



## Our sustainability work 2010

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# About the Sustainability Report

## Contents of the Sustainability Report

The Nolato Sustainability Report for 2010 covers aspects relating to the environment, health, safety and social issues. Our ambition is that the report, together with supplementary information, will provide employees and external stakeholders with a clear picture of the Group's activities in the above-named areas, and their commercial consequences. We hope that the report will be of interest to various categories of stakeholders, and we welcome readers' comments and suggestions for future improvements.

## Scope of the Sustainability Report

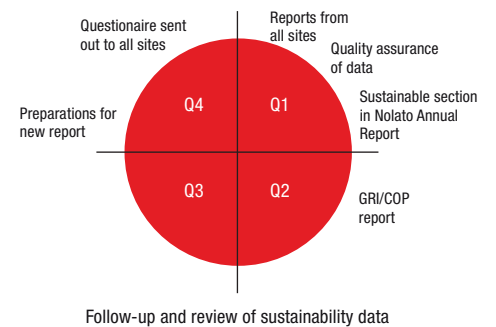
The Sustainability Report covers performance relating to the environment, health, safety and social conditions at the production units worldwide. The figure shows the reporting cycle. All operations that belonged to the Group for most of the fiscal year are reported. A total of 19 organisations throughout the world contributed to the report. Compared to previous year, two sites (India, USA) have been added to the report.

## Reporting principles

Each plant supplies data in accordance with the Group's questionnaire for sustainability reporting, and each plant manager is responsible for quality-assuring the data provided. Data is compared with figures from previous years and is verified. Additional quality-checks are carried out through interviews and site visits.

In the case of carbon dioxide, sulphur dioxide and nitrogen oxide emissions resulting from the use of direct energy, conversion factors based on the energy content and quality of the fuel used are employed. Emissions of carbon dioxide from indirect energy (mainly electricity) are based on Greenhouse Gas Protocol Initiative (GHG Protocol) data that is available for the countries where Nolato operates. Figures for emissions of VOCs (solvents, paints, etc.) are based on mass balance calculations.

## ■ Sustainability reporting cycle



## Goal-oriented sustainability work

**N**olato's Basic Principles clearly demonstrate that 'we are responsible', and by this we mean that our business will contribute to sustainable development, among other things.

In practice, we do this by handling issues relating to the environment and working environment in a responsible manner, respecting human rights, and practising sound and ethical business methods. Environmental responsibility and social responsibility have been guiding principles for the daily work at Nolato throughout the company's history.

A basic element in our strategy for sustainable development is that issues relating to the environment, working environment and social responsibility should be a natural part of our planning, monitoring and communication – in other words, part of our business operations.

We see an increasing interest from various stakeholders in how we treat our employees, what we are doing to decrease our carbon footprint, and what demands we are putting on our suppliers.

Not least, this relates to Nolato's activities in China and other developing countries. Over the past year, therefore, we have followed the criticism directed at certain sub-suppliers to the electronics industry in China with great interest, and have carried out a thorough analysis of our own strengths and weaknesses in the light of this. We have reached the conclusion that much of what we do is done well and to a high international standard, but that there are of course areas where further attention is needed.

I would like to mention the following events that were of particular interest during 2010:

- Within the framework of ISO 14001, our production units' work is target-oriented and demonstrates improvements, big and small, within the environmental area. In the following report, a number of examples are given of results of this systematic work.

- Within the area of energy efficiency,



investments have been made and actions taken at a number of plants. In the long term, this will reduce the company's energy consumption and carbon footprint.

- The Beijing plant was certified this year according to the international occupational health and safety standard (OHSAS 18001). Our other units in China are in the process of implementing OHSAS 18001.

- In 2010, we published our first report to the UN (Communication on Progress, COP) about the company's work to meet the Global Compact's ten principles.

- We extended the company's reporting in accordance with the GRI (Global Reporting Initiative) and went from reporting level C to level B.

- In cooperation with our customers, our companies have developed a number of exciting environmentally adapted products.

- We are actively involved in ongoing evaluations, which are carried out by

Sony Ericsson, on issues relating to social responsibility at the unit in Beijing, China.

- Over the past year, Nolato's shares have been included in business publication *Veckans Affärer's* Green Portfolio, and the Group has been praised highly in terms of environmental issues, ethics and social responsibility.

The area in which we are now increasing our focus is energy efficiency, a reduced carbon footprint, development of environmental products, increased activity in the supplier chains, and safer and healthier workplaces. To illustrate this work further, we are therefore introducing the overall Group targets within these areas, shown on page 7.

*Hans Porat*  
President and CEO

# The Nolato Group in brief



## Nolato Medical

**Sales:** SEK 808 million (692)  
**Operating income (EBITA):** SEK 100 million (89)  
**EBITA margin:** 12.4% (12.9)  
**Employees (year average):** 664 (467)

Nolato Medical offers medical technology and pharmaceutical companies development and production of components and complete products in plastic, silicone rubber, latex and TPE.

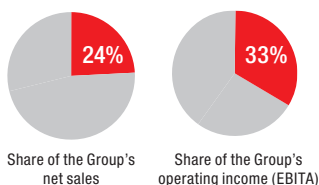
**The business area's units:**

- Nolato Beijing Medical, China
- Nolato Cerbo, Trollhättan, Sweden
- Nolato Contour, Baldwin, Wisconsin, USA
- Nolato Hungary, Mosonmagyaróvár, Hungary
- Nolato MediTech, Hörby and Lomma, Sweden
- Nolato MediTor, Torekov, Sweden

Sales offices in France, Norway, the Czech Republic and Germany.

**Customers include:**

Large medical technology and pharmaceutical companies, e.g. Astra Tech, Coloplast, Gambro, Nonin, Novo Nordisk, Nycomed and Phadia.



## Nolato Telecom

**Sales:** SEK 1,575 million (1,090)  
**Operating income (EBITA):** SEK 122 million (86)  
**EBITA margin:** 7.7% (7.9)  
**Employees (year average):** 6,252 (3,295)

Nolato Telecom offers companies within the mobile phone sector design, development and production of components, complete products and specialist solutions, often with significant cosmetic content.

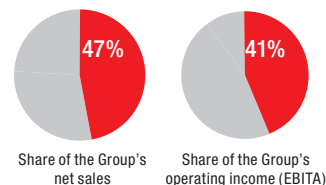
**The business area's units:**

- Nolato Beijing, China
- Lövepac, Beijing and Shenzhen, China and Chennai, India
- Nolato Silikonteknik, Hallsberg, Sweden, Beijing, China and Kuala Lumpur, Malaysia

Sales and technology offices in Sweden, Taiwan and the US.

**Customers include:**

Alcatel-Lucent, Ericsson, Huawei, Motorola, Nokia, Nokia Siemens Network, RIM and Sony Ericsson.



## Nolato Industrial

**Sales:** SEK 994 million (824)  
**Operating income (EBITA):** SEK 79 million (19)  
**EBITA margin:** 7.9% (2.3)  
**Employees (year average):** 642 (541)

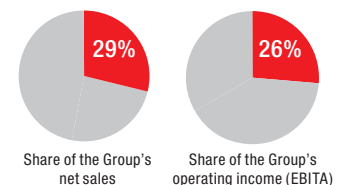
Nolato Industrial's operations are based on strong, individual entrepreneurial companies that develop and manufacture products in plastic and rubber for customers in the automotive industry, white goods, gardening/forestry, hygiene and furniture, as well as other selected areas.

**The business area's units:**

- Nolato Gota, Götene, Sweden
- Nolato Hungary, Mosonmagyaróvár, Hungary
- Nolato Lövepac, Skånes Fagerhult, Sweden
- Nolato Plastteknik, Gothenburg, Sweden
- Nolato Polymer, Torekov, Åstorp and Ängelholm, Sweden
- Nolato Sunne, Sunne, Sweden

**Customers include:**

Haldex, Husqvarna, IKEA, Kinnarps, Lindab, MCT Brattberg, Sanitec, Scania, SKF, Volvo and Volvo Cars.



# Analysis of performance in the area of sustainability

Nolato's three business areas have showed an excellent improvement during 2010, and the Group's operating profit was the best ever. Several of the sustainability ratios relate to the Group's turnover and the idea is that they give a fair picture of how the environmental and social responsibility work is connected and integrated into the overall business.

