operations often contribute to continued conflicts and lead to human rights abuses.

**COP** Communication on Progress is an annual report submitted to the UN specifying how Nolato operates according to the ten principles of the Global Compact.

**CSR/CR** Corporate Social Responsibility/Corporate Responsibility is a term that encompasses how companies handle issues con-

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

**EMC** The shielding of electronics to achieve electromagnetic compatibility.

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

**Energy consumption** Nolato reports both direct energy consumption (usage of fuel in own energy facilities) and indirect consumption (purchased electricity and district heating).

**Environmental aspects** The parts of an organization's activities, products or services that interact with the environment.

**Environment-related costs** Costs attributable to measures for preventing, reducing or restoring environmental impact directly caused by the organization's operations. The same applies for costs concerning the occupational environment. These costs include administration, purchase of services externally, authority fees, environmental management system maintenance, waste and external inspections and audits.

**Environment-related investments** Investments to prevent and reduce the environmental impact of the organization's operations. The same applies for investments to enhance the occupational environment.

**ESG** Stands for Environmental, Social and Governance. It is also referred to as 'sustainability'.

**Extrusion** A method for continuously manufacturing products in strands, such as tubing.

**The EU taxonomy** The EU's taxonomy (classification system) for environmentally sustainable activities enables investors to identify and compare investments that are essential in achieving a sustainable economy.

**GHG** Greenhouse gases. Nolato reports emissions of the greenhouse gas carbon dioxide (CO<sub>2</sub> equivalents) from energy consumption, i.e. Scope 1 and Scope 2 according to the GHG Protocol.

**Global Compact** A UN initiative for responsible business conduct. Participating organizations undertake to endorse ten fundamental principles in relation to human rights, labor, the environment and anti-corruption. Nolato became a Signatory to the Global Compact in 2010.

**GRI** The Global Reporting Initiative has established voluntary comprehensive standards for how companies and other organizations should report their sustainability activities. **HVO** Hydrotreated vegetable oil. Fossil-free fuel that is largely made from waste and residuals from the food industry.

**Injection molding** A method for manufacturing polymer components. The material, such as a type of plastic, is injected under high pressure into a mold in which the component is formed.

**ISO 9001** An international standard relating to quality management systems. Roughly 885,000 organizations (1,220,000 plants) globally are currently certified according to ISO 9001.

**ISO 14001** International standard relating to environmental management systems. Roughly 315,000 organizations (490,000 plants) globally are currently certified according to ISO 14001.

**ISO 26000** International standard that provides guidance on how organizations can deal with social responsibility issues. This standard was introduced in 2010 and provides the backdrop to Nolato's Code of Conduct. It is not possible to obtain certification in accordance with ISO 26000.

**ISO 45001** International standard relating to health and safety. Roughly 40,000 organizations (63,000 plants) globally are currently certified according to ISO 45001.

**ISO 50001** An international standard relating to energy management systems. Roughly 20,000 organizations (42,000 plants) globally are currently certified according to ISO 50001.

**LCA** Life Cycle Assessment is a method of gaining an overview of the total environmental impact of a product throughout its life cycle, from raw material extraction via manufacturing processes and usage, to waste management, including transportation and intermediary energy consumption.

**Lean manufacturing** A systematic method for the efficient management of resources. Lean manufacturing aims to identify all the factors in a production process that do not create value for the customer.

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

**NOx (nitric oxides)** Gaseous oxides formed during combustion processes through the oxidation of nitrogen. Harmful to health and the environment and cause acid rain and eutrophication.

**Occupational disease** A work-related disease is a disease caused by long-term exposure to a particular factor in the occupational environment. Examples are noise, dust and solvents.

**Occupational injury** A work-related injury is a sudden incident (accident) attributable to work that gives rise to a wound or other injury. Typical injuries in the polymer industry are cuts, falls and injuries caused by heavy lifting and repetitive tasks. Nolato reports occupational injuries as an accident that causes more than one day of absence, called Lost Work Case (LWC). The rate is gauged by the number of occupational injuries per million hours worked.

**PCB** Polychlorinated biphenyls are a group of industrial chemicals that are hazardous to health and the environment. The use of PCB was prohibited in Sweden in 1972, but the substance remains in the environment due to its slow decomposition.

**PE** Polyethylene plastic.

**Polymers** Chemical compounds comprising very long chains made up of small, repeating units (monomers). Plastic and rubber are examples of polymer materials.

**REACH** EU chemical legislation for the safer handling of chemicals. Chemical substances

must be registered for a certain use and particularly hazardous substances can have restrictions imposed on them.

**RoHS** EU legislation limiting the use of certain substances that are hazardous to health and the environment.

**Scope according to GHG Protocol.** Reporting of emissions of greenhouse gases expressed as CO<sub>2</sub> equivalents. Scope 1: Combustion of fossil fuels (petrol, oil and coal), for example production in owned factories or emissions from owned or leased vehicles/machinery. Scope 2: Combustion of electricity, district heating and district cooling. Scope 3: Emissions from purchase of goods and services, for example logistics, flights, taxis, hotel stays and consumption of supplies.

**SO<sub>2</sub> (sulfur dioxide)** Sulfur dioxide is formed in the combustion of petroleum products. The gas contributes to the acidification of water-courses and soil. Large concentrations are harmful to human health.

**Statutory sustainability report** Under an EU Directive, the Swedish government has decided that as of 2017 it is mandatory for large companies to publish a statutory sustainability report. The statutory sustainability report should contain the non-financial disclosures required to understand the company's performance, position, results and consequences of its business operations, including information on issues concerning the environment, personnel and social matters, respect for human rights and the combating of corruption. Nolato's statutory sustainability report is contained in the Annual Report.

**Sustainable development** Development that "satisfies today's needs without jeopardizing future generations' possibilities to satisfy their needs". Sustainable development encompasses ecological, social and economic sustainability.

**Sustainable Development Goals** At the UN summit in 2015, the world's heads of state adopted 17 Sustainable Development Goals and the 2030 Agenda for Sustainable Development. The Sustainable Development Goals and Agenda 2030 aim to eradicate poverty and hunger, ensure the rights of all people are respected, achieve equality and empowerment for all women and girls and ensure lasting protection for the planet and its natural resources. The Sustainable Development Goals are integrated and indivisible, and they balance the three dimensions of sustainable development: economic, social and environmental.

**TCFD** The Task force on Climate-related Financial Disclosures provides guidance on how to report climate-related financial risks and opportunities.

**TPE** Thermoplastic elastomers.

**VOC** Volatile Organic Compounds. A group of organic compounds that easily vaporize at room temperature. The concentration of volatile hydrocarbons in the air has a negative effect on health and the environment, e.g. it contributes to the formation of ground-level ozone.

**Water footprint** The total volume of fresh water used to produce a company's goods and services.



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