



Our Sustainability Work in 2017

Nolato in 15 seconds

Nolato is a Swedish publicly listed group with 7,200 employees in Europe, Asia and North America. Nolato develops and manufactures products in polymer materials such as plastic, silicone and TPE for leading customers within medical technology, pharmaceuticals, consumer electronics, telecom, automotive and other selected industrial sectors.

Nolato's business model is based on close, long-term, innovative collaboration with our customers. Nolato endeavours to create added value for both customers and shareholders through leading polymer technology, wide-ranging capabilities and highly efficient production.

Nolato Sustainability Report 2017

In the directors' report of its annual report, Nolato has opted to report the Swedish Annual Accounts Act's (ÅRL) requirements of Chapter 6, Section 1, according to Swedish Accounting Standards Board recommendation U 98:2, concerning environmental information. In accordance with ÅRL Chapter 6, Section 11, the statutory sustainability report is prepared separately from the annual report in the form of this document.

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Essential, interesting and challenging

Impressive growth

We achieved impressive growth in 2017 and increased sales to a new level. It's pleasing that all our business areas are demonstrating excellent growth driven by strong demand from our customers and Nolato's attractive offering. The success achieved during the year is the result of the excellent work by our committed and skilled employees. I'm also impressed by the involvement of our employees on issues concerning sustainable development.

Corporate responsibility

I'm part of a generation that has always been aware of environmental issues. We grew up being told about acidification, air pollution, environmental contamination, littering, the waste of natural resources and the extinction of plants and animals. In some cases the situation has improved, but it's common for these problems to just get moved to another part of our planet.

Over the past decade the concept of sustainable development has grown stronger and, in addition to responsibility for the environment, the perspective has expanded to encompass social and economic issues. This isn't a revolutionary change for us. Nolato has long been a global company and corporate responsibility is part of our corporate culture and day-to-day operations.

For us, working with sustainable development is essential, interesting and challenging. We see clear links between environmental benefits and business benefits. It's a mindset we share with many of our suppliers and customers.

Small steps and large strides in the right direction

Nolato has a clear strategy on sustainable development and the concept of 'continuous improvement' permeates everything we do. In practice, this means taking both small steps and large strides forward. I'd like to

highlight the following progress made in 2017:

- ▶ Nolato updated its long-term goals on energy, carbon emissions and environmentally sustainable product development.
- ▶ Work within the scope of the Global Compact was further developed and Group targets are linked to the UN Sustainable Development Goals.
- ▶ Investment in energy-efficient lighting and production equipment contributed to greater energy efficiency.
- ▶ During the year, we took measures to reduce Nolato's carbon footprint, including boosting energy efficiency, phasing out fossil fuels and purchasing fossil-free electricity.
- ▶ In 2017, an online course on business ethics and Nolato's Code of Conduct was organised for all senior executives and employees involved in commercial relations working in sales and marketing.
- ▶ Bio-based plastics were tested in a range of production processes with good results. There is significant potential to reduce Nolato and customers' carbon footprint.
- ▶ Our social engagement was further enhanced, including through our *Employee Care Programme* and *Building Hope Together* initiative in China.

Corporate responsibility is an important part of 'One Nolato,' and is an area in which we can create synergies between our three business areas and strengthen our customer offering. Nolato aims to be the partner of choice for customers within sustainable development.



Christer Wahlquist
President & CEO

Torekov, March 2018

Christer Wahlquist
President and CEO

The Nolato Group in brief

Nolato is a Swedish publicly listed group with operations in Europe, Asia and North America. We develop and manufacture products in plastic, silicone and TPE for leading, often global, companies within three areas.



Medical Solutions

Medical devices and products for administering pharmaceuticals (such as auto-injectors, insulin pens and catheter balloons).



Integrated Solutions

Components and systems for fast-growth areas of technology, i.e. selected consumer electronics products, telecom sector products and thermal management solution and EMC shielding methods and materials for electronics.



Industrial Solutions

Products for industrial companies (such as automotive components, hygiene products and specialist packaging, gardening/forestry and furniture).

Our offering

Nolato aims to be the customer's first choice of partner.

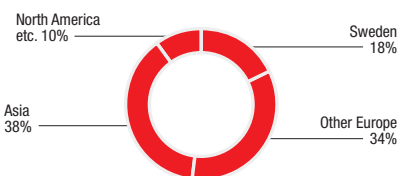
Nolato's customer offering comprises most technologies in the field of polymers and covers the entire value chain from development to product delivery.

One Nolato

The 'One Nolato' concept means we can offer customers a comprehensive offering of technologies and products from our three business areas.



Our global presence



Sales by market

- Development, production & sales
- Sales & technology

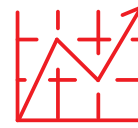


Our values



Nolato has a long tradition of responsible business practice, and one of our Basic Principles is that efficient business operations must be combined with ethics, responsibility and environment awareness. These areas are consequently natural and integral aspects of our business operations. We are signatories to the UN Global Compact and report sustainability work in accordance with the GRI (Global Reporting Initiative).

Our shares



Nolato was listed on the stock exchange in 1984, and its B shares are listed on Nasdaq Stockholm in the Mid Cap segment, where they are included in the Industrials sector.

Our history

Nolato was founded in 1938 as Nordiska Latexfabriken i Torekov AB, with the trademark Nolato, which has been the company name since 1982. Today's global Group is the result of organic growth and acquisitions. The head office is still in Torekov, Sweden, but the majority of operations are now based abroad.

Our employees

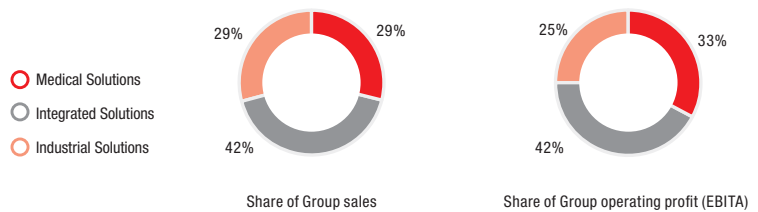
7,200

The average number of employees in 2017 was approximately 7,200. 87% were employed outside Sweden.



Our business areas

Nolato's operations comprise three customer-focused business areas. While all three business areas are based on common values and technologies, they each create their own optimal conditions to succeed in their respective market.



Medical Solutions

Financial highlights:	2017	2016
Sales, SEKm	1,955	1,645
Operating profit (EBITA), SEKm	257	216
EBITA margin, %	13.1	13.1
Average number of employees	1,395	1,157

Development and manufacture of complex product systems and components within medical technology, diagnostics (IVD) and advanced packaging solutions for pharmaceuticals.



Integrated Solutions

Financial highlights:	2017	2016
Sales, SEKm	2,810	1,402
Operating profit (EBITA), SEKm	332	131
EBITA margin, %	11.8	9.3
Average number of employees	4,928	4,480

Development and manufacture of advanced components and subsystems for selected consumer electronics products and mobile phones. Within EMC (electromagnetic compatibility) & Thermal, shielding and heat dissipation products and systems for electronics.



Industrial Solutions

Financial highlights:	2017	2016
Sales, SEKm	1,968	1,409
Operating profit (EBITA), SEKm	195	134
EBITA margin, %	9.9	9.5
Average number of employees	920	775

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

2017 in brief

Financial performance

The Nolato Group achieved good financial performance in 2017. Sales rose by 51% to SEK 6,720 million (4,447). Operating profit (EBITA) increased by 67% to SEK 763 million (457). The operating margin (EBITA) was 11.4% (10.3).

The rise in sales was due to a sharp increase in sales by all business areas, with an exceptional increase for Integrated Solutions. The Group's operating profit also rose sharply, mainly as a result of the strong sales performance. Earnings per share increased to SEK 21.74 (12.77).

Sustainable development

Nolato has strong core values based on the view that efficient and profitable business operations must be ethical and sustainable. Issues relating to ethics, social responsibility, environmental matters and work environment have therefore been integral to our business during the year. Over 2017, work on energy efficiency, a reduced carbon footprint, more efficient waste management, and health and safety continued. Environmental management systems continued to be updated in line with ISO 14001:2015 and successful trials of bio-based plastics were conducted. Key personnel were trained on business ethics and our social responsibility programmes in China continued (Building Hope Together and our Employee Care Programme). Many of our units had contact with schools, universities and their local communities.

The Group's sustainability work was reported to the Global Reporting Initiative (GRI) and the UN Global Compact. Separately, we also reported under the Carbon Disclosure Project (CDP). This year's sustainability report meets requirements for mandatory sustainability reporting for large companies in the EU.

Continued efforts

In 2018 we will be focusing on the following areas:

- ▶ Updating companies' environmental management systems to the ISO 14001:2015 standard.
- ▶ Sustained efforts on more efficient use of energy, water and materials. Measures

to cut Nolato's emissions of greenhouse gases.

- ▶ Increased use of recycled plastic raw materials and bio-based (fossil-free) plastics.
- ▶ Preventive health and safety measures.
- ▶ Social engagement in China and interaction with schools and universities. ■

Sustainability KPIs

	2017	2016	2015
Financial responsibility			
Sales, SEKm	6,720	4,447	4,726
Operating profit (EBITA*) (SEK million)	763	457	570
EBITA margin, %	11.4	10.3	12.1
Average number of employees	7,249	6,418	7,759
Environmental responsibility			
Breach of environmental and occupational environment legislation, number of cases	2	0	1
Energy consumption, MWh/SEKm sales	0.028	0.038	0.035
Water consumption, m ³ /SEKm sales	26.5	36.8	37.9
Greenhouse gas emissions, CO ₂ tonnes/SEKm sales	7.2	11.5	12.1
Waste, tonnes/SEKm sales	1.0	1.2	1.1
Certified environmental management system, % of total no. of plants	95	91	95
Social responsibility			
Workplace accidents, (cases of ≥1 day's absence; cases per million hours worked)	47 (3.7)	63 (5.0)	35 (2.3)
Certified health and safety management system, % of total no. of plants	27	27	30
Female employees, %	45	49	51
Training on Nolato's Basic Principles and Code of Conduct, % of number of employees	>90	>90	>90
Application of ethical & humane principles and number of registered breaches of corruption rules	0	0	0
Evaluation of suppliers; evaluations performed re. environmental/ social responsibility	235	173	134

*EBITA – Earnings before interest, taxes and amortisation arising from corporate acquisitions.

Sustainable development – responsibilities and opportunities

Work on sustainability issues is an integral part of Nolato’s strategy for growth and value creation and is a natural part of our day-to-day work. The aim is to contribute to a better environment, create business opportunities, reduce costs, minimise risks and meet the requirements and expectations of external and internal stakeholders.

Global initiatives

The 10 principles of the UN Global Compact have provided an important guide for Nolato’s sustainability work since 2010. These principles are applied through our Code of Conduct, which forms part of The Nolato Spirit. The Code provides guidance for managers and employees on issues concerning the environment, social responsibility and ethics.

The view of business’ role within sustainable development is constantly changing and both large and small companies are expected to contribute through preventive and proactive measures. Expectations are expressed in part through the UN Sustainable Development Goals and business’ contribution includes responsible conduct and development of environmentally sustainable products and services.

Nolato applies a number of global initiatives to its sustainable development reporting. This report is set out according to Global Reporting Initiative (GRI G4) guidelines. The Group’s performance with regard to carbon emissions is reported according to the Carbon Disclosure Project (CDP). Global Compact-related activities are reported as a separate section in this sustainability report (Communication on Progress; see page 31).

Customers’ first choice within sustainable development

When Nolato was founded in 1938, concepts such as responsibility, good organisation and a focus on customer requirements were already part of our corporate culture. Since then, we have gradually raised our ambitions and issues concerning the environment, social responsibility and ethics are now a vital part of Nolato’s business (see figure below).