Our sustainability work has been in progress for many years and is part of our corporate culture (Nolato's Basic Principles). A number of the 'low-hanging fruits' when it comes to environmental action have therefore already been picked. Nevertheless, the Group can demonstrate improvements in several areas. We are well aware of the fact that there is a great deal left to do within sustainability. In order to make our efforts clearer and easier to follow up, we are introducing Group-wide targets for sustainable development (see page 7). As part of this work we are now presenting an extended sustainability report.

### Important challenges and opportunities

In our daily and strategic work, the emphasis is naturally on that which is of importance for the company's business and competitiveness. Simultaneously with this work, we are carefully monitoring issues relating to sustainable development. This is achieved through systematic work with all aspects that directly relate to the environment and social responsibility, but also by trying to influence our cooperation partners and other stakeholders.

In a global and competitive context, issues relating to efficient energy and material use are particularly important. Development

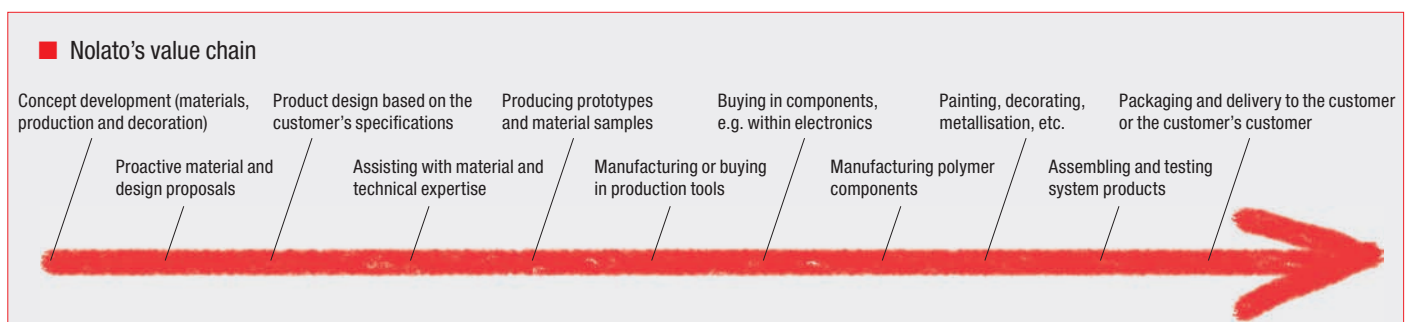
	2010	2009	2008
<b>Financial responsibility</b>			
Turnover, SEK millions	3,375	2,602	2,824
Operating income (EBITA), SEK millions	262	166	240
EBITA margin, %	7.8	6.4	8.5
Average number of employees	7,563	4,308	4,531
<b>Environmental responsibility</b>			
Breach of env. and working environment legislation, number of cases	1	1	1
Energy consumption, MWh/SEK million turnover	0.04	0.04	0.04
Water consumption, m <sup>3</sup> /SEK million turnover	41.3	42.7	33.4
Emission of greenhouse gases, tonnes CO <sub>2</sub> /SEK million turnover	13.5	14.0	12.4
Waste, tonnes/SEK million turnover	1.1	1.2	1.2
Certified env. management system, % of total number of plants	89	100	86
<b>Social responsibility</b>			
Workplace accidents, LWC (lost work cases)	44	46	26
Female employees, %	67	68	70
Training on Nolato's Basic Principles and Code of Conduct, % of number of employees	> 90	> 80	NA
Application of ethical and compassionate principles as well as corruption, number of registered breaches	0	0	0
Evaluation of sub-suppliers, % of number of plants carrying out environmental/social responsibility evaluations	84/58	81/44	78/36

within environmental technology is also important to us. Many of our customers are working to improve the environmental properties of their existing products, or to produce entirely new concepts. We are convinced that activities like this will become ever more important. If you look at Nolato's value chain, there are plenty of opportunities for us to contribute with ideas and suggestions that help to reduce the carbon footprint of both our production processes and our products. In this report, we have provided a few examples of environmental adaptations for processes and products. Nolato is extremely involved in developing countries and the Group has three production units and just over 6,000 employees in China. A new

plant has just been brought into operation in India. Issues relating to working conditions, human rights and social responsibility are therefore both important challenges and important opportunities for us.

### GRI reporting

Since 2008, the Group's sustainability performance has been reported on in accordance with the GRI (Global Reporting Initiative) guidelines. The aim of the GRI is to create uniform, comparable sustainability reporting, making it easier to assess and compare organisations from a social, environmental and financial perspective. We currently report at level B and there is a self-declaration on how to meet GRI criteria at the end of this report.



# Values, strategy and dialogue with stakeholders

## Nolato's Basic Principles

Nolato has strong core values, which have evolved from the down-to-earth, ethical and professional philosophy that has characterised the company ever since it was founded in 1938. In order to convey the values, principles and attitudes that make up these core values, the Group has five fundamental value and policy documents.

Nolato's Basic Principles			
Code of Conduct	Environmental Policy	Quality Policy	Information Policy

Nolato's Basic Principles make up the common platform for all Group operations. These core values are concretised in our Code of Conduct and our three main policies, which are mandatory for all the Group's employees – wherever they work, and whatever their role.

We also require our suppliers and partners to apply the same values and principles.

## The UN Global Compact

In order to reinforce the work relating to our core values, we signed up to the UN Global Compact – an initiative containing ten principles relating to the environment, working conditions, human rights and anti-corruption measures – in 2009. In 2010, Nolato published its first annual report to the UN (Communication on Progress, COP). The report documented the Group's work to meet these principles. This report constitutes our COP report for 2011.

## Strategy and environmental targets

The strategy for our sustainability work is based on the following cornerstones:

### Integration with business operations

Sustainability work is essential for good business operations. Considerations relating to sustainable development are therefore taken into account when making investments and acquisitions, in our relationships with customers and suppliers, in our communication and when developing environmentally adapted products.

### Systematic work

We work in accordance with the basic principle of "what gets measured gets done". Nolato therefore has a comprehensive system in place to collate information on performance within the field of sustainability, and follow up on action taken. This also includes an environmental management system within the area of the environment, which is certified by external organisations. In addition, the Group's suppliers are systematically evaluated.

### Openness and dialogue with stakeholders

Openness and transparency have long been a matter of course for Nolato. This trans-

parency includes our sustainability reporting, as well as our dialogue and contact with various stakeholders.

### Target-oriented activities

Improvement work at Nolato's units is based on the environmental targets set within the framework of the environmental management systems. As the diagram shows, it is common for production units to set environmental goals relating to, for example, reduced waste volumes, reduced energy consumption and meeting environmental criteria from customers and other stakeholders. In most cases, the goals that were set for 2010 were met.

## Group-wide targets

In order to strengthen our continuous improvement work, Nolato set the following Group-wide targets for 2011.

Area		Overall targets
Environmental responsibility	Energy and climate	Energy consumption and emissions of greenhouse gases shall be reduced in relation to the Group's key ratios. As an intermediate target, every unit shall report energy targets for 2011 and carry out at least one energy efficiency project during the year.
	Chemicals	Chemicals that are particularly hazardous to the environment or health shall be identified and phased out.
	Waste	The amount of waste produced shall be reduced in relation to the Group's key ratios. As an intermediate target, every unit shall report waste targets for 2011 and carry out at least one waste-related project during the year.
	Environmental management systems	Certified environmental management systems shall be introduced at all units. Company acquisitions and other changes may, however, mean that there are units at times that are not certified.
	Environmentally adapted products	During 2011, Nolato shall take part in at least three projects aimed at reducing the environmental impact of new or existing products. These projects shall be carried out under Nolato's own management and/or together with customers or other partners.
Social responsibility	Safe workplaces	Continued preventive work to minimise the number of workplace-related accidents and illnesses. The reporting of incidents (near misses) at production units shall be improved.
	Ethical and compassionate principles	No cases of infringements of human rights, discrimination or forced labour. Active information shall continue to be provided to employees and new employees.
Business partners and other stakeholders	Anti-corruption work	There shall be no cases of bribes, corruption or cartel formation. Active information shall continue to be provided to employees and new employees.
	Suppliers	When entering into agreements with suppliers, requirements shall be imposed in relation to the environment and social responsibility. During 2011, we will devise Group-wide tools for effective supplier evaluation. Every company shall have evaluated at least five sub-suppliers during 2011 with regard to the environment and sustainable development.
	Customers	Customer requirements in relation to the environment and social responsibility shall be met by a comfortable margin. During 2011, collaborative projects with key customers on sustainability issues shall be developed further.
	Society, investors and analysts	Ongoing reporting in accordance with the GRI at level B. Nolato shall continue to subscribe to the Global Compact. Continued work to achieve a good result in the evaluation of analysts and independent institutes, through transparent information within the area of sustainability.

