



SUSTAINABILITY REPORT 2019

XANO INDUSTRI AB (PUBL)

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.

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BUSINESS CONCEPT

BUSINESS CONCEPT

XANO develops, acquires and operates manufacturing businesses with unique or market-leading products and systems with associated services. The XANO Group is made up of niche engineering companies whose main market is industry in Europe. XANO creates value for shareholders by exercising both active ownership and management by objectives.

CORE VALUES

ENTREPRENEURIAL DRIVE

Entrepreneurship combined with strong drive is the most important common denominator for the companies in the Group. 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.

LONG-TERM THINKING

The long-term approach characterises all activities and decisions within the Group. XANO conducts long-term investment in its companies, giving each unit the resources and space to develop. The companies in turn strive to achieve long-term relationships and close collaboration with all stakeholders.

TECHNICAL KNOW-HOW

The Group's companies are niche operations, possessing sound technical know-how within their respective specialist areas. Continuous skills and technical development ensure quality and delivery reliability. A high degree of innovation creates efficiency and business benefits for both Group companies and their customers.

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. The operations are divided up into the Industrial Products, Industrial Solutions and Precision Technology business units.

XANO INDUSTRI AB		
INDUSTRIAL PRODUCTS	INDUSTRIAL SOLUTIONS	PRECISION TECHNOLOGY
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	Canline Systems BV Canline USA Corp Fredriksons Verkstads AB Fredriksons Industry (Suzhou) Co Ltd Jorgensen Engineering A/S NPB Automation AB Polyketting BV	AB Kuggteknik 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 8% over time. The equity/assets ratio will exceed 30%.

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 the Group 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 EXCEEDING STATED FINANCIAL TARGETS

The Group's organic growth stood at 3%, while acquisitions contributed a further 1% in volume during 2019. The profit margin was lower than the previous year, yet still exceeded the target value, amounting to 9.9%. The equity/assets ratio was strengthened from 34 to 38%.



OUR SUSTAINABILITY WORK

Our financial goals for the Group are an annual organic growth above the general market trend, a profit margin of at least 8 per cent and an equity/assets ratio exceeding 30 per cent. In order to achieve profitable growth, it is necessary to employ sustainable enterprise through resource optimisation and efficiency at every stage. This is a natural way of working for XANO, and the sustainability work has consequently always been at the heart of the Group's operations.

Prior to our first sustainability report, which related to 2017, we introduced a number of Group-wide procedures aimed at systematising the work and reinforcing corporate governance in respect of sustainability. We wanted to obtain a combined picture of the sustainability activities in our companies, and we developed a central sustainability policy that all the units implemented. At the same, we launched the process of incorporating the sustainability aspects in each Group company's business plan. In 2018, the Board of Directors adopted a sustainability strategy that describes the overall focus of the ongoing work. Furthermore, directional goals were formulated relating to improvements with selected areas in respect of personnel and the environment. The task for the individual Group companies is, on the basis of the common guidelines, to formulate their own quantified goals regarding materiality and business benefits.

During 2019, we have conducted risk analyses, stakeholder analyses and materiality analyses from a sustainability perspective. The purpose was to identify areas of focus and to delimit the direction of future activities.

During 2020, our companies will be continuing to focus on those issues that they themselves and their respective stakeholders view as most pressing. At Group level, we will be further developing the follow-up process and clarifying the procedures regarding reporting data in respect of selected sustainability indicators.

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, and specifies clear demands for the involvement of all employees. The working climate and stakeholder relations are characterised by openness 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, and 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 for 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 respon-

sible, within the framework of their area of responsibility and their authorisation, for the preparation and implementing of action plans as well as the following up of goals. Those companies that did not already have a dedicated sustainability coordinator have appointed one during 2019.

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.

Since 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. All employees should study this, and the aim is for it to be part of all employment contracts in the long term.

A Group-wide supplier code was developed during 2018, the aim being for each Group company's 20 largest suppliers to have signed up to it during 2019. This interim goal has not been fully achieved, but we are still working to ensure that all long-term suppliers have signed the code at the latest by the end of 2020. Some suppliers refer to their own codes of conduct, and if the values in these correspond with the Group's values, we equate this with acceptance of our own code.

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. Company-specific policies exist in areas such as communication, working environment, the environment, equal treatment and anti-corruption. →



REFLECTIONS FROM THE CEO

Our long-term work based on a sustainability perspective is continuing. During the year, all the Group's companies have conducted stakeholder analyses specifically linked to sustainability activities and how well the respective Group companies have succeeded with communication related to their sustainability work. Based on these stakeholder analyses and implemented risk analyses, we have conducted materiality analyses at each company as well as at Group level. As a result, we have identified the sustainability issues on which our work should principally focus. We will consequently be able to concentrate on those areas where we have the greatest potential to influence developments and where we can make best use of our resources. By balancing our potential to exert influence with business considerations, we can achieve the greatest number of positive effects. We are striving to change behaviour in the long term, both inter-

nally within the Group and in the relationships with our business partners, for example through training and ongoing dialogues.

It can be seen from the stakeholder analyses that we have a considerable amount of work to do when it comes to our communications in relation to sustainability activities. We must be clearer here, and also involve the various stakeholder groups to a greater extent in our work.

The fact that our own core issue – employer branding – is also important for our customers and suppliers was confirmed by the results of our investigations. At many of our companies, the lack of access to skilled personnel was classed as a very high risk. A positive outcome of our work to strengthen the companies' profiles as attractive employers is therefore becoming increasingly important.

Another issue that is important for our stakeholders relates to product development

and the use of new technology. This is also a priority for us, and is closely associated with long-term sustainable business. It is part of our strategy for the manufacturing in our companies to include a high technical content in order to create added value for the Group's customers.

