



Sustainability Report
2021

Sustainability Report 2021

A sound corporate culture, a healthy working environment and committed employees are the basic preconditions for development and success. They are also the core of the Group's operations and, at the same time, the very definition of sustainability for XANO.

CONTENTS

Observations from the CEO	3
Business model	4
Our sustainability work	8
Sustainable plastic	12
Environmental responsibility	14
Sustainable collaborations	18
Social responsibility	20
Financial responsibility	24
Board of Directors' diversity policy	26

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We want to get more out of our sustainability work.

Lennart Persson, President and CEO.

IN FOCUS

Sustainable business has been one of our focus areas right across the Group in recent years. For us, the term encompasses everything that affects our capacity to conduct viable operations without compromising on our responsibility for people and the environment.

Collaborations of various kinds are a precondition for sustainable business. Close, long-term relationships with our employees, customers, suppliers and other stakeholders create the conditions for dialogue and the exchange of knowledge within a diverse range of areas. By working in collaboration, we are able to develop together, and this combined enterprise creates a forum for problem-solving and innovation.

ACTIVITIES

We have come a good way along this road, but we want to get so much more out of our sustainability work. Our sustainability strategy has to be updated and supplemented with more clearly formulated targets in both the short and the long term. During the implementation process, the focus, as before, is on business benefits and the minimising of risks.

Several of our companies are receiving tangible wishes and requests from customers for help in respect of reducing the environmental impact through the choice of materials, product design and manufacturing methods. Through joint efforts, we can identify innovative solutions that will create a sustainable market.

We are exploring initiatives within green technology for opportunities to support the transition, by being a responsible partner for leading players in projects and processes relating, for example, to smarter energy solutions.

CHALLENGES AND OPPORTUNITIES

To date, the Group has been spared from all serious negative consequences of the Coronavirus pandemic. We still enjoy a strong financial position and, through strategic marketing activities, we have been able to strengthen our positions within selected segments. Towards the end of the year, however, many of our companies were affected by a shortage of input materials, which resulted in increased costs, delayed projects and longer lead times. At the same time, we have observed a steadily increasing order situation. Our adaptability and clear communication processes helped us to scale down when that proved necessary. Now, we have also had to use our combined experience and the strength of our business model to shift up in order to meet the growing demands on the market.

IN FUTURE

Sustainability issues are high up on our agenda, with ever greater focus on the entire value chain. One aspect of this is responsible purchasing, where we will be working in a more structured manner regarding supplier evaluations. This includes conducting reviews and following up in areas where we see heightened risks of a negative impact on the environment and social sustainability.

We are investing in projects and capacity that will promote our work towards more circular processes. This also includes the collaborations being carried out with customers and in various networks. We can contribute to more sustainable business with efficient production processes, knowledge about materials and technology, as well as innovations and smart solutions. Our business model is creating a driving force that can be developed within all areas.



Business concept

XANO develops, acquires and operates manufacturing businesses with unique or market-leading products and systems with associated services. The Group owns niche engineering companies whose main market is industry in Europe.

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



Vision

MARKET LEADER WITHIN SELECTED SEGMENTS

XANO will be a leading player 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 must 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 proprietary 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.

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%.

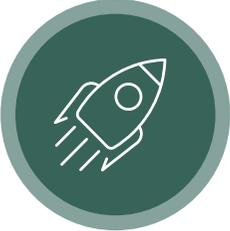
Goal fulfilment

RESULTS EXCEEDING STATED FINANCIAL GOALS

The Group's organic growth stood at 25%, while acquisitions contributed a further 16% in revenue during 2021. The profit margin amounted to 13.8%. The equity/assets ratio was 38% at the end of the year.



Core values



ENTREPRENEURIAL DRIVE

Entrepreneurship combined with strong drive is the most important common denominator for the companies in the Group. 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 operations within the Group. XANO makes long-term investments in its companies, which 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 expertise within their respective specialist areas. The high level of innovation generates efficiency and mutual business benefits.

SUSTAINABILITY POLICY

We will constantly work to achieve sustainable development through conscious choices. We will be sensitive to our customers' wishes and the demands of the market.

We will create long-term economic value through a responsible balance between the needs of our stakeholders and care for people and the environment.

VALUE CREATION

Two of our areas of focus are profitable growth and sustainable business. With the aid of the entrepreneurial spirit and innovation in our companies, we are establishing long-term relationships that are leading to sustainable business and profitable growth.



SUSTAINABLE BUSINESS

With constant technical developments and a high level of innovation, we are generating confidence among our stakeholders. Working together, we are finding solutions that are promoting both people and the environment.



PROFITABLE GROWTH

Strategic investments within selected segments and carefully implemented acquisitions are providing us with the conditions to continue our journey of growth without jeopardising profitability.

Acquisition strategy

Acquisitions constitute an essential part of our business concept, and we are always working actively to look for and evaluate niche companies that can reinforce and complement the Group's existing operations.

Every new unit that is incorporated into the Group adds its own perspective and unique technical expertise, characteristics that strengthen our joint offer. In order for each acquisition to be able to contribute to the Group's

growth and profitability in the long-term, our intention is always to continue developing the operation while at the same time preserving the inherent entrepreneurial drive.

As well as the goal of adding capacity to satisfy demands on rapidly growing markets, our acquisition strategy includes the ambition of expanding our range of services and specialist skills in order to offer our customers more comprehensive solutions.



GROUP STRUCTURE

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.