It’s essential that we meet environmental and health and safety legislation, but the expectations of society and the Group’s stakeholders have also gradually increased in importance. These include growing requirements among Nolato’s customers relating to the environment and social responsibility and expectations on us to pass these requirements on to our suppliers. Nolato aims to be the partner of choice for customers within sustainable development. Another example is employee engagement, and in this respect environmental issues and sound business ethics have become increasingly important in attracting new personnel.

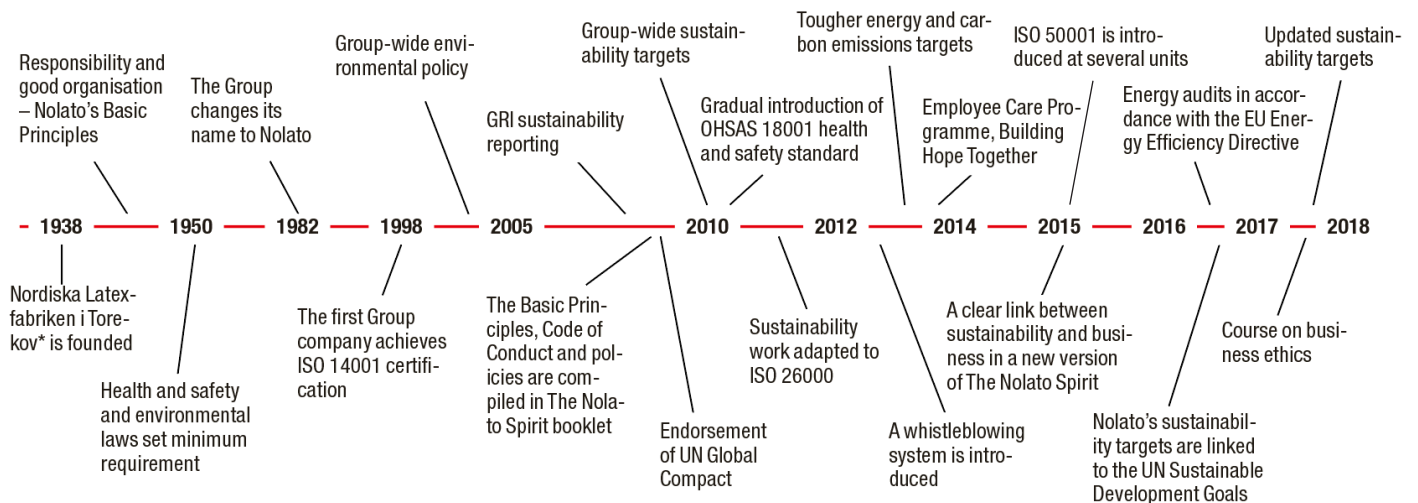
2017 highlights

- ▶ Nolato updated its long-term goals on energy, carbon emissions and environmentally sustainable product development. These goals provide a backdrop to the strategic sustainability work of the Group companies.
- ▶ Work within the scope of the Global Compact was further developed and Group targets were validated as part of the UN Sustainable Development Goals.
- ▶ Energy audits in accordance with the EU

Energy Efficiency Directive continued and were reported to the relevant authorities. Investment in energy-efficient lighting and production equipment contributed to greater energy efficiency. During the year, measures to reduce Nolato’s carbon footprint were taken, including boosting energy efficiency, phasing out fossil fuels and purchasing fossil-free electricity.

- ▶ In 2017, an online course on business ethics and Nolato’s Code of Conduct was organised for all senior executives and employees involved in commercial relations working in sales and marketing.
- ▶ Bio-based plastics were tested in a range of production processes with good results. There is significant potential to reduce Nolato and customers’ carbon footprint.
- ▶ Certification under the ISO 14001 environmental management system is a key element of our sustainability work, and adaptation to the new ISO 14001:2015 requirements is underway.
- ▶ Continued ambitious goals for our sustainability work in China, such as through our Employee Care Programme (health and safety, personal development and participation) and Building Hope Together (support for a school in a poor area).
- ▶ Active cooperation with universities, including through degree projects on environmental management, wastewater and scientifically based emissions targets.
- ▶ During the year, 341,000 hours of training were undertaken, equating to 53 hours per employee. ■

Some important steps towards sustainability



Strategy and governance

Expectations of Nolato's sustainability development work are increasing and relate to responsible behaviour, transparency and good business ethics, as well as opportunities to develop environmentally sustainable products and services. Corporate citizenship is one of Nolato's Basic Principles and is an important aspect of the Group's long-term strategy to create growth and value for its stakeholders.

Strategy

Nolato's sustainable development strategy includes the following areas:

- ▶ We aim to create business opportunities through responsible conduct and transparent communication of our sustainability efforts. Business opportunities also arise through resource-efficient production methods and the development of products with the lowest possible environmental footprint. In short, we aim to be customers' first choice for sustainable development
- ▶ We reduce risk and cost through preventive measures, risk analysis and investments in modern technology. Issues regarding energy and carbon emissions are of particularly priority 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 something that helps encourage new employees to apply to the company.

- ▶ Nolato should be a good corporate citizen and apply 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.
- ▶ Sustainability issues are part of Nolato's business model and strategy.

Governance and monitoring

The approach to and responsibility for our sustainability work is set out in Nolato's Basic Principles and Code of Conduct. The Code of Conduct is specified by clear long-term goals on the environment, social responsibility and business ethics. Each unit works with both groupwide targets and its own more detailed goals.

Operational responsibility for the environment and health and safety is delegated to the Managing Director of each company. Group management follows up on the development of this work and how sustainability development goals are being integrated into strategic planning. One representative on Nolato's Board has special responsibility for these issues. These activities are followed up through dialogue with the companies' management and through internal and external audits. Along with the annual sustainability report, we also carry out an in-depth analysis of compliance with legislation, target outcomes and the development of performance and key performance indicators (KPIs) during the year. ■

Key guidelines

The Nolato Spirit

The Nolato Spirit booklet summarises the Group's core values, Code of Conduct and policies and explains how they relate to the business model.

The UN Global Compact

Since 2010 Nolato has been a signatory to the UN Global Compact, a framework document that comprises 10 principles on the environment, human rights, labour conditions and the combatting of corruption. These 10 principles are incorporated into The Nolato Spirit.

The UN Sustainable Development Goals

Nolato's long-term goals are linked to the Sustainable Development Goals or 'Global Goals' introduced by the UN in 2015. In this way, the Group is contributing to the 2030 Agenda.

Sustainability reporting

Nolato's sustainability work is reported in accordance with the Swedish Act on Sustainability Reporting by Large Companies, Global Reporting Initiative (GRI) guidelines, the Carbon Disclosure Project (CDP) and the UN Global Compact (Communication on Progress; COP).

Certified management systems

Nolato's units 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 and energy management standards. The ISO 26000 social responsibility standard provides guidance for our overarching sustainable development efforts.

**Medical Excellence is a concept in the Medical Solution Business Area to create a world-class business.*

Materiality analysis

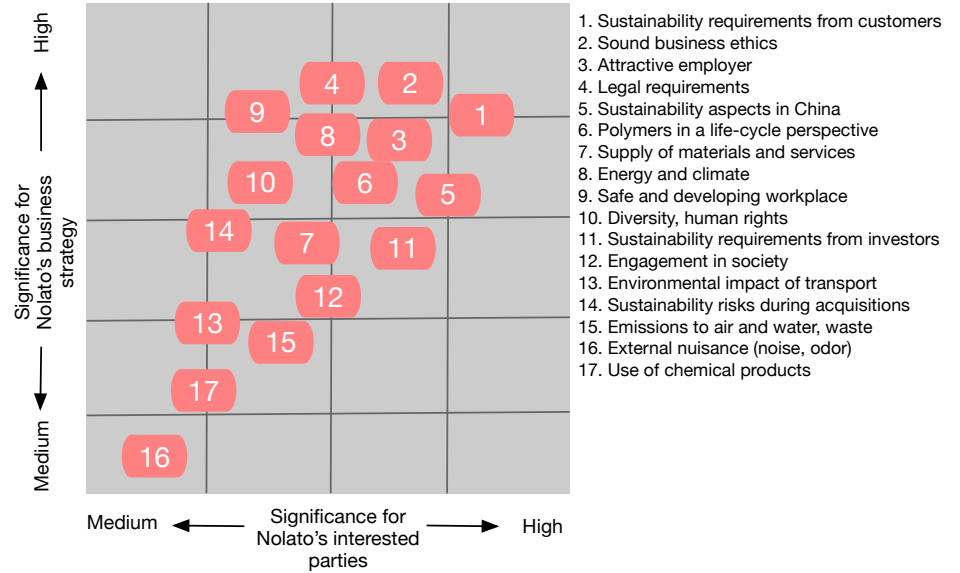
Risks and opportunities

Within the framework of the ISO 14001, OHSAS 18001 and ISO 50001 standards, Nolato's businesses endeavour to identify and manage issues relating to environment, health and safety, and energy. This involves not only identifying risks, but also looking for opportunities within sustainable development. This is something that is highlighted in the revised ISO 14001.

Analyses of risks and opportunities, combined with requirements and expectations from a range of stakeholders, provide the basis for the materiality analysis. This is based on sustainability report guidelines (GRI G4) and provides the background for which areas are examined in greater detail in the sustainability report and which GRI indicators are used. The chart shows the issues that were identified in 2017 as significant and our sustainability report describes how these issues are managed and monitored.

The end of the report (pages 28–30) contains a list of the GRI indicators that we refer to.

Materiality analysis 2017



Prior to the 2017 materiality analysis, a few of the Group's companies were invited to give their views and create a diagram describing their situation. In some cases, the companies prioritised some issues differently from the priorities established in the group-wide materiality analysis. Overall, however,

it was agreed that the materiality analysis provided a fair view of the areas that should be prioritised at Group level. We have made some minor modifications relating to the areas concerning Nolato's updated targets in this year's analysis. ■






Value for stakeholders

Nolato interacts with a number of stakeholder groups, which brings 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 and cooperation with customers, suppliers and contractors ■

Overview of stakeholder engagement in 2017

Stakeholder	Key issues, requirements and expectations	Value created
 Customers	Nolato's companies are affected by customer requirements regarding sustainable development. These requirements include matters such as environmental management systems, prohibited chemical substances, environmental declarations, product labelling, code of conduct, and the fulfilment of specific legislation.	In 2017, customers carried out follow-ups at approximately 70% of the Group's companies. The outcome was mainly positive and the results were used to enhance the Group's sustainability work and strengthen customer relationships. The operations in China and Malaysia are certified as Sony Green Partners.
 Employees	Health, safety, pay, benefits, social conditions, well-being, development opportunities.	We carried out performance reviews and provided training, professional development and health care. Preventive health and safety measures were a high priority and the frequency of accidents remained low. The Employee Care Programme was further developed in China. During the year, Nolato paid SEK 1,534 million in wages to employees
 Suppliers	Nolato endeavours to have long-term and transparent relationships with 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 235 surveys and audits. Suppliers met the Group's requirements to a satisfactory degree. In 2017, Nolato paid its suppliers a total of SEK 4,495 million.
 Shareholders	Reduce risks, create business opportunities and demonstrate credible and forward-looking sustainability work.	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. Nolato's share price rose by 105% in 2017. The share dividend is expected to amount to SEK 329 million.
 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.	Social engagement created trust and interest in Nolato. Contact with schools and universities contributed to attracting future employees. The school project in China was further developed. As a signatory to the UN Global Compact, Nolato contributed to the UN Sustainable Development Goals. In 2017, Nolato paid SEK 94 million in tax.

Environmental aspects and environmental legislation

Environmental aspects

The manufacture of products in polymer materials is associated with a number of significant 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 a valuable tool as part of efforts to systematically reduce our environmental impact.

