



XANO INDUSTRI AB (PUBL)
SUSTAINABILITY REPORT 2018

For XANO, sustainability means accepting responsibility for the way the Group's operations affect society from an environmental, social and economic perspective. The Group is working systematically to achieve sustainable development, creating value and profitability by striking a responsible balance between the demands, expectations and needs of customers and other stakeholders on the one side, and care and responsibility for the environment and the society where the Group operates on the other.

CONTENTS	3-22
Business concept	3
Strategies and targets	4
Reflections from the CEO	5
Our sustainability work	7
Accepting environmental responsibility	11
Accepting social responsibility	15
Accepting financial responsibility	20
Board of Directors' diversity policy	22

BUSINESS CONCEPT

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XANO develops, acquires and operates manufacturing businesses with unique or market-leading products and systems with associated services.

XANO owns niche engineering companies whose main market is industry in Europe.

The Group creates value for shareholders by exercising both active ownership and management by objectives.

CORE VALUES

ENTREPRENEURIAL DRIVE	The most important common denominator for the companies within XANO is entrepreneurial spirit with a strong drive. The units have flat organisations with rapid decision-making paths and short times before arriving at solutions. Leadership is down-to-earth and close at hand, with clear demands for the involvement of all employees. XANO's role is to support the companies so that their inherent energy produces the best possible results.
LONG-TERM THINKING	XANO believes in strong relations. For this reason, the Group is investing in its companies in the long term, providing each unit with the scope to develop its resources. This is reflected in contacts with customers and suppliers, where prolonged assignments and close collaboration are leading to successful projects.
TECHNICAL KNOW-HOW	Each company in the XANO Group is unique and the products span a broad spectrum, from components in analysis instruments to complex packaging machines. The companies are market leaders and are at the forefront in their respective niches. Features that all the companies have in common are high technical and service levels, as well as advanced technical advice.

ORGANISATION

The XANO Group is made up of engineering companies that offer manufacturing and development services for industrial products and automation equipment. The Group is represented in the Nordic region, Estonia, the Netherlands, Poland, China and the USA. Each unit is anchored locally and is developed according to its own circumstances. At the same time, the Group affinity creates economies of scale for the companies and their customers. During 2018, the Group's operations were divided up into the Industrial Products, Industrial Solutions and Precision Technology business units.

XANO INDUSTRI AB

INDUSTRIAL PRODUCTS

Ackurat Industriplast AB
Ackurat Ornplast Sp z o o
Ackurat Suomen Oy
Blowtech GP AB
Blowtech GT AS
Cipax AB
Cipax AS
Cipax Eesti AS
Cipax Industri AB
Cipax Oy

INDUSTRIAL SOLUTIONS

Canline Systems BV
Canline USA Corp
Fredriksons Verkstads AB
Fredriksons Industry (Suzhou) Co Ltd
Jorgensen Engineering A/S
NPB Automation AB
Polyketting BV

PRECISION TECHNOLOGY

Kungsörs Mekaniska Verkstad AB
AB LK Precision Parts
Mikroverktyg AB
Resinit AB

STRATEGIES AND TARGETS

Financial objectives

STABLE PROFITABILITY AND HIGH GROWTH

XANO's organic growth will be at a higher level than general market growth. Growth will also take place through the acquisition of operations and companies. The profit margin will amount to eight per cent over time. The equity/assets ratio will exceed 30 per cent.

Vision

MARKET LEADER WITHIN SELECTED SEGMENTS

XANO will be a market leader within selected market segments. XANO will create strong units from companies, where economies of scale are utilised optimally.

Strategy

DEVELOP, ACQUIRE AND RUN NICHE ENGINEERING COMPANIES

XANO will develop, acquire and run niche companies and, through active ownership, create added value for the shareholders. The manufacturing process must have a high technical content with the aim of satisfying the customer's needs. In order to achieve this, XANO needs to work within well defined niches. The level of service and delivery capability have to be high. The companies must strive to achieve long-lasting relationships with both customers and suppliers. XANO must have a sufficiently large market share within each niche in order to be an interesting partner for both customers and suppliers.

Market offer and operations

ADVANCED TECHNOLOGY FOR SELECTED TARGET GROUPS

XANO's market offering includes the manufacture and assembly of components and systems with associated services, as well as the development, manufacture and marketing of the companies' own products. The Group currently has operations in the Nordic region, Estonia, the Netherlands, Poland, China and the USA. The units all work within well-defined niches and have a high level of expertise within their respective technical fields. Possessing such advanced technical expertise enables XANO to create added value for its customers.

Core values

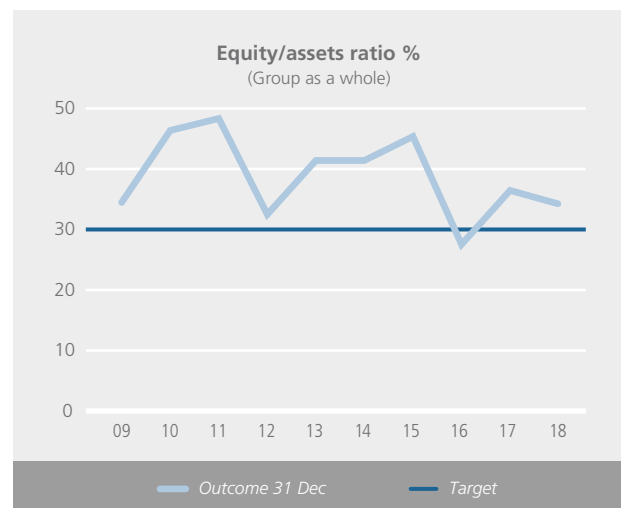
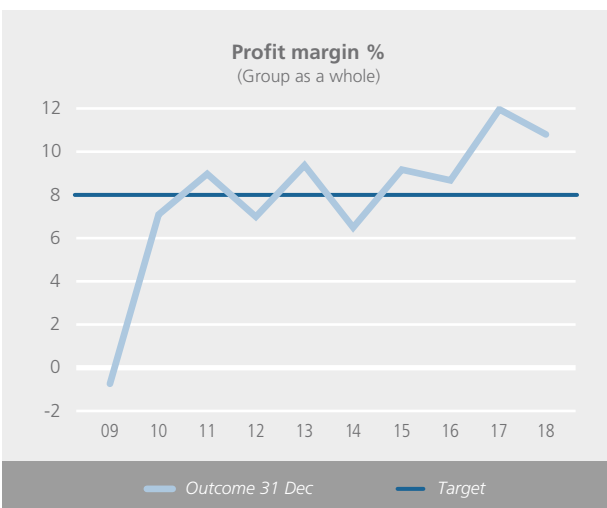
EMOTIONAL AND FUNCTIONAL ADDED VALUES

XANO's core values are entrepreneurial drive, long-term thinking and technical know-how. These form the basis for all decisions that can impact on the Group.