Success factors

Our leading strengths are our people, our entrepreneurship and our commitment to long-term partnerships. These represent a winning combination that makes it possible for us to meet our stakeholders' expectations and continue to develop.



SUSTAINABLE COLLABORATIONS

We endeavour to run our businesses in a sustainable manner, with a long-term perspective and on every level. Our aim is to have long-lasting relationships with our stakeholders. Through collaboration with strategic customers in selected sectors, we are involved in unique assignments. This strengthens our credibility, at the same time as we are able to guarantee long-term, sustainable growth.



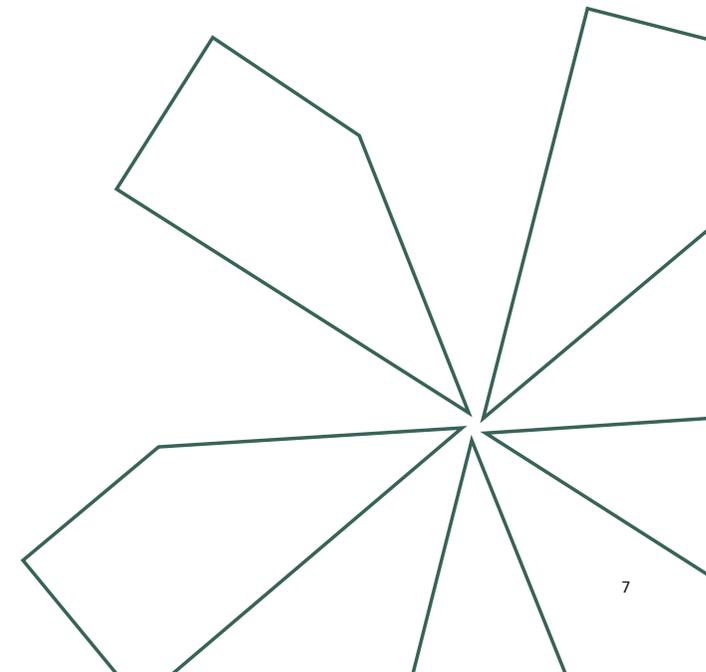
DECENTRALISED ORGANISATION

Each company in the Group stakes out its own route and manages its own areas of responsibility. In parallel with this, the benefits of being part of a bigger picture are always on hand through various opportunities for collaboration and coordination.



KNOWLEDGE AND INNOVATION

The commitment of our employees, in combination with their specialist expertise and innovative capacity, are creating endless opportunities for us to continue developing and ensure credibility in relation to our stakeholders.



Our sustainability work

SUSTAINABILITY FOR XANO

Our aim is to create long-term economic value through a responsible balance between the needs of our customers and other stakeholders, and with care for people and the environment. Through our sustainability work, we want to actively facilitate the transition to a more sustainable society and business.

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. A sound corporate culture, a healthy working environment and committed employees are the basic preconditions for development and success. They are also the core of the Group's operations and, at the same time, the very definition of long-term sustainability for XANO.

PRECONDITIONS AND FOCUS

The focus for the Group's sustainability work is that it should be an obvious part of the corporate governance. Through the involvement of stakeholders, in combination with implement risk and materiality analyses, we have identified areas that unite the expectations of our stakeholders and our conditions for making a difference.

When it comes to activities that affect the environment, our overall focus is on reducing climate emissions. In this respect, our work includes improving energy efficiency, selecting materials that have the smallest possible environmental footprint as well as increasing recycling. We aim to minimise our waste, and the waste that is generated by our operations must be dealt with in a manner that promotes circular material handling.

In order to attract new employees and be able to offer our staff opportunities to develop, regular activities will be carried out in all Group companies aimed at strengthening our brand as an employer. Systematic stakeholder involvement must be carried out to maintain long-term relationships with employees, customers and suppliers. We must ensure good business ethics by stipulating demands and through control in the supplier chain, as well as through ongoing internal training initiatives and following-up. Our companies must achieve and retain profitability through constant improvements, resource optimisation and cost awareness.

Significant sustainability issues:

Climate emissions and energy consumption

Material consumption and waste management

Employer branding

Responsible purchasing and quality

Financial results

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 expertise, 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 goals, 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 responsible, 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. Each Group company has also appointed a sustainability coordinator who has responsibility for areas such as the reporting of quarterly data.