Environmental legislation

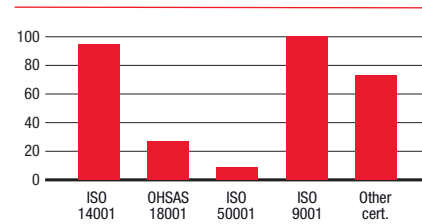
Nolato's companies are subject to extensive legal requirements relating to the environment. This concerns both overarching legislation and specific terms for each businesses. We use ISO 14001 to identify applicable legislation and our companies implement the relevant measures. From a strategic perspective, 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 require-

ments and notification obligations make up the majority of the Group's net sales.

Routine updates to the environmental permits will be carried out at a handful of plants in 2018. In a couple of cases, these updates are required due to an expansion of operations. We do not anticipate any significant legal or financial consequences as a result of the renewal of these environmental permits. In most cases, regular reports are submitted to the environmental authorities, and the supervisory authorities carry out inspections. Two minor breaches of environmental legislation were registered in 2017. The deviations were of a formal nature and led to minimal penalties.

Certifications (% of all units)



Certified management systems

The ISO 14001 environmental management system standard was introduced in 1997, and Nolato had its first plant certified to the standard the same year. 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. All units, apart from one company acquired in 2016, are certified.

Internal and external environmental audits are conducted to check that environmental management systems meet ISO 14001 re-

quirements. Nolato has around 137 (111) internal environmental auditors, who conducted 106 (103) environmental audits last year. The facilities were reviewed by external auditors on 20 (20) occasions. Since 1996 ISO 14001 has been updated twice and the latest version was published in 2015 (ISO 14001:2015). Nine Group companies have now been approved under the new standards and another 12 units will complete the update in 2018.

All companies are certified in accordance with the requirements of the ISO 9001 quality management system. In addition, almost 75% of units are certified in accordance with standards for the automotive industry (ISO/TS 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.

Health and safety systems (OHSAS 18001) have been introduced at 6 (6) units. This standard will be replaced in 2018 by ISO 45001 and six companies are planning to introduce the new standard.

Two units at UK-based Nolato Jaycare are certified under the ISO 50001 energy management standard.












The ISO 26000 social responsibility standard provides a guideline for our groupwide sustainability work. This standard is based on seven fundamental principles and describes how an organisation can work with environmental issues, social responsibility and ethics. ■

Targets and KPIs

Nolato undertakes extensive work relating to responsibility for the environment, people and society. We believe this creates a benefit for society and the Group's business operations. The groupwide sustainability targets are long-term and are linked to the UN's

Agenda 2030 and Sustainable Development Goals. The Group's units use a number of different local environmental targets, particularly within the scope of ISO 14001. 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 this sustainability report. ■

Area	Sustainable development goals	Outcome
 Energy	More efficient energy use and for 2017–2020 Nolato is targeting a 20% reduction compared with the average for 2011–2012. The groupwide KPI is GWh/net sales and many production units use locally adapted targets. Global Goal: 'Affordable and clean energy'.	▶ Energy audits in accordance with the EU Energy Efficiency Directive were carried out. Both large and small energy efficiency projects were conducted at all facilities, including investments in more efficient production equipment, infrastructure and lighting. The new target introduced in 2017 aims for additional energy efficiency gains until 2020.
 Carbon emissions	A 20% reduction in the greenhouse gas carbon dioxide (CO ₂) during 2017–2020 compared with the average for 2011–2012. The target relates to CO ₂ emissions from energy consumption. The groupwide KPI is tonnes of CO ₂ /net sales and there are also different types of local targets. Global Goal: 'Climate Action.'	▶ Carbon emissions efforts are based on more efficient energy consumption, more environmentally sustainable transportation and the purchase of electricity from renewable sources. These measures are producing positive results but we are still dependent on how electricity and district heating is generated. Opportunities to purchase 'green energy' are currently limited in certain countries. Despite this, we see opportunities to continue constructive measures to reduce our carbon footprint and have introduced a new target for 2020.
 Chemicals, raw materials and environmentally sustainable products	Hazardous chemical substances should be identified and, where possible, phased out. The percentage of recycled and/or renewable raw materials should increase. Nolato endeavours to take part in projects aimed at reducing the environmental impact of existing or new products. Global Goals: 'Sustainable industry, innovation and infrastructure', and 'Responsible consumption and production'.	▶ Over the year around twenty chemicals were replaced and further candidates for substitution were identified. Trials with recycled and renewable raw materials continued (see article on page 16).
 Waste	The amount of waste should continually decrease in relation to net sales. The percentage of recycled waste should increase. The Group's units use their own targets regarding scrap and waste management. These targets are part of ISO 14001 or initiatives such as 5S and lean manufacturing. Global Goals: 'Sustainable industry, innovation and infrastructure', and 'Responsible consumption and production'.	▶ Over the long term the percentage of waste disposed of in landfill has decreased and the percentage that is recycled has increased. We apply a life-cycle approach to waste management, for example by using smart packaging solutions that cut Nolato's consumption of material, emissions from transportation and the volume of customer waste. This target is part of the Group's continual improvement measures and has no specific deadline.
 Environmental management systems	All units to be ISO 14001-certified. Acquired companies should be certified within two years. Global Goals: 'Industry, Innovation and Infrastructure.'	▶ The majority of facilities are ISO 14001-certified. Those production facilities that have not yet updated their management systems to ISO 14001:2015 are in the final phase of their work. A company acquired in 2016 is planning to achieve certification in 2018.
 Safe workplaces	The number of workplace accidents should be minimised, with the long-term targeting of zero occurrences. All units must have a functioning system for registering and addressing near misses. This work should be conducted systematically, for example using certified management systems relating to health and safety. Global Goals: 'Good jobs and economic growth'.	▶ From an industrial perspective, the accident rate is low and over the past five years has averaged 3.1 accidents resulting in sickness absence per million hours worked. In order to ultimately eliminate all accidents, however, we need to continue technical and organisational initiatives. One such example are the systems to record near misses that have been introduced at all units. Systematic health and safety measures in accordance with OHSAS 18001/ISO 45001 are useful tools and certified systems are in place at six units.
 Human rights and gender equality	There should be no cases of infringements of human rights, discrimination or forced labour. Active information shall continue to be provided to employees and new staff. Global Goals: 'Gender equality' and 'Good jobs and economic growth'.	▲ During the year, employee training was held on The Nolato Spirit. No cases of infringements of human rights were recorded. Of the Group's approximately 7,200 employees, 45% are women. The recruitment of female managers is important to Nolato. The unit in Hungary continued its recruitment of people with disabilities.
 Anticorruption	There should be no cases of bribery, corruption or cartel formation. Continued active information to employees. Global Goal: 'Peace, justice and strong institutions'	▲ Anti-corruption measures are being implemented at Group companies. Training, information and discussions are important tools in this work. Web-based training on business ethics was provided in 2017. The Group has introduced a whistleblowing system and no events relating to corruption or inadequate business ethics were recorded during the year.
 Customers	Customer requirements regarding the environment and social responsibility should be met by a comfortable margin. Global Goal: 'Responsible consumption and production.'	▲ A large proportion of Nolato's customers stipulate detailed sustainable development requirements. The results of customer evaluations and audits were good during the year. Two plants in China and one in Malaysia have been approved as Sony Green Partners.
 Suppliers	Improved evaluation of suppliers' sustainability work. Global Goal: 'Responsible consumption and production.'	▲ In 2017, Group companies conducted 235 (173) evaluations of suppliers' sustainability work. The suppliers satisfied Nolato's requirements at an acceptable or good level.
 Society, investors and analysts	Reporting must be in accordance with GRI and CDP guidelines. Nolato will continue to endorse the Global Compact. We aim to achieve good results in evaluations by analysts and independent institutions through transparent information in the field of sustainability.	▲ Social engagement activities in China and elsewhere. Good results from evaluations of sustainability work in business magazines and by investors. CPD-based reporting of carbon emissions and reporting to the UN (COP).

▲ The target was achieved ▶ Positive trend, but work remains to achieve the target ▼ Negative trend ► Unchanged situation

Case study – Climate change

Science-based emissions targets

“The Paris Agreement is a global agreement on climate change adopted in December 2015. The agreement contains an action plan to restrict global warming to well below 2°C. The plan covers the period from 2020 and beyond. The key points of the agreement concern long-term global climate targets, for the countries of the world to establish national action plans and for countries to report what progress they are making to meet these plans. Another important aspect of the agreement is for developed countries to contribute climate funding to help developing countries,” says Torbjörn Brorson, Head of Sustainable Development at Nolato and professor at Lund University.

“Climate change is an important global issue that affects all of us. There are high expectations of efforts by the business sector and companies can contribute through measures such as their own emissions targets, action plans and measures, and developing low-carbon products. Nolato has had carbon emissions targets in place for a long time, and these are set based on what we believe is reasonable and possible to achieve. The concept of science-based emissions targets emerged a few years ago and I wanted to look into how the concept could be applied within Nolato,” says Torbjörn.

“To examine the theory and application of science-based emissions targets, a student from the International Institute for Industrial Environmental Economics (IIIEE) at Lund University, was approached. Jelena Mnacakanjan from Hungary was interested in the subject and in 2017 wrote a master’s thesis entitled Science-Based Targets for a Low-Carbon Economy – Drivers and Barriers for Global Companies.”

The Science Based Targets initiative was established by the UN, the World Wide Fund for Nature (WWF) and the World Resources Institute, and aims to enable companies to adopt emissions targets in accordance with UN’s Paris Agreement. So far around 320 companies have had their targets audited



and approved, and in many cases these companies are making long-term and demanding commitments.

In researching the subject, Jelena Mnacakanjan found that Nolato’s sustainability work was already advanced and that the introduction of science-based emissions targets would not have any dramatic consequences for the Group. However, she highlights a number of advantages, including a more long-term commitment to reduce the carbon footprint. Other benefits include the ability to clearly communicate carbon-related measures, and to be subject to external audits of carbon emissions performance over time. Jelena also recommended that Nolato expand its gathering of emissions data to also include transportation, suppliers, raw materials and other emissions sources not currently fully included in the Group’s reporting.

“Jelena submitted an excellent degree thesis, which contributed to increasing knowledge about the concept of science-based emissions targets. We have not yet determined whether Nolato will apply these types of targets. We see both advantages and disadvantages, and as usual we don’t want to increase our administrative burden. Despite this, there were a lot of good ideas in Jelena’s thesis that we have already taken on board,” concludes Torbjörn Brorson. ■

Environmental responsibility

Technologies and environmental aspects

Nolato develops and manufactures products in polymer materials such as plastic, silicone and TPE for customers within medical technology, pharmaceuticals, consumer electronics, 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.

Production technologies include:

- ▶ **Injection moulding** – Technology for manufacturing components from plastic, silicone and TPE to highly precise dimensions and stringent quality requirements. Our most common production technology.
- ▶ **Injection blow moulding** – Technology for manufacturing plastic bottles and containers. We use this method for the manufacture of pharmaceutical packaging.
- ▶ **Dip moulding** – Technology for the production of flexible, airtight latex rubber products. This is used to manufacture products such as catheter balloons and breathing bags.
- ▶ **Extrusion** – Technology for the production of tubing and other tubular products. This technique is used to manufacture items such as urine catheters and EMC shielding gaskets.
- ▶ **Die-cutting** – Technology for producing flat products from one or more materials. We use die-cutting for manufacturing adhesive, gaskets, seals and cosmetic details for customers in the telecom, automotive, medical technology and electronics industries.
- ▶ **EMC shielding** – Techniques and materials developed to achieve electromagnetic compatibility, i.e. to prevent disruption from electromagnetic radiation between electronic components. Radio base stations are an example of a customer product that uses shielding.
- ▶ **Post-processing** – We provide components with the desired finish through painting, decoration and metallisation of components for products like mobile phones and medical devices.

- ▶ **Assembly** – Assembly of components to create a complete product or subsystem. This may take place on a fully automated, semi-automated or fully manual basis. Automated assembly is mainly carried out for medical devices such as autoinjectors, for which assembly is performed on a fully automated basis at high volumes.