The scope of the sustainability concept is growing, the more we commit and relate to it. This is a challenge, yet at the same time rewarding – there is still so much we can improve, both by means of small behavioural changes as well as through more comprehensive and resource-intensive initiatives. By adopting a methodical working method, our aim is to achieve operations that are sustainable in the long term on every level.

Lennart Persson
President and CEO

SUSTAINABILITY CONTROL

Every year, the Group's companies draw up a business plan for the upcoming three-year period, and since 2018 these have included separate strategies, action plans and goals for sustainability work. As part of the work on the business plan, the individual businesses must conduct a SWOT analysis (strengths, weaknesses, opportunities and threats). Key performance indicators are defined and target values are set on the basis of the results of the SWOT analysis. After this, the work begins on 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.

The Group management approves and continually monitors each Group company's business plan. A report plan controls the companies' reporting of e.g. financial and sustainability-related key performance indicators. When it comes to information linked to sustainability, we have established a new follow-up procedure in 2019 in order to analyse the results in a more structured manner and ensure that the work is developed. Our

aim is to achieve standardisation without controlling the activities in detail. Each unit must take individual responsibility and be motivated to achieve its targets.

RISK MANAGEMENT

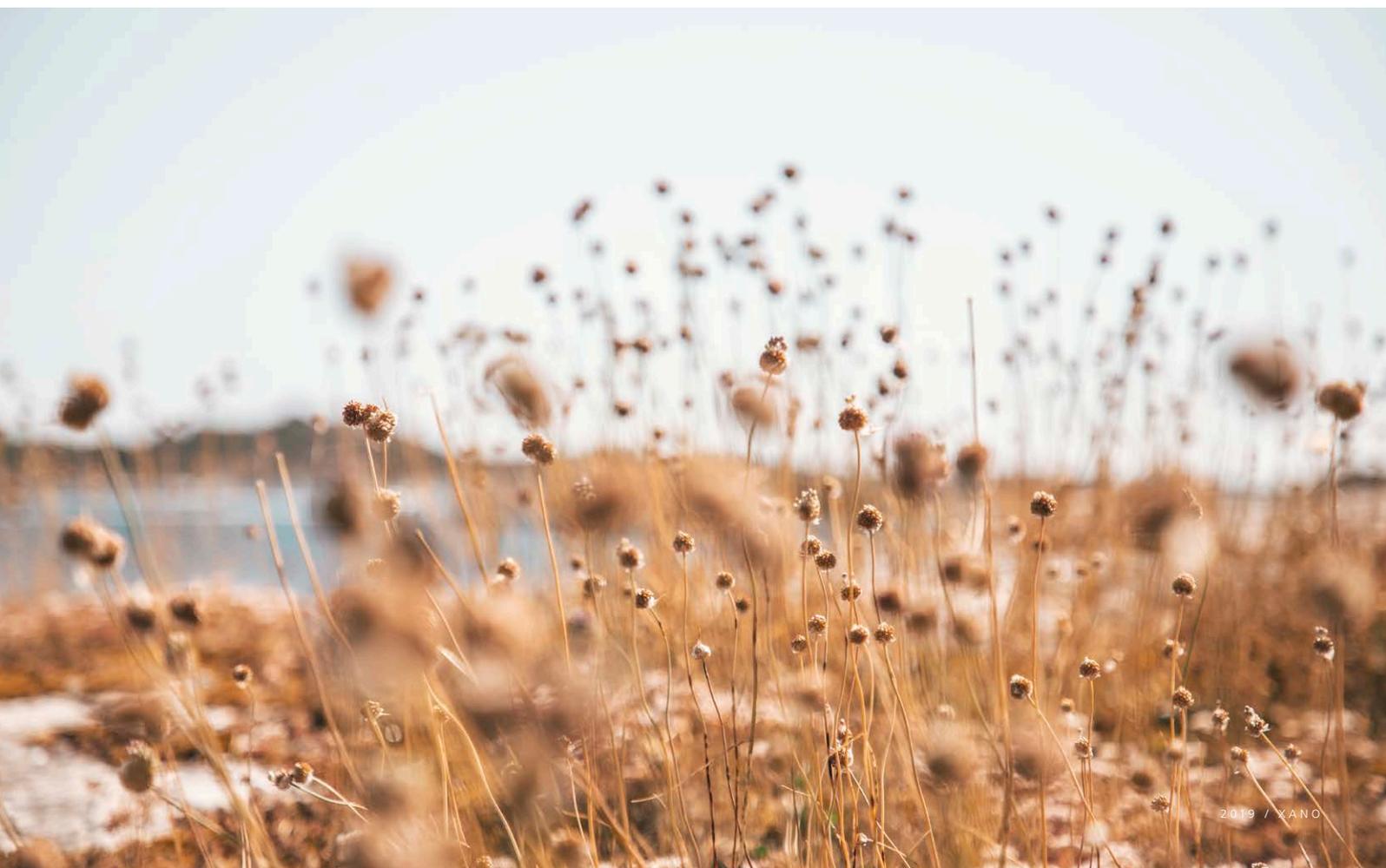
Within the Group, there is a systematic working method for identifying, preventing and rectifying risks in various areas. The companies work actively and in a structured manner on risk management, based on the individual operation's business plan and its specific circumstances. Both operational and strategic assessments are carried out, based on a risk matrix. The existing risk management is documented and action plans are drawn up in those cases where additional efforts are required.

A due diligence process is normally carried out in conjunction with acquisitions, covering areas such as the charting of potential risks.

Separate risk analyses are performed for challenges specifically linked to sustainability. This year's work demonstrates that a dominant share of the Group's companies

consider that a shortage of expertise is the most significant operational risk to their business. Activities related to employer branding consequently remain a high priority. At Group level, IT security was also deemed to be an area where preventive work is essential.