Target achievement

RESULTS EXCEED STATED TARGETS

The Group's organic growth stood at just over 2 per cent, while acquisitions contributed a further 21 per cent in volume during 2018. The profit margin was lower than the previous year, yet still exceeded the target value, amounting to 10.7 per cent. As a result of the business acquisitions during the year, the equity/assets ratio dropped from 36 to 34 per cent.





REFLECTIONS FROM THE CEO

XANO is a responsible company. Being cost-conscious, optimising resources and recycling where possible, working to achieve constant improvements, as well as building up wellbeing and long-term relations with employees, customers and suppliers, are natural ingredients in XANO's heritage. By means of a business-driven approach, our aim is to further integrate sustainability issues in, and ensure that they become a natural part of, our business governance. As before, our target is to safeguard the Group's long-term profitability. In this respect, the development of our personnel resources, with diversity and skills improvements as central parameters, is becoming increasingly important. All of our companies are also working actively to strengthen their brand as an attractive employer.

During 2018, the Board of Directors has adopted a sustainability strategy involving shared directional targets for the Group. It is now up to the respective companies to set specific goals that will provide an optimal return from both a sustainability and a strategic perspective, and that are also feasible to achieve. Methods and targets are incorporated into the business plans, with annual reviews and follow-ups.

We are continuing to work with stakeholder and materiality analyses in order to minimise the risk of failing to live up to the expectations our stakeholders have of us. The largest internal challenge is to ensure that the sustainability issues are sufficiently high up on the respective companies' agendas.

By adopting a long-term approach, our aim is to take responsibility for and contribute to improving society. Our social

responsibility includes ensuring that our processes and products do not have a negative effect on people's health or our environment. By constantly adopting new technology and being at the forefront as regards product development, we are ensuring that the Group's operations have the least possible impact on health and the environment, at the same time as being conducted efficiently and profitably.

Strong sustainability development entails major challenges, but just as with our business development in other respects, we intend to work with a long-term and methodical approach in order to achieve the best possible results at every level.

Lennart Persson
Managing Director and CEO



OUR SUSTAINABILITY WORK

In order to conduct operations profitably, it is necessary to employ sustainable enterprise through resource optimisation and efficiency at every stage. This working method is natural for XANO, and the sustainability work has consequently always been central to the Group's operations, even if it has not been defined in that way.

The 2017 Sustainability Report was the Group's first, and was an important tool for us in the process of systematising our sustainability work. Several activities were carried out during 2017 with the aim of reinforcing corporate governance in respect of sustainability. We drew up a Group-wide sustainability policy that all the companies implemented. At the same, we launched the process of giving the sustainability aspects more space in each Group company's business plan. During 2018, the Board of Directors has adopted an overall sustainability strategy that describes the focus of the ongoing work. The Board has also formulated directional targets within various areas. The individual subsidiaries will set their own quantified goals on the basis of these, with the focus on materiality and business benefits.

We will continue the implementation of systematic and strategic stakeholder analyses in 2019, as well as continuing our work with materiality and risk analyses.

THE XANO SPIRIT

Our core values – entrepreneurial drive, long-term thinking and technical know-how – characterise the XANO spirit, which is based on the Group's origins in the southern Swedish province of Småland. The most important common denominator for the Group's companies is entrepreneurial spirit with a strong drive. The companies have flat organisations with rapid decision-making paths and short times before arriving at solutions. Leadership is down-to-earth and close at hand, with clear demands for participation from all employees, a working climate with stakeholder relations characterised by open-

ness and a high ceiling.

We believe that strong relations lead to success, which is the reason behind our long-term investments in our companies. This provides each unit with opportunities to develop its own resources optimally. With genuine technical know-how, we also have the conditions to develop and use new machinery and methods in a manner that contributes to more efficient manufacturing and sustainable products.

DIVISION OF RESPONSIBILITIES

All employees in the organisation are covered by our shared responsibility for the Group's sustainability work. We all have to take part and contribute to sustainable development.

From an organisational perspective, the Board of Directors is responsible for the preparation of the sustainability report. Furthermore, the Board is responsible for the targets, vision and strategy linked to XANO's sustainability work and, together with the Group management, also for the sustainability policy.

The Group's CEO has ultimate responsibility for compliance with the sustainability strategy. The Group-wide sustainability work is conducted by the Group management. In conjunction with the annual business plan process, the responsibility for producing a company-specific sustainability strategy as well as the fulfilment of goals is delegated to each company's CEO, who is also responsible for ensuring that the sustainability policy is followed. At the request of each company's CEO, managers and employees are responsible, within the framework of their area of responsibility and their authorisation, for implementing and following up goals and action plans.

POLICIES, GUIDELINES & PROCEDURES

XANO's sustainability work is based on the Group's sustainability policy. This is grounded on the UN's Global Compact, which encompasses ten principles based on the UN's Declaration of Human Rights, the ILO's

fundamental conventions on human rights at work, the Rio Declaration and the UN's Convention against Corruption.

In 2014, a Group-wide code of conduct describing in general terms the rules that apply to the Group's companies and employees was adopted. The code is based on the UN's Global Compact, the UN's Convention on the Rights of the Child, the Swedish Anti-Corruption Institute's economic code, national legislation as well as basic environmental, health and safety requirements. A code of conduct for suppliers has also been drawn up during the year.

The Group's companies have a number of business-specific policies, guidelines and procedures that are based on the Group-wide code of conduct and that reflect the values established therein. Examples of company-specific policies including working environment policies, environmental policies, equality policies and anti-corruption policies.