From a life cycle perspective, the above technologies cause different types of interaction with the surrounding environment, and in most cases they have a very limited negative impact.

At production facilities, direct environmental aspects may be linked to the use of energy, raw materials (mainly plastics) and solvents. Other significant environmental aspects are the occurrence of waste and emissions to air of CO₂ and solvents.

Indirect environmental aspects mainly include supplier activities, transport and the use of Nolato's products.

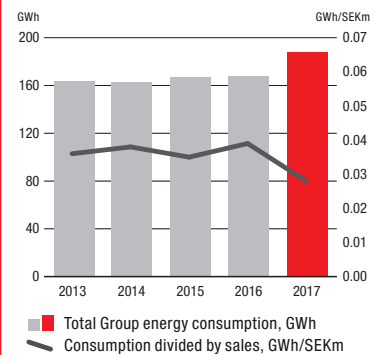
In the final phase of their life cycle products are recycled in the form of materials or energy, but as with other plastic products some of the material ends up in landfill or the natural environment.

💡 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 (86%) and district heating (10%). Some units use fuel oil, natural gas or propane for heating and running purification equipment. The use of fuel oil accounts for around 1% of total energy consumption and is decreasing gradually. Fuel oil is being replaced by heat pumps or bio-fuel. Fossil fuels account for approximately 4% and purchased 'green electricity' for 46% of total energy consumption.

Energy consumption amounted to 188 GWh (169) in 2017 and the key performance indicator, which places energy use in relation to sales, has shown a declining trend since 2011. The cost of energy in 2017 was approximately SEK 136 million (123). ▶

Energy consumption



Measures aimed at boosting energy efficiency include:

- ▶ Energy audits – Energy audits in accordance with the EU energy efficiency directive have so far been performed at 10 units. These reviews identify good energy saving opportunities. This may involve optimising ventilation, cooling, lighting and compressed air. Nolato will continue conducting these audits and carrying out cost-effective measures. Three units will conduct audits over the next few years.
- ▶ Energy-efficient equipment and processes – The change from hydraulic injection moulding machines to electrical machines increases energy efficiency and reduces the handling of hydraulic oils. A dipping robot at Nolato MediTor is continuing to make 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.
- ▶ ISO 50001 – The introduction of a certified energy management system (ISO 50001) at UK units is highlighting energy efficiency.
- ▶ Buildings and lighting – The use of surplus heat from equipment to heat premises and warehouse buildings at Nolato Contour. The installation of systems for free cooling is reducing energy consumption at Nolato Hungary. Lighting is also being extensively replaced with LEB bulbs. Installation of movement sensors for lighting. Installation of electricity meters at strategic points in buildings.
- ▶ Training and engagement – Measures to minimise scrap and production reruns, which also reduces energy consumption. Training and close monitoring of energy consumption gets employees involved in saving energy.

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 our suppliers and customers.

Reporting of emissions primarily includes direct and indirect energy consumption. Emissions from transportation, business

travel, suppliers and users of Nolato’s products are not insignificant and we now have statistics on our Swedish companies’ transportation by road, water and air. These emissions amount to around 1,500 tonnes a year.

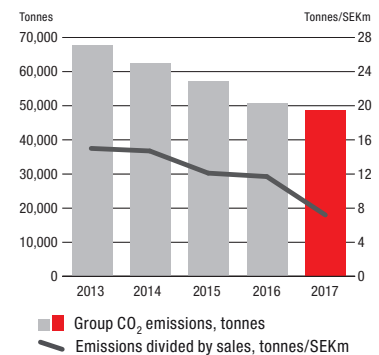
In 2017, Nolato’s production plants emitted 48,600 tonnes (51,000) of CO₂, less than 3% of which was caused by the direct use of fossil fuels. Other emissions were generated mainly from the production of electricity and district heating in those countries in which we operate. Countries such as China, the US and Poland use coal extensively for electricity production, causing significant carbon dioxide emissions, which has a major impact on the Group’s carbon footprint. This mainly applies to our operations in China. The situation regarding Nolato’s carbon footprint is affected by a number of factors, such as the following:

- ▶ The business in Sweden and Hungary is reducing indirect CO₂ emissions by more than 20,000 tonnes a year by purchasing fossil-free electricity.
- ▶ The carbon footprint is decreasing as a result of measures to boost energy efficiency, including energy audits and the introduction of ISO 50001. And the phasing-out of fuel oil and installation of heat pumps or the use of bio-fuel is also helping reduce the carbon footprint.
- ▶ Other measures concern reduced scrap, better waste management, the purchase of more fuel-efficient vehicles, increased use of teleconferences and improved logistics.
- ▶ UK-based Nolato Jaycare previously purchased zero emissions electricity, but in 2017 fossil-based electricity was also included in the energy mix. Emissions consequently increased by around 8,000 tonnes. The company has signed a national climate change agreement. The agreement covers energy-intensive industry and, by reducing 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 360 tonnes (450) of paints and solvents resulted in emissions of around 55 tonnes (60) of VOCs (volatile organic compounds). The majority of these substances are used for the painting of mobile phones and other products in Beijing. Efficient purification equipment installed in 2015 is resulting in emissions being cut by around half compared with previously. The ▶

Carbon dioxide emissions, CO₂



measures to improve air quality in Beijing are appreciated by local environmental authorities. Thus far, Nolato has not been subject to demands for the temporary closure of industrial operations during episodes of significant air pollution in the city.

There are just over 3.1 tonnes (2.7) of ozone-depleting substances (HFCs; F-gases) in air-conditioning and other equipment at around 10 production units. A minor leakage occurred during the year, which corresponded to around 2% of the installed amount. Emissions of sulphur dioxide and nitric oxides remained low and amounted to 3 tonnes (4). Emissions of dust and malodorous substances are negligible, and no complaints were received during the year.

Raw materials and chemicals

Production processes used around 38,000 (34,000) tonnes of polymer materials in 2017. More than 97% 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 1,900 (1,600) tonnes/year, are metals, paints and solvents.

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 an interest in using recycled plastic, such as in the use for some mobile phone models or vehicle components. The amount of recycled plastic used during the year was approximately 400 tonnes (400) and customer projects are underway with the aim of increasing the proportion of recycled materials. This is a groupwide target. 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, such as bioplastics (see below).

An environmental aspect that concerns most of the Group's companies are customer requirements for products to not contain 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. This concerns substances such as softening phthalates that occur in some components produced by Nolato. Continual activities are being undertaken to reduce the risks of chemical substances and during the year around 20 chemical products were substituted with alternatives that are better for the environment and health.

Solvent-based paints are another area in which it is beneficial from a health and environmental perspective to switch to water-based products. Our aims sometimes conflict with customers' technical product requirements and the use of water-based paints is currently low.

Case study – Plastics in the environment

Recycled raw materials and 'green' plastics

Plastics are receiving negative coverage, with the criticism mainly being about plastic waste that ends up in the sea, injuring fish and other marine life. The criticism also relates to the fact that plastic may contain additives that are hazardous to the environment and to health, and that they are produced from fossil raw materials and consequently have an impact on the climate.

"Every year, Nolato uses more than 35,000 tonnes of plastic. Many of the products that Nolato manufacturers are long-lasting and used in vehicles, garden machinery, mobile phones, furniture and medical equipment. These don't constitute a major problem in this context and the products themselves are often subject to legal requirements and well-developed systems for recycling. It's also unlikely that, for example, chainsaws, domestic appliances and toilet flush mechanisms end up in the sea," says Nolato's Head of Sustainable Development Torbjörn Brorson.

"Nolato also produces plastic products with a short lifespan. These include consumer packaging for pharmaceuticals and food supplements, which usually end up in domestic waste and are then handled in a controlled manner. Other examples include single-use products used in health care, but there are usually good systems for collecting and sorting this type of waste.



Nolato has come a long way in its efforts to phase out hazardous chemical additives in plastic. As Nolato's main raw material is plastic, we also take care to ensure that as little as possible ends up as waste. So we have a strong focus on reducing waste and scrap. We also have a target to both increase the use of recycled plastic, as well as plastic that doesn't come from fossil raw material, i.e. bioplastics," notes Torbjörn.

"We have recently tested polyethylene plastic using raw material from sugarcane. Instead of producing the ethylene from oil, you produce the same molecule from biological material. Ultimately it has an identical polyethylene molecular structure with the same technical properties as fossil-based plastic. The difference is in the carbon footprint, which is very small for bioplastic. This 'green' plastic functions excellently in all our production technologies so now we just need to persuade customers to request this material," comments Darren Whitworth, Engineering Manager at Nolato Jaycare. ■



Water issues

Nolato's facilities use municipal water for purification equipment, some production processes, cleaning, sanitation and cooling. In 2017, 177,900 m³ (163,700) of water were used at a cost of around SEK 2.9 million (2.4).

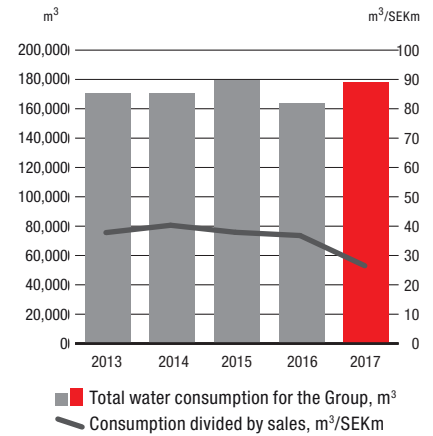
Plants have systems in place to reduce water consumption, such as closed cooling water systems for injection moulding machines and other equipment. Nevertheless, there are some production processes in which water consumption is high. This mainly applies to the manufacture of latex rubber breathing bags in Torekov, which accounts for around 13% of total usage.

Several thousand people work at Nolato in Beijing and this is reflected by the fact that the unit accounts for just over 55% of the Group's water consumption. The city of Bei-

jing has been identified as a water shortage area and that company is undertaking various measures to reduce its water consumption. This relates to involving personnel, identifying leaks, repairing leaking equipment and checking that water is not being used when equipment and premises are not in use.

The amounts of pollutants discharged to wastewater are limited and consist 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. One exception are certain chemical substances at Nolato MediTor in Torekov, which have an effect on the purification processes of the municipal wastewater treatment plant. During the year cooperation was initiated with Lund University Faculty of Engineering to identify disruptive substances and reduce the impact on the wastewater

Water consumption



Case study – Effect on wastewater treatment

Smart solution for wastewater issue

Emissions of industrial wastewater to wastewater treatment plants can cause problems as the water can contain different types of chemical substances. These substances are specific to the company's production processes and municipal wastewater treatment plants are not normally designed to neutralise such substances. They may simply pass through and end up in the sea or in a watercourse. These substances may also accumulate in the wastewater treatment plant's sludge or disrupt the biological purification processes.

"Wastewater from our plant is cleaned at Torekov's wastewater treatment plant. There have been difficulties for a number of years with biological treatment and it is principally the nitrification process that has periodically worked poorly. If this process doesn't work, excessive amounts of nitrogen are released into the sea, which causes eutrophication and oxygen deprivation," explains Kristian Sandberg, Quality and Environmental Affairs Manager at MediTor.

"As MediTor releases relatively large amounts of wastewater from the manufacturing of breathing bags, the managers at the wastewater treatment plant naturally contacted us. The challenge was for us to investigate the wastewater to check whether it contained substances that affect the nitrification process."

"Over recent years, we have conducted several different investigations and trialled purification equipment, unfortunately without any apparent effect. It was only when we found a real specialist in the nitrification process that things started to happen. In 2017, we got in touch with Senior Lecturer Karin Jönsson at Lund University Faculty of Engineering. She approached students Vidar Aspelin and Jennifer Ekholm about writing their degree thesis on our wastewater problems," continues Kristian.



