

COMMUNICATION ON PROGRESS

SEPTEMBER 2016



YOUR
PACKAGING
SOLUTION.

NEFAB

SUPPORT STATEMENT

CEO , STAFFAN PEHRSON

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

Nefab became a signatory to the United Nations Global Compact in October 2008. Reflected in our core values and underlined in our code of conduct, we continuously strive to integrate the principles of Global Compact into our business. We realize that continuous work is needed in order to promote and further integrate the ten principles of Global Compact within and outside Nefab, and that this work has no end.

Nefab wants to secure a place in a sustainable future society. To achieve this, we work within our supply chain, our own operations as well as with our value proposition to achieve sustainable development and manage our stakeholders' requirements and expectations. We focus on the key aspects of the company's social and environmental impact, based on stakeholder dialogue and the strategic importance of each area for the company.

After analyzing our social, economic and environmental impact, we have concluded that our strategic priority should be to support our customers' ambitions in reducing their environmental impact.

A common example of that is when we support customer objectives of CO₂-reductions by analyzing current and proposing new packaging solutions which reduce not only cost, but also environmental impact. In our yearly staff survey, we can see that a majority of our employees believe that it is important to work for a company who takes sustainability seriously and that most of them think Nefab is working with sustainability in a good way.

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

Jönköping, September 2016



Staffan Pehrson
CEO, Nefab AB

SUSTAINABILITY

NEFAB OFFERS COMPLETE PACKAGING SOLUTIONS THAT REDUCE COST AND ENVIRONMENTAL IMPACT. DOING THIS, NEFAB INTEGRATES SUSTAINABILITY IN THE VALUE PROPOSITION TO THE MARKET. WORKING WITH SUSTAINABILITY MEANS THAT WE CARE FOR THE WELFARE OF OUR EMPLOYEES AS WELL AS OTHER STAKEHOLDERS AND TRY TO BALANCE ECONOMIC WITH SOCIAL AND ENVIRONMENTAL ASPECTS OF OUR BUSINESS. A STRUCTURED APPROACH TO SUSTAINABILITY LEADS TO A FAVOURABLE BUSINESS CLIMATE THAT ATTRACTS SKILLS AND STRENGTHENS THE BRAND. IT ALSO FACILITATES BUSINESS DEVELOPMENT BY ATTRACTING CUSTOMERS HAVING THE SAME MIND-SET.

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

NEFAB'S CORE VALUES

The corporate culture is based on our shared core values: "Simplicity", "Respect" and "Empowerment".

Our continuous work to communicate the core values to all employees continued during 2015 and in the yearly employee survey, 93 % answered that they could stand by our core values either "OK" or "Good".

VISION AND STRATEGY FOR SUSTAINABILITY

The overall goal is to position Nefab as a leading "green" company within industrial packaging. Nefab uses the term "green" to communicate its sustainability work from a broad perspective. For this to be achievable, three basic strategies have been developed:

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

During 2015, sustainability work has been focused on implementing "GreenCALC", which is Nefab's tool for Life Cycle Analysis (LCA).

Supply chain

In our process for supplier evaluations, we made about 60 evaluations during 2015 with an approval rate of 88 %. One area of evaluation concerns how the supplier works with environment. The supplier also have to accept to comply with Nefab's Code of Conduct.

Internal processes

Nefab continuously work with certification according to ISO 14001. During 2015, no new certificates were obtained, but plans were laid out for another two sites in the US. One re-certification was successfully made for the subsidiary in Sweden.

In April 2015, Bureau Veritas certified that Nefab GreenCALC delivers Life Cycle Assessment results according to ISO 14040 and ISO 14044. To obtain this certification was a milestone in our efforts to provide reliable information designed to support our customers in their sustainability work.

Customer offering

With the use of GreenCALC we have been able to offer important reductions of GWP (Global Warming Potential) to our customers. Introducing new materials that are environmentally friendly is an area where we continue to work. We still find it quite challenging to implement them on a larger scale and here the question of secure supply is a major concern for our customers. During 2015, Nefab presented 200 GreenCALC projects to customers around the world.

Organization

Nefab's sustainability work is directed by its "Green Team", a network with representatives from various parts of the global organization, with responsibility to initiate new concepts and tools and to govern implementation of the sustainability strategies.

STAKEHOLDER DIALOGUE

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

Employees and customers

Every year, employees and customers are given the opportunity to express their views and wishes in comprehensive surveys. In the 2015 customer survey we asked our customers about what factors were the most important when they choose packaging for their products. Environmental impact was one factor, but it was ranked only as number five out of seven. Price and product protection were the two factors ranked highest by our customers. The product protection factor is actually linked to environmental impact, as reduction of waste normally is positive for the environmental impact. The employee survey addresses issues relating to health, leadership, job satisfaction, working conditions and sustainability. Response rates for 2015 were recorded at 29 % for the customer survey and 83 % for the staff survey.