Each Group 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 Group's companies that have identified suppliers with risks at levels 4–5 are continuing 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. On the whole, the Group's companies are encouraged to maintain systematic and continual supplier monitoring. ➔





One important goal is for all suppliers to sign up to the common code of conduct that was implemented in the Group during the previous year, or alternatively to demonstrate their own equivalent code with corresponding requirements.

In most of the Group's 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 CONTINUITY

Quality is an essential sustainability aspect for the Group. Quality is also a key concept within each operation. This relates to satisfying requirements from customers and observing financial considerations, as well as ensuring product safety and minimising environmental impact. For our companies, the quality issue is a standing item on the agenda. Quality policies and quality manuals exist to provide support in the day-to-day work.

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 these 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. This includes the rights of children and women, the right to health and education, as well as the right to be free from discrimination.

Our significant sustainability issues are:

- Climate emissions
- Energy consumption and energy source
- Material consumption
- Waste management
- Employer branding
- Quality
- Financial results

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 that are characterised by sensitivity to the various needs and requirements raised. Our charting of stakeholder involvement in the Group's companies shows that they all conduct regular dialogues with employees, customers and suppliers. The majority of the companies also have ongoing contacts with the local community, usually the municipality. More than half of the companies have regular dialogues with business partners and other players in the sector. There is less dialogue with politicians, authorities and trade organisations.

During 2019, all the Group's companies have conducted stakeholder analyses covering employees, customers and suppliers. A compilation of the results shows that the five most important sustainability aspects for these stakeholders were as follows:

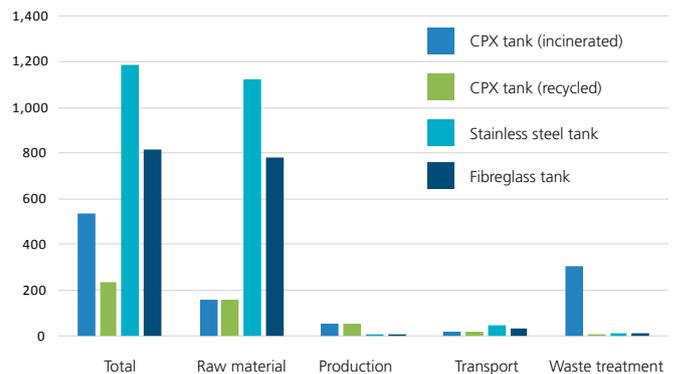
- To create a secure, safe and healthy workplace.
- To optimise material consumption and minimise waste.
- To reduce climate emissions from the business.
- To develop innovative products and use new technology.
- To reduce energy consumption.

The stakeholders were also given the opportunity to give their opinions on how well the Group has communicated its sustainability



work. This input constitutes the foundation for the way we will act in future in order to highlight our activities and involve our stakeholders more effectively.

In our experience, interest in sustainability issues and the importance of working to achieve constant improvements from a sustainability perspective is continuing to increase. We welcome this interest and the demands that are placed on more sustainable enterprise throughout the entire value chain. Our goal is to satisfy our stakeholders' wishes without compromising on either quality or our financial targets of growth and long-term stable profitability as a result. The Group's sustainability work is focused on the areas where we have the greatest potential to influence events and thereby achieve the most positive effects by balancing sustainability aspects and business targets. ■

Environmental impact (kg CO₂e)

POLYETHYLENE – A GOOD ENVIRONMENTAL CHOICE

Helping to reduce the environmental footprint is important for Cipax. All types of production have an impact on the environment, so anything that helps to reduce this impact will generate positive effects for our shared environment.

“For us, it is valuable to understand our products’ footprint compared to the same types of products made from other materials available on the market. This knowledge also helps us in our sustainability work,” says Lars-Erik Andersson, CEO of Cipax.

To get a clear picture of the current situation, Cipax therefore commissioned the consultancy company Ramboll, in collaboration with WSP, to perform a life cycle analysis on one of its standard products, a storage tank made from the recyclable plastic material polyethylene.

“It was important for us that the report was independent and reviewed,” considers Lars-Erik Andersson. “In a life cycle analysis, you are monitoring the product’s entire life cycle and its total environmental impact – from raw material extraction to waste management. The task for Ramboll was to

conduct an independent investigation and comparison, and the results were pleasing for us,” continues Lars-Erik Andersson.

In order to produce a fair comparison in the analysis, it was assumed that all the storage tanks are produced in the same place and delivered to an average European customer. Furthermore, the stainless steel tank consisted of 72% recycled steel, which is the average recycling level in the sector. Depending on what has been stored in a Cipax polyethylene tank, it can either be recycled or incinerated, which has also been presented separately in the report. In all cases, Cipax’s tanks have the lowest environmental impact in respect of climate, acidification, eutrophication, ground level ozone and primary energy consumption.

“The report shows that polyethylene is a better alternative than both stainless steel and fibreglass from a sustainability perspective. Polyethylene has a significantly lower environmental impact, and in the case of polyethylene that is recycled, the climate impact is five times lower than that of stainless steel and almost four times lower than fibreglass,” concludes Lars-Erik Andersson. ■

The full life cycle analysis can be found in the report “Comparative LCA of storage tanks”, produced by Ramboll and verified by WSP. The study conforms to the applicable LCA standards, ISO 14040-44.

A life cycle analysis is an accepted method for calculating the environmental impact of products and services by quantifying emissions throughout a product’s entire life cycle, from raw material extraction to waste management.

A summary of the report can be found at <http://www.cipax.com/quality-environment>.