"Vidar and Jennifer mapped where the different wastewater fractions occur, identified the risks of the chemical substances used, and performed a large number of nitrification inhibition tests. It transpired that the leachate contains several chemicals that inhibit nitrification and are therefore a key culprit in this issue.

"The students' work was really valuable and gave us the ability to implement specific measures. One of those measures relates to the use of chemicals and we have been able to reduce this by outsourcing some of these processes to subcontractors. Another important measure was to optimise the leaching process. This process aims to scrub the chemical substances that affect the performance of breathing bags. We therefore conducted a detailed assessment of how much leachate was actually needed. An important conclusion was that we now produce many more breathing bags than before, but we have not increased the amount of leachate. This presented risks of quality issues and using large volumes of water minimises these risks. The increased volume of water is also positive with regard to the inhibition of nitrification," notes Kristian Sandberg.

"Once we had implemented both measures we had to take a new measurement of nitrification inhibition. As expected, it had fallen to acceptable levels. This complex problem appears to have been resolved and the wastewater treatment plant representative has approved the measures. We will of course inspect the wastewater regularly to monitor developments." ■

treatment plant. The project went well and the company has taken corrective measures (see article on page 17).

Waste

Approximately 6,500 tonnes (5,200) of waste was generated in 2017. Hazardous waste amounted to 470 tonnes (430). Around 54% (64) of waste was recycled as materials and 21% (14) as energy. Landfill disposal of waste remains at a low level, amounting to around 8% (7) of the total amount. 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. Hazardous waste accounted for 7% (8). External waste management costs amounted to SEK 5.5 million (3.7).

Transport

During the year, we continued to focus on the environmental impact from the transportation of freight and from business travel. Here are some examples of action taken:

- ▶ Central procurement of transport services in Sweden incorporates sustainability criteria, including access to emissions data for CO₂, NO_x, SO₂ and other air pollutants. In China too, Nolato places environmental requirements on transport firms and asks that they use environmentally certified vehicles. In the UK, the main carrier used is a company registered under the Fleet Operator Recognition Scheme (FORS). This is scheme that covers legal compliance, safety, efficiency and environmental protection.
- ▶ Many Group companies make use of video conferencing. For example, Nolato Cerbo has installed systems that are open to companies outside Nolato. This has reduced the number of visits to suppliers.
- ▶ Many of the Group's companies are optimising transportation, including through higher fill ratios in trucks, coordinated

transport and environmentally optimised routes. Nolato MediTor has approved Nolato Stargard in Poland as a direct supplier to a customer. This reduces shipments by an estimated 7,000 km a year.

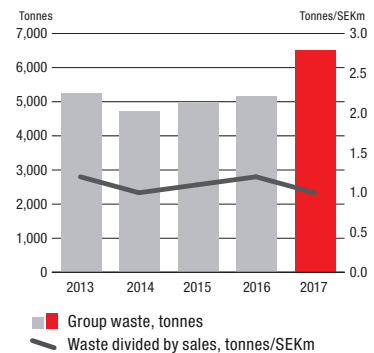
- ▶ Bulk handling instead of handling material in sacks reduces the number of shipments. Intelligent packaging solutions by Nolato Jaycare are cutting the number of shipments between the UK and Italy.

Products with environmental benefits

Our aim is for Nolato to be the customer's first choice in relation to sustainable development. Working together with customers, we contribute concept development, design, choice of materials, structure, prototypes, production moulds, 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, component for vehicles, domestic appliances and chainsaws, to pharmaceutical packaging and medical devices. Below are some examples of ongoing projects and existing products:

- ▶ Nolato Beijing is working on several projects relating to increasing the use of recycled raw materials.
- ▶ Nolato Plasttechnik has a project to replace the chrome plating of plastic components using a different method. In addition, aluminium is continuing to be replaced with plastic in vehicle components. Another example is one of the company's bulk products, whose lean design uses less polymer.
- ▶ Nolato MediTor is also conducting projects to reduce the PP plastic content in certain applications, offering benefits both from an environmental and logistical perspective.
- ▶ Nolato Polymer has tested a raw material that contains 70% bio-based materials. One new customer product is already using 20–70% biomaterial.
- ▶ Nolato Gota and Nolato Lövepac manufacture components for Volvo Cars' Drive-E generation of engines. These engines are around 20% more efficient than their predecessors.
- ▶ Plastics are replacing other materials in vehicles, household appliances and chain

Waste



saws. This results in reduced weight and fuel consumption.

- ▶ Nolato Jaycare in Portsmouth in the UK manufactures containers for handling hazardous clinical waste (Sharpak). The aim is to establish Sharpak as the first choice for clinical waste management globally.
- ▶ Nolato MediTor's environmentally optimised breathing bags use less polymer material and have a smaller carbon footprint. The company also offers phthalate-free breathing bags.
- ▶ Nolato Jaycare in Newcastle in the UK has successfully tested production using fossil-free polyethylene plastic manufactured from bio-based ethylene raw materials.
- ▶ Nolato participates in developing environmental technology products, such as fuel cells.
- ▶ Nolato Lövepac has developed eco-friendly traps for bedbugs. Instead of pesticide they use strips with dark cavities that attract bedbugs, which are then killed off when exposed to diatomaceous earth.
- ▶ Nolato Cerbo produces pharmaceutical packaging with less plastic and therefore a smaller carbon footprint.
- ▶ Lövepac Converting is working with researchers to develop zirconium dioxide-based products. Zirconium dioxide is a highly durable ceramic that is chemical-resistant, has a natural beauty and an exceptionally smooth surface. In addition, the material is fully biocompatible, which means wearers of items made from zirconium dioxide won't suffer any allergic reaction.

Accidents and complaints

In 2017, there were no cases of accidents or uncontrolled environmental emissions. Two complaints from local residents regarding noise levels and light were recorded. ■

Case study – Energy efficiency reduces carbon footprint

Energy and carbon footprint are priorities

Nolato is highly dependent on electricity and over 85% of its energy consumption consists of electricity purchased in those countries in which the Group operates. This involves significant amounts of energy, leading to costs for the Group and generating carbon emissions. The efficient use of energy has always been important and for many years various measures have been implemented to increase energy efficiency. Ongoing climate change now requires increased efforts from the whole of society and issues concerning energy and carbon emissions are consequently priority areas for Nolato.

“In 2017 we conducted an energy audit at Nolato Lövepac in Skånes Fagerhult, Sweden. A key driver, of course, is to find where energy is being wasted, but the audit was also a means for Nolato to meet the new EU energy directive. Using energy statistics and an energy balance, together with energy expertise our audit identified those activities requiring the most energy at the plant,” explains Henrik Enoksson, Managing Director of Nolato Lövepac.

“The audit showed that there is potential to make improvements both in terms of energy consumption and carbon emissions. By installing additional heat pump capacity we could phase out the use of oil, cutting our carbon footprint. We also found that 25–30% of energy consumption was more or less constant, even when there was no production. That should offer the opportunity to save energy. And of course we'll also be working on increasing the energy efficiency of lighting, ventilation and compressed air,” adds Henrik.

“Nolato Treff in Switzerland has been working on energy issues for some time. Obviously this relates to our business' finances, but it also relates to the

demanding energy legislation in Switzerland. But issues around energy are complex and it's not always easy to find good solutions.

“We manufacture lots of products from plastic, which requires a high temperature for processing. This leads to energy consumption for both heating and cooling. In addition, the temperature in the work premises has to be kept at a reasonable level. This part of Switzerland gets quite warm for large parts of the year, and combined with the waste heat from the equipment, there's a lot of heat that needs to be vented. We're saving a lot of energy by installing a separate cooling system for products that require high processing temperatures and another system for processes with lower temperatures. Another key initiative was installing heat pumps to use the waste heat from the compressors. We now use this heat to heat the main building and we've phased out the use of fossil fuel oil. In terms of all the energy initiatives taken over a period of five years, it amounts to savings of more than 18%,” notes Guido Vollrath, Managing Director of Nolato Treff. ■



Social responsibility

The average number of employees in 2017 was 7,249 (6,418). All units are wholly owned by Nolato and comply fully with the guidelines in Nolato's Basic Principles and Code of Conduct. The practical work relating to personnel issues in the Group is decentralised. 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.

The total figure for the average number of employees includes approximately 3,000 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 organisation. In accordance with the Group's Code of Conduct, these employees are covered according to the same principles as Nolato's other employees in China with regard to the setting of wages, benefits, working hours, work environment, social responsibility, etc.

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 practice.

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 combatting 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 includes 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 gender equality plans are in place at around two-thirds of units and over the year around 10 units introduced measures to promote gender equality, for example relating to recruitment.

In 2017, 45% (49) of Nolato employees were women. The balance between the number of men and women varies from country to country, and in Sweden and the UK there is a predominance of male staff. In Hungary, China, Poland and Romania there is a predominance of women. 30% (22) of Nolato's Board are women, while the corresponding figure for Group management is 0% (0). Around 29 (27) of other senior executives are women, which corresponds to 20% (20).

In accordance with the undertakings in the Code of Conduct, we work to combat all discrimination. One particular group in this respect is people with disabilities, and these employees are treated the same as other employees. People with disabilities work at units in Beijing (China), Gothenburg (Sweden), Newcastle (UK) and Mosonmagyaróvár (Hungary). Nolato's work in Hungary has received significant attention and has been recognised with awards.

Whistleblowing

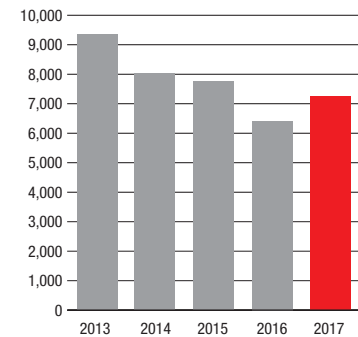
In order to quickly alert the company to breaches of the Group's Code of Conduct or other serious irregularities, employees can sound the alarm regarding any irregularities without risk of reprisals or pressure (whistleblowing). No such cases were reported in 2017.

Training and personal development

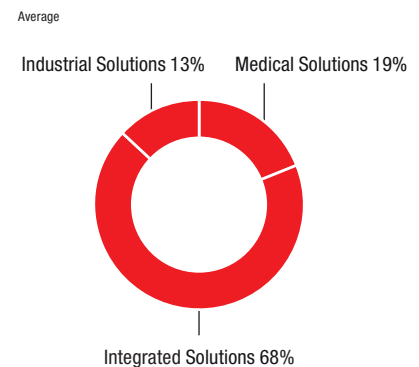
Training is a key development tool for personnel, and we offer management development courses, as well as large number of specific training courses on quality, technology, our Code of Conduct, and health and safety. In 2017, employees attended a total of 341,000 (338,000) hours of training, which equates to approximately 47 (53) hours per employee. A particularly large number of courses were arranged in China, Hungary, Sweden and the US. New employees are an important target group for information and training measures.

During the year, around 2,380 (2,050) employees participated in performance reviews, career development or other assess-

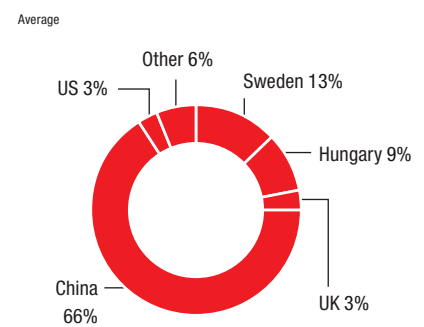
Average no. employees



Employees by business area



Employees by country



ments 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 other year or every three years, and during the year 10 (9) surveys were conducted. Overall, the work atmosphere was deemed to be good and a number of improvements were suggested by employees. These concerned topics such as leadership, communication and training.