Suppliers

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

Owners

In board meetings and through direct questions, owners question the business model and how it can be sustainable in its value creation. Various initiatives and priorities are discussed and the organization is always prepared to answer specific questions. During 2015, Nefab got new co-owners, when FAM bought 50 % of the company from the family Nordgren/Pihl.

Economic value creation

Sustainability work affects both revenues and costs and is part of Nefab's long-term value creation, which is of vital importance not only for the company but also for society as a whole.

Created and distributed economic value, SEK m	2015
Direct economic value generated	
Revenues	3,323.9
Economic value distributed	
Operating costs	2,509.0
Employee wages and benefits	689.2
Payments to providers of capital	77.1
Payments to government	30.9
Community investments	0.5
Economic value retained	17.2

Environment and society

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

ENVIRONMENT

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

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

Environmental policy

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

Key ratios	2015	2014	2013
Plywood consumption (m ³)	82,567	88,816	89,691
Steel consumption (tons)	5,832	6,754	7,293
Consumption of paint/coatings (tons)	22	35	49
Energy consumption (MWh)	31,087	32,704	33,131
Water consumption by source (m ³) ¹⁾			
- Surface wa	806	-	-
- Ground water	5,296	-	-
- Rain water	443	-	-
- Waste water from other organization	-	-	-
- Municipal water supplies or similar	60,613	-	-
- Not specified	6,431	-	-
TOTAL ²⁾	73,589	46,279	51,029
Direct and indirect emissions of greenhouse gases (tons) ³⁾	938	830	917

¹ 2015 was first year of measuring per source.

² A major water leakage in our Swedish factory explains the big increase in consumption.

³ Emissions from our own production, excluding inbound and outbound transportation.

surpass them. As per end of 2015, sixteen of Nefab's facilities are certified in accordance with ISO 14001 with the aim of all production facilities becoming certified – a process that will take a few years.

Within the framework of ISO, local entities are involved in various improvement projects, like energy efficiency and reduction of emissions from own vehicles. Concerning energy consumption, the main parameter affecting the consumption is temperature as especially cold winters require a lot of energy for heating of the premises, while the production itself is not very energy consuming.

EMPLOYEES AND COMMUNITY

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

All employees are invited to participate in a yearly employee survey in which they respond to a number of questions concerning health, job satisfaction, leadership, physical and psychological working conditions, etc. Based on the outcome, a so called "Employee Satisfaction Index (ESI)" is measured, which easily can be compared year by year. Units that scored the lowest index are subject to improve-

ment measures. The employee survey is conducted by an external partner to ensure the methodology and integrity in every aspect.

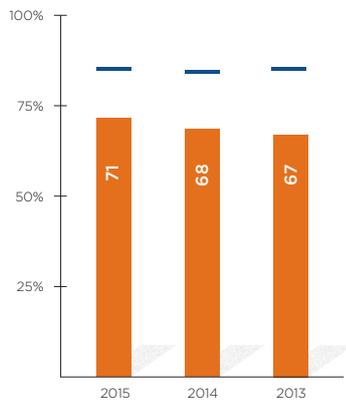
Internal trainings – Web Academy & Pakademy

Web Academy is Nefab's intranet-based skills portal. As part of Web Academy, employees are offered a variety of basic tutorials on the company's packaging solutions and sales processes, as well as courses dealing with the company's social responsibility, environment and human rights. Pakademy started in China in order to address the need to educate newly recruited engineers and salespeople. The three-week training program includes theory and practice regarding packaging materials, sales processes and testing methods. Classes are organized on a needs basis and during 2015, we run one class with 28 students of twelve (12) different nationalities.

Key ratios	2015	2014	2013
Percentage of employees who have union agreements	21%	21 %	24 %
Hours of training per employee	15.3	15.1	12.7
Percentage of employees who have regular development talks	45 %	47 %	42 %
Board members for the Group, gender breakdown	8 % female 92 % male	7 % female 93 % male	10 % female 90 % male
Presidents and other senior executives*	18% female 82 % male	20 % female 80 % male	20% female 80 % male
Percentage of employees trained in anti-corruption policies	17 %	14 %	8 %

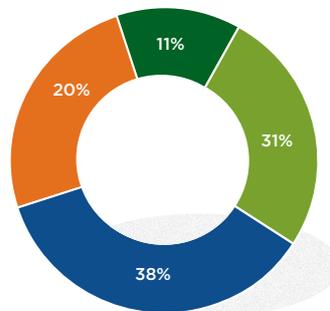
* Management team members and similar.