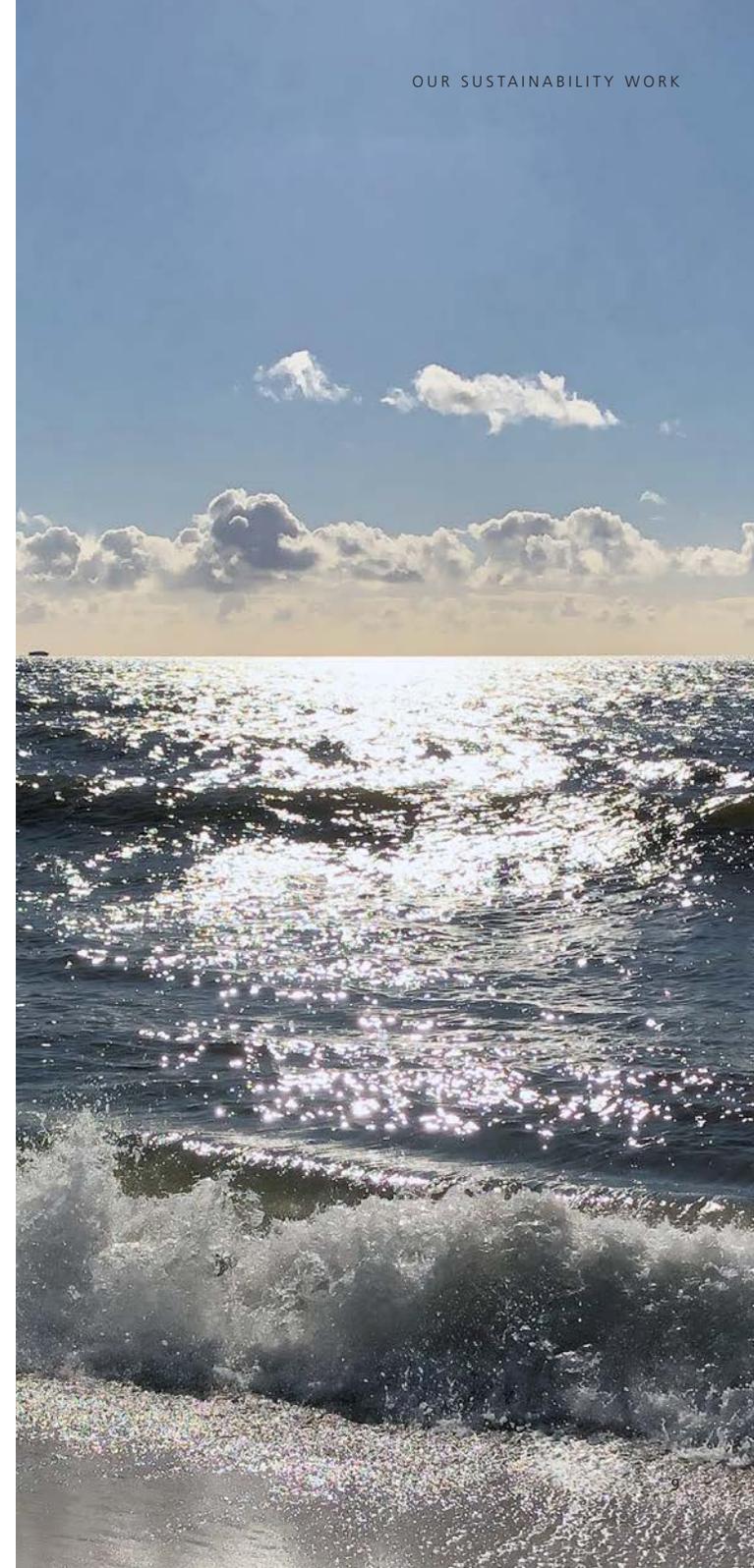
POLICIES, GUIDELINES & PROCEDURES

Our sustainability policy applies to all the companies in the Group. Our core values also constitute the cornerstones of our sustainability work. International conventions regarding working conditions and human rights must be respected. Risks, unwanted effects and behaviours must be identified, prevented and remedied.

SUSTAINABILITY CONTROL

Every year, the Group's companies draw up a business plan for the upcoming three-year period, which includes 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 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.

The Group management approves and continually monitors each Group company's business plan, which also covers the focus of the sustainability work. A report plan governs the individual companies' reporting of e.g. financial and sustainability-related key performance indicators.



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 management of risks 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, as in previous years, demonstrates that most 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 is also deemed to be an area where preventive work is essential.

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.

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.

HUMAN RIGHTS

XANO respects and supports human rights. The basic idea behind this 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.

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.

RISKS AND RISK MANAGEMENT		
Risk	Consequence	Existing management and control
External threats such as IT attacks and vandalism	Personal injury, business interruptions, increased costs	Physical safety measures, active work on information security
Impact on social development in the form of the pandemic	Serious illness, business interruptions, increased costs	Following advice and guidelines from public health authorities, clear internal processes
Insufficient product development due to a lack of resources and expertise	Impaired competitiveness, impaired profitability	Fundamental strategic work, close dialogue with customers
Insufficient control of intellectual property rights due to a lack of resources and expertise	Impaired competitiveness, impaired profitability	Fundamental strategic work, internal guidelines, advisors, onboarding of new companies
Supplier operations with a negative impact as a result of insufficient demands and control in the supplier chain	Impaired reputation, need to change suppliers, delayed deliveries	Long-term relationships, code of conduct with follow-up
Production capacity too low as a result of a lack of raw materials, contract services and labour/ expertise	Lower income, impaired profitability, difficulties meeting customer requirements	Fundamental strategic work, long-term relationships, active employer branding work
Lack of resources and expertise due to increased competition on the labour market, insufficient staff development	Lower income, impaired profitability, difficulties meeting customer requirements	Fundamental strategic work, long-term relationships, active employer branding work, XANO Academy

“We are endeavouring to achieve strong, long-term relations with our various stakeholders and we are sensitive to their expectations.”

Expectations from our stakeholders:

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

INVOLVEMENT OF STAKEHOLDERS

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.

Through stakeholder analyses with employees, customers, suppliers and owners, we have gained a clearer picture of the expectations placed on us within various areas. The stakeholders have also been given the opportunity to give their opinions on how well the Group communicates its sustainability work. The views that have been received have provided us with a focus for the work of better highlighting our activities and involving our stakeholders.

Interest in sustainability issues and the importance of working to achieve constant improvements from a sustainability perspec-

tive are continuing to increase. 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 either quality or our financial goals 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 goals.