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 Programme, which includes activities concerning health, safety, sports, lifestyle and language tuition. The programme 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 400 modules on lean manufacturing, quality management, safety, project management and other areas. Happy Station is an initiative in which managers and employees take part every month in competitions aimed at encouraging bonding, creativity and enthusiasm at work. An activity that has been popular for some years is a day trip to central Beijing. In 2017, 1,344 employees took part in the Beijing One Day Tour.

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 safety committees are in place at 91% of units, covering essentially all employees. An important aspect of this systematic work is the introduction of OHSAS 18001 health and safety management systems. Six (six) units are currently certified and a further eight are planning certification over the next year or so. As ISO 45001 will be published in 2018, a number of units are deferring certification and will instead opt for the new international health and safety standard. With regard to health

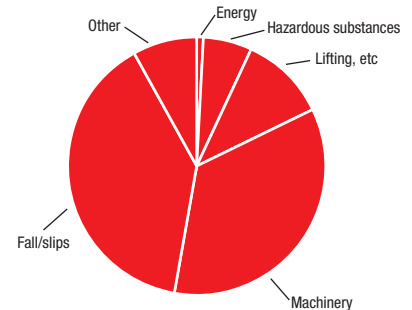
and safety, 8 (5) units were inspected by occupational environment authorities during the year. Some minor deviations regarding machine safety were noted and these have been rectified.

In 2017, there were 47 (63) lost work cases (LWCs), which resulted in a total of 564 (447) days of absence. No accidents were recorded concerning contractors. As in previous years, the most common causes were injuries from heavy lifting, repetitive work, machinery and falls and slips, which in most cases resulted in limited absence. Over a five-year period the accident rate averages 3.2 accidents resulting in absence per million hours worked. From an industrial perspective this is low, but more measures remain to be implemented for all accidents to be ultimately eliminated. Systems for registering near misses were enhanced and have now been introduced at all units, apart from at one recently acquired unit. During the year, 689 (583) 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 5.8 hours (5.0) per employee were spent on these courses. New employees were an important target group. Training on first aid, chemical health risks, personal protective equipment, hot work, forklift driving, fire safety, ergonomics and machine safety is provided frequently.

Nolato Beijing received the Safety Month Best Practice award from Beijing Business Development Area (BDA). Nolato Hungary received the Disabled Friendly Workplace Award for its initiatives regarding employees with disabilities. ■

Causes of occupational accidents



Occupational accidents

Year	2013	2014	2015	2016	2017
LWC*	34	43	36	63	47
LWC per employee	2.0	2.9	2.3	5.0	3.7
LWD*	381	929	405	447	564
LWD per employee	23	62	27	35	45

*LWC = Lost Work Case (absence ≥ 1 day)
*LWD = Lost Work Day

Business partners and other stakeholders

Application of 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 characterised by integrity and responsibility. The Code of Conduct states that:

- ▶ Nolato does not offer gifts, benefits or payments that could influence, or be regarded as influencing, the objectivity of the recipients' decisions or that breach legislation and/or local practice.
- ▶ Nolato avoids situations in which company loyalty could come into conflict with personal interests. Nolato complies with competition law and promotes fair competition. 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 organisation.
- ▶ 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.

During the year, a web-based course in business ethics was arranged, aimed principally at senior managers and personnel in sales and marketing. Using the Global Compact checklists, we conduct annual evaluations of what measures companies take to counteract bribery. The assessment for 2017 shows that this work is governed by Nolato's Code of Conduct and the companies are continuing to actively combat corruption. Several companies report that they expanded their activities in relation to suppliers during the year. An assessment for the year shows that the Group's companies are working on is-

suues of business ethics at the same ambitious level as previous years. No cases of bribery, corruption or cartel formation were recorded in 2017.

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. We note that requirements on us as a cooperation partner are increasing and monitoring is becoming increasingly efficient. Customer requirements are making a constructive contribution to the development of Nolato's sustainability work.

In 2017, virtually all units reported customer requirements within sustainable development (see table below). Requirements relating to hazardous chemicals (REACH and RoHS) remain important over a five-year period. The same is true of requirements for Nolato to have a code of conduct and environmental management systems. Recent years have seen increasing requirements for proof that no conflict minerals (see Definitions and Glossary on page 33) are used in products. Conflict minerals occur in some products and we have introduced control mechanisms to ensure that they do not come from war zones.

During the year, 16 (15) of the Group's units were reviewed by customers from a range of sectors. This involves a significant number of questionnaires and audits. Overall, customers were very satisfied with Nolato's efforts, but some expressed a desire to see improvements, such as phthalate-free medical device products. In China, there was

a requirement to reduce the number of overtime hours.

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 Lövepac Converting, Nolato Beijing and Nolato Malaysia have 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 235 (173) reviews of suppliers with a focus on sustainable development. Around 180 of the reviews were based on questionnaires and over 50 cases involved formal audits. 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. In one case, cooperation was discontinued with a supplier.

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 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 ▶

Share of units that report customer sustainability requirements

Customer requirements	Percentage of units that report customer sustainability requirements (%)				
	2017	2016	2015	2014	2013
Introduce environmental management systems	55	67	55	53	32
Phase out hazardous chemicals	32	38	40	42	42
Compliance with REACH and RoHS	96	71	30	37	26
Product-related environmental information	32	52	65	53	42
Compliance with customer's code of conduct/CR requirements	64	71	75	79	74
Conflict minerals	82	80	80	58	0
Other requirements	27	24	25	10	21

be low. We therefore do not carry out detailed assessments of such companies.

Investors

Nolato's sustainability work is analysed regularly by investors and other organisations. The Group is approved under Swedbank Robur's responsible investment criteria.

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, employment fairs for applicants, internships and development projects. Below are some examples:

- ▶ Roughly half of units were in contact with schools and universities, including through study visits and internships. Nolato MediTor participates in the Engineering Courses

of the Future network. Nolato MediTech is participating in the 'ARKAD' project at Lund University Faculty of Engineering. Nolato MediTor cooperated with Lund University Faculty of Engineering on a project regarding wastewater issues (see article on page 17).

- ▶ Nolato Contour participated in the local labour market and, for example, offered students internships. The company is also involved in organisations within the plastics industry focused on research and development.
- ▶ Nolato Plastteknik is involved as a guest lecturer on lean manufacturing at Chalmers University of Technology.
- ▶ Nolato Malaysia is supporting the Green and Health Carnival project at the Science University of Malaysia. Nolato Stargard organised an eco-excursion for employees and their families.
- ▶ Nolato Cerbo is involved in the City of Trollhättan's 'TOPP' project focusing on basic training.
- ▶ Over the year, Nolato continued its collab-

oration with the International Institute for Industrial Environmental Economics (IIIEE) at Lund University.

- ▶ In Hungary, the employment of staff with different types of disability has 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. People with disabilities are also employed at other units in the Group, including in China.
- ▶ Nolato provides financial support for schools, healthcare, sports associations and social activities, and in many cases our involvement is long-term and Group employees contribute in different ways. One such project is Building Hope Together in China, which for the past five years has involved us helping a school in a poor area around four hours' drive north of Beijing (see article below). ■

Case study – Social engagement

Support for pupils and teachers in China

"Over the past five years, we have been involved in helping students and teachers at a school in a poor area around four hours' drive from Beijing. The school has around 60 pupils between the ages of 7 and 12. As their parents have to work in other parts of China, many of the children live at the school. Over the years our Building Hope Together project has donated computers, printers, desks, mattresses, bedding, clothing and other items that help with teaching and improve circumstances for the pupils and teachers", explains Anna Wang, HR Manager at Nolato's largest production unit in China.

Nolato donates as a company to the school's activities, but in addition to this over 40 employees and their families have become involved in the project in a private capacity. They visit the school and help financially with various donations, such as for clothing and books and for pupils and their families



that require additional support. In 2017, Nolato and individual employees donated towards items including school uniforms, toys and milk. Teachers and other staff were given Bluetooth headphones to use at work and in their free time.

"We also identified four pupils who, due to an illness or death in their family, needed additional support. Nolato's managers donated money and food and visited three of the families," adds Anna Wang.

Financial responsibility

Record year for Nolato

The Group's business areas demonstrated excellent growth in 2017 and sales increased to a new level. In 2017, sales rose by 51% to SEK 6,720 million (4,447). Operating profit (EBITA) increased by 67% to SEK 763 million (457). The operating margin (EBITA) was 11.4% (10.3).

The rise in sales was due to a sharp increase in sales by all business areas, with an exceptional increase for Integrated Solutions. The Group's operating profit rose sharply, mainly as a result of the strong sales performance. Earnings per share increased to SEK 21.74 (12.77).

Sustainable development and financial performance

In 2017, Nolato invested SEK 15.2 million (8.1) in measures to reduce environmental impact and improve health and safety. Just over 40% of investments related to energy efficiency improvements and around 40% were for preventive environmental measures.

Environmental costs amounted to SEK 18.2 million (14.6) 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 2.8 million (3.4). Savings arose mainly from more efficient energy consumption and improved waste management. The cost of water supply and sanitation amounted to SEK 2.9 million (2.4) and energy costs were SEK 136 million (123).

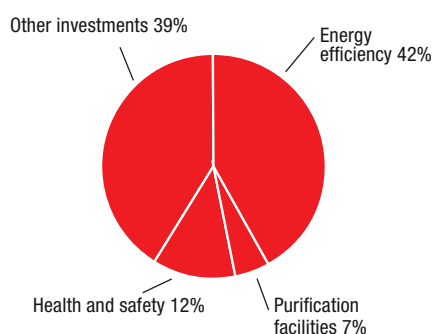
Financial value for stakeholders

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. Swedish corporation tax amounted to 22.0% (22.0) and the effective tax rate was 21.8% (23.3). ■

Financial highlights

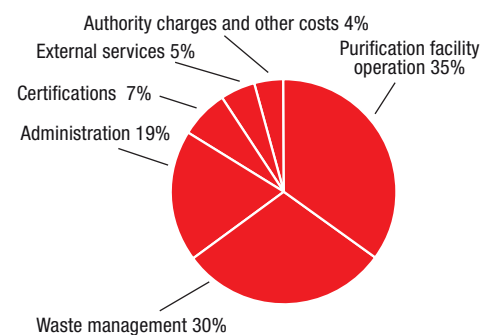
SEKm (unless otherwise specified)	2017	2016	2015
Net sales	6,720	4,447	4,726
Operating profit (EBITA)	763	457	570
EBITA margin, %	11.4	10.3	12.1
Profit after financial income and expenses	731	438	555
Profit for the year	572	336	420
Return on capital employed, %	26.6	20.6	29.6
Return on shareholders' equity, %	29.4	19.0	25.3
Equity/assets ratio, %	45	47	54
Earnings per share, SEK	21.74	12.77	15.97
Dividend per share (proposed)	12.50	10.50	10.00
Average number of employees	7,249	6,418	7,759

Environmental investments



Percentage share of the Group's investments in environment, health and safety.

Environmental costs



Percentage share of the Group's costs in environment, health and safety.

Financial value for stakeholders (SEKm)

Stakeholder	2017	2016	2015	Comments
Suppliers	4,495	2,546	2,752	Compensation for materials and services
Employees	1,534	1,283	1,250	Salaries and benefits
Shareholders	329	276	263	Dividend
Lenders	13	6	7	Interest expenses
Society	94	102	135	Recognised effective tax, Group
Total	6,465	4,215	4,407	

Risks and opportunities

Nolato's strategy includes continuously minimising operational risks through active and planned risk management, while still capitalising 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 2017 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 utilise these opportunities. We want customers to regard us as an important partner in sustainable development efforts.

Environmental legislation

Nolato's production units have the permits required for their operations, and no more extensive applications for permit renewals are planned for 2018. A few units are planning routine updates of their permits. Authorities in Beijing, China have tightened air pollution regulations. We met these new requirements by installing an advanced purification facility in 2014 that cuts solvent emissions.