ACCEPTING ENVIRONMENTAL RESPONSIBILITY



The companies in the XANO Group are manufacturing industries with operations that lead to various kinds of environmental impact. The main impact occurs as a result of the use of energy and materials, although the occurrence of waste and generated climate emissions also entail a load on the environment. The Group also sees risks principally in respect of access to more sustainable materials from an environmental perspective, as well as 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 GOALS

The Board of Directors has determined three directional targets that will constitute the foundation for the Group companies' work on improvements in the environmental field. Each unit must work actively on environmental issues and set up its own quantitative environmental goals. By means of a systematic follow-up procedure, the companies must report each year how well their environmental work has progressed, as well as what needs

to be done over the next year to reduce the environmental load. Ongoing reconciliation is performed in conjunction with the standard following-up of results in relation to business plans. Supporting data for key performance indicators is gathered quarterly.

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 consumption and transport

Our selected measurement areas are initially waste, energy consumption and climate emissions. The Group's overall, long-term objective is for all environmental impacts to be minimised. Bearing in the varying nature of the Group companies' operations and the varying degree of maturity of their sustainability work, no general or absolute target values have been determined yet. 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 sus-

tainability 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, as well as 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 regarding what happens with waste material during manufacturing and finished products when they reach the end of their service life or are taken out of use for some other reason.

During 2019, our companies have focused on areas such as improving the procedures in their quality work in order to minimise scrapping. The work on increasing the proportion of waste that is sorted at source and recycled is continuing. ➔

Other activities worth mentioning include training initiatives, the introduction of procedures for reusing packaging and the implementation of digitalisation processing in order e.g. to reduce the number of paper printouts.

FUTURE ACTIVITIES

The work is continuously aimed at increasing the degree of sorting, as well as improving procedures and processes in the quality work to ensure reduced scrapping and the optimisation of material consumption. Preparation and production processes are also being reviewed in order to minimise consumption, and in the long term the amounts of waste, of hazardous substances such as cutting fluids and pickling agents. ■

ENERGY CONSUMPTION

Energy is required in order to run the businesses' production processes. Lower energy consumption, in addition to a reduced environmental footprint, also produces cost savings at the same time as strengthening the companies' sustainability profile.

To date, detailed energy surveys have been conducted in five of the Group's Swedish units, two of which have been completed during the year. 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.

As a direct consequence of the energy surveys, 13 specific measures have been implemented, resulting in an annual energy saving of 1,215 MWh, equivalent to an almost 100 tonne reduction in carbon dioxide emissions.

During the year, the ongoing energy efficiency work has included energy recovery from our own processes as well as environmentally aware choices when replacing e.g. light sources and investments in new machinery.

CLIMATE EMISSIONS

Energy consumption for heating/cooling premises, lighting and the operation of production equipment in the Group's companies constitutes the biggest source of greenhouse gas emissions (primarily carbon dioxide). The transport of goods and business travel by car and air are other areas that we have identified as significant sources of emissions. A large proportion of the Group's manufacturing takes place in our own properties in Sweden and Norway, countries where energy production to a large extent comes from renewable sources, which means that the consumption thereby generates relatively low climate emissions. The Group's companies report quarterly emissions data related to energy consumption and transport. This data is based to a large extent

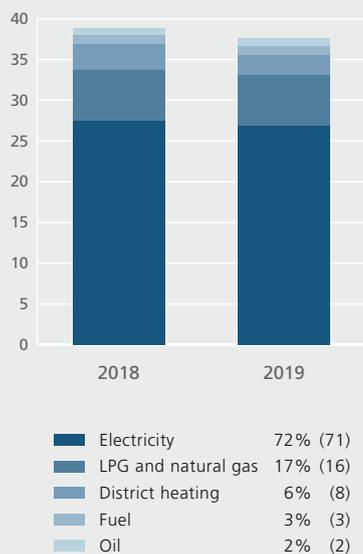
on information from energy suppliers, transport companies and external travel booking systems. The completeness of this information varies. We have developed our procedures since the introduction of Group-wide information gathering, although further clarifications are required in areas such as guidelines for creating homogeneity and continuity in the reporting of sustainability data. The quantitative information that we consider to be sufficiently reliable and capable of being compared with previous years is presented for 2019.

The activities for reducing climate impact over the past year include constant improvements in respect of energy efficiency to achieve reduced energy consumption. We have also carried out work to change procedures relating to business travel. Our internal meetings that have previously entailed travel, particularly those of a recurring nature, are now increasingly conducted via digital solutions. In those cases where personal presence is required, the travel is carefully planned and coordinated as far as possible. More sustainable transport methods are prioritised.

FUTURE ACTIVITIES

The Group's companies will continue to conduct ongoing supervision of energy efficiency, for example in order to identify and eliminate energy thieves and make better use of surplus energy within our own operations. Planned measures include the installation of motion sensors and improved procedures regarding the starting/stopping of energy-demanding equipment. Other relevant activities include selecting business partners with a more pronounced environmental profile, reviewing the options for using more sustainable materials in manufacturing and utilising new technology that entails a reduced climate impact. We will also be further developing our procedures for gathering and analysing sustainability-related data. ■

ENERGY CONSUMPTION (MWh)