### Governance of sustainability issues

The Group has 19 manufacturing units at 18 locations in five countries. Sustainability work is therefore decentralised, and every company is responsible for these issues within its own operations. Every plant has an environmental coordinator or some other representative with responsibility for the environment, the working environment and related areas. The overall responsibility for sustainable development lies with the CEO, and the issues are dealt with regularly at the Group management meetings and conferences for senior executives. Within the framework of our environmental management systems, operations are reviewed via internal and external environmental audits. One underlying requirement for all manufacturing units is that the Basic Principles and Code of Conduct are followed, and that the environmental management system in accordance with international standard ISO 14001 is incorporated into operations.

### Management system

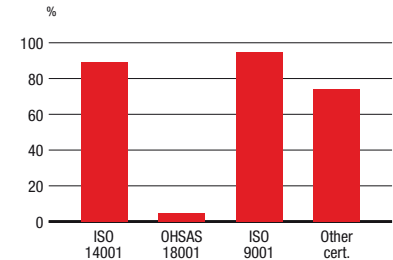
Around 90% of the units are currently certified according to ISO 14001. At the two units which are not certified – Nolato Contour, which was acquired in 2010, and the

unit in India that started operating during the year – activities to introduce ISO 14001 are underway. During 2010, more than 50 internal environmental audits and 15 audits by external certification bodies were carried out.

Nolato Beijing in China was certified this year in accordance with occupational standard OHSAS 18001 and activities to introduce the standard have begun at the other Chinese units. All of Nolato's plants are certified in accordance with the requirements of the ISO 9001 quality management system. In addition, approximately 75% of the units are certified in accordance with ISO standards for the automotive industry (ISO 16949) or medical technology (ISO 13485). At most of the plants, the various management systems are entirely or partly integrated into the operational system.

An international standard system for social responsibility, ISO 26000, was published in 2010. A preliminary assessment suggests that the Group's policies and working methods comply with the intentions of ISO 26000 in all significant respects. We will be following the implementation of this standard into commerce and industry with interest and thereafter further develop our own management and

### Certifications



Percentage of Group companies which are certified according to common standards. "Other cert." encompasses for example ISO 16949 (automotive industry), ISO 13485 (medical technology) and ISO 15378 (primary packaging).

## New packaging halves costs and reduces environmental impact

Triomega omega-3 capsules have been packaged in a round aluminium container for many years. In recent years this packaging has not been deemed to be ideal from either a sales perspective or an environmental point of view, and so Midsona – the brand owner – decided to develop new packaging. Nolato Cerbo was therefore tasked, together with the Norwegian design company Design 2025, with devising a new container. The requirements were better in-store visibility, a lower environmental impact and lower production costs.

The result of this collaboration was a brand new way of thinking, whereby an unusual shape creates on-shelf visibility, while also making it possible to use large labels with a high-end feel. The



new packaging is injection-moulded in white, easily recyclable polypropylene. Compared with the old aluminium container, production costs have been halved and the carbon footprint of the new container is 45% smaller.

reporting system with the relevant additions.

**Dialogue with stakeholders**

Nolato engages in communication and dialogue with various stakeholder groups in relation to many different issues. At Group level, this communication is directed primarily at the capital market, employees and authorities. Within the individual Group companies, the emphasis is on communication with customers, suppliers, employees, local authorities and the local community. We have identified the following groups as being particularly important:

■ **Customers:** Many of Nolato's customers have high standards with regard to sustainable development. Normal criteria are the implementation of environmental management systems, phasing out environmentally dangerous and hazardous substances from their products, adherence to legislation such as REACH and RoHS, as well as a range of various environmental product declarations. The most important channel is direct contact with customers, for example in connection with development work or when customers carry out audits or evaluations in relation to quality, the environment and social responsibility. Customer activity was relatively high during 2010, and 70% of the units reported contact and audits with a bearing on sustainable development. Sony Ericsson was particularly active and, during 2010, initiated constructive cooperation with the company on issues relating to social responsibility at Nolato Beijing.

■ **Employees:** Internal communication on sustainability issues normally takes place as part of the units' environmental management systems and within safety committees or similar forums. For example, in 2010 the Group's sustainability work was presented in connection with a conference for the Swedish trade unions.

■ **Authorities:** Units that require permits maintain a dialogue with local authorities regarding specific issues. It is relatively common for these authorities to visit Nolato's units. During 2010, inspections were carried out by the authorities at more than half of the plants.

■ **Shareholders and investors:** Sustainability assessments have become increasingly important for investors in various listed companies. Large institutional investors often supplement their risk analyses with environmental and social parameters and various special funds choose to invest in the best companies when it comes to sustainability. With the aim of creating ideal conditions to evaluate the company as fairly as possible, we are continuing our work to develop transparent information with regard to sustainability issues. Over the past year, Nolato's shares have been included in business publication Veckans Affärer's Green Portfolio, and the Group has been praised highly in terms of environmental issues, ethics and social responsibility.

■ **Suppliers:** Nolato places demands on its suppliers' performance with regard to the environment and social responsibility. This is monitored via supplier assessments, questionnaires, site visits and audits. During 2010, 70% of our units carried out these types of monitoring or audits. The starting point is that Nolato places the same requirements on its suppliers as it does on its own companies and employees when it comes to dealing with these issues. In China, all Nolato Telecom's main suppliers have signed a contract whereby they commit to following the rules of Nolato's Code of Conduct.

■ **Society:** The individual units interact with the local community. For example, Nolato has regular contact with schools and universities.

*Social responsibility cooperation with Sony Ericsson*

*As part of the work to implement Sony Ericsson's code of conduct to suppliers, Nolato Beijing has been evaluated twice during 2010. Sony Ericsson's evaluation covers the following main areas: Adherence to laws and other criteria, human rights, fair working conditions, safe working environment and implementation of Sony Ericsson's code of conduct in their contact with Nolato's suppliers. In Sony Ericsson's evaluations, constructive cooperation has developed between both companies. "Nolato has the right attitude and starts off from a very good level in many respects," says Tommy Lundström, who is a CSR auditor for Sony Ericsson. "There are however a number of areas to work on in order to fully meet our criteria," he concludes. The improvement work is ongoing*

*ing in open dialogue between Nolato and Sony Ericsson, and both companies are learning*



# Financial responsibility

## 2010 in brief

In terms of income, 2010 was the best year in Nolato's history. The recovery following the global financial crisis was much quicker than expected, and both sales and income rose considerably. All three of our business areas showed an improvement: Nolato Medical's sales rose by 17%, Nolato Telecom's by 44% and Nolato Industrial's by 21%.

We are convinced that through working with sustainability issues we are creating value now and for the future for our customers, employees, shareholders and stakeholders. Sustainable development means that Nolato is a good member of society and contributes by taking a financial, environmental and social responsibility where possible.

## Sustainable development and finance

### Investments and costs

During 2010, Nolato invested SEK 15.6 million (2.9) in measures relating to environmental and working environment improvements. The biggest investments were made at the units in Hungary, Gothenburg, Hallsberg and Trollhättan, and consisted of various equipment for increased energy efficiency. Significant investments were made in environmental and working environment (EHS) measures.

Over the course of the year, environmental costs totalled SEK 6.4 million (7.2), and were dominated by costs relating to waste management, administration, operating purification equipment and bought-in services. During the year, environmental improvement measures generated cost savings of SEK 1.3 million (0.7). The majority of these savings relate to energy use.