EMPLOYEE SATISFACTION INDEX (ESI)



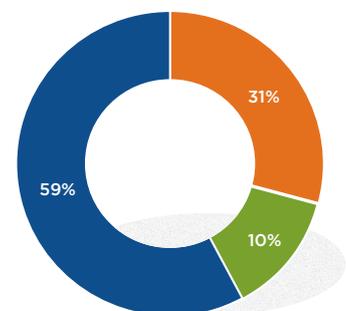
EMPLOYEE SATISFACTION INDEX (ESI)
RESPONSE RATE

AGE DISTRIBUTION - ALL EMPLOYEES



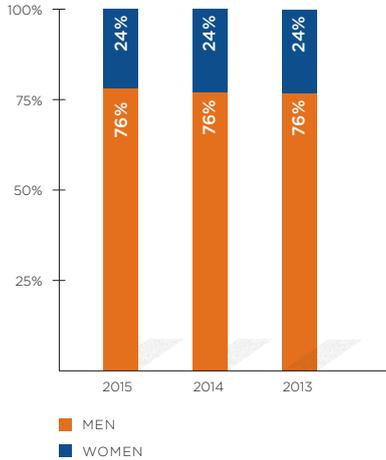
EMPLOYEES UP TO 29 YEARS OLD
EMPLOYEES 30-39 YEARS OLD
EMPLOYEES 40-54 YEARS OLD
EMPLOYEES 55 YEARS OR OLDER

ALL EMPLOYEES - BY FUNCTION

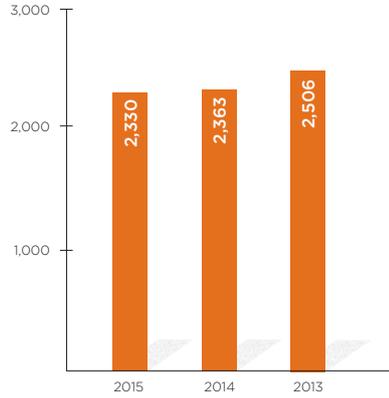


MANUFACTURING/ENGINEERING
ADMINISTRATION
SALES, MARKETING & DISTRIBUTION

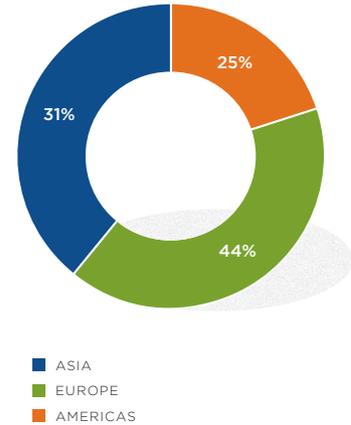
GENDER DISTRIBUTION
- ALL EMPLOYEES



AVERAGE NUMBER OF EMPLOYEES



ALL EMPLOYEES - BY REGION



COMMITMENT

Nefab will continuously seek to implement the ten principles of the United Nations Global Compact. The Nefab Code of Conduct is an important tool to fulfill this commitment, as it guides employee behavior to be in line with Global Compact principles. For 2015, one issue

was reported through Nefab's internal "whistle-blower" network. A thorough investigation was made which showed that no violation to the Code of Conduct was at hand. However, the incident highlighted the need for further training, which has been planned and executed during 2016.

Comparison of UNGC principles and the Nefab Code of Conduct

UNGC PRINCIPLES	NEFAB CODE OF CONDUCT
Human Rights	Human Rights
1. Businesses should support and respect the protection of internationally proclaimed Human Rights	We support and respect the protection of internationally proclaimed human rights and ensure that the company is not complicit in human rights abuses.
2. Businesses should make sure that they are not complicit in human rights abuses	
Labour	Labour standards
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	<i>Freedom of association</i> As local or relevant laws allows, all employees are free to form, join or not to join unions and have the right to collective bargaining.
4. Businesses should uphold the elimination of all forms of forced and compulsory labour.	<i>Forced and compulsory labour</i> No form of forced or compulsory labour is tolerated and all employees have the right to leave their employment as stated by contracts or local laws. Employees shall not be required to leave deposits of money or identity papers with their employer.
5. Businesses should uphold the effective abolition of child labour.	<i>Child labour</i> No person shall be employed who is below the minimum legal age for employment. We are not complicit in any form of child labour or other forms of child exploitation. A child means a person below the age of 18 years. No one is employed below the completion of compulsory school or under the age of 15 and no one under the age of 18 is employed for hazardous work. Children shall not be employed for any work that is inconsistent with the child's personal development, including health or physical, mental, spiritual, moral or social development.