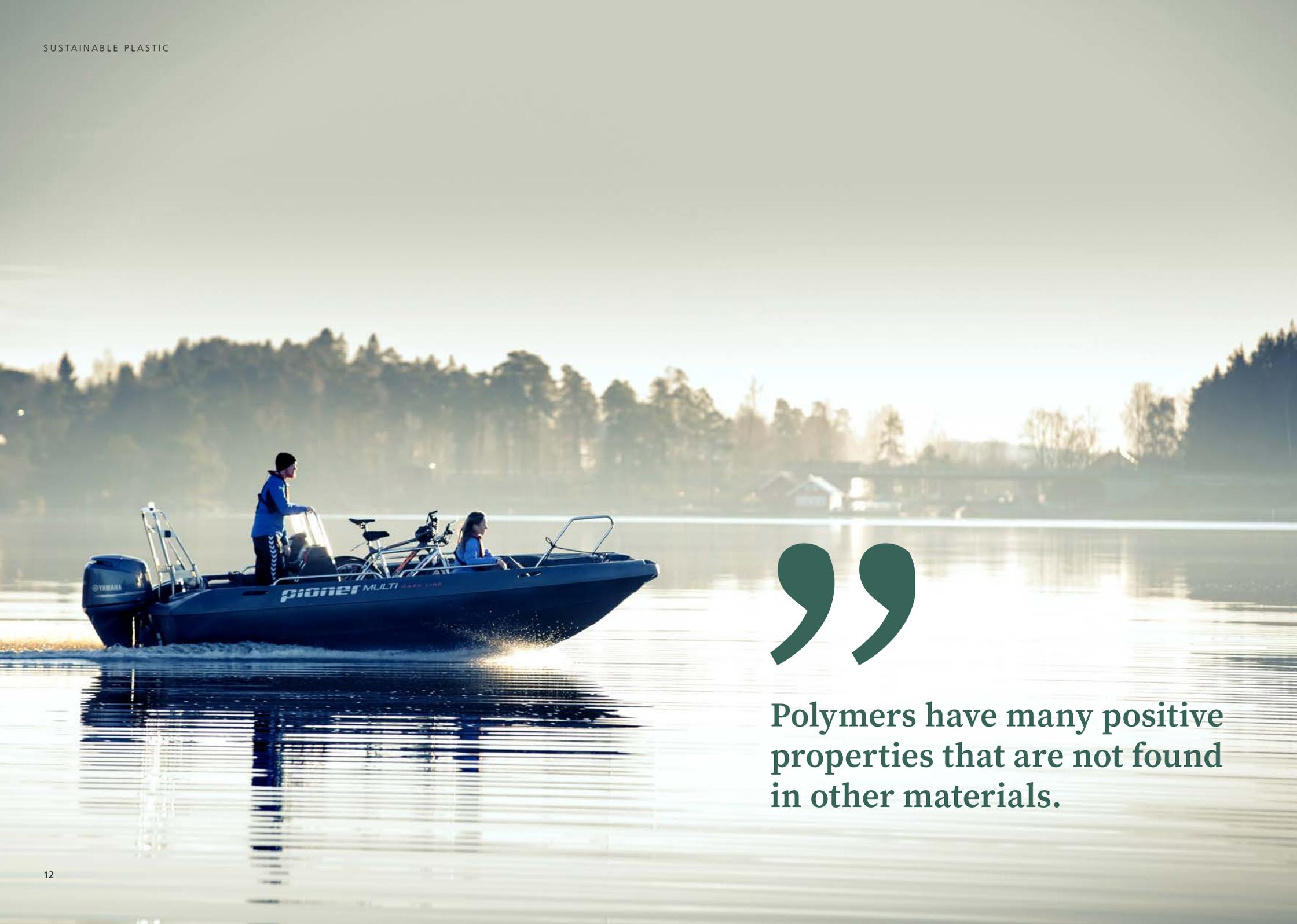
EFFECTS OF THE CORONAVIRUS PANDEMIC

Overall, the Coronavirus pandemic has had a limited impact on the Group. In the first instance, we have implemented measures to safeguard the working environment and comply with the guidelines and recommendations issued by the authorities in each country. However, the pandemic has meant that the nature of our collaborations has changed. Just like last year, the majority of our meetings have taken place using digital solutions, with business travel being kept to a minimum. Our entrepreneurial spirit, a high degree of digitalisation and our focus on technical development

have combined to make the transition process easier. Through continued focus on marketing, we have strengthened our positions and achieved organic growth. In addition, we are delighted to have been able to welcome a further three new companies into our Group during the year.

HOW CAN WE CONTRIBUTE TO THE GLOBAL SUSTAINABLE DEVELOPMENT GOALS?

The UN Sustainable Development Goals (also known as the Agenda 2030 goals) shape the overall vision of what our world should look like in 2030. The global goals constitute a more detailed plan for what the countries of the world have to achieve in order to bring about social, economic and environmentally sustainable development. We all have to contribute to make this possible. Within the Group, work is in progress aimed at linking our activities more tangibly to the areas that are covered by the global goals. In addition to greater clarity, we also want to increase the level of motivation in our internal work and communicate more effectively with our stakeholders.



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Polymers have many positive properties that are not found in other materials.

Plastic is fantastic when it is used with care

Many products in today's society place high demands on the properties of the material being used. This applies in particular to food packaging and technical medical equipment. Polymers offer benefits compared to other materials, for example in relation to weight and chemical resistance.