SUSTAINABILITY CONTROL

A company-specific business plan for the upcoming three-year period is produced annually by each Group company. As part of the work on the business plan, a SWOT analysis (strengths, weaknesses, opportunities and threats) is conducted regarding the individual business. Targets and key performance indicators are set on the basis of the results of the SWOT analysis. After this, the work begins on the strategy aspects of the business plan. Based on the strategy, an action plan is drawn up along with a forecast for the next three years. As from 2018, all the Group companies' business plans cover separate strategies and goals for the sustainability work.

The Group management approves and continually monitors each Group company's business plan. A report plan controls the companies' reporting of e.g. key performance indicators and other sustainability information. →

RISK MANAGEMENT

XANO has a systematic working method for identifying, preventing and rectifying risks. In conjunction with new acquisitions, a due diligence process is normally conducted during which potential risks are charted and, if necessary, action plans are drawn up. Each Group company also works actively and in a structured manner on risk management, based on the individual operation's business plan and specific circumstances.

During 2018, the risk analysis for suppliers that was launched in 2017 has been completed by all Group companies. Each company's 20 largest suppliers have been evaluated and assessed on the basis of a number of environmental, social and economic risks. The risks that were analysed included working conditions, business ethics, collaboration with suppliers, environmental risks, human rights, production, as well as transport and distribution. Each risk was assessed on a scale of 1–5, where 1 represented a low risk and 5 represented a high risk. The companies that have identified suppliers with risks at levels 4–5 will now continue to work on various measures to reduce the risk levels. Supplementary risk analyses linked to e.g. the environment, human rights and production will be conducted through some form of supplier monitoring. Any risks that

occur when purchasing via intermediaries will need to be further charted.

The Group management also intends to ensure that each Group company's 20 largest suppliers have signed up to the code of conduct, and will also encourage the Group companies to implement more systematic work in relation to supplier monitoring.

In most of the Group companies, the work is supplemented with risk management through internal audits and certification processes such as ISO 9001:2015 and ISO 14001:2015, where demands are stipulated regarding the management's awareness of risks. Working environment-related safety rounds are conducted linked to health, safety and the environment, and environmental aspect lists are drawn up.

MANAGEMENT SYSTEM FOR INCREASED EFFICIENCY AND SUSTAINABILITY

The majority of the Group's companies are certified in accordance with ISO 9001 (quality management system) and ISO 14001 (environmental management system). These companies have identified the working method as an important factor from a sustainability and competition perspective.

The Group also holds certifications within specific areas, such as medical technology according to ISO 13485, welding

standards according to ISO 3834, deliveries to the automotive industry according to ISO/TS 16949 and working environment according to OHSAS 18001.

Working in accordance with the management systems can produce several benefits, such as:

- Involved personnel
- Lower consumption of materials and reduced energy usage
- Proactive and systematic working methods
- Higher productivity
- Cost savings

By complying with the standards, the companies gain a longer-term perspective and it is easier for them to focus on both quality and environmental activities in order to achieve improvements.

There are no central demands placed on Group companies regarding the implementation of quality and environmental management systems. The companies that are not certified have judged that their processes correspond to applicable requirements in the management systems. Customer audits are also carried out continually within certain areas, thereby achieving further process assurance of the business. ➔





HUMAN RIGHTS

XANO respects and supports human rights. The basic idea behind the concept is that people are born free and that all people are of equal value, which includes the rights of children and women, the right to health and education, as well as the right to be free from discrimination.

XANO works to identify, prevent and rectify risks such as unwanted behaviour linked to human rights. The Group is represented in the Nordic region, Estonia, the Netherlands, Poland, China and the USA. Against the background of geographic location, there are various types and degrees of risks associated with human rights. Due diligence procedures in relation to new acquisitions and the evaluation of suppliers are examples of control activities that incorporate human rights.

STAKEHOLDER INVOLVEMENT

XANO is endeavouring to achieve strong, long-term relations with all stakeholders. Stakeholder mapping has been completed during the year, with the aim of gaining an overall view of the Group companies' work on stakeholder involvement and stakeholder

dialogues. This mapping work was conducted by means of interviews with managers at the Group companies, where they were able to specify the form of dialogue, frequency and the issues/subjects that are discussed with various stakeholder groups. The survey covered the following stakeholder groups: employees, customers, suppliers, business partners, owners, investors, trade organisations, media, the local community, politicians, authorities, voluntary organisations (NGOs) and the academic/research sector.

The results of the mapping process showed that all the Group companies conduct regular dialogue with employees, customers and suppliers. The majority of the companies also have regular contacts with the local community, usually the municipality. More than half of the companies have regular dialogue with business partners and other players in the sector. There is less dialogue with politicians, authorities and trade organisations. The most common issues discussed are quality and finance, as well as the environment and working conditions with certain stakeholders. According to the interviews, customers make up the stakeholder group

that is considered to request sustainability issues most.

During 2019, XANO will be continuing to work on the implementation of systematic and strategic stakeholder analyses. Further investigations of which sustainability issues are most crucial to stakeholders will be important. This will take place through in-depth stakeholder dialogues as well as more structured following up of suppliers and customers.

XANO's core value regarding a long-term approach is reflected in our customer contacts, where extended assignments and close collaboration lead to successful projects and business development. We know that interest in sustainability issues and the importance of working to achieve constant improvements from a sustainability perspective have increased significantly over the past year. We welcome this interest and the demands that are placed on more sustainable enterprise throughout the entire value chain. One of our goals is to satisfy our stakeholders' wishes without compromising on our financial goals of high growth and long-term stable profitability as a result. ■

WITH THE CUSTOMER IN FOCUS

Just before Midsummer, Mikroverktyg held its customer day for the sixth consecutive year. This activity provides the company with an opportunity to extend the contacts with its customers, at the same time as showing off its production.

Mikroverktyg has manufacturing units in Södertälje and Valskog, where precision components and transmission parts in the form of toothed gears, splines and racks are produced. The company supplies products to customers that have operations in areas such as aviation, defence, automotive and energy technology.

Every year, Mikroverktyg invites its customers to the plant in Södertälje in order to generate even better customer contacts and at the same time increase knowledge about Mikroverktyg's operations. Customers from many different sectors participate, with representatives from a range of functions, such as management, purchasing, preparation and maintenance.