With regard to the air pollution situation in Beijing, the risk that the authorities will take further measures cannot be ruled out. One such example was the recent requirement for 1,200 industrial businesses to temporarily shut down operations during a period of high air pollution. Nolato was not subject to this requirement and we believe our efforts to carry out purification measures helped in this regard.

Where applicable, the Group's units meet REACH chemical legislation, RoHS product legislation, producer's liability for packaging waste, CLP chemical legislation (on classification, labelling and packaging) and other relevant environmental and health and safety laws. We currently expect no increase in risks concerning new or amended legislation. Nolato is subject to the EU's Energy Efficiency Directive and energy audits have been conducted at 10 units and additional audits will be carried out. We believe there are good opportunities for improving energy efficiency and achieving cost savings. Reporting to the Swedish Energy Agency was undertaken in 2017.

Contaminated land and hazardous substances in buildings

There has been no known occurrence of contaminated land, neither are there any requirements in terms of investigations or decontamination. In Sweden, three plants have been classified according to the 'MIFO' method for contaminated soil. The risk assessment is administrative in nature and is not based on actual sample-taking. All the plants are in the lowest risk category and are not prioritised by the authorities for further inspections or measures.

Hazardous substances such as asbestos are present in some individual buildings and only result in measures in the event of refurbishment or renovation work. Their occurrence is documented and their status is inspected regularly. PCB inventories have been conducted at our Swedish operations in which small amounts of these hazardous substances were identified. Decontamination has been carried out in accordance with Swedish environmental legislation.

Environmental adaptation of products

Society has a growing interest in environmentally sustainable products, and one identifiable business risk could be our product range including products that are not accepted by customers for health and environmental reasons. The fossil-based origin of plastics has been called into question by various stakeholder groups. And the issue of microscopic particles of plastic in the world's oceans has also gained attention.

As a supplier, Nolato has some possibilities to counter this risk, but as most products are produced for customers, development must be carried out in collaboration with our cli-

ents. We constantly monitor developments so we can initiate the substitution of hazardous substances, introduce more environmentally friendly polymers and develop new products. We also have Group-wide targets regarding environmentally sustainable product development and increased use of renewable and recycled materials.

Climate-related risks

One of the Group's plants is located in an area where future climate changes could cause landslips (Gothenburg). We monitor the risk and vulnerability analyses performed by the authorities in this regard.

Climate change is an important issue to Nolato, and an overview of the Group's efforts to reduce its carbon footprint is provided on page 15. However, we need to be prepared for how climate change may affect the Group in financial terms. This may relate to damage to plants and infrastructure, and also aspects pertaining to raw materials supply, supplier circumstances and changed customer behaviour. Taxes, charges and limitations on emissions could, of course, also affect Nolato.

Business ethics

Deficient business ethics could damage Nolato's reputation and business operations. We take systematic measures to prevent corruption and other irregularities (see page 22).

Human rights

Infringement of human rights at the Group's companies or our suppliers could damage both the Group's reputation and its business operations. Nolato's Code of Conduct applies in the same way around the world. We promote the protection of human rights by informing people, training staff and through internal regulations and monitoring.

Energy costs

There is a risk of electricity prices rising and having a material negative impact on profitability and within Nolato this mainly applies to the purchase of electricity. The risk of negative effects from rising electricity prices is addressed by the Group entering into fixed price agreements for 20–80% of electricity requirements for the next four to 12 quarters. ■

A busy year

Over the course of a year, Nolato undertakes lots of measures relating to sustainable development. Below is a small sample of initiatives and activities at our units around the world.

Sweden

- ▶ Nolato Polymer in Torekov has replaced fossil-based fuel oil with HVO, a bio-based oil.
- ▶ Nolato MediTech in Hörby and Lomma continued Medical Excellence-related activities. More than 5,000 improvement suggestions, 1,000 of which related to the area of the environment and health and safety, have now been introduced. The company spoke to students about the industry and its business, including at events like the ARKAD careers fair at Lund University Faculty of Engineering. The methodology for assessing personnel's work situation was updated with a focus on psychosocial factors.
- ▶ Nolato Silikonteknik in Hallsberg identified significant environmentally related aspects in accordance with the new ISO 14001:2015 requirements.
- ▶ Nolato MediTor in Torekov conducted investigations into the properties of wastewater. A charging station for electric cars was installed. Fossil-based fuel oil was replaced with HVO, a bio-based form of energy.
- ▶ Nolato Gota in Götene conducted successful work on its energy- and water-related goals.
- ▶ Nolato Cerbo in Trollhättan introduced a new production organisation with three production managers. On health and safety (Green Cross), a fourth reporting category relating to potential health and safety risks was introduced. A more energy-efficient heat exchanger was installed. The company invested in its first hybrid machine for injection blow moulding (partially electric), and energy savings are estimated to be 30–40%. The amount of waste will also be reduced. The hydraulic oil cooling system was refurbished, reducing the risk of oil leaks. Risk analyses and a training course on health and safety were conducted.
- ▶ Gothenburg-based Nolato Plastteknik's investments in efficient equipment resulted

in an 10% decrease in the key performance indicator on energy consumption.

Hungary and Romania

- ▶ Nolato Hungary in Mosonmagyaróvár introduced a system to provide detailed monitoring of energy use and the volume of waste. Changes are monitored each quarter. The company received the Disabled Friendly Workplace Award for its work with people with disabilities.
- ▶ Nolato Romania in Negoiesti enhanced its system for the reuse and collection of packaging that is sent to customers.

UK

- ▶ Nolato Jaycare in Portsmouth installed a robot that both improves health and safety and cuts scrap. Work to replace older hydraulic machines with energy-efficient electric machinery continued. A programme of internal training of technicians is expected to help increase personnel know-how and create career paths.
- ▶ Nolato Jaycare in Newcastle achieved good results compared with the previous year including 8% less water consumption, 4% less energy consumption and 10% less waste. The amount of hazardous waste decreased by 60%. A charging station for electric cars was installed.

Poland

- ▶ Nolato Stargard achieved ISO 14001 certification. No occupational accidents occurred during the year. The company undertook an eco-excursion, with the participation of employees and their families. The aim was to generate interest in the countryside and the environment, and included various competitions such as the best nature photo and an environmental quiz.

Switzerland

- ▶ A successful energy efficiency project was undertaken.

China

- ▶ Nolato Beijing updated its environmental management system to ISO 14001:2015. The Employee Care Programme continued through dialogue with company management, excursions and various sporting

activities. E-learning activities were further developed with a focus on safety, quality management, lean manufacturing and language training. Leadership training for managers. Continued support of Building Hope Together, a programme through which Nolato supports a school. The company was awarded the BDA Safety Month Best Practice Award. It also achieved good results in customer audits and assessments.

- ▶ Lövepac Converting in Beijing focused in particular on safety for a month, while another month was dedicated especially to building a positive corporate culture. The company also focused on lean manufacturing.

Malaysia

- ▶ Nolato EMC in Penang was a Platinum Sponsor for the Green and Health Carnival at a technical university.

US

- ▶ Nolato Contour in Baldwin installed more energy-efficient ECO-Drive presses. Outdoor lighting was replaced with LED lighting and the use of hazardous solvents was eliminated on the factory floor. A plan was developed to increase the recycling of materials. ■

About our sustainability report

A focus on materiality

Nolato’s sustainability report for 2017, in accordance with GRI G4 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 and social responsibility activities and how these interact with our business activities.

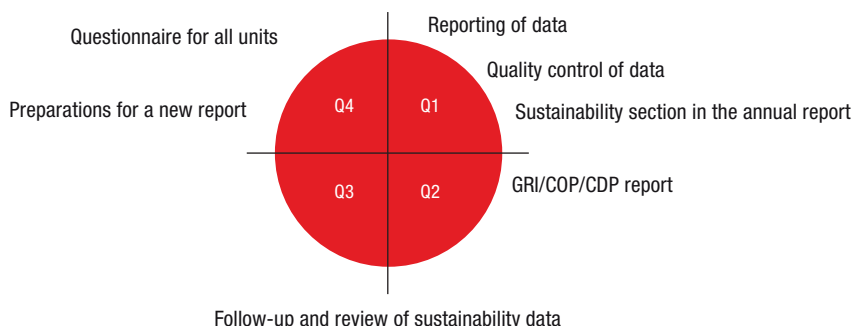
All units that were part of the Nolato Group in 2017 are included in the report. In total, 22 (21) production facilities contributed data. A summary of the different units’ significance in terms of the reporting is provided in the table.

Reporting principles

Each production unit provides quantitative and qualitative information in accordance with Nolato’s sustainability reporting form. The annual cycle of the report is shown below. 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, sulphur dioxide and nitric oxides from direct energy usage are established using conversion factors. These are based on the energy content and quality of the fuels used. The calculation of carbon emissions from indirect energy consumption – mainly electricity – is based on emission factors from DEFRA (Conversion Factors for Company Reporting 2015) for those countries in which Nolato operates. During the year, updated conversion factors were applied as the previous factors from 2010 were replaced with new factors from 2015. In most cases this has reduced the extent of emissions. 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. ■

Company/plant	Country	Average number of employees	Building area (m ²)	Year established	Permits under environmental legislation	Significance to sustainability report
Nolato Beijing, Beijing	China	4,585	37,009	2001	Yes	High
Nolato Hungary, Masonmagyaróvár	Hungary	670	18,431	2000	Yes	High
Lövepac Converting, Beijing	China	168	6,168	2010	No	Medium
Nolato Polymer, Torekov/Ångelholm	Sweden	59	11,035	1973, 1995	Yes	Medium
Nolato Jaycare, Portsmouth	UK	121	11,132	1986	Yes	Medium
Nolato Jaycare, Newcastle	UK	118	4,790	1998	Yes	Medium
Nolato MediTech, Hörby	Sweden	154	7,000	1999	Yes	Medium
Nolato MediTech, Lomma	Sweden	72	5,000	1980	Yes	Medium
Nolato Cerbo, Trollhättan	Sweden	120	11,000	1971	Yes	Medium
Nolato MediTor, Torekov	Sweden	68	4,500	1973	Yes	Medium
Nolato Gota, Götene	Sweden	176	23,004	1965	Yes	Medium
Nolato Contour, Baldwin	US	194	8,361	1993	Yes	Medium
Nolato Plastteknik AB, Gothenburg	Sweden	111	13,000	1980	Yes	Medium
Nolato Treff	Switzerland	211	11,000	1946	No	Medium
Nolato Lövepac, Skånes Fagerhult	Sweden	51	4,200	1968	No	Low
Nolato Romania, Negoiesti	Romania	54	2,960	2010	Yes	Low
Nolato Hertila, Åstorp	Sweden	26	4,474	2000	Yes	Low
Nolato Silikonteknik, Hallsberg	Sweden	65	3,600	1995	Yes	Low
Nolato Grizzly, Stargard	Poland	127	4,633	1996	No	Low
Nolato, Penang	Malaysia	69	3,350	2016	No	Low
Lövepac Converting, Shenzhen	China	6	580	2008	No	Low



Nolato and GRI

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

stakeholders. The reporting should provide a comprehensive, balanced, comparable, thorough and credible presentation of the organisation's sustainability performance. It should include both positive and negative aspects. Nolato has chosen to report in accordance with the Core GRI G4 level, and the indicators have been adapted in line with the evalu-

ation of the significant sustainability aspects detailed on page 9. The table below shows the extent to which Nolato works in accordance with GRI G4.