### Financial value for stakeholders

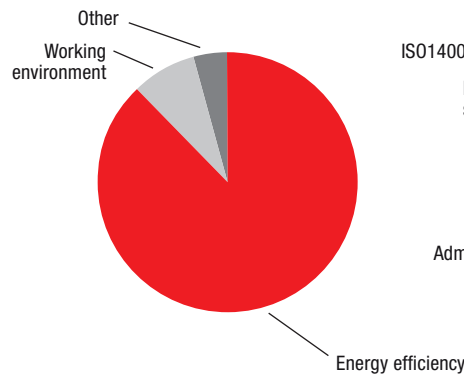
Nolato's business generates a financial value that is distributed among the various stakeholders. This includes suppliers, employees, shareholders, creditors and society. During 2010, the Group had a turnover of SEK 3,375 million. SEK 2,701 million was distributed according to the table to the right.

## Financial highlights

SEK millions (unless otherwise specified)	2010	2009
Net sales	3,375	2,602
Operating income (EBITA)	262	166
EBITA margin, %	7.8	6.4
Income after financial items	243	148
Net income	187	123
Cash flow after investments, excl. acquisitions and disposals	230	139
Return on capital employed, %	18.4	12.1
Return on shareholders' equity, %	16.5	11.5
Net debt	34	40
Equity/assets ratio, %	50	51
Earnings per share, SEK	7.11	4.68
Adjusted earnings per share	7.37	4.90
Average number of shares, thousands	26,307	26,307
Average number of employees	7,563	4,308

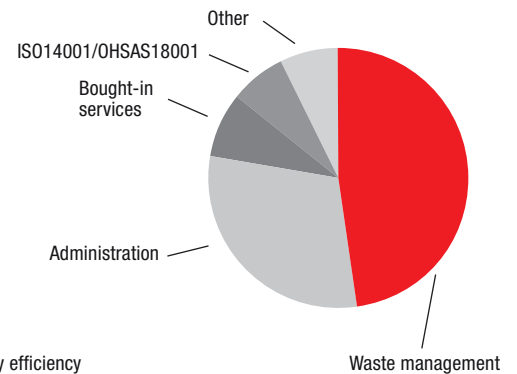
## EHS investments

SEK 15.6 millions



## EHS costs

SEK 6.4 millions



## Financial value for stakeholders

Stakeholder	Distributed value (SEK millions)	Comments
Suppliers	1,676	Compensation for materials and services
Employees	800	Salaries and benefits
Shareholders	158	Dividend
Creditors	11	Interest expenses
Society	56	Reported effective tax for the Group

# Environmental responsibility

## Environmental aspects

Nolato's production units are located in Sweden, Hungary, China, India and the US. Production consists primarily of manufacturing components and product systems in polymer materials, metals and combinations of polymer materials and metals. Common production methods include injection moulding, injection blow moulding, compression moulding, extrusion and dipping. The plant in China carries out painting. At the Sunne unit, rubber compounds are produced both for Nolato's own use and for external customers' use. At other units, ready-made polymers and other input materials are bought in.

Nolato's main direct environmental aspects are the use of energy, raw materials and chemicals, emissions into the air and water, and waste. Suppliers' activities, transportation and the use of our products are examples of key indirect environmental aspects. Preventive work is carried out within the Group to reduce environmental impact and environmental risks, and to improve resource efficiency.

## Environmental and working environment legislation

In Sweden, the Group carries out operations with permit requirements in accordance with the Swedish Environmental Code at the unit in Sunne. Other units have notification obligations in relation to the local environmental authorities. In connection with the expansion of operations in Hörby, the authorities granted permission for the expanded operations there. The units in China, Hungary, India and the US 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 notification obligations make up all of Nolato's net sales. In most cases, regular reports are submitted to the environmental authorities, and in many cases the supervisory authorities carry out inspections.

During 2010, there was one infringement of environmental legislation in Swe-

den which resulted in a small fine. There were no complaints from neighbours or other stakeholders during the year.

## Energy consumption

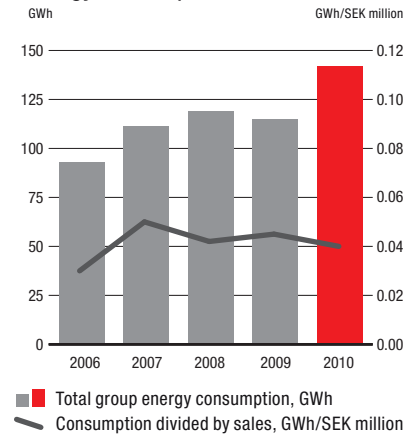
Around 90% of the Group's energy consumption consists of electrical energy. Electricity is used for production equipment, lighting, ventilation, cooling and many other purposes. In addition to this, fuel oil, natural gas, district heating and geothermal heating are used for heating production premises and offices. The highest levels of energy consumption are at our largest units in China and Hungary. Increased production and more units have led to an increase in energy consumption during 2010 compared with previous years. However, energy consumption has been reduced in relation to the Group's sales.

A number of energy efficiency projects have been carried out or are currently being carried out, which will have a positive effect on energy consumption in the short and long terms. Examples of such measures include investing in free cooling systems, more efficient lighting systems, replacing hydraulic injection moulding machines with more energy-efficient electric versions, better production planning and the installation of heat pumps. The Group's overall energy costs for 2010 were around SEK 104 million (82).

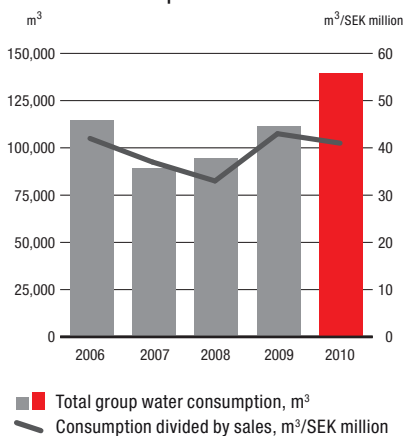
## Water issues

From a global perspective issues relating to access to good quality water have become increasingly important, and the term "water footprint" has become more established. However, water consumption at our units is limited, with water being used primarily for cleaning, sanitary purposes and cooling. Nevertheless, there are some processes where water consumption is relatively high. This is true of production in latex rubber in Torekov and the spray painting cleaning plant in Beijing. In order to reduce water consumption, a number of units have closed cooling water systems for injection moulds and other equipment. However, increased production, more pro-

## Energy consumption



## Water consumption



duction units and, above all else, a higher number of employees has resulted in increased water consumption. This means that the Group's water footprint was higher in 2010 than in 2009.

The amounts of pollutants discharged to wastewater are extremely limited, and consist mainly of sanitary water. All the production units are connected to public sewage treatment plants. The costs incurred by the Group for water and cleaning wastewater totalled approximately SEK 1.4 million (1.2).

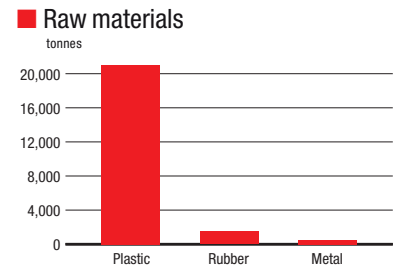
**Raw materials and chemical products**

Important raw materials used at our production units include plastic and rubber polymers, metal components, paints and various other constituent substances. Various plastics make up more than 90% of the raw materials used within the Group. The proportion of rubber material is around 7%. The majority of plastic materials are

virgin raw materials, which is a requirement within our medical operations.

One product in which recycled plastic has been used to a significant extent is Sony Ericsson's Elm mobile phone, for which the environmental impact during manufacture and use has been reduced from an overall perspective. Another example is the manufacture of clothing crates from recycled plastic for KappAhl (see page 17). As a whole, however, the proportion of recycled plastic within the Group is low, accounting for around 2% of plastic raw materials. At the same time, a number of interesting development projects are being carried out, including in partnership with the automotive industry, where a mixture of plastic and wood fibre is injection-moulded into a composite material with useful properties (see below). At a number of our units, we are also studying the possibility of using various types of bioplastics.