"Our customers gain a better understanding of how our production works,

as well as what is required to produce the components they order," says Lars Bohman, salesperson at Mikroverktyg. "The customer day also gives us the opportunity for more in-depth discussions with our customers, as well as enabling us to further inform ourselves about which products they need."

During the day, the customers have the opportunity to take part in guided tours of the production facility. They can also walk around on their own and talk to the staff, as well as see how the machines work. This is also appreciated by Mikroverktyg's employees, who are given the opportunity to meet their customers and put faces to the names of the people who create the drawings that they then use to produce the items.

In addition, Mikroverktyg presented the gear technology that is used to produce several of the components. The customer day is consequently an opportunity to show off both existing and new technologies that the company can use to satisfy the customers' needs.

In order to illustrate more clearly how the products are used, Scania was invited in to

show off their trucks that contain components manufactured by Mikroverktyg. Scania also presented the history of the truck.

"The customer day is greatly appreciated by our customers," continues Lars. "It is perceived as a relaxed and pleasant way to learn more about what we do, at the same time as giving them the opportunity to see how their components are produced. Our customers also appreciate the contact with the staff who are directly involved in the manufacturing."

One of the customers visiting Mikroverktyg on the customer day was Jonas Nordlöf from Scania CV. He confirms Lars's view of the day.

"I was there along with several of my colleagues, and we were given the opportunity to see the workshop with Mikroverktyg's new machines. For example, we discovered that they have a machine that can resolve one of the challenges we are currently facing, so that was perfect! We were also able to meet many colleagues from the sector," explains Jonas. ■



Lars Bohman and Jonas Nordlöf

ACCEPTING ENVIRONMENTAL RESPONSIBILITY



The companies in the XANO Group are manufacturing industries with operations that lead to various kinds of environmental impact. The primary impact occurs as a result of the use of materials and energy, although the occurrence of waste and generated carbon dioxide emissions also entail an environmental load. The Group also sees environmental risks principally in respect of access to environmentally friendly materials and the potential to make adjustments in accordance with the UN's sustainability goals. In order to manage these risks, the Group's companies are constantly working to improve their environmental performance.

GOVERNANCE AND TARGETS

During 2018, XANO has developed a plan for how the environmental work is to be structured within the Group. In addition, the Board has adopted three directional goals that will constitute the basis for the Group companies' environmental goals. The Group management will stipulate demands requiring all subsidiaries to work actively on environmental issues and to establish quantitative environmental goals. Every year, the companies must report to the Group management how the environmental work has progressed, as well as what is going to be done in the next year to reduce the negative environmental impact.

XANO's directional targets regarding the environment:

- Reduced amount of waste that cannot be reused or recycled
- Reduced energy consumption
- Lower climate emissions from energy usage and transport

During 2017, the Group initiated structured measurements in the fields of waste, energy consumption and climate emissions. The Group's overall, long-term objective is for all environmental impacts to be minimised. Bearing in mind the shifting nature of the

Group companies' operations and the maturity of the sustainability work, no general targets are being adopted at present. Directional targets have been formulated for the Group instead, and on the basis of these the subsidiaries set their own quantified goals with the focus on those areas where the greatest sustainability and business benefit can be achieved. The Group's sustainability policy constitutes the foundation for the environmental work of the individual companies. The policy specifies that the Group's environmental impact must generally be reduced through active choices of materials, processes and transport. The companies with ISO 14001 certification also have their own environment-related policies and procedures, and are carrying out audits on an ongoing basis to ensure that these are being followed.

WASTE

As manufacturing companies, we have an environmental responsibility, not only to ensure that the production processes live up to stipulated requirements, but also for what happens with waste material and finished products when they reach the end of their service life or are taken out of use for some other reason. During 2018, our companies have continued their work aimed at increasing the proportion of spillage from the operations that goes back into the production process, as well as increasing the amount of sorting. For example, Cipax in Norway is currently running a project regarding recycling plastic from boats, with test production starting in the near future.

ENERGY

Energy is required in order to run the businesses' production processes. Lower energy usage, in addition to delivering a reduced climate impact, also provides cost savings and strengthens the companies' environmental profile.

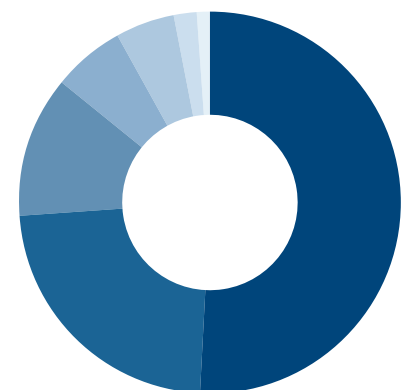
To date, detailed energy surveys have been conducted in three of the Group's units

and are in progress in a further two. When this survey work was launched, these units were responsible for more than 80 per cent of the energy usage in the Group's Swedish companies.

During 2018, several of the Group companies have been able to reduce their energy consumption by installing new cooling and heating systems as well as by optimising the machinery. →



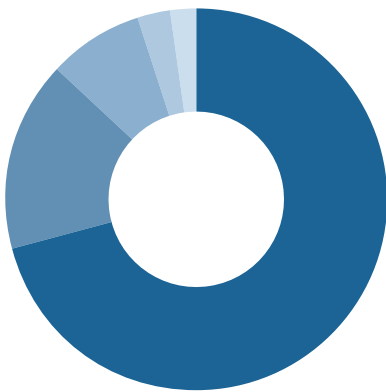
WASTE



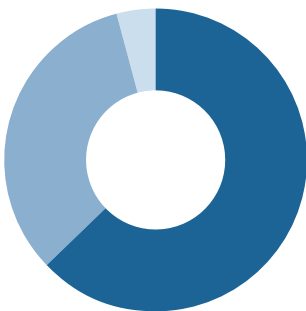
Material recycling, metals	(51%)
Energy recovery	(23%)
Material recycling, other	(12%)
Recycling, hazardous waste	(6%)
Other recycling, non-hazardous waste	(5%)
Landfill, hazardous waste	(2%)
Landfill, non-hazardous waste	(1%)



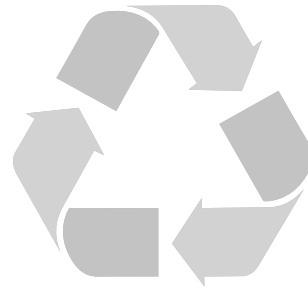
ENERGY CONSUMPTION



- Electricity (71%)
- LPG and natural gas (16%)
- District heating (8%)
- Fuel (3%)
- Oil (2%)



- Renewable sources (63%)
- Fossil sources (33%)
- Nuclear power (4%)



RECOVERY OF PROPANE PRODUCES ENVIRONMENTAL BENEFITS

By collaborating with a neighbouring company, Cipax in Norway gains rapid access to propane in its production. Residual propane from used gas cylinders is recovered and transported directly to one of Cipax's production lines via a gas line.