SR in the table refers to pages in the Sustainability Report (this document), and AR to pages in the Annual Report for 2017. ■

Core areas covered by the report (General Standard Disclosures)		
GRI designation	Requirement or indicator	Reference
Strategy and analysis		
G4-1	Statement from the President and CEO on the importance of sustainability issues and Nolato's sustainability strategy.	SR3; AR8
G4-2	Description of the key effects, risks and opportunities for Nolato's stakeholders. Trends, targets and programmes.	SR12
Organisational profile		
G4-3	Name of the reporting organisation.	Nolato AB (publ)
G4-4	Primary brands, products and services.	AR5
G4-5	Location of Nolato's headquarters.	Torekov
G4-6	Number of countries where Nolato operates and other geographic areas that are relevant with regard to sustainable development.	SR20; AR6
G4-7	Ownership and legal form.	AR41
G4-8	Nolato's markets and customers.	AR6-7
G4-9	Number of employees, number of operations, net sales, debt and equity, quantity of products provided.	AR5
G4-10	Employees (employment type, gender, region, variations in employment numbers).	SR20
G4-11	Percentage of employees covered by collective bargaining agreements.	SR20
G4-12	Description of Nolato's supply chain.	SR22
G4-13	Significant changes during the reporting period (size, structure, ownership, supply chain).	SR27
G4-14	Description of how the precautionary approach is applied by Nolato.	SR8,11
G4-15	Initiatives/principles to which the organisation subscribes or which it endorses.	SR8
G4-16	Membership of national and international organisations.	SR31
Identified material aspects and boundaries		
G4-17	Companies included in Nolato's financial statements. Companies included in the sustainability report.	SR27
G4-18	The process for defining the report content and the aspect boundaries.	SR27
G4-19	List of all the material aspects identified in the process for defining report content.	SR9
G4-20	Reason why aspects are regarded as material within Nolato. Internal limitation of the aspects.	SR9
G4-21	Reason why aspects are regarded as material outside Nolato. External limitation of the aspects.	SR9
G4-22	Comments on any restatements of information provided in previous reports.	SR27
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries.	No significant changes
Stakeholder engagement		
G4-24	List of stakeholder groups engaged by Nolato.	SR10
G4-25	Basis for identification and selection of stakeholders.	SR10
G4-26	Description of Nolato's stakeholder engagement.	SR10,12,22
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how Nolato has responded to these.	SR10

Reporting profile		
G4-28	Reporting period.	Calendar year 2017
G4-29	Date of most recent sustainability report.	March 2017
G4-30	Reporting cycle.	SR27
G4-31	Contact point for the sustainability report.	Torbjörn Brorson
GRI contents		
G4-32	References to GRI requirements and indicators.	This GRI content index.
G4-33	Policy for external assurance for the report.	No external verification.
Governance		
G4-34	Governance structure for Nolato's sustainability work.	SR7-8
Ethics and integrity		
G4-56	Nolato's core values, Code of Conduct and policies.	SR8; www.nolato.com/sustainability
G4-58	Reporting mechanisms for unethical behaviour, e.g. whistleblowing.	SR22

Indicators		
GRI designation	Requirement or indicator	Reference
Financial performance		
G4-EC1	Economic value generated and distributed.	SR24
G4-EC2	Economic consequences and risks and opportunities posed by climate change.	SR25
G4-EC3	Extent of the organisation's defined-benefit commitments.	AR81
G4-EC4	Material financial support from the public sector.	None during 2017
Environmental responsibility		
Materials		
G4-EN1	Renewable and non-renewable materials used.	SR16–17
G4-EN2	Percentage of materials used that are recycled input materials.	SR16–17
Energy		
G4-EN3	Direct energy consumption.	SR14–15
G4-EN4	Indirect energy consumption.	SR14–15
G4-EN5	Energy intensity.	SR14–15
G4-EN6	Reduction of energy consumption.	SR14–15
G4-EN7	Reduction in energy consumption by products.	SR18–19
Water		
G4-EN8	Total water used per source.	SR17
Emissions		
G4-EN15	Direct greenhouse gas emissions (scope 1).	SR15
G4-EN17	Other indirect greenhouse gas emissions (scope 3).	SR15
G4-EN18	Greenhouse gas intensity.	SR15
G4-EN19	Initiatives to reduce greenhouse gas emissions.	SR15
G4-EN20	Emissions of ozone-depleting substances.	SR16
G4-EN21	NO _x , SO ₂ and other significant air pollutants.	SR15–16

Effluents and waste		
G4-EN22	Total water discharge.	SR17–18
G4-EN23	Volume of waste per category and treatment method.	SR18
G4-EN24	Total number and volume of significant spills.	SR19
Products and services		
G4-EN27	Initiatives to mitigate environmental impacts of products and services, and results.	SR18–19
Compliance		
G4-EN29	Fines and non-monetary sanctions for non-compliance with environmental laws and regulations.	SR11
Transport		
G4-EN30	Significant environmental impacts of transporting products.	SR18
Overall		
G4-EN31	Total environmental protection expenditures and investments.	SR24
Supplier assessment		
G4-EN32	Percentage of new suppliers screened using environmental criteria.	SR22
Social responsibility		
G4-LA5	Participation in health and safety committees.	SR20
G4-LA6	Rates of injury and occupational diseases.	SR21
Training and education		
G4-LA9	Average hours of training per year per employee.	SR20
G4-LA11	Percentage of employees receiving performance and career development reviews or equivalent.	SR21
Diversity and equal opportunity		
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, etc.	SR20
Supplier assessment		
G4-LA14	Percentage of new suppliers screened using labour practices criteria.	SR22
Human rights		
Non-discrimination		
G4-HR2	Proportion of employees informed/trained on human rights policies.	SR20
G4-HR3	Incidents of discrimination and corrective actions taken.	SR20
Child labour		
G4-HR5	Operations identified as having significant risk for incidents of child labour, and measures taken.	SR19
Forced or compulsory labour		
G4-HR6	Operations identified as having significant risk of incidents of forced or compulsory labour, and measures taken.	SR20
Supplier assessment		
G4-HR10	Percentage of new suppliers screened using human rights criteria.	SR22
Society		
Local communities		
G4-S01	Percentage of operations with implemented local community engagement.	SR23
Anti-corruption		
G4-S04	Communication and training on anti-corruption policies and procedures.	SR22
G4-S05	Confirmed incidents of corruption and actions taken.	No recorded incidents.

The UN Global Compact

Ten principles on responsible business practice

In 2010, Nolato endorsed the UN initiative for responsible business, the Global Compact. This meant the Group joining a global network of more than 12,900 organisations, 9,600 of which are businesses, in 160 countries. Nolato participates as a Signatory.

Through the Global Compact, Nolato endorses ten basic principles in the areas of human rights, working conditions, 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

Organisations 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. In order to simplify Communication On Progress, we use GRI indicators and the table of cross-references below shows which indicators are relevant in the context. ■



Global Compact principles	GRI indicators
Human rights	
1. Businesses should support and respect internationally proclaimed human rights.	G4-HR2, G4-HR7, G4-S01
2. Businesses should make sure they are not complicit in human rights abuses.	G4-HR1, G4-HR10-11
Labour	
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	G4-11, G4-HR4
4. Businesses should work to eliminate all forms of forced and compulsory labour.	G4-HR6
5. Businesses should work for the effective abolition of child labour.	G4-HR5
6. Businesses should work to eliminate all discrimination in respect of employment and occupation.	G4-10, G4-LA1, 9, 11, G4-HR3
Environment	
7. Businesses should support a precautionary approach to environmental challenges.	G4-EN1, 3, 8, 15, 17, 20, 21, 27, 31
8. Businesses should undertake initiatives to promote greater environmental responsibility.	G4-EN1-10, 15-24, 27
9. Businesses should encourage the development and diffusion of environmentally friendly technologies.	G4-EN6, 7, 19, 27
Anti-corruption	
10. Businesses should work against corruption in all its forms, including extortion and bribery.	G4-56, 58, G4-S04, 5

Attestation and signatures of the Board

This sustainability report has been prepared in accordance with the requirements of Chapter 6, Section 12 of the Swedish Annual Accounts Act and contains the sustainability reporting of the parent company and the Group in accordance with Chapter 6,

Section 11 of the Annual Accounts Act according to GRI G4 and the Communication on Progress (Global Compact). The sustainability report was approved by the Board for publication on 8 March 2018.

Torekov, Sweden, 8 March 2018



Fredrik Arp
Chairman of the Board



Sven Boström-Svensson
Board member




Henrik Jörlén
Board member



Lovisa Hamrin
Board member



Dag Andersson
Board member



Åsa Hedin
Board member



Lars-Åke Rydh
Board member



Jenny Sjö Dahl
Board member



Christer Wahlquist
President and CEO



Björn Jacobsson
Employee representative



Håkan Svensson
Employee representative

Auditor's opinion regarding the statutory sustainability report

Directive and division of responsibility

The Board of Directors is responsible for the sustainability report on pages 6–31 and for ensuring that it is prepared in accordance with the Swedish Annual Accounts Act.

Focus and scope of the review

Our review was conducted in accordance with the Swedish Institute of Authorised Public Accountants' recommendation RevR 12 – 'Auditor's opinion regarding the statutory sustainability report.' This means that our review of the sustainability report has a

different focus and is considerably less in scope than the focus and scope of an audit conducted in accordance with the International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that this review provides us with a sufficient basis for our opinion.

Opinion

A sustainability report has been prepared.

Torekov, Sweden 12 March 2018.
Ernst & Young AB



Stefan Engdahl
Authorised public accountant

Definitions and glossary

CDP The 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 these types of gases 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.

Carbon dioxide (CO₂) CO₂ is formed in all carbon combustion processes, such as fossil fuel combustion. Emissions of carbon dioxide increase global warming (the greenhouse effect).

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, labour relations and social responsibility.

COP Communication On Progress is an annual report submitted to the United Nations specifying how Nolato operates according to the ten principles of the Global Compact.

Conflict minerals Tantalum, tin, gold and tungsten are referred to as conflict minerals if they originate from the Democratic Republic of Congo and neighbouring 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.

CSR/CR Corporate Social Responsibility/ Corporate Responsibility is a term that encompasses how companies handle issues concerning 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 (EMC).

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 organisation'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 organisation's operations. The same applies for costs concerning the occupational environment. The costs include administration, purchase of services externally, authority fees, environmental management system maintenance, waste and external inspections and audits.

Environment-related investments Investments for preventing and reducing environmental impact from the organisation's operations. The same applies for investments to enhance the occupational environment.

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

5S A Japanese method of organisation in the workplace. It involves sorting, systematising, cleaning, standardising and ensuring. 5S is an important element of lean manufacturing.

Global Compact A UN initiative for responsible business practice. Participating organisa-

tions undertake to endorse ten fundamental principles in relation to human rights, occupational conditions, the environment and anti-corruption. Nolato became a signatory to the Global Compact in 2009.

GRI The Global Reporting Initiative has established voluntary comprehensive guidelines for how companies and other organisations should report their sustainability activities. GRI G4, which was introduced in 2013, will be replaced by GRI Standards in 2018.

Injection moulding A method for manufacturing polymer components. The material, such as a type of plastic, 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. Over 345,000 organisations globally are currently certified according to ISO 14001. An updated version of the standard was published in 2015 (ISO 14001:2015).

ISO 26000 International standard that provides guidance on how organisations can deal with social responsibility issues. This standard was introduced in 2010 and provides the backdrop to Nolato's Code of Conduct.

ISO 45001 International standard relating to health and safety. Replaces OHSAS 18001 and will be published in 2018.

ISO 50001 An international standard relating to energy management systems.

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).

NGO Non-governmental organisation, a voluntary organisation.



NO_x (nitrogen 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.

OHSAS 18001 Standard relating to health and safety in the workplace. It will be replaced by the ISO 45001 standard.

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.

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.

SO₂ (sulphur dioxide) Sulphur dioxide is formed in the combustion of petroleum products. The gas contributes to the acidification of watercourses and soil. Large concentrations are harmful to human health.

Sustainable development Development that “satisfies today’s needs without jeopardising 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 the 2030 Agenda 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.

Sustainability report Under an EU Directive, the Swedish government has decided that as of 2017 it is mandatory for large companies to publish a sustainability report. The 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.

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

VOC (Volatile Organic Compounds). A group of organic compounds that easily vaporise 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.

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