From a sustainability perspective, plastic has long had a somewhat tarnished reputation. Thanks to a shift in focus from the material itself to the actual problem, i.e. what we do with the plastic product when it is no longer being used, attitudes have changed in recent years.

Many of the products manufactured by the Group's companies place high and very specific demands on the functionality of the material. Properties such as low weight, durability, insulating capacity and chemical resistance are just a few examples. There are currently no alternatives that can fully match the function of fossil-based polymer materials, and in many cases the properties of plastic mean that it delivers environmental benefits compared to other materials.

In order for the actual manufacture of plastic products to be as sustainable as possible, while at the same time satisfying quality requirements, the Group's companies are focusing their efforts on the optimisation of processes for reduced material consumption and higher energy efficiency, production using

recyclable materials and a higher degree of recycling. Material consumption is reduced by using a specific processing method for the production of lightweight products. This method also provides benefits such as higher sound absorption capacity and better heat insulation for the products. The process is conducted without the use of additives, which means that the products are also 100 per cent recyclable.

There is considerable demand from customers for production using recycled materials, yet still a lack of players that can perform recycling to the required level of quality. Within the Industrial Products business unit, an operation is being conducted alongside industry colleagues to develop sustainable solutions for the recycling and reuse of plastic materials. Through this operation, the parties are gaining control over the entire value chain and are able to reduce the environmental impact through greater resource efficiency and reduced extraction of raw materials.



THE VALUE OF PLASTIC RECYCLING

When we use 1 kg of virgin polyethylene (PE) in the manufacture of plastic products, almost 2 kg of carbon dioxide emissions are generated. If we recycle the material and use it again, the amount of emissions is reduced by roughly half.

By using smart production methods, the amount of material can be reduced and energy efficiency can be raised. If the products are also designed in a way that makes them easy to gather in, sort and recycle, the total amount of greenhouse gas emissions can be further minimised.

Reduced environmental load



XANO's directional goals regarding the environment:

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

In our overall work in relation to the environmental aspects of sustainable development, our focus is on reducing climate emissions. In this respect, our work includes improving energy efficiency, selecting materials that have the smallest possible environmental footprint as well as increasing recycling. We aim to minimise our waste and promote circular material handling.

GOVERNANCE AND GOALS

The Board of Directors has determined three directional goals 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.

Our selected measurement areas are initially waste, energy consumption and climate emissions. The Group's overall, long-term objective is obviously 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, we have opted to date not to establish any general quantitative environmental goals. With a view to contributing to our common aspirations, the subsidiaries have set their own goals with a focus on the areas where they see the greatest potential to achieve sustainability and business benefits. During autumn 2021, we have initiated work aimed at updating our sustainability strategy. This process includes the formulation of long-term objectives for the Group's environmental work. The plan is for this to be completed during the first half of 2022.

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 and conscious 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.

PRECONDITIONS

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 and examined internally at Group level. In conjunction with this, internal reviews of calculations are also performed. Comparisons against earlier periods 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.

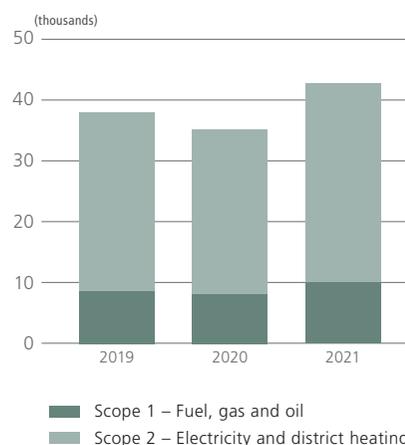
ENERGY CONSUMPTION

The ongoing energy efficiency work includes energy recovery from our own processes as well as environmentally aware choices when replacing e.g. light sources and when investing in new machinery. To date, detailed energy surveys have been conducted in seven of the Group's Swedish units, one of which has been completed during the year. These units are responsible for the majority of the energy usage in the Group's Swedish companies. The energy surveys have led to the implementation of a number of specific measures that have resulted in energy savings and reduced carbon dioxide emissions.

The reporting of energy consumption covers electricity, district heating, gas and oil for operation, heating, cooling and production processes, 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.

During the previous year, overall consumption was affected by production stoppages within the Industrial Products business unit. Business travel has declined significantly during the Coronavirus pandemic (2020-2021), but this is only having a limited impact as the segment represents a small proportion of the Group's total energy consumption.

ENERGY CONSUMPTION SCOPE 1 & 2 (MWh)



TOTAL ENERGY CONSUMPTION

42,756
(MWh)

CHANGE

+21.6
(%)

IN RELATION TO TURNOVER

13.6
(MWh/MSEK)

CHANGE

-7.2
(%)

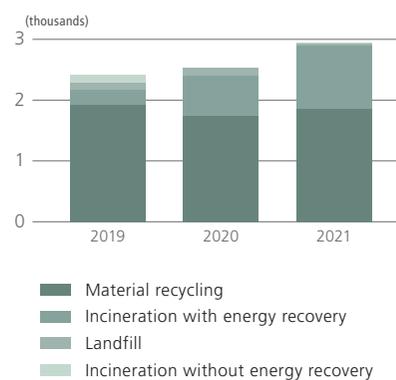
WASTE

The Group's operations must 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.

The work is continuing 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. A review of preparatory and production processes is being performed with the aim of minimising the amount of waste, in particular from hazardous substances.