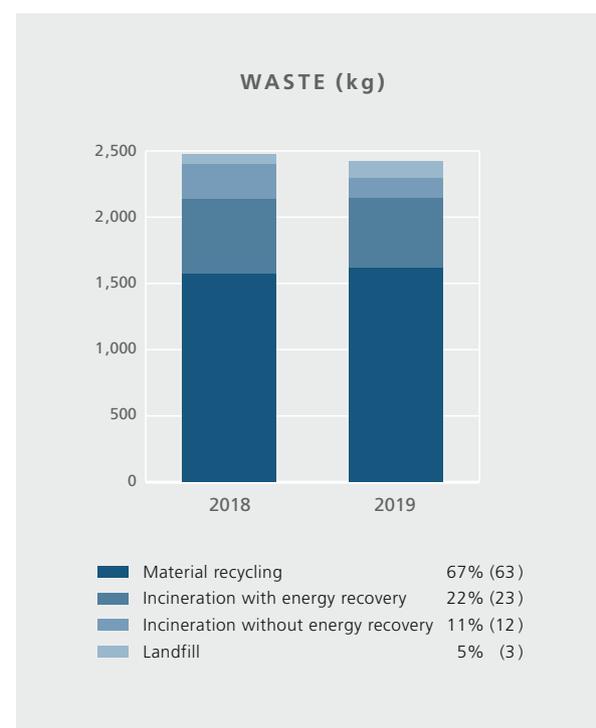
OUR ENVIRONMENTAL INDICATORS – RECONCILIATION AND RESULTS

The basic preconditions for our measurement of improvements in respect of the environment are that all Group companies report data quarterly regarding waste, energy consumption and climate emissions based both on in-house systems as well as information from suppliers. This data is compiled at Group level and compared with earlier periods. Comparisons are performed both with regard to total volumes and in relation to sales. When calculating indicators regarding sales, the comparison period's amounts are converted to the relevant period's average exchange rates. Newly acquired companies are included in those cases where data is available, and on a whole-year basis.

Our basic aspiration is to ensure that the Group's operations generate a minimum of waste. The waste that nevertheless results from our activities must be dealt with by reputable recycling companies to ensure that material handling is as circular as possible. Over the past year, following a recommendation from our environmental consultant, we have altered the fractions for the collection of data for the main groupings of waste deposited for material recycling and incineration with and without energy recovery, as well as landfill. The reporting of waste handling has functioned well, and the supporting data from our business partners is good. Compared to the previous year, the total amount of waste from our operations decreased by 2.5 per cent. In relation to the Group's combined revenue, the reduction was almost 5 per cent. The proportion of waste submitted for material recycling increased from 63 to 67 per cent.

The reporting of energy consumption is also working well, based both on our own systems as well as data from our energy suppliers. These measurements include electricity, district heating, LPG, natural gas and oil for operation, heating and cooling, as well as fuel for travel and transport using our own vehicles. Consumption linked to business travel by car is based on mileage. The conversion to energy is performed using a flat-rate based on a precautionary principle, which means that we use an average fuel consumption that, in most cases, exceeds the information in the car manufacturers' climate index. Over the past year, our total energy consumption decreased by just over 3.4 per cent. In relation to the Group's annual sales, the decline was 5.1 per cent.

Our measurements in respect of climate emissions currently encompass carbon dioxide emissions from energy consumption according to the previous paragraph, as well as emissions related to business travel by air and external goods transport. When reviewing the year's reported data and the comparison with the previous year's figures, we found a number of discrepancies. As we have not been able to fully identify the sources of these errors, we have decided to wait before reporting the results for this indicator until we have satisfactory data. This also applies to the breakdown of the origins of renewable and fossil sources, as well as nuclear power. Where reliable information is available, above all in respect of energy consumption in our Swedish units, we can see that the volume of emissions has fallen compared to the previous year. ■



“The reduction in material is possible without us having to compromise on product quality.”

RECYCLABLE LIGHTWEIGHTS

Using a new method, lightweight products are being created from a 100% recyclable plastic material. The lightweight variants, which can replace some of a vehicle's plastic parts, are generating many benefits. In addition to the positive environmental aspect, the method entails a reduction in weight, higher sound absorption capacity and better heat insulation for the products.

Blowtech is the first supplier in the Nordic region, and one of only a few in Europe, to offer lightweight blow-moulded plastic parts.

“Our customers in the automotive industry recognise the benefits and are showing considerable interest in the new process. At the same time, we are convinced that the advantages that exist within the vehicle sector can also be achieved for other industries. Not to mention the benefits this will entail for the environment thanks to a circular economy, where the recycled material is used in the manufacture of new products,” says Peter Didriksson, CEO of Blowtech.

However, it is not only the fact that the material is recyclable that is contributing to a reduced environmental footprint – the amount of material required in the process is also reduced. This leads to lower carbon dioxide emissions.

“We are able to reduce the amount of material without having to compromise on the quality of the products. In fact, it improves the quality. In addition, the manufacturing process is more energy-efficient than before, which also delivers environmental benefits,” says Peter.

It is common knowledge that reducing weight is important for the automotive industry. By using the lightweight process when manufacturing a plastic part, the weight of that part can be reduced by 30-40%.

“It isn't possible to manufacture all the plastic components in a vehicle using this new method, but we can make a significant proportion,” says Peter, who also explains that Blowtech has specialised in products with complex forms and cavities for either liquids or air.

