

Corporate social responsibility

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It is important SP Group that we can increase the Group's earnings and growth in a responsible manner. With our presence in USA, Asia and several countries in Europe, our production and activities affect both people and the environment in various types of society.

We are proud that the Group can contribute financially to the communities of which we are part by being innovative and creating workplaces. However, acknowledging that our products increase the consumption of plastics, we actively assume responsibility for developing our production in a manner that increasingly reduces any adverse impact on the environment and contributes to a sustainable development.

SP Group's overall CSR and sustainability efforts are in line with the 10 principles under the UN Global Compact regarding the environment, human rights, employee rights and anti-corruption. SP Group's largest subsidiary, SP Moulding A/S, adhered to Global Compact in 2012 and is making a systematic effort to comply with the 10 principles.

To ensure that we fulfil our responsibility ambition, we have adopted a CSR policy, which reflects SP Group's fundamental value proposition: to come up with optimum plastic solutions to the benefit of both our customers and society at large. In that way, the CSR policy constitutes a framework for all our activities and our profile as a responsible place to work and a responsible business partner.

Also, we have adopted a Supplier Code of Conduct, which is the basis for positive cooperation with our suppliers with a view to promoting responsibility and sustainability in the supplier chain.

Below, we give an account of SP Group's many efforts and results in 2016. For every area, we have also set targets for the coming year.

Environment and climate

In SP Group, we are systematically striving to reduce our impact on the environment and promote a higher level of environmental responsibility. In doing so, we make use of environmentally friendly technologies and materials and a certified environmental management system.

SP Group continually focuses on reducing the effects of the Group's activities on the climate by reducing the water, electricity and heating consumption, thus reducing CO₂ emissions and optimising energy consumption.

Our target is to contribute to environmental sustainability through our customers' use of SP Group's products. Thus, more than 26% of our revenue stems from the cleantech industry, which uses our products to:

- reduce energy consumption
- produce renewable energy
- purify smoke from coal-fired power plants and petrochemical plants.

Risk

SP Group's primary environmental risk is associated with consumption of resources and waste from production.

The production plants are subject to a number of environmental requirements in all countries, and further, a number of environmental and quality assurance systems have been implemented by the plants on a voluntary basis.

SP Group believes the Group complies with all current environmental regulations and that no enforcement orders remain unsolved anywhere in production.

In spite of extensive safety procedures, the general as well as the working environment may be affected in case of accident.

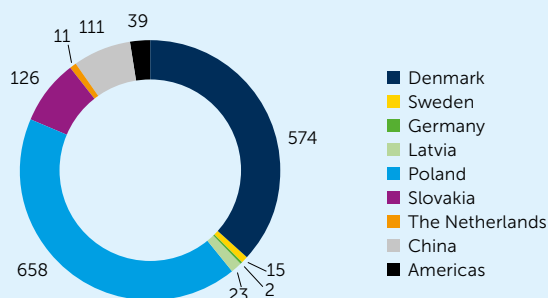
Reduction of energy, electricity and water

The most considerable impact on the environment occurs when the SP Group entities consume energy, particularly power, during production. To SP Group, it therefore makes sense to reduce the consumption of energy, electricity and water.

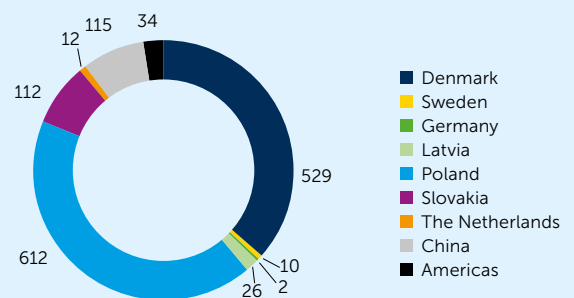
By continuing to investing in energy-saving equipment and closely monitoring developments in key consumption indicators at all our plants, we make sure that we can control and reduce the consumption of resources as well as costs on an ongoing basis. By implementing resource-reducing measures, the individual plants contribute to both cost reduction and a positive, external environmental impact in their local community. These measures led to a reduction in the consumption of resources in 2016.

Even through SP Group's direct CO₂ emissions are modest, we seek also here to further the positive environmental impact by purchasing a significant portion of the power we use in Denmark from plants which produce renewable energy, primarily from wind turbines.

Distribution of employees by geographical area in 2016 (average)



Distribution of employees by geographical area in 2015 (average)



Less waste, more reuse

The increase in the price of raw materials and waste disposal expenses has made SP Group increase focus on reducing the consumption of raw materials and the waste percentage. Consequently, all plants now focus on producing less waste and increasing reuse of plastic materials.

At SP Moulding's and Ulstrup Plast's factories, this is done by using decentral grinders on all machines to ensure that remaining material from the production of each component is grinded immediately and led down a closed system together with the plastic material for the next component. Gibo Plast and SP Medical use central grinders to ensure reuse of surplus material in other product components. Also Tinby and Ergomat have enhanced process efficiency so that the rate of use has increased and the amount of waste has gone down.