The Group's companies are continuing to focus on quality work in order to reduce the amount of spillage and scrapping, as well as replacing traditional materials with alternatives that have less of an impact on the environment. Plastic products that are manufactured in the Group are covered by increasingly circular handling. Improved sorting at source, the reuse of packaging and an increased degree of digitalisation are other activities that are contributing to reduced amounts of waste.

WASTE (tonnes)



TOTAL AMOUNT OF WASTE

2,940
(tonnes)

CHANGE

+15.8
(%)

IN RELATION TO TURNOVER

0.9
(tonnes/MSEK)

CHANGE

-11.6
(%)

Climate emissions

Internally we are identifying and working on those areas where we can significantly affect our climate footprint ourselves. Through collaboration with customers, we can jointly design products, select materials and optimise production processes in order to achieve our respective emissions goals.

SOURCES OF 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. Constant improvements are being made in respect of energy efficiency to achieve reduced energy consumption and lower climate emissions. Automatic and more energy-efficient lighting, improved procedures regarding the starting/stopping of energy-demanding processes as well as the recovery of heat are examples of measures that have been implemented during the year.

OUR DAY-TO-DAY WORK

Ongoing work on energy efficiency must be carried out in all the Group's companies. For example, this includes identifying and eliminating energy leaks and making better use of surplus energy within our own operations. Other areas that are consistently high up on the agenda include sustainable material choices and the use of new technology that contributes to a reduced climate footprint.

COLLABORATION WITH CUSTOMERS

The Industrial Products business unit consists of companies that process various polymer materials. The manufacturing process is both material-intensive and energy-demanding. All the plastic material that is used is recyclable. In order to achieve full circularity, intensive work is being carried out on processes for bringing back scrapped products and recycling them in-house.

It is pleasing to note that more and more customers are presenting requirements and wishes linked to sustainability. Within Industrial Products, several collaboration projects are under way aimed at jointly achieving environmental goals. To help with this, for example, there is a model for the evaluation of our climate footprint that provides detailed data regarding our products, such as the proportion of recycled material and the type of energy that is used during the manufacturing process. This service also helps companies to easily measure their climate impact and thereby make well-founded decisions when it comes to sustainability choices.

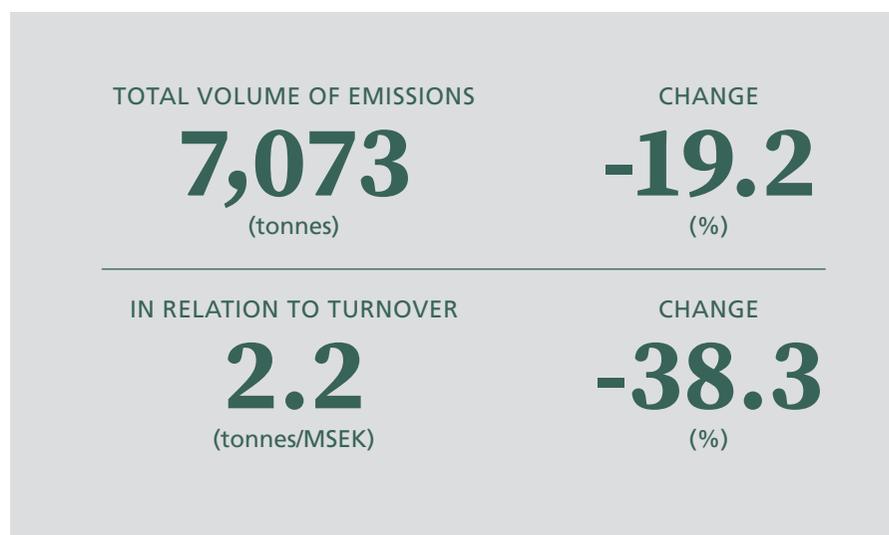
EMISSIONS DATA

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.

Climate emissions are reported in accordance with the standard

formulated by The Greenhouse Gas (GHG) Protocol Initiative. This means that emissions from business travel using company cars, transport using private vehicles as well as the burning of gas and oil for electricity, heating and production process are reported in Scope 1. Scope 2 covers emissions from the use of purchased energy for electricity and the heating of premises. Emissions related to the transport of goods carried out by external parties, as well as business travel using hire cars, taxis or by air, come under Scope 3. The climate impact attributable to purchased material and waste is not currently included. Within these areas, data is currently being gathered in order to develop a model for compilation, presentation and following up.

The Group's total volume of emissions fell significantly during 2021. The reason for this is that the majority of the electricity purchased by the Swedish and Norwegian Group companies now comes from renewable sources. This effect is particularly clear within the Industrial Products business unit, where the operations are energy-demanding and the majority of production takes place in the Nordic region. Within the Precision Technology business unit, KMV has switched its heat supply source from oil to district heating during the year. The reduction in the volume of emissions is having a limited impact on the Group's overall climate footprint, yet the activity is still valuable, particularly for the individual company. ■



FINANCIAL KEY FIGURES		2021	2020
Net sales	MSEK	3,151	2,239
Growth	%	+41	+5
Gross margin	%	24.6	23.7
Operating profit	MSEK	453	274
Operating margin	%	14.4	12.2
Profit before tax	MSEK	433	251
Profit margin	%	13.8	11.2
Net profit for the year	MSEK	342	195
Earnings per share	SEK	11.80	6.86
Proposed dividend per share	SEK	3.50	2.50
Equity/assets ratio	%	38	42