UNGC PRINCIPLES	NEFAB CODE OF CONDUCT
Labour	Labour standards
6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.	<p><i>Workplace</i> We provide a working environment that is healthy, safe and in accordance with international standards and local laws for all employees. Appropriate health and safety information and training shall be provided to employees including, but not limited to, safe evacuations of buildings and correct handling and marking of chemicals and machinery.</p> <p><i>Discrimination</i> Diversity among our employees is a positive attribute and no one regardless of race, color, sex, sexual orientation, nationality, parental status, marital status, pregnancy, religion, political opinion, ethnic background, social origin, social status, age, union membership or disability shall be discriminated. Harassments in the form of physical or psychological abuse are strongly prohibited, as are any kinds of intimidation or other threats. Employees with the same qualifications, experience and performance shall receive equal pay for equal work.</p>
Environment	Environment
7. Businesses should support a precautionary approach to environmental challenges.	<p><i>Precautionary approach</i> Sustainable development is a key concept and finite resources are avoided as often as possible. We also have a precautionary approach towards environmental challenges whereby dangerous materials are avoided when suitable and more environmentally friendly alternatives are available.</p>
8. Businesses should undertake initiatives to promote greater environmental responsibility.	<p><i>Environmental responsibility</i> We strive to improve environmental performance in our own operations and to promote environmental responsibility within our sphere of influence</p>
9. Businesses should encourage the development and diffusion of environmentally friendly technologies.	<p>We support innovative developments in products and services that offer environmental and social benefits as well as greater environmental responsibility.</p>
Anti-corruption	Anti-corruption
10. Businesses should work against corruption in all its forms, including extortion and bribery.	<p>Nefab's reputation of honesty, integrity and responsibility must be upheld and any involvement in bribery, extortion or corruption is not tolerated by Nefab in any form. Nefab's Anti-corruption policy further outlines our responsibility in this area.</p>
	<p>Consumer interests When dealing with consumers, we act in accordance with fair business, marketing and advertising practices. We also ensure that the goods or services we supply meet all agreed and legal standards.</p>

Human rights

Using our e-learning system (Web Academy), Nefab developed a basic course in "Human Rights", which was launched in June 2010. At the end of 2015 we had in total 320 (of which 50 during the reporting period) employees with a diploma in this course.

The course material contains the Universal Declaration on Human Rights as well as the principles from Global Compact and more business oriented issues in terms of Human Rights.

Labour

Nefab's annual Staff Survey gives each employee the right to provide feedback on working conditions, managers' behavior, physical and psycho-social working environment, stress and more. In addition, free text comments can be submitted. All answers are anonymous and the survey is

administered through an external partner, using a cloud based standard program. The response rate for 2015 was 83 %, which is considered to be very good.

From the Staff Survey a combined key ratio, ESI (Employee Satisfaction Index), is communicated - as a generic output from each survey. The idea of a combined key ratio is to make it simple to communicate and simple to set targets in terms of improvements from one year to another.

Environment

Nefab's business concept is to offer engineered complete packaging solutions that reduce total cost and environmental impact. In line with this, Nefab has developed a tool to quantify environmental impact from packaging solutions, the Nefab GreenCALC. In April 2015, Bureau Veritas certified that Nefab GreenCALC delivers Life Cycle Assessment results according to ISO 14040 and ISO 14044. To obtain

this certification was a milestone in our efforts to provide reliable information designed to support our customers in their sustainability work.

GreenCALC – features:

- A Life Cycle Assessment method analyzing environmental impact from raw material, production, logistics, use phase and end of life.
- Analyzing multiple impact categories, such as Global Warming Potential (GWP), water and energy consumption.
- The impact calculations are based on the databases of the World's leading LCA software; SIMA Pro.

By using GreenCALC Nefab can support customers in their green initiatives by:

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

In 2015, as the second consecutive year, Nefab supported the World Wildlife Foundation (WWF) tree planting project on Borneo. During 2015 we also entered into a partnership with a NGO supplying computers to schools in developing nations. In this partnership, Nefab provides support in kind by supplying packaging solutions for the transportation.

[Anti-Corruption](#)

Nefab's Web academy course about Anti-corruption was launched in 2015 and by the end of 2015, 389 employees had this diploma. During 2015 the number of diplomas was 65. Plans to train management teams globally were outlined during the end of the year, for realization during 2016.