"We can see several environmental benefits," says Dag Eirik Thomassen, Managing Director. "We make use of residual propane that would otherwise have gone to waste. At the same time, the number of transport operations is also reduced, as the residual propane does not need to be transported for destruction."

Deliveries of used cylinders arrive at Cipax's neighbouring company, where they are emptied of residual propane. After oil separation and particle filtration, it is then transported to Cipax through an underground gas line that runs between the companies.

In order to succeed with the recovery, several different technical solutions have been tested. It has been essential to find the right mix and perform risk assessments. The gas that is used must be stable and must satisfy particular specifications.

Today, the residual propane makes up 10–15 per cent of the gas that is used in Cipax's production. The recovery operation works extremely well, and Cipax believes that the conditions exist to increase the use of residual gas in future. It could act as a potential energy source for other processes within manufacturing. ■

INVESTMENTS FOR LOWER ENERGY CONSUMPTION

Mikroverktyg's production facility in Södertälje comprises large premises that have a considerable need for both heating and cooling in order to keep operations going. The company has previously had separate systems for heating and cooling, which have proven to be relatively ineffective. For example, some parts of the premises have had a heat surplus, while in other parts it has been too cold at the same time. In order to utilise the energy more efficiently, a new ground-source heating system was installed in October 2018.

"With this new system, our energy consumption will diminish by 360 MWh a year, which will give annual cost savings of SEK 390,000," says Kjell Wallin, Managing Director. "This also means that our carbon dioxide emissions will decrease by 17.5 tonnes annually, while significantly improving the indoor climate."

The installation is also enabling Mikroverktyg to monitor its energy consumption easily, which was not possible before.

"The checks regarding the way we use energy are now much better. We can see that there are great opportunities for continued optimisation of our facilities in order to further reduce energy consumption," concludes Kjell. ■

CLIMATE EMISSIONS

The operations in the Group's companies give rise to the emission of greenhouse gases, for example through the use of materials and energy as well as through transport and travel. After almost two years of structured data collection in this area, there is still some uncertainty regarding reporting. We therefore need to further develop our procedures and obtain additional data in order to present more detailed and comparable information.

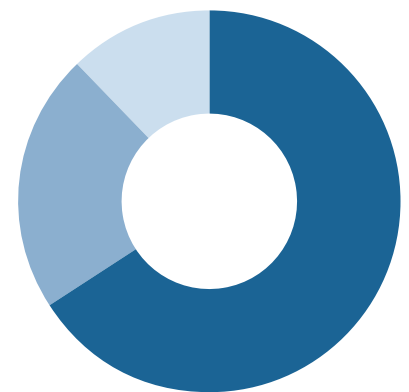
The activities in 2018 include Cipax's work on the coordination of boat deliveries from Norway, while its sister company in Estonia has switched forwarding agents in order to reduce its emissions linked to the transport of goods.

FUTURE ACTIVITIES

Prioritised activities in future include in-depth analyses of the sustainability risks as well as additional stakeholder analyses in order to obtain even better information about what our stakeholders expect of our environmental work.

In addition, the Group companies will specify their own environmental objectives based on our shared directional goals, and develop action plans regarding how these objectives are to be achieved. Centrally in the Group, we will also be developing tools for structured and continual monitoring of the Group companies' sustainability work. We are doing this in order to gain a clearer picture of the operations' environmental impact, thereby increasing the opportunities to identify areas for improvement. ■

CARBON DIOXIDE EMISSIONS



- Energy consumption (66%)
- Transport of goods (22%)
- Passenger transport (12%)



LIFECYCLE PERSPECTIVE FOR MORE EFFECTIVE ENVIRONMENTAL WORK

Over the course of a couple of years, Resinit has focused on introducing a lifecycle approach into its environmental work. In spring 2018, partially thanks to its work on the lifecycle perspective, the company was awarded its updated certificate according to ISO 14001.

Resinit is part of XANO's Precision Technology business unit. The company's plant in Västervik manufactures machined components made of plastic and laminate. 450–500 different items are delivered each month to customers in fields such as medical technology. Resinit has long worked with environmental management systems, but in 2015, when the updated ISO 14001 environmental management system standard was released, they had a bit of a headache regarding the standard's new demands for a lifecycle perspective.

"The first question we had to ask ourselves was: What does the lifecycle perspective mean for Resinit?" says Kurt Johansson, quality and environmental coordinator at the company.

Both through its own research and with the aid of an environmental consultant, Resinit was able to ascertain the meaning of the term. Working on the basis of a lifecycle

perspective entails a broader approach in respect of products' environmental impact, and covers the entire process from procurement of raw materials to final waste management. The aim is to give consideration to and minimise the environmental impact throughout the product's lifecycle.

In order to identify the company's environmental impact from a lifecycle perspective, Resinit began to subdivide its operations into various lifecycle stages. After that, the environmental aspects present in each lifecycle stage were identified.

"We now have a clear model where we can assess the environmental impact, risks, stakeholder requirements, legal requirements, etc., based on a lifecycle perspective. This creates clarity in our environmental work and is also easy to communicate within the organisation," considers Kurt.

The work has resulted in more effective environmental efforts, as the lifecycle perspective makes it easy for the company to identify which environmental aspects it can influence. It has also led to more dialogues with customers in respect of material and chemical choices.

"Our production is controlled to a great extent by demand from customers. Their wishes occasionally entail the use of e.g. chemicals that have a negative impact on

health and the environment," points out Kurt. "In that instance, we initiate a dialogue with the customer in order, where possible, to switch to more environmentally friendly and healthy alternatives."