KEY PERFORMANCE INDICATORS	Net sales		Emissions, Scope 1		Emissions, Scope 2		Emissions, Scope 3		Total emissions	
	MSEK		tonnes CO ₂ e							
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Segment										
Industrial Products	703	551	1,543	1,317	753	3,637	570	532	2,866	5,486
Industrial Solutions	1,898	1,345	489	295	1,203	1,337	2,316	1,108	4,008	2,740
Precision Technology	552	345	116	125	47	376	25	17	188	518
Parent company, eliminations	-2	-2	9	6	0	0	2	1	11	7
Total	3,151	2,239	2,157	1,743	2,003	5,350	2,913	1,658	7,073	8,751

Collaboration is a precondition for sustainable development

Many collaborative projects are being conducted within the Group, for example in relation to the exchange of specialist knowledge, raised innovation levels and the development of the joint market offering. The nature of these activities varies, but the overall purpose is to create businesses that are sustainable in the long term.

Sustainability has always been important within the XANO Group. We have a genuine interest in initiating, developing and implementing solutions that streamline processes and improve products. Our philosophy is to focus on those areas where we consider that we can make a real difference.

Constantly assimilating new technology and being at the forefront as regards product development are just two of the ways that we can actually make a difference within the XANO Group. By utilising our strengths and focusing on innovation as a primary means of achieving increased sustainability, we are not only minimising our own environmental impact. We are also helping our customers and the end users to become more sustainable and to achieve their own sustainability goals.



EMPLOYEE DEVELOPMENT WITHIN XANO ACADEMY

The activities within our Academy are intended to strengthen XANO as an employer. By investing in our staff, we want to make use of the commitment and innovation that exists in our Group. The development programmes are intended to create networks for communication and the exchange of knowledge. The Academy is also an important arena for the implementation of XANO's core values.

Three parallel development programmes were launched in 2021. Two of these encompass participants with varying roles within the Group, while the third gathers employees within accounting and controlling. All the programmes cover topics such as leadership, strategy and innovation, as well as cultural and value-based issues.

COLLABORATION FOR REDUCED CLIMATE FOOTPRINT

The companies within the Industrial Products business unit perform manufacturing using plastic and are involved in several collaboration projects, both internal and external, with a view to minimising the volume of climate emissions, for example through lower energy consumption and higher recycling volumes.

Alongside customers, above all within the automotive industry, products and processes are analysed and adapted to reduce their overall environmental impact. By using a new method, lightweight products are being manufactured that, in addition to saving material and having a lower weight, also have benefits such as higher sound absorption capacity and better heat insulation.

Recycling plastic materials and using them to make new products saves raw materials at the same time as significantly reducing climate emissions. There is currently a major shortage of recycled material of a sufficiently high quality for use in demanding products. Since 2016, the Group has been collaborating with industry colleagues to develop sustainable solutions for recovery and recycling.

NETWORKS FOR SUSTAINABLE INNOVATION

By participating in various networks, we are able to obtain information about current technical developments and the need for solutions to problems in various future projects.

Within the Industrial Solutions business unit, there are several examples of collaborations where Group companies are contributing with technical expertise and innovation regarding automation solutions in order, together with customers and industry colleagues, to find sustainable solutions to challenges within areas such as energy storage, food handling and medicinal supplies.

One example is the BatteryLine collaboration portal, in which the Group companies Canline, CIM, Jorgensen and NPB are all active. Information and knowledge are exchanged here regarding the production and handling of batteries for electric vehicles, a new niche market with considerable growth potential as well as many challenges.



Employees and society

A secure and healthy workplace is one of the most important sustainability issues for our Group. The social aspects of the sustainability work also relate to assuming responsibility for the 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 continued to be one of the Group's areas of focus, with the explicit goal of each company carrying out at least one activity each year aimed at strengthening their brand as an employer.

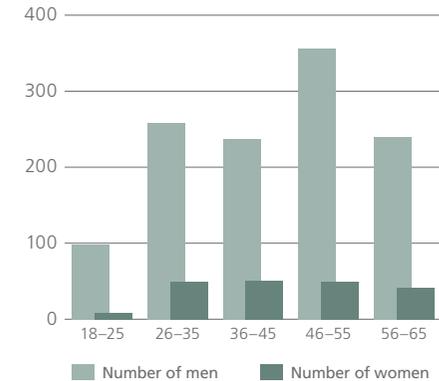
The Group's employer branding work covers issues and activities linked to how the Group's companies are viewed as employers by current, future and former employees. On the basis of strategies established in the Group companies' business plans, we are now working in a structured manner within several

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.

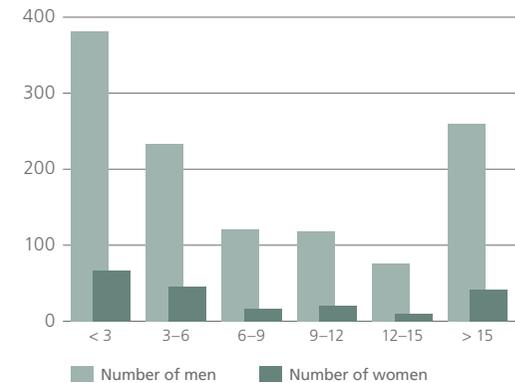
LEADERSHIP

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.