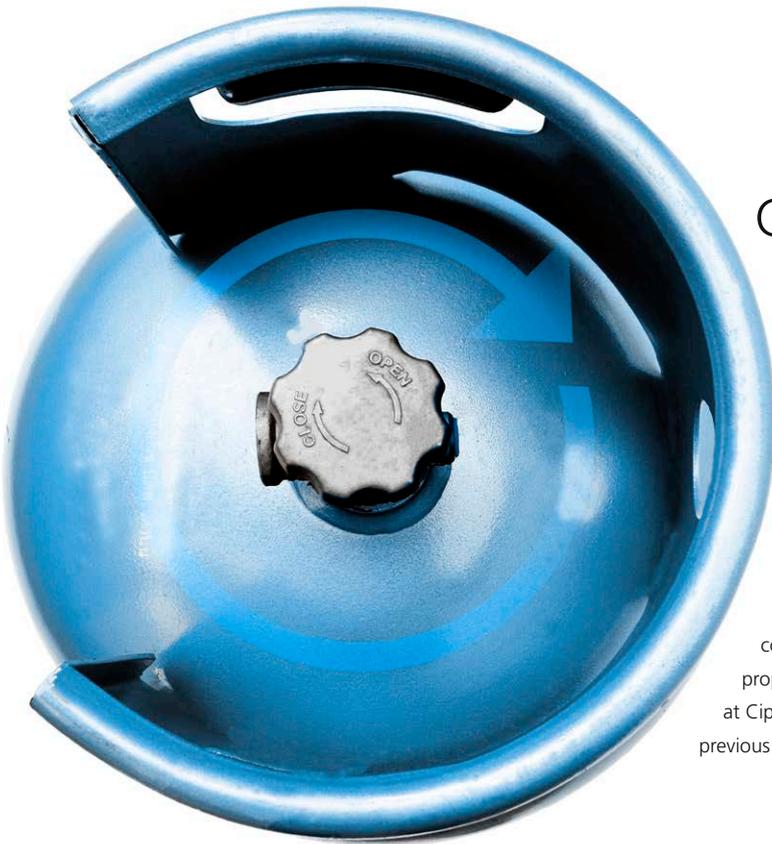
Technical developments in the automo-

tive industry are proceeding at a rapid pace. The new technology is leading to increasing demands, while at the same time also generating additional business opportunities. Demand for electric cars is increasing globally, and in this respect the lightweight products offer benefits that make a considerable difference in terms of the driving experience.

“Using the new method, the components benefit from improved sound absorption capacity, which is particularly interesting for the automotive industry as sales of electric cars increase. When the engine sound disappears, other sounds become more evident, and so it is important for the car's parts to be made of a sound damping material so that you avoid disruptive noise,” says Peter, who sees considerable opportunities and many areas of application for lightweight products, both now and in the future. ■

CIPAX RECYCLING MORE ENERGY

Through a collaboration with a neighbouring company, Cipax in Norway is utilising 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. The recycling is working very well, and the residual propane now makes up around 25 per cent of total consumption at Cipax, which means that the proportion is twice as high as in the previous year. ■



TRAVEL-FREE MEETINGS

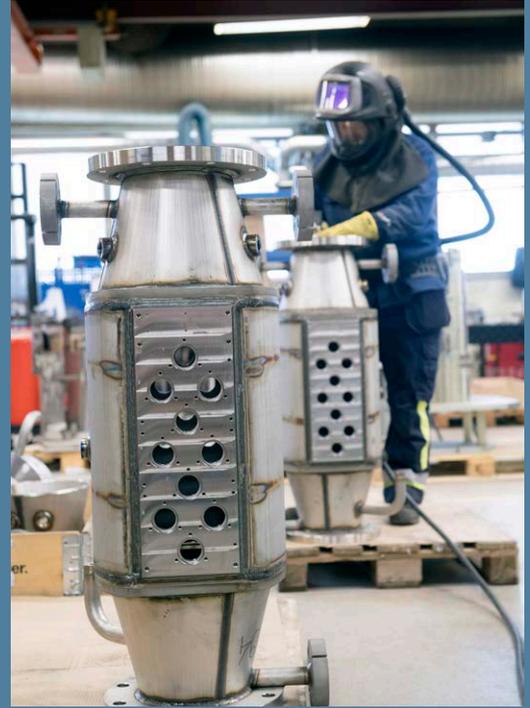
A number of general digitalisation projects within our administration functions have been launched during the year. One of the activities within the framework of this work relates to reducing the number of journeys, above all in conjunction with internal Group meetings. In order to get started and include all employees, a good underlying structure is required. Functioning systems for the planning and booking of meetings, as well as satisfactory technical solutions, are absolute preconditions for a successful introduction. It is also important for all potential participants in meetings to receive adequate training regarding applications and technical equipment.

As a first major Group initiative, all the autumn's forecast reviews were conducted digitally. This process continues over a few

weeks during October and November, with each Group company's management team presenting the next year's budget proposal to the Group management. The meetings have previously been conducted either at the head office in Jönköping or on site at the company in question. The majority of the meetings include participants from several countries.

Travel-free meetings offer many advantages. Reduced climate impact as well as financial and time savings are both obvious and significant. The level of efficiency is also increased, and the response from the participants has so far been positive. With well-functioning technology, many of our employees find the digital meetings to be less stressful. ■





GLOBAL ENVIRONMENTAL WORK CREATING BUSINESS OPPORTUNITIES

The collaboration between Fredriksons and Alfa Laval was launched in 2011 on the basis of an international convention initiated by the UN's shipping organisation, the IMO. This convention, which has been signed by 47 countries around the world and must be complied with by the member states, is creating benefits for the environment as well as opening the door to new business opportunities.

The joint BWM (Ballast Water Management) convention is an international effort in the development of more sustainable shipping. By 2024 at the latest, all vessels using ballast water that are in service on the world's seas and oceans must be equipped with their own onboard treatment system. This relates ultimately to safeguarding biodiversity.

GLOBAL ENVIRONMENTAL WORK

The Alfa Laval PureBallast system, which has been developed jointly by Alfa Laval and Wallenius Water on the basis of Wallenius Water's technology, treats a vessel's ballast water so that no foreign organisms are spread when it is pumped out into the sea.

"Living organisms from the biological environment where the vessels originally come from can cause major problems if they are released in other locations around the world. A good example of this is the Asian shore crab, which ate almost everything in

its path along the west coast of Sweden a few years ago. Treating the ballast water is quite simply global environmental work," says Kjell Hjalmarsson, Key Account Manager at Fredriksons.

The UV reactor that Fredriksons manufactures is a central part of the treatment system. The reactor clears the water of the very smallest microorganisms using UV light, which has major benefits compared to the alternative, i.e. chemical treatment. With UV light, there are no residual products that have to be separated from the ballast water and that risk creating new environmental problems.