Nolato has high ambitions in terms of



*Can the cars of the future be made using forestry waste and plastic?*

*Could a mixture of wood fibre and plastic be a good material for the cars of the future? This is a question that Volvo is trying to find the answer to, together with system manufacturer Brose and Nolato Plasttechnik.*

*Car doors include a functional carrier plate, a module that holds the equipment inside the door – the window opening mechanism, the locking mechanism, speakers, cabling, etc. – in place.*

*This module is currently injection moulded by Nolato Plasttechnik using a mixture of polypropylene and glass fibre to achieve the strength, rigidity and flatness required, while also keeping weight down.*

*In a current project, the glass fibre has been replaced with waste from the forest industry. By using wood fibre instead of glass fibre, an additional weight saving of around ten percent*



*can be achieved, while the use of renewable raw materials helps to reduce the car's environmental impact.*

*In order to find out how the new material performs in practice, practical tests are being carried out by Volvo Car Corporation during the year. If these trials go well, the idea is that the wood fibre mixture could also be used in other components and applications in the cars of the future.*

complying with the new REACH chemical legislation. A number of projects are therefore being carried out with the aim of replacing chemical substances, which have been highlighted as particularly harmful from an environmental or health perspective. This will benefit both the environment and the working environment. In this context, it is also important to comply with the chemical safety requirements imposed by Nolato's customers.

**Atmospheric emissions**

The greenhouse gas carbon dioxide is emitted as a result of using energy in the form of fossil fuels and electricity generated using fossil fuels. More than 90% of Nolato's emissions are indirect, and are generated by the Group's district heating and electricity suppliers. Energy consumption – and thus carbon dioxide emissions – has increased in recent years as a result of the Group's expansion. The energy-efficiency measures being carried out are therefore important, and contribute towards reducing both emissions and costs.

Energy consumption at Nolato Beijing in China is considerable, and because the electricity there is generated mainly at coal-fired power stations, there are significant indirect emissions of carbon dioxide. There are also significant indirect emissions in Hungary, partly due to energy consumption and partly due to the way in which electricity is generated there. In both cases, energy-efficiency measures at our units are currently the only way of reducing the size of these emissions. From a longer-term perspective, we expect access to greener electricity to increase in most countries where Nolato has operations.

Emissions of air pollutants such as sulphur dioxide and nitric oxides are low, accounting for 3 tonnes per year (3). During 2010, the use of more than 420 tonnes of paints and solvents resulted in emissions of around 22 tonnes (19) of VOCs (vola-

tile organic compounds). This increase is due to greater production volumes. The majority of these paints and solvents are used in mobile phone-related production at Nolato Beijing. A modern, highly effective cleaning plant significantly reduces atmospheric emissions. The use of water-based paints has also increased significantly, reducing the emission of VOCs.

Emissions of dust and malodorous substances from Nolato's units are extremely low. A couple of incidents during the year involving leaking air-conditioning equipment caused emissions of just over 100 kg of ozone-depleting substances (HCFCs).

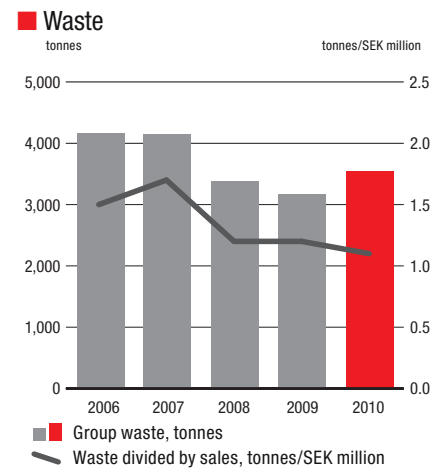
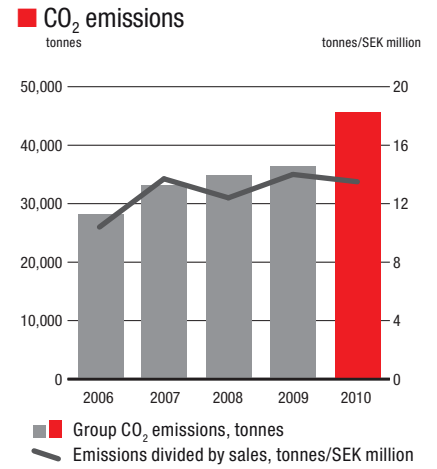
**Waste**

Within the framework of the environmental management and quality systems, most of the units are working to reduce production waste and improve waste management. This work has been successful in many cases, and the waste generation ratio is improving; in other words, the amount of waste generated is declining in relation to the Group's net sales.

However, the significant increase in production during 2010 and several new production units resulted in greater quantities of waste. One positive trend is that less and less waste is ending up in landfill sites, and that energy recovery and recycling of materials are both increasing. External waste processing costs during the year amounted to SEK 3.0 million (3.1).

**Product development**

Many of Nolato's customers are working to improve the environmental performance of their products. This means that Nolato's research and development departments are working together with our customers to devise environmentally adapted solutions. In our sustainability report, we provide a number of examples of products that contribute to the environmental benefits.



# Environmental risks and undertakings

The introduction of new environmental legislation and other authority-related requirements in terms of preventive environmental measures and restoring damaged environments can entail significant costs for industrial operations. Examples of this are the restoration of contaminated land and the sanitation of hazardous substances (e.g. asbestos, PCB and radon) in buildings and facilities. Risks from a business perspective have also received ever greater attention in recent years. Examples of this include risks relating to climate change, risks associated with suppliers' carbon footprints and social conditions, as well as the risk that the products' appeal decreases as a result of undesirable environmental performance. Nolato continually carries out comprehensive risk assessments within the above risk areas.

## Environmental legislation and other authority requirements

Nolato's production facilities have the necessary operational permits, and the risk inventory has not identified any current commissions or requirements that could cause significant costs.

## Contaminated soil

We are not aware of any contaminated soil at Nolato's plants. Two of the Swedish plants are in the lowest risk group (Mifo risk class 3) according to a Swedish government survey of contaminated areas. There are however no legal or other requirements in terms of additional investigations or decontamination, and hence there are no costs associated with this. Assessments and investigations relating to the risk of soil contamination are carried out in connection with company acquisitions and winding down operations. Soil investigations were carried out on two such occasions (Sweden and Hungary) during 2010. No soil contamination or ground water contamination could be found.

## Hazardous substances in buildings and installations

It is very unlikely that asbestos is present

at our newer plants. Asbestos audits have been carried out for Nolato's older plants in certain cases. In other cases, it is believed that no asbestos is present in buildings and installations. In accordance with applicable legislation, the presence of the environmentally harmful substance PCB (polychlorobiphenyl) has been inventoried at the Swedish plants. The only case in which the threshold value was exceeded was for PCB in the sealant around the windows in a building in Trollhättan. This sealant will be removed in accordance with legal requirements. The windows will gradually be replaced during the period 2011–2013.

## Accidents and uncontrolled emissions to the environment

Procedures to minimise the risk of fires, leaks and other accidents are included within the framework of the environmental management systems and legal requirements. During 2010, there were no fires or explosions at our production plants. At one plant, there was a minor leak of process oil and at another plant there was a refrigerant leak (ethanol) when the geothermal energy system piping was accidentally broken. No complaints were reported during the year from neighbours or other

stakeholders in relation to environmental matters.

## Climate-related risks

Two of Nolato's Swedish plants are located in areas where future climate changes could cause landslips (Gothenburg) or flooding (Kristianstad). In Kristianstad, the authorities have carried out comprehensive damming of the areas that are vulnerable to flooding. Nolato is not otherwise currently taking any action, but is monitoring the risk and vulnerability analyses carried out by the authorities. Climate-related risks are taken into consideration in connection with acquisitions.

## Making products more environmentally adapted

The interest in environmentally adapted products is increasing, both among consumers and industrial customers. By monitoring environmental developments, Nolato minimises the risk that the range will contain products that are less desirable from an environmental perspective. We will achieve this through our cooperation with universities and research institutes, but above all through our contact with Nolato's customers.



# Our social responsibility

Our employees' commitment and knowledge are essential to Nolato's development and profitability. We therefore strive to create a positive and stimulating working environment, which contributes towards our competitiveness and also means that Nolato is seen as an attractive employer. Here, Nolato's Basic Principles play an important part together with our other fundamental value and policy documents. They provide us with sound guidance for how we are expected to act in our day-to-day work and in our relationships with various business partners. Nolato's role in society is important, as the individual units are significant employers locally and also create employment for sub-suppliers.

## Employee information

The average number of employees at Nolato during 2010 was 7,563 (4,308), of which 6,084 (3,180) were in China, 924 (798) in Sweden, 365 (311) in the rest of Europe, 138 (0) in the US and 52 (19) in India. The number of employees at Nolato Medical was 664 (467), with 6,252 (3,295) at Nolato Telecom, 642 (541) at Nolato Industrial and 5 (5) within Group functions. 88% (81) of the average number of employees during 2010 were outside Sweden.