The work in relation to choice of materials contributes to a reduced environmental impact during the product's usage phase, but also when it becomes waste, which is fully in line with the requirements set out in ISO 14001 and the company's ambition to work for sustainable development.

"In the beginning it was difficult, but once we had figured out what the lifecycle perspective entails for us and had identified the right approach, it became easy and was absolutely worth all the work," concludes Kurt. ■

Resinit's 10 lifecycle stages:

1. Marketing activities
2. Procurement of materials
3. Energy consumption
4. Production
5. Chemicals handling
6. Delivery
7. Waste management
8. Final management
9. Emergency mode
10. Outdoor activities



ACCEPTING SOCIAL RESPONSIBILITY

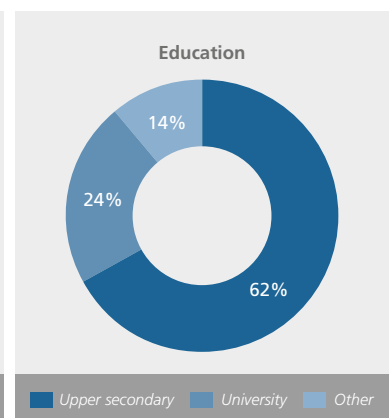
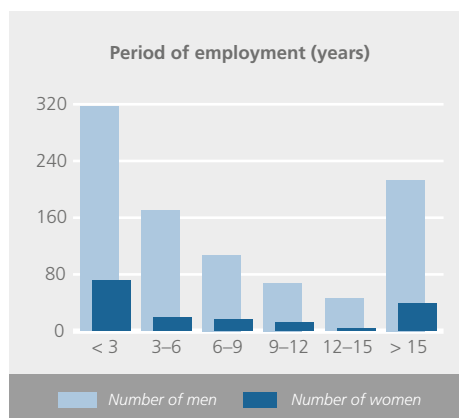
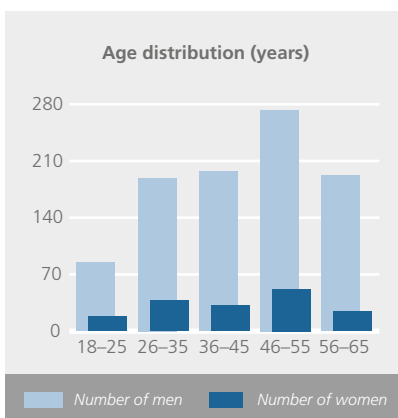


XANO's acceptance of social responsibility can be divided into two parts – internal and external. The internal acceptance of responsibility relates to assuming responsibility for employees and ensuring that each individual has a good working environment from both a physical and a psychosocial perspective. The external acceptance of responsibility relates to assuming responsibility for people in and the development of the local community in which the Group operates.

ATTRACTIVE EMPLOYER

There is considerable competition for employees on the labour market, particularly within the manufacturing sector. Our ambition is to be an attractive employer with a good reputation on the labour market, as well as to have a strong and attractive employer brand.

During 2018, employer branding has been one of the Group's areas of focus, with a stated goal of at least one activity per company. XANO's employer branding work covers issues and activities linked to how the Group companies are perceived as employers by current, future and former employees. On the basis of strategies established in the Group companies' business plans, we are now working actively within several different areas with the aim of attracting, recruiting, motivating and retaining personnel. →





MEANINGFUL EMPLOYMENT TO THE BENEFIT OF ALL

For many years, Ackurat has been collaborating with Väjö Municipality and taking on people with disabilities in its operation. These individuals benefit from a meaningful working day, at the same time as providing Ackurat with assistance in its production.

As early as the 1970s, Ackurat's then owners were demonstrating their social responsibility by being in contact with the municipality and employing people with disabilities for more basic tasks. This commitment is now an established and obvious part of Ackurat's operations.

Every day, a group of around eight people comes to Ackurat together with their two supervisors. The group carries out various work duties within assembly and packing. They are based in a separate area, with each person being able to work at his or her own speed.

"It is so valuable for these people to have a rewarding and structured working day," considers Joakim Andersson, one of

the municipality's supervisors who has been working alongside Ackurat since 2011.

"Through these daily activities, they benefit from social training as well as collaboration and responsibility. They get the chance to develop at their own speed and according to their own specific situation."

The municipality's supervisors have an important role to play in the contacts with Ackurat and in order for the day-to-day work to function smoothly. The objective from the municipality's side is to create security for people with disabilities, and to ensure that they have meaningful employment. If the collaboration works well and the individual develops, it may be appropriate to arrange a more permanent solution via employment with a salary subsidy.

"For us at Ackurat, it is very important to be able to support these people," says Fredric Fagerberg, Managing Director. "It is just as satisfying every time we see someone growing socially and daring to help themselves. It is also an important part of our day-to-day

operations, as it takes the drama out of contacts with people who have disabilities."

Other personnel may have concerns that their work duties will disappear, but clear information regarding the purpose of the arrangement generates acceptance for Ackurat's decision to conduct this social initiative. These slightly more basic duties might otherwise have needed to be outsourced to low-wage countries, for instance. They now stay here and can be carried out on site with a positive purpose.

Ackurat will continue this important initiative in future years, and is looking forward to a long-term exchange with Väjö Municipality.

"It is actually remarkable that more companies are not showing an interest in this opportunity. The collaboration genuinely benefits everyone: the municipality, the company and the people who come here every day," concludes Fredric. ■

LEADERSHIP

Committed and responsible employees create the conditions for sustainable operations. In order to achieve this, we need skilled managers who can see the potential that exists within individuals and groups. For us, it is a matter of building long-term, healthy relationships, where leadership becomes a tool for achieving goals, resolving tasks and producing results. Against this background, we are working actively with leadership issues and skills development.

XANO's directional targets for personnel:

- High skills development
- Low absence due to illness

SKILLS DEVELOPMENT

XANO's objective is for all employees to possess the correct skills. The Group's companies are constantly striving to build on the knowledge of their employees, for example through training programmes within XANO Academy. Total investment in training activities during 2018 amounted to just over SEK 3 million, which equates to an average per employee of just over SEK 3,000.