CUSTOMER BENEFIT IS KEY

"For a number of years, the product has mainly been supplied to newly built vessels, which have had to have their own treatment system on board since the end of 2017. We are now witnessing a steady upturn with even larger volumes, as the ships that are already

in service have to be fitted with the same type of system by 2024 at the latest," says Kjell Hjalmarsson, who goes on to explain that Fredriksons' investments in automation, new technology, robots and new machinery are a precondition for successfully being able to meet the demand.

The UV reactor is produced in a number of sizes and variants. For the existing fleet, it is difficult to predict when installations will take place. It is therefore a challenge to forecast the volumes for the various models and reactor sizes.

"By preprocessing reactors as far as possible within our production process and then customising them when the final decision arrives, we can ensure rapid deliveries. This is all about customer benefit, and by creating the right conditions in our manufacturing process, we can successfully satisfy our customers' needs and wishes," says Kjell Hjalmarsson. ■



ACCEPTING SOCIAL RESPONSIBILITY



Our acceptance of social responsibility relates to assuming responsibility for employees and ensuring that each individual has a good working environment with regard to both physical and psychosocial factors. The stakeholder analysis that was carried out during the year demonstrated that our customers and suppliers also consider a secure, safe and healthy workplace to be one of the most important sustainability issues for our Group.

Furthermore, the social aspects of sustainability relate to assuming responsibility for people in, and the development of, the local community in which the Group's companies operate.

ATTRACTIVE EMPLOYER

There is considerable competition for resources on the labour market, particularly within the manufacturing sector. Our ambition is for all the Group's companies to be attractive employers with a good reputation on the labour market, as well as to have a strong and attractive employer brand.

A lack of access to skilled personnel is at the top of the list of sustainability risks in many of our companies. Employer branding has therefore continued to be one of

the Group's areas of focus in 2019, with the explicit goal of each company carrying out at least one activity aimed at strengthening their brand as an employer.

The Group's employer branding work covers issues and activities linked to how the Group's companies are viewed as employers by current, future and former employees. On the basis of strategies established in the Group companies' business plans, we are now working in a structured manner within several different areas with the aim of attracting, recruiting, motivating and retaining personnel. This includes activities such as increased transparency in relation to employees, for example with the aim of promoting participation, wellness initiatives, employee surveys and both general and targeted training efforts.

LEADERSHIP

Committed and responsible employees create the conditions for a sustainable operation. In order to achieve this, we need skilled leaders who can see the potential that exists in both 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.

SKILLS DEVELOPMENT

Our objective is for all employees to possess the correct skills. The Group's companies are constantly striving to strengthen the knowledge of their employees, for example through training programmes within XANO Academy. In total, the investment in training activities in 2019 amounted to SEK 4 million, giving an average value per employee of approx. SEK 3,700 and entailing an increase of just over 20 per cent compared to the previous year.

A programme involving the CEOs of all the Group's companies was launched in June 2018 and concluded in May 2019. The content covered topics such as leadership, employer branding, strategy and digitalisation.

In October 2019, the XANO Management Programme was launched for employees in various leading roles within sales, quality and HR. Two groups with a total of 40 participants will be immersing themselves in the areas that were included in the programme for CEOs. ➔



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.

Examples of preventive initiatives in relation to ill health include the companies in the Group supplying healthcare benefits to their employees, as well as the fact that the majority of the Group's companies are affiliated to occupational health services where personnel are offered regular health checks and, if necessary, rehabilitation measures.

Historically speaking, the absence figures resulting from illness have remained at a low level in the Group's companies. In the previous year, the statistics indicated a higher number of hours on sick leave for the personnel in some of our units, and measures were implemented e.g. in the form of wellness initiatives. All five companies with the highest proportions in the previous year reported an improvement in 2019, with the combined sickness absence being slightly lower. However, the proportion of long-term absence due to illness increased. Following-up will be performed in those units where the discrepancies in relation to our guide values are largest.

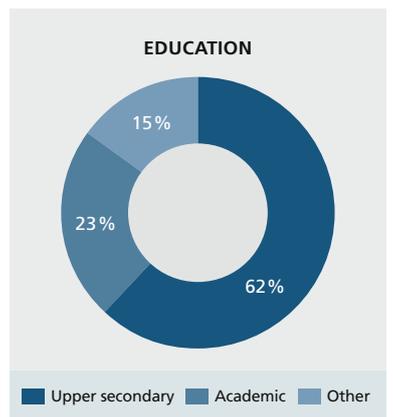
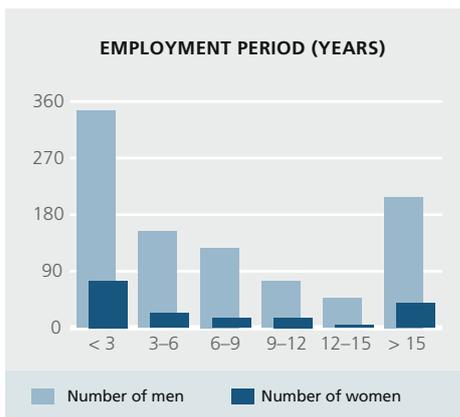
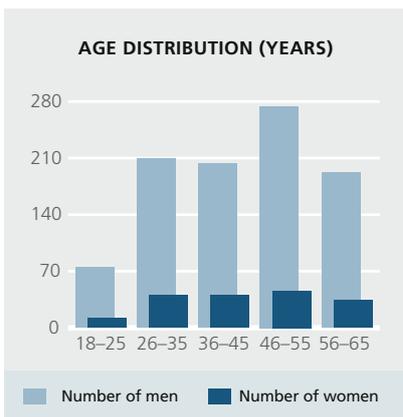
SAFETY IN THE WORKPLACE

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, to ensure that the preventive work can be continually improved.