## Absence due to illness

Absence due to illness within the Group was 1.2% (1.9). Of this, long-term absence made up 0.5 percentage points (0.9). Absence due to illness was 4.4% (5.4) in Sweden, 0.4% (0.3) in China, 9.1% (8.2) in Hungary, 1.3% (-) in the US and 0.6% (0) in India.

## Occupational accidents and work-related illnesses

During 2010, 44 (46) occupational accidents resulting in more than one day's absence (LWC, lost work cases) were reported. Total absence due to illness caused by occupational accidents was 534 days (283). The most common causes were injuries caused while working with machinery and equipment, falls and slips and heavy lifting and repetitive work.

There were no occupational accidents during the year at seven of the production units, which is of course pleasing. One employee in China died in a traffic accident on the way home from work.

Preventive working environment initiatives include risk analyses, working environment measurements, training, safety rounds, safety committee work and investments in various technical protective measures. Nolato Beijing was certified during 2010 in accordance with the occupational health and safety management standard OHSAS 18001. One goal for the next few years is to improve reporting of incidents in the workplace, which we believe will be a key factor in preventing occupational accidents.

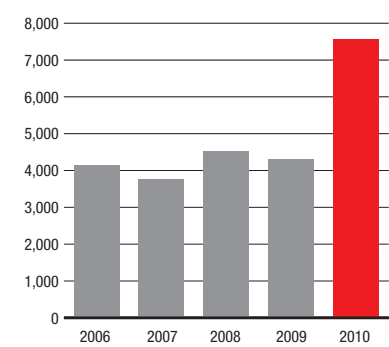
## Setting salaries and entitlement to collective agreements

All production units are wholly-owned, and Nolato's Basic Principles, Code of Conduct and policies apply in the same way all over the world. Salaries follow statutory setting of salaries, exceed the social minimum wages and are in line with the market. In China we have paid particular attention during the year to issues relating to minimum age, salaries, overtime and overtime pay. We believe that our control mechanisms are good, but internal and external auditors have highlighted particular complexity in these issues.

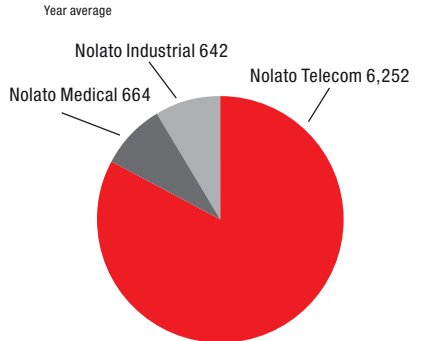
We have therefore carried out several measures over the course of the year to ensure that all relevant requirements are met. One example of how complex these issues can be is that many of the employees in China want to work as much overtime as possible, which can risk coming into conflict with legislation.

All employees within the Group have the right to be represented by unions or other employee representatives. They also have the right to collective negotiations and agreements. At Nolato Beijing in China, there is a union in accordance with the rules which apply to large companies in China. All staff are provided with information about the union on employment, and

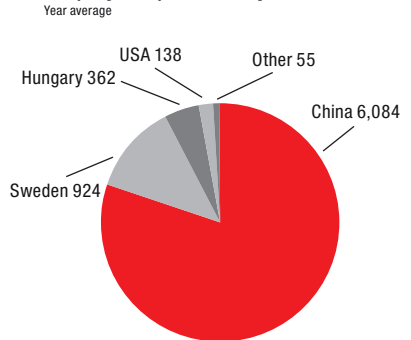
**Average number of employees**



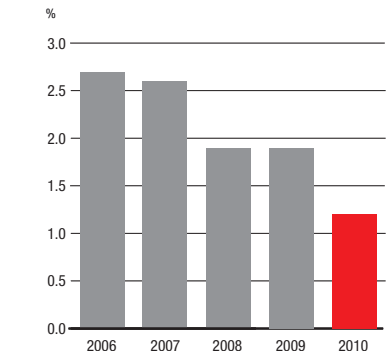
**Employees per business area 2010**



**Employees per country 2010**



**Absence due to illness**



employees can then make their own decision on membership. As at 31 December 2010, all employees at Nolato Beijing were covered by collective agreements. At the Hungarian unit, there are neither unions nor collective agreements. This is representative of the normal situation at privately-owned companies in Hungary.

### Social situation in China

During the year, social conditions at certain larger Chinese sub-suppliers to the telecommunications sector have attracted the attention of the mass media. We have followed developments closely, and have analysed the situation at Nolato Beijing in particular. We have reviewed terms of employment and employees' social situation, and have carried out a number of audits focusing on fire safety, evacuation routes and protective equipment. A large-scale employee survey has been carried out into employees' working situation and job satisfaction. We have also analysed our agreements with the staffing agencies. We have reached the conclusion that much of what we do is done well and to a high international standard, but that there are of course certain areas where further improvements are needed.

### Training

Significant investments were made in training at several of the units, and the total number of training hours was more than 26,000. Issues relating to the environment, the working environment and safety are important elements of this training, accounting for an average of 4.2 (1.9) hours of training per employee. This training included fire safety drills, first aid, the use of personal protective equipment, the content of Nolato's Basic Principles and the application of various environmental management system routines.

### Human rights, diversity and equality

By undertaking to follow the principles of the UN Global Compact, and by emphasising the importance of complying with Nolato's Basic Principles and Code of Conduct in our day-to-day work, Nolato supports and respects internationally-upheld human rights. We encourage diversity, and we distance ourselves from all forms of victimisation and discrimination.

Work to inform employees about Nola-

to's Basic Principles was carried out during 2010, and it is estimated that more than 90% of employees have received this information. Nothing occurred during the year to suggest that anyone breached our internal guidelines or the principles of the Global Compact.

Our equality work is carried out on a decentralised basis at each unit, in accordance with the individual companies' equality plans. 67% (68) of the Group's employees were women. This statistic is noticeably affected by the large proportion of female employees in China – 73% (78). The proportion of female employees at the Group's European units was 44% (40). 30% (20) of the Board of Nolato AB were women. The corresponding figures for the Group management and subsidiary management were 0% (0) and 33% (17) respectively.

### Business ethics

In accordance with the principles of the UN Global Compact and Nolato's Code of Conduct, Nolato's external relationships shall feature integrity and responsibility.

We do not offer customers, potential customers, authorities or other representatives of society any payments or advantages that contravene applicable laws or what could be deemed to be reasonable and accepted business and marketing practice. Nor do we accept gifts, benefits or payments that could affect, or be seen to affect, the objectivity of our business decisions. We also avoid situations where company loyalty could come into conflict with personal interests. There is nothing to suggest that

these ethical rules were breached in 2010.

Specific information work was carried out at Nolato's Chinese units during the year in relation to business ethics and Nolato's Basic Principles. We have also launched a project guided by the requirements of the new social responsibility standard (ISO 26000). The aim of this project is to increase involvement in issues relating to the working environment, safety and social responsibility.

### Social commitment

Nolato is involved in many local activities in the countries where we operate. In terms of purely concrete measures, this can involve contact with neighbours, voluntary organisations, authorities and sports clubs. Several of the units participate in and support projects relating to children's health, road safety issues and work to combat drugs, bullying or similar activities.

The Group maintains contact and cooperation with schools and universities. For example, Nolato Contour in the US received 185 students and teachers on various study visits and projects. Other units also offered places for apprentices, students and those completing theses. Nolato has also worked for many years on sustainability issues together with the International Institute for Industrial Environmental Economics (IIIEE) at Lund University.

Nolato Beijing has contributed to Beijing Moments, a book about a humanitarian project within the framework of the Charity For Life organisation.