Since 2013, SP Group has been working on developing a product that replaces wood from rain forests by plastics from sorted household waste (Plastic Wood Compound).

The recycled plastics can be used for selected product types, thus contributing to a distinctive reduction of the environmental impact – both in the production phase and in connection with the customer's subsequent use and disposal of the product.

Environmentally friendly technologies

By using environmentally friendly technologies, SP Group seeks to show that plastics – when produced and used with care – is an environmentally better choice.

In environmental life cycle analyses, plastics generally rank higher than most alternative materials, being for instance more light and flexible than metal. When, for instance, plastic is used instead of metal on the exterior parts of rolling stock such as agricultural machinery, tractors, combine harvesters, buses and cars, the product life is prolonged. In addition, the capacity of transport equipment is increased, reducing fuel consumption.

Thanks to its insulating properties, polyurethane can contribute to reducing waste of heat and ensuring efficient ventilating systems. In addition, environmental effects can be obtained by using fluoroplastics coatings as corrosion protection, e.g. in flue gas purifying plants at coal-fired power plants to avoid acid rainwater. Other coatings of surfaces with fluoroplastics can generate considerable savings on cleaning materials and solvents as well as water.

Environmental management system

It is SP Group's strategy that all production entities must implement a certifiable environmental management system that ensures:

- use of environment-friendly products in the production and development processes
- minimisation of waste and refuse as well as resource consumption
- reuse, to the widest extent possible, of materials and products
- a satisfactory working environment where safety and environmental impacts are prioritised.

Human rights

CSR policy

We wish to support and respect the protection of human rights internationally. In countries where there is a risk of human rights abuse, we will strive to prevent any human rights abuse and take remedial action should we encounter such abuse.

As SP Group wants to contribute to the protection of human rights in the countries in which we operate, we attempt to promote measures that have a positive impact on human rights and seek to mitigate any adverse impact on human rights in our value chain and at our sub-suppliers.

Our efforts are based on international human rights conventions and, in the EU, also on the fundamental rights laid down in the EU Treaty.

Risk

SP Group is aware of the current and potential risks which our production, activities and business partners may cause in relation to human rights.

Outcome

In 2016, SP Group was not involved in or experienced human rights abuse in the Group or at sub-suppliers.

Privacy

SP Group makes sure that personal data regarding our employees and customers are treated in a way which meets the statutory requirements in relation to privacy and personal data protection. For instance, we have taken security measures to protect personal data from being misused, leaked or destroyed.

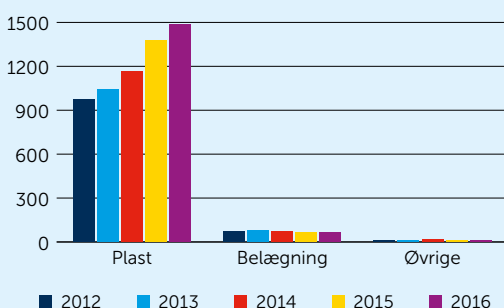
Discrimination

SP Group makes an active effort to discourage discrimination, both internally in relation to our employees and externally in our supplier chain. In this connection, we also focus on equal treatment and equal opportunities for everyone.

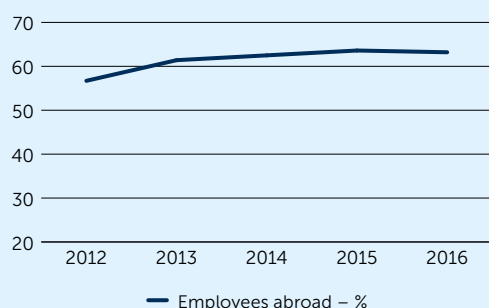
Trade payables

Our suppliers are obliged to comply with a Supplier Code according to which they must, among other things, promote the protection of human rights.

Distribution of employees (average) 2012-2016



Distribution of employees abroad (average) 2012-2016



DuraStripe® from Ergomat.



Elżbieta Magdziarz and Justyna Sobieraj at SP Medical's factory in Poland.

SP Medical, Poland, celebrated its 10th anniversary in 2016.

To ensure that this requirement is met, we cooperate and enter into a dialogue with our suppliers on a current basis, while at the same time monitoring that they assume responsibility in this area. If some supplier does not meet the requirements of our Supplier Code of Conduct, we can forthwith terminate our agreement with the supplier.

Human resource issues

CSR policy

We acknowledge our employees' rights in respect of freedom of association and collective bargaining.

We want to ensure that our employees enjoy good conditions of employment in a secure and healthy working environment. We will strive to ensure that our employees are offered development opportunities at work, e.g. through continuing education and training.

We strongly disapprove forced labour and child labour. If we engage youth workers aged 15-18, they are not allowed to perform dangerous work or night work.

We respect differences in cultures and traditions and will not discriminate against anyone at the workplace because of his or her age, sex, race, complexion, religion or faith, national or social origin, union membership or any other cause of discrimination.

Aiming at running all SP Group entities as sound entities and attractive places of work, we make targeted efforts to ensure basic employee rights and a safe, respectful and stimulating working day for each individual employee.