A further 15 people underwent basic training within the framework of XANO Production School during the year. Safety issues, quality expertise and production technology are some of the areas the participants have

immersed themselves in. A programme encompassing the managing directors of all the Group companies was launched in June and will conclude in May 2019.

WORKING ENVIRONMENT

We have a responsibility to secure a good working environment for our personnel from both a physical and a psychosocial perspective, and to ensure that nobody sustains injuries at work.

We therefore work actively and systematically to improve our working environment. The working environment is constantly being evaluated and risks are constantly being assessed. Measures are implemented if necessary and then followed up to ensure that they have produced the intended effect.

Employing a proactive approach with the aim of preventing ill health is important for XANO. Examples of initiatives include the companies in the Group supplying healthcare benefits to their employees and the fact that the majority of the Group's companies are affiliated to occupational health services where personnel are offered regular health checks.

From a historical perspective, absence due to illness has been at a consistently low level. The statistics for the year show a higher number of hours on sick leave for the personnel in some of our units. We will be analysing

these results and, if necessary, implementing tailored activities with the aim of reversing this trend.

SAFETY IN THE WORKPLACE

Safety awareness and good safety behaviour at the workplace in general and specifically in production are of the utmost importance within the Group. The safety of the employees is the priority. The companies must have equipment that eliminates the risk of injuries and facilitates demanding work procedures, for example. Safety regulations and procedures must be drawn up and complied with. Any accidents and near-accidents must be reported and investigated.

EQUALITY

Equality means women and men enjoying the same rights, obligations and opportunities in all areas of life. At present it is difficult to achieve an even gender distribution among employees within the manufacturing sector, and approximately 85 per cent of the Group's employees are currently men. In the current circumstances, our equality work relates primarily to attitudes and values, in the first instance in relation to our colleagues, although also in our private lives. In order to safeguard equality at each workplace, there is an ongoing process of evaluation and monitoring of equality plans and policies. ➔

KEY PERFORMANCE INDICATORS – PERSONNEL		2018	2017
Average number of employees		1,015	807
– in Sweden		511	420
– in other countries		504	387
– women		149	123
– men		866	684
Average age, women ¹⁾	years	40	43
Average age, men ¹⁾	years	42	44
Average employment period, women ¹⁾	years	7	7
Average employment period, men ¹⁾	years	7	8
Absence due to illness ²⁾	%	4.8	3.3
– short-term	%	3.1	2.4
– long-term	%	1.7	0.9
– women	%	2.4	3.0
– men	%	4.7	3.0

¹⁾ Refers to employees at the end of the year.
²⁾ Includes full-year figures for newly acquired companies.



XANO Academy is the Group's internal training arena. The purpose of the academy is to strengthen and profile XANO as an employer, to invest in employees, to facilitate a platform for internal networks, to achieve increased competitive advantages and to create a forum for the communication and implementation of XANO's core values.

The development programmes normally run for twelve months and are divided into six modules, the content of which is adapted according to the target group's structure and skills requirements.

Since the start, 79 employees have attended training within XANO Production School, which focuses on various groups of production personnel. In addition, 16 employees with a sales focus have attended XANO Sales School and 33 managers have completed XANO Management School. ■



VALUABLE DIVERSITY

XANO aims to be an attractive workplace where everyone is treated fairly and equally. For us, diversity means everyone having the same rights and opportunities, regardless of their gender, ethnicity, age, sexual orientation, transgender identity or expression, religion or other belief system or disability. Our diversity work is based on the Group's sustainability policy and code of conduct.

For us, diversity is valuable – a good mix of people with a variety of experiences can increase innovation, creativity, efficiency and quality in our operations – in particular due to the positive effects on the working environment that result from greater diversity. A multi-faceted XANO also increases the Group's credibility in relation to other stakeholders. Having employees with varying knowledge and backgrounds provides the Group's companies with expertise and perspective that make it easier to understand the needs, demands and expectations of various target groups and stakeholders. This in turn makes a valuable contribution to product development and service.

RESPECT AND OPENNESS

Each and every employee within the XANO Group is expected to treat colleagues and other people with respect. We are striving to achieve an open and permissive working climate, with zero tolerance of all forms of discrimination and harassment.

XANO IN SOCIETY

It is important and only natural for us to have broad social commitment. Many of our companies work in small towns where they fulfil an important role as an employer. Close contact with local residents and representatives from the authorities strengthens the role of these companies locally and contributes towards mutual development. For example, one Group company, Ackurat, has been pursuing an active and successful collaboration with Växjö Municipality for many years, whereby the company provides tailored employment for a number of people with disabilities.

Several companies have organised collaborations with Swedish universities and university colleges. This exchange can include

everything from taking in trainees and apprentices within the operation to participating in research and technical development projects. A healthy collaboration with schools can be very important in securing future skills provision. Taking part in job fairs is another way for Group companies to provide information about the business and establish contacts with potential employees.

Accepting responsibility for the local community can also take the form of supporting and collaborating with sports clubs. In Jönköping, XANO has opted to support children's and youth activities at the floorball club JIK, which also involve participants with disabilities.

The ongoing work of deepening relations and collaborations in the local area is a natural part of our social responsibility and our contributions to the development of the local community. ■





INCREASED AWARENESS OF BUSINESS ETHICS

Many of XANO's employees have undertaken online training in respect of anti-corruption during the year. A code of conduct for suppliers has also been taken into use. Awareness and expertise in the Group's companies regarding business ethics has consequently increased.

A few years ago, XANO introduced a code of conduct for all its employees. The code, which follows the rules of the Swedish Anti-Corruption Institute, is part of the employment contract and contains guidelines for good business ethics and internal working methods.

During the year, all the employees who are part of a management team, as well as those who have a financial responsibility, have undergone online training in respect of anti-corruption.

"The training has been greatly appreciated," says Marie Ek Jonson, CFO. "It is

good to be reminded about these important issues and to be notified about how we can prevent fraud in our business."

Good business ethics should be a matter of course in all companies, and the code of conduct is also part of the introduction in conjunction with acquisitions. Another preventive measure is the review of the companies' payment procedures, which is carried out regularly within the framework of internal control. In addition to guidelines and procedures, it is also important for the Group management to demonstrate transparency and to be visible at company sites.