## *Experience exchange with schools*

*Approximately 60 high school students studying technology and IT are participating in an experience exchange with Nolato Cerbo. Here they will get an insight into what goes on at an industrial company. Nolato hopes to become more well-known as an attractive employee and at the same time we want to be more active in society and hope to be able to influence both students and teachers.*

*"The project will probably increase our self-esteem and at the same time contribute to generating an interest in working for a manufacturing company – from*

*students and teachers," says Glenn Svedberg, CEO of Nolato Cerbo.*

*The project will last three years and begins with things like discussions relating to the students' attitudes to work. This is where Glenn wishes to contribute with advice on how to become employable and what companies look for. He also hopes to influence the teachers' view of industry.*

*"Unfortunately a lot of teachers have little knowledge of what goes on at a modern industrial company. Working in industry is fun and exciting," Glenn says.*

## Continual improvements

At Nolato's plants throughout the world, activities are being carried out that contribute to continual improvements with regard to the environment, working environment and social responsibility. Here is a small selection of major and minor actions carried out in 2010:

### Sweden

- Nolato Plastteknik in Gothenburg invested in an energy efficiency system for cooling water.
- Nolato Polymer in Torekov replaced a ventilation fan on the roof of the building. The results of this were a lower external noise level and higher energy efficiency.
- Nolato Polymer's three plants in Torekov, Ängelholm and Åstorp are now smoke-free workplaces.
- Nolato Plastteknik participated in The First Virgin Car conference and is involved in development work with Volvo Cars relating to composite materials consisting of fibreboard and plastic (see page 12). In addition, storage boxes for clothing made from recycled plastic were produced in cooperation with KappAhl.
- Energy efficient heat pumps were installed at Nolato Silikonteknik in Hallsberg.
- Nolato MediTech in Hörby and Lomma took action to reduce scrap and waste volumes.
- Nolato Lövepac in Skånes Fagerhult carried out energy efficiency actions with regard to machines and lighting.
- Nolato MediTor in Torekov invested in energy efficient electric injection moulding machines instead of hydraulic ones. Similar equipment replacements were carried out in Hörby and Trollhättan.
- Nolato Sunne improved the process flow, thereby reducing the number of shipments and stages in the operation.
- Nolato Gota in Götene saved energy by reducing the amount of compressed air being leaked. In addition, more efficient production planning led to lower energy consumption.
- Nolato Cerbo in Trollhättan invested in a system for free cooling, which proved to be extremely efficient. Other energy-

saving actions also generated good results. In addition, environmentally adapted products were developed (see page 8) and the company participated in a cooperation project with local schools (see page 16).

### Hungary

- Nolato Hungary in Mosonmagyaróvár reduced pollution by shutting down the painting department. Speaking of pollution, the goal is to become an entirely smoke-free workplace.

### China

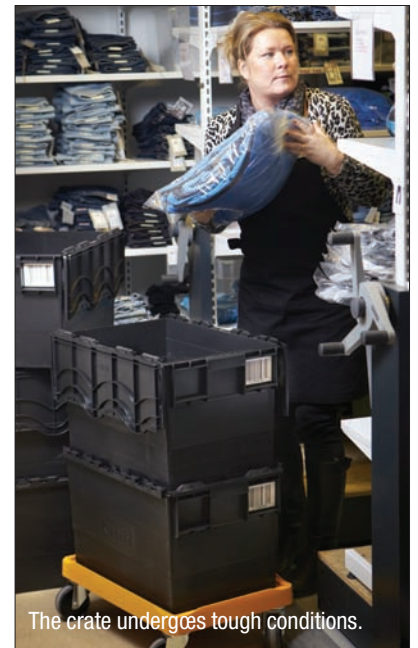
- Nolato Beijing, together with their customers, participated in the development of environmentally adapted mobile phones.
- Nolato Beijing carried out evaluations of the working environment and social conditions at the plant. The evaluation was carried out via both internal audits and audits by Sony Ericsson (see page 9). The company was certified according to OHSAS 18001 this year.
- Nolato Lövepac in Beijing and Shenzhen began work on implementing OHSAS 18001.

### India

- Nolato Lövepac's operation in Chennai in India is being built up. Activities to implement ISO 14001 have begun.

### USA

- The recently acquired Nolato Contour in Baldwin increased its waste recycling. In addition, work began on implementing ISO 14001. Contour carried out testing on corn-based biodegradable plastics.



The crate undergoes tough conditions.

## Custom-made crates for cost effectiveness

*KappAhl is one of the Nordic region's leading fashion chains, and transports large quantities of clothing from a central warehouse to its stores in Sweden, Norway, Finland, Poland and the Czech Republic.*

*This clothing was previously packed into standard crates that were purchased from France. These crates were expensive, and if the lids were damaged, replacing them was a time-consuming process. In order to achieve a better solution, KappAhl decided to produce crates that were custom-made for its own operations. The job was awarded to the consultancy firm Elator, which chose Nolato to carry out materials development and production.*

*Key requirements were that the crate had to have a lid that could be easily replaced if it was damaged, and that every lid needed to fit every crate. The new crates also had to cost less, have a low environmental impact – both during production and at end-of-life – and be compatible with the old crates.*

*The new crates were made from recycled polypropylene, and have proven effective in the tough conditions during transportation to the company's shops.*

# Nolato and the GRI

The organisation behind the GRI has established voluntary comprehensive guidelines for how companies and other organisations should report on their sustainable development activities. These guidelines, which are now available in version G3, cover requirements on the reporting of sustainability data for finance, the environment and social responsibility. The reports should provide a balanced and reliable picture of the organisation's development within the area of sustainability, covering positive as well as negative aspects. The GRI guidelines are the most widely used and accepted standards for reporting within the area of sustainability, with more

than 1,800 companies around the world reporting in accordance with the GRI.

Within the guidelines, the organisation can choose at which level (A–C) it wishes to report. Nolato has chosen to report at level B.

The GRI website ([www.globalreporting.org](http://www.globalreporting.org)) provides a comprehensive report of the reporting criteria for the various levels.

The table below shows the extent to which Nolato meets the minimum requirements according to GRI G3 level B. 'SR' refers to the page number in this report. 'AR' refers to the page number in the 2010 annual report.



Profile		
<b>1. Strategy and analysis</b>		
1.1	Statement from the President and CEO.	AR7, SR4
1.2	Description of key impacts, risks and opportunities.	AR32 – 33, SR6, 14
<b>2. Organisational profile</b>		
2.1 – 2.7	Name of the organisation. Primary brands, products and services. Operational structure of the organisation. Location of organisation's HQ. Countries where the organisation operates. Nature of ownership and legal form. Markets served.	AR4 – 5, 9, 34 – 35, 70 – 71, SR5
2.8	Scale of the reporting organisation.	SR3, 5
2.9	Significant changes during the reporting period.	SR3
2.10	Awards received during the reporting period.	—
<b>3. Report parameters</b>		
Report profile		
3.1 – 3.4	Reporting period. Date of most recent previous report. Reporting cycle. Contact persons.	SR3, AR last page
Report scope and boundaries		
3.5 – 3.8	Process for defining report content. Boundary of the report. Any specific limitations on the scope or boundary of the report. Basis for reporting on joint ventures, subsidiaries, etc.	SR3
3.9	Data measurement techniques and bases of calculations.	SR3
3.10	Explanation of the effect of any re-statements of information provided in earlier reports.	SR3
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	SR3
GRI content index		
3.12	Table identifying the location of the GRI indicators in the report.	This table
3.13	Policy and practice regarding external verification.	Self-declared

<b>4. Governance, commitment and engagement</b>		
Governance		
4.1 – 4.8	Governance structure. Governance structure concerning sustainability issues. Chairman's position. Independent or non-executive members. Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body. Compensation to management. Processes to avoid conflicts of interest. Mission, values, Code of Conduct.	AR9 – 11, 72 – 80, SR7 – 8
Commitment regarding external initiatives		
4.11	The Group's handling of the precautionary principle	SR11 – 14
4.12	Externally developed codes, principles or other initiatives to which the Group subscribes or endorses voluntary	SR4
Stakeholder engagement		
4.14 – 4.17	List of stakeholder groups. Basis for identification and selection of stakeholders. Approaches to stakeholder engagement. Key topics raised through stakeholder engagement.	SR9
<b>Performance indicators</b>		
<b>5. Economic performance indicators (EC)</b>		
Economic performance		
EC1	Direct economic value generated and distributed.	AR3, SR10
EC2	Financial implications and other risks and opportunities due to climate change.	SR14
EC3	Coverage of the organisation's defined benefit plan obligations.	AR63
EC4	Significant financial assistance received from government.	—
<b>6. Environmental performance indicators (EN)</b>		
Materials		
EN1	Materials used by weight or volume.	SR12
EN2	Percentage of materials used that are recycled input materials.	SR12
Energy		
EN3	Direct energy consumption by primary energy source.	SR11
EN4	Indirect energy consumption by primary energy source.	SR11
EN5	Energy saved due to conservation and efficiency improvements.	SR11
Water		
EN8	Total water withdrawal by source.	SR11 – 12
Emissions, effluents and waste		
EN16, 17	Total direct and indirect greenhouse gas emissions by weight.	SR13
EN18	Initiatives to reduce emissions of greenhouse gases and results.	SR11, 13
EN20	NO <sub>x</sub> , SO <sub>2</sub> and other significant air emissions by type and weight.	SR13
EN22	Total weight of waste by type and disposal method.	SR13
EN23	Significant spills.	SR14
Products and services		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	SR8, 12 – 13, 17
Employment		
EN28	Total workforce by employment type, employment contract and region.	SR11
Labour/management relations		
EN30	Percentage of employees covered by collective bargaining agreements.	SR10