We base our efforts on national and international rules and rights for employees and, locally, take the measures that are needed to put the requirements into practice.

Risk

SP Group is investigating on an ongoing basis if, in our production or via sub-suppliers, we have a current or potential risk of becoming involved in child labour or forced labour.

To minimise such risk, we do not employ minors in the Group. Any kind of discrimination in working and employment conditions is prohibited we well.

Outcome

In 2016, SP Group was not involved in or experienced any adverse impact on employee rights in the Group or at sub-suppliers.

Staff composition

On average, SP Group's staff outside Denmark increased by approx. 6.7% to 985 employees in 2016. The number of employees in Denmark increased from 529 to 574.

Globally, SP Group's staff increased from 1,498 at the beginning of the year to 1,696 at year-end. On average, SP Group had 1,559 employees in 2016. At year-end, 36.7% of the staff was employed in Denmark, and 63.3% was employed outside Denmark.

The year saw a shift of approx. 0.7 percentage points as part of the increased internationalisation of the business and the acquisition of MedicoPack with 80 Danish employees. Going forward, growth is expected to be generated primarily in Eastern Europe, Asia and USA.

Diversity

The long-term goal is for SP Group to reflect society at large and, in particular, our customers, both in terms of gender, nationality and ethnicity. This reflection of society is to contribute positively to the Company being perceived as an attractive place of work for both customers and current and future employees. In order for the Group to be able to fulfil

its business goals in the long term, we see diversity as an important contribution.

Female leaders

The Board of Directors of SP Group A/S has adopted a policy with the purpose of increasing the ratio of the underrepresented gender at all levels of management and promoting diversity in general. The goal is still to fill managerial posts based on the qualifications needed, while at the same time increasing the ratio of women where possible.

At year-end, the ratio of women at general management level (Executive Board and management team) was 21%. SP Group still aims to ensure that at least one male and one female candidate are among the top three candidates for new leadership positions.

The Board of Directors has set up a target for the ratio of the underrepresented gender among board members elected by the company in general meeting of 20% by 2017. This target was set based on a time horizon of three years. At the annual general meeting of shareholders in 2017, the Board of Directors will nominate Bente Overgaard. If the company in general meeting elects Bente Overgaard, the target will be met.

Wage and working conditions

In Denmark, wage and working conditions are determined in collective agreements resulting from local negotiations. In foreign jurisdictions, the employees' conditions and rights are primarily laid down in legislation, codes and regulations. As an employer, SP Group observes, as a minimum, national legislation and collective agreements as well as rules governing working hours, etc. and strives to distribute extra benefits.

In connection with comprehensive rounds of job cuts, SP Group not only complies with the rules of notice and negotiations with employees, but also seeks to ease the consequences for the employees affected.

A safe and healthy working environment

SP Group creates a safe and healthy working environment for our employees, partly through the working environment organisation and partly through policies and targeted efforts to ensure safety and health on a day-to-day basis. For instance, we always make sure that our employees get the protective equipment and the training needed to perform their work in a safe manner.

Access to education

All employees in SP Group are allowed to improve their qualifications through continuing and further education.

SP Group also applies the systematic rollout of Lean processes to the plants to enable the employees to influence their own working situation as well as processes and work flows.

The target set for 2017 is to proceed with the skills development of the employees, allowing them to attend to several, different tasks. This will increase flexibility in production and make the working day more varied for the employees.

Freedom of unionisation

All employees in SP Group have the right to freely unionise, express their opinions and participate in or elect people to participate in collective bodies. Employees of the group entities appoint representatives for joint consultation committees and working environment committees where they meet with local management. At the production units outside Denmark, systems have been established allowing the employees to appoint spokespersons for negotiations with Management.

Anti-corruption

CSR policy

We wish in all of our external relations to maintain a high level of integrity and responsibility, and we do not engage in corruption or bribery. We refrain from offering, promising or giving any kind of bribes in order to wrongfully influence public-sector employees, judges or business relations. We also refrain from taking or accepting any kind of bribes ourselves.

Our agents, intermediaries, consultants or other persons acting on our behalf are subject to the obligation not to engage in corruption or bribery.

To ensure that our employees and other persons representing SP Group do not engage in corruption, we developed a learning programme in 2016. The programme contributes to ensuring a high knowledge level in respect of bribery, receipt of gifts, events, etc. and provides our employees with insight into the rules on anti-corruption. It further helps them understand when they are at risk of becoming engaged in corruption - as well as their scope for action.

Risk

SP Group carries on activities in parts of the world where corruption is an everyday occurrence. For instance, parts of the Group are often met with requests for secret commission or the like.

Outcome

As SP Group does not engage in corruption or bribery, we have drawn up an anti-corruption policy, which instructs all employees in how to mitigate corruption.

Ergomat's innovative new product incorporating LED technology into the Deluxe family of ergonomic mats has been very well received by customers, particularly in the automotive and aviation sector where the up-lighting provided by this solution improves assembly efficiency, quality assurance and maintenance and repair services.