EQUALITY

Equality means women and men enjoying the same rights, obligations and opportunities in all areas of life. At workplaces within the manufacturing sector, it is still difficult generally speaking to achieve an even gender distribution among employees. For many years, the proportion of men employed in the Group's companies has averaged above 80 per cent. In the current circumstances, our equality work relates primarily to attitudes



and values, in the first instance at the workplace, although also in our private lives. To ensure that nobody is discriminated on the basis of gender, all the companies' equality plans and personnel policies are continually evaluated and followed up.

XANO's directional targets for personnel:

- High skills development
- Low absence due to illness

VALUABLE DIVERSITY

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.

The Group's companies should be attractive workplaces 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.

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.

COMMITMENT TO SOCIETY

It is important and only natural for us to have broad social commitment. Many of our companies work in small towns where they play a significant 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. Examples of activities include collaboration with local authorities

regarding employment for individuals with disabilities and the integration of new arrivals, as well as active membership in local business associations.

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 and industrial seminars are other ways 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. The Group's guidelines specify that children's and youth activities must be prioritised ahead of elite initiatives.

The ongoing work of extending relations and collaborations in the local area is a natural part of our social responsibility. ■



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 two-day 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 completed XANO Sales School and 90 managers have completed XANO Management School. During 2020, a further 40 people will be attending the leadership training course. ■

KEY PERFORMANCE INDICATORS – PERSONNEL		2019	2018
Average number of employees		1,085	1,015
– in Sweden		530	511
– in other countries		555	504
– women		158	149
– men		927	866
Average age, women ¹⁾	years	44	40
Average age, men ¹⁾	years	44	42
Average employment period, women ¹⁾	years	7	7
Average employment period, men ¹⁾	years	7	7
Absence due to illness	%	4.5	4.8
– short-term	%	2.0	3.1
– long-term	%	2.5	1.7
– women	%	4.7	2.4
– men	%	4.2	4.8

¹⁾ Refers to employees at the end of the year.



NEW TECHNOLOGY MAKING THE WORLD SMALLER

Jorgensen Engineering installs complete production facilities for the international food industry all over the world. The facilities' capacity and efficiency are ranked among the very best in the sector, contributing to secure, reliable production operations for customers. "At Jorgensen, we know how important it is for the customer's facility to be able to produce 24/7, all year round, and through new technology we are effectively minimising the risk of costly operational stoppages. With the aid of AR technology, our experts can now rapidly be 'on site' with the customer," says Jens Nyeng, CEO of Jorgensen.

The AR technology means that the customer's operator can easily get in direct contact with Jorgensen's experts in Denmark, in real time. Using special AR glasses, Jorgensen's employees can see exactly what the person on the site is seeing, which makes the work considerably easier. These glasses also provide the customer with information about the efficiency of the facility, any maintenance requirements, as well as access to manuals.

"You could say that our AR solutions are reducing the geographic distance, and when you have customers all over the world, like we do, this provides major benefits both for them

and for us. We can now provide effective support in real time, no matter where in the world our customers are located," says Jens, who also emphasises the significant environmental benefits due to the reduction in air travel.

VR technology has also produced substantial benefits for Jorgensen's customers. Large amounts of data can be analysed much more quickly than was possible just a few years ago, which is creating increased efficiency and customer benefit.

"When we are designing large-scale facilities for our customers, we can present the facility in a VR environment in advance. This

allows the customer to get a feel for what the system will look like before it is produced and installed," says Jens.

All in all, this helps to optimise the customer's investment, minimise the installation time and rectify any faults before the facility is put into production. To all intents and purposes, the customer can test new products in a virtual environment before they are produced in a real one. This increases food safety, delivery reliability and, not least, the security of Jorgensen's customers. ■

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. The long-term approach permeates all parts of the business, and XANO therefore accepts responsibility for and helps to improve the society in which we are operating. Our social responsibility means that, as far as possible, we must ensure 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 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

Good business ethics are a precondition for continued trust in stakeholder relations and long-term, sustainable commitments. 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 was initiated during the previous year. Several of the Group's companies already had codes of conduct for suppliers as part of their business agreements. With the implementation of our Group-wide supplier code, the objective was for each Group company's 20 largest suppliers to have accepted and signed up to this code at the latest by the end of 2019. We have not fully succeeded in achieving this interim goal, and the work is continuing. The goal for 2020 remains for all long-term suppliers to have signed our code of conduct, or to be able to present their own code with equivalent requirements, at the latest by the end of the year.

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. However, one case of unethical behaviour by an employee in relation to the employer has resulted in immediate dismissal.

All employees with financial responsibility underwent online training in anti-corruption during the previous year. As from 2019, all personnel with any form of customer and/or supplier contact were also included in this preventive work. This will be monitored continually.

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 business-critical 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 (a new, revised version has entered into force on 1 January 2020 without any change to this rule), 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 University, business studies.

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

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.

PETTER FÄGERSTEN *born 1982*

Member elected 2011.

Principal education Economics and Finance, Jönköping International Business School.

Principal work experience CEO of ITAB Shop Concept Jönköping.

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.

STIG-OLOF SIMONSSON *born 1948*

Member elected 2002.

Principal education BA

Principal work experience CEO of SYSteam.

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 2019 has been approved for publication by the Board.

Jönköping, 12 March 2020

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 2019 and that it has been 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, 19 March 2020

Ernst & Young AB

Joakim Falck
Authorised Public Accountant

XANO Industri AB (publ) / Industrigatan 14 B / SE-553 02 Jönköping
Tel. +46 (0)36 31 22 00 / info@xano.se / www.xano.se