"Within XANO, we are endeavouring to achieve open, positive relations between those of us in senior roles and the subsidiaries. Both the Group management and the relevant business unit manager often take the time to visit our operations in order to meet employees in various positions," points out Marie. "During these meetings, there are many opportunities for dialogue regarding

any problems and how they can be dealt with."

During 2018, XANO has also introduced a code of conduct for suppliers that includes a clause about anti-corruption. The code of conduct has been sent out to all the Group companies' 20 largest suppliers. The aim is for the code to be part of all supplier agreements.

"In order to maintain awareness in future, it will be important to have continued open dialogue and to raise issues relating to business ethics regularly at management team meetings, as well as in other situations where we consider it to be necessary. It is also our aim for all employees, both in senior positions and those with some form of contact with customers or suppliers, to undergo anti-corruption training.

The suppliers' compliance with the code of conduct also needs to be followed up and guaranteed," concludes Marie. ■



ACCEPTING FINANCIAL RESPONSIBILITY

In order to be profitable, it is important to use all your resources with care and to work efficiently at every stage. For many years, XANO has had a clear focus on long-term, profitable growth. Through its long-term approach, XANO is also assuming responsibility for and helping to improve society. Our social responsibility also involves ensuring that our processes and products do not have a negative effect on our health or the environment. By constantly adopting new technology and being at the forefront as regards product development, we aim to ensure that the Group's production has the least possible impact on health and the environment, at the same time as being conducted efficiently and profitably.

BUSINESS ETHICS

The long-term approach is a natural part of the XANO spirit and our values. Our external stakeholder relations are also characterised by this long-term attitude, where good business ethics are a precondition for trust. Ethics is about doing the right things – respecting laws and paying tax in accordance with applicable regulations, as well as having zero

tolerance of corruption.

We respect good business ethics and follow the rules of the Swedish Anti-Corruption Institute regarding the way gifts, rewards and other benefits associated with the business world may be used to promote operations. We actively choose business partners who stand for the same values.

A more structured working method for ensuring the acceptance of responsibility among suppliers has been initiated during the year. Several of the Group companies had already incorporated codes of conduct for suppliers in their business agreements. There is now a Group-wide supplier code that each Group company's 20 largest suppliers have initially signed up to. The aim is for all permanent suppliers to have accepted the code at the latest by the end of 2020. In conjunction with the business plan process, the Group management will be following up developments.

ANTI-CORRUPTION

Within XANO, there is zero tolerance of bribery and corruption. Based on the Group's sustainability policy and code of conduct,

we are working actively and consciously to combat corruption. Particular risk areas are identified in our work on internal control. Payment processes and other sensitive operations are continually reviewed and safeguarded. No cases of suspected corruption have been reported during the year.

During 2018, all employees within the Group who are part of a management team or who have financial responsibility, have undergone online training in respect of anti-corruption. This project is continuing in 2019 for other personnel groups.

TRANSPARENCY & OPENNESS

We are striving to achieve transparency and openness in all communication with both employees and the outside world, without breaching applicable regulations or jeopardising confidentiality in respect of trade secrets and personal data. ■

DIVERSITY POLICY FOR THE BOARD OF XANO INDUSTRI AB (PUBL)

In its proposal to the Annual General Meeting regarding the choice of Board members, the company's nomination committee must take into account point 4.1 of the Swedish Code of Corporate Governance, using the most recently revised version which applies from 1 December 2016, which states:

"With the company's operations, phase of development, and other conditions taken into consideration, the board is to have an appropriate composition, exhibiting diversity and breadth in the directors' qualifications, experience and background. An equal gender distribution on the Board is to be an aim."



FREDRIK RAPP *born 1972*

Chairman elected 2004.

Principal education Graduate economist.

Principal work experience CEO of Pomona-gruppen, Managing Director of Talk Telecom.

PER RODERT *born 1953*

Member elected 2013.

Principal education Graduate in business administration.

Principal work experience CEO of INEV, CEO of Rörvik Timber, CEO and Finance Director of Munksjö.

ANNA BENJAMIN *born 1976*

Deputy Chairman elected 2016.

Principal education Master in economics and finance.

Principal work experience Project manager business development at ICA Sverige, Manager at PricewaterhouseCoopers, Controller at Nobina.

STIG-OLOF SIMONSSON *born 1948*

Member elected 2002.

Principal education BA

Principal work experience CEO of SYSteam.

PETTER FÄGERSTEN *born 1982*

Member elected 2011.

Principal education Graduate economist, Jönköping International Business School.

Principal work experience Managing Director of ITAB Shop Concept Jönköping.

EVA-LOTTA KRAFT *born 1951*

Member elected 2012.

Principal education Graduate engineer, MBA.

Principal work experience Regional Manager at Alfa Laval, Head of Division at Siemens-Elema, Strategy and Marketing Manager at the Swedish Defence Research Agency.

The Sustainability Report for XANO Industri AB (publ) in respect of 2018 has been approved for publication by the Board.

Jönköping, 12 March 2019

Fredrik Rapp
Chairman

Anna Benjamin
Deputy Chairman

Petter Fägersten
Board member

Per Rodert
Board member

Stig-Olof Simonsson
Board member

Eva-Lotta Kraft
Board member

AUDITOR'S STATEMENT IN RESPECT OF THE STATUTORY SUSTAINABILITY REPORT

To the Annual General Meeting of XANO Industri AB, corp. reg. no. 556076-2055

Assignments and allocation of responsibility

The Board of Directors is responsible for the Sustainability Report for 2018 on pages 3–22 and for ensuring that it is prepared in accordance with the Annual Accounts Act.

Scope and orientation of the audit

Our audit has taken place in accordance with FAR's recommendation RevR 12 *Auditor's statement on the statutory sustainability report*. This means that our audit of the sustainability report has a different emphasis and a significantly smaller scope in comparison with the emphasis and scope of an audit in accordance with International Standards on Auditing and good auditing practice in Sweden. We consider that this audit gives us a sufficient basis for our opinion.

Opinion

A sustainability report has been prepared.

Jönköping, 18 March 2019

Ernst & Young AB

Joakim Falck

Authorised Public Accountant

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