<b>7. Labour policies and decent work (LA)</b>		
Employment		
LA1	Total workforce by employment type, employment contract and region.	SR15–16
Labour/management relations		
LA4	Percentage of employees covered by collective bargaining agreements.	SR15–16
Occupational health and safety		
LA7	Rates of injury and occupational diseases.	SR15–16
Training and education		
LA10	Average hours of training per year per employee.	SR16
Diversity and equal opportunity		
LA13	Composition of governance bodies and management.	SR16
<b>8. Human rights (HR)</b>		
Investment and procurement practices		
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights.	SR9
Non-discrimination		
HR4	Total number of incidents of discrimination and measures taken.	SR16
Freedom of association and collective bargaining		
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and actions taken.	SR15–16
Child labour		
HR6	Operations identified as having significant risk of incidents of child labour, and measures taken to contribute to the elimination of child labour.	SR9, 15–16
Forced and compulsory labour		
HR7	Operations identified as having significant risk of incidents of forced or compulsory labour, and measures taken to contribute to the elimination of forced or compulsory labour.	SR9, 15–16
<b>9. Society performance indicators (S0)</b>		
Community		
S01	Nature, scope, and effectiveness of any programmes and practices that assess and manage the impacts of operations on communities.	SR9, 16
S03	Percentage of employees trained in organisation's anti-corruption policies and procedures.	SR16
S05	Public policy positions and participation in public policy development and lobbying.	Nolato's Basic Principles and Code of Conduct
Compliance with laws and regulations		
S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	SR15–16
<b>10. Performance indicators for products (PR)</b>		
Customer health and safety		
PR1	Assessment of health and safety aspects of products	SR12–13

# Global Compact report on progress

## Nolato and the Global Compact

In 2009, Nolato joined the UN initiative for responsible business, the Global Compact. As a result, the Group became part of a global network consisting of more than 8,000 companies and other organisations in 135 countries that support ten basic principles within human rights, working conditions, the environment and anti-corruption. One aspect of Nolato's commitment is that we report the company's activities and status with regard to social responsibility in an annual Communication of Progress (COP) report. We begin therefore with the information provided in the company's annual report and the com-

pany's sustainability report. Together, these reports provide a true picture that Nolato supports and follows the Global Compact's ten principles in our work.

The publication, The Nolato Spirit, which covers things like the Group's Code of Conduct and Environmental Policy, is an important internal document, guiding and coordinating employee activities in line with the ten principles. Continuous reviews are carried out of the various Group subsidiaries' methods and ethics, in order to ensure that they correspond with the Group's Code of Conduct. Reporting of the key factors within the Global Compact commitment is carried out according

to the Global Reporting Initiative (GRI) as far as possible.

## Cross reference table between the Global Compact and GRI

The following table shows how the status for each individual principle within the Global Compact can be reported via the indicators in the Global Reporting Initiative. The table is based on the management document published by the UN Global Compact.

The Global Compact Principles	GRI indicators
<b>Human rights</b>	
1. Businesses should support and respect internationally proclaimed human rights.	HR2, HR4-7, LA7, LA13, S05
2. Businesses should make sure they are not complicit in human rights abuses.	HR2, HR4-7, S05
<b>Labour standards</b>	
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	LA4, HR2, HR5, S05
4. Businesses should work to eliminate all forms of forced and compulsory labour.	HR2, HR7, S05
5. Businesses should work to abolish child labour.	HR2, HR6, S05
6. Businesses should work to eliminate all discrimination in respect of employment and occupation.	LA13, HR2, HR4, S05
<b>Environment</b>	
7. Businesses should support a precautionary approach to environmental challenges.	EC2, EN26, EN30, S05
8. Businesses should undertake initiatives to promote greater environmental responsibility.	EN1-5, EN8, EN16, EN20, EN22, EN26, EN28, S05
9. Businesses should encourage the development and diffusion of environmentally friendly technologies.	EN2, EN5, EN18, EN26, S05
<b>Anti-corruption</b>	
10. Businesses should work against corruption in all its forms, including extortion and bribery.	S03, S05

## Definitions and glossary

**Carbon dioxide** CO<sub>2</sub> is formed in all carbon combustion processes. The gas is released in substantial amounts when petroleum products are used. It is likely that atmospheric emissions of carbon dioxide increase global warming (the greenhouse effect).

**Code of Conduct** Behaviour code for Nolato's employees. Supplemented by policies relating to the environment, workplaces and relations with suppliers.

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

**Environment-related costs** These are costs related to measures for preventing, reducing or repairing environmental damage directly associated with operations. The corresponding measures taken with regard to health and safety in the workplace are also included. The costs reported include, among other items, administration and external consulting expenses, fees to authorities, costs for introducing and maintaining environmental management systems, costs for waste and charges for external inspections and audits.

**Environment-related investments** These are investments in assets designed to prevent, reduce or repair damage to the environment associated with operations. The corresponding investments made with regard to health and safety in the workplace are also included.

**Extrusion** This is a method for continuously manufacturing products in strands, such as medical tubing.

**Global Compact** A UN initiative for responsible business practice. Participating organisations agree to support ten basic principles in the areas of human rights, working conditions, environment and anti-corruption.

**GRI** The Global Reporting Initiative has established voluntary comprehensive guidelines for how companies and other organisations should report on their sustainable development activities.

**HCFC** An organic compound that contributes to ozone depletion.

**Sustainable development** A development that 'satisfies today's needs without jeopardising future generations' ability to satisfy their needs'. Sustainable development consists of three components: Ecological sustainability, social sustainability and financial sustainability.

**Injection moulding** A method for manufacturing polymer components. The material is injected under high pressure into a mould in which the component is formed.

**ISO 14001** International standard relating to environmental management systems that was introduced in 1996. Just over 220,000 organisations around the world are currently certified according to ISO 14001.

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

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

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

**OHSAS 18001** Standard relating to health and safety at the workplace.

**PAH** Polycyclic aromatic hydrocarbons or polyaromatics (Polycyclic Aromatic Hydrocarbons) are a group of substances found in coal and petroleum that are hazardous to health and the environment. The substances are released into the environment via the process of combustion.

**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 atmosphere due to its slow decomposition.

**Polymers** Chemical molecules consisting of extremely long chains made up of smaller, repeating units (monomers). Plastic and rubber are examples of polymer materials.

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

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

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

**SO<sub>2</sub>** (sulphur dioxide) Sulphur dioxide is formed when petroleum products are burned. SO<sub>2</sub> contributes to the acidification of lakes, streams and soil, and causes coniferous trees to shed their needles. Large concentrations in the environment are harmful to human health.

**VOC** Stands for Volatile Organic Compounds – a group of organic compounds that easily vaporises at room temperature. The concentration of volatile hydrocarbon in the air has a negative effect on human health and the environment, e.g. it contributes to the formation of low ozone.

**Water footprint** A company's water footprint is defined as the total volume of freshwater used to produce the goods and services consumed by the country's population.

**Work-related accident** A work-related accident is a sudden event related to work that gives rise to a wound or other physical injury. A typical injury in the rubber industry is a minor cut or crushing injury. Nolato reports the number of work-related injuries that give rise to one or more days of absence, called Lost Work Cases (LWCs). The injury rate is then normed by stating the number of such injuries per 1,000 employees (LWC/1,000).

**Work-related disease** A work-related disease is a disease caused by long-term exposure to a particular factor in the work environment. Such factors can include repetitive lifting or being exposed every day to solvent fumes.