AGE DISTRIBUTION (YEARS)



EMPLOYMENT PERIOD (YEARS)



XANO's directional goals for personnel:

- High skills development
- Low absence due to illness



STAFF DEVELOPMENT

Our 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. In total, the investment in training activities in 2021 amounted to SEK 3.6 million, giving an average value per employee of approx. SEK 3,000 and entailing a decrease of just over 12 per cent compared to the previous year.

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. 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. Official recommendations related to the Coronavirus pandemic have meant that, to a large extent, employees have signed themselves off sick for short periods. As in 2020, short-term absence levels have been comparatively high. Total sickness absence amounted to 5.0 per cent during the year, an increase of 0.2 per cent compared to the previous year. The proportion of long-term absence as a result of illness is unchanged. Analysis and following-up are performed in those companies where the results deviate from an estimated normal situation or exceed the limit value of 5 per cent.

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.

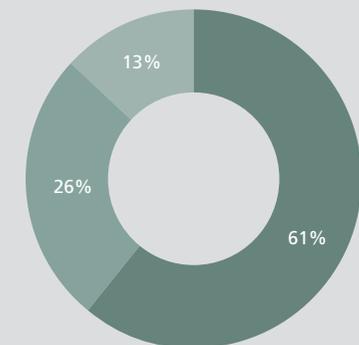
NUMBER OF
EMPLOYEES 2021

1,245
(AVERAGE)

SICKNESS ABSENCE

5.0%

EDUCATION



■ Upper secondary ■ Academic ■ Other



VALUES

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. Everyone should have the same opportunities and rights, regardless of their gender, ethnicity, age, disability, sexual orientation, transgender identity or expression, religion or other belief system. Our diversity work is based on the Group's sustainability policy and code of conduct.

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.

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 as 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.

A prioritised sustainability aspect:

To create a secure, safe and healthy workplace.

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.

From a more global perspective, XANO has decided to support the Hand in Hand initiative. Hand in Hand is a nonprofit organisation that works with entrepreneurship as an effective, long-term and sustainable way of combatting poverty. A common reason for people living in poverty is the fact that they do not

have a job to support themselves – there simply isn't any work. Hand in Hand believes that small, family-owned companies, where entrepreneurship and the individual's own energy are given free rein, can be a solution. In this way, the situation of whole families can be changed.

FUTURE ACTIVITIES

Our development programmes within XANO Academy are continuing. Three parallel courses are running at the start of 2022, and a further programme is planned to be launched in the autumn. The Academy is an extremely important platform for networking and for establishing the Group's thoughts regarding areas such as staff culture and value-based issues.

The potential for physical meetings has been limited to some extent by the drawn-out pandemic. There are some areas where it is meaningless to meet in digital forums, and for this reason a number of planned activities have had to be postponed. As the situation in society gradually stabilises, the Group's companies are reverting to more regular work as regards team-building and skills development. ■



KEY PERFORMANCE INDICATORS – PERSONNEL

	2021	2020
Average number of employees ¹⁾	1,245	1,055
– in Sweden	613	534
– in other countries	632	521
– women	174	155
– men	1,071	900
Average age, women ²⁾	years 44	41
Average age, men ²⁾	years 44	45
Average employment period, women ²⁾	years 7	8
Average employment period, men ²⁾	years 8	8
Sickness absence	% 5.0	4.8
– short-term	% 3.5	3.3
– long-term	% 1.5	1.5
– women	% 5.9	4.0
– men	% 4.7	4.8

¹⁾ Average number of employees during the period based on time worked. Employees who are covered by short-term work/temporary layoffs are only included to the extent that relates to actual worked time.

²⁾ Refers to employees at the end of the year.

Business ethics

A healthy business is based on sustainable business ethics. We work actively and consciously to combat all forms of corruption and unethical behaviour. When selecting business partners, consensus regarding core values is important.

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.

GOOD 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 and fraud.

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.

SUSTAINABILITY IN THE SUPPLY CHAIN

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. The companies that identified suppliers with high risks are continuing to work on various measures to reduce the risk levels. New risks may also have arisen in connection with the Coronavirus pandemic, and particular attention is being paid to this. The Group's companies must maintain systematic and continual supplier monitoring. One overall goal is for all suppliers to sign up to the Group-wide code of conduct, or alternatively to demonstrate that they have their own code with equivalent or higher requirements.

When entering into Group-wide purchasing agreements, we require that each supplier must sign up to our code of conduct. Where applicable, the parties to the agreement also undertake to report to relevant Group companies, at least quarterly, any relevant sustainability-related information, principally in respect of climate emissions, linked to purchased volumes.

Significant areas:

ANTI-CORRUPTION

All employees who come into contact with customers and/or suppliers must undergo training in relation to anti-corruption

THE SUPPLIER CHAIN

All suppliers must sign the code of conduct or demonstrate that they have their own code of conduct containing at least equivalent requirements

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.

The Group uses an Internet-based service for preventive work against corruption. Members of management teams and all employees who, in their day-to-day work, come into contact with customers and/or suppliers must undergo this training. If the individual passes the training, they receive a certificate, which is used in connection with internal checks when following up the Group companies' compliance with the requirement.

TRANSPARENCY AND 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.

We are aware of the need to do the right things and to maintain our employees', business partners' and the general public's confidence in us and our operation. We are therefore keen to do everything we can to prevent the occurrence of fraud and to discover any irregularities in our operation as early as possible. The Group has therefore procured an external whistleblowing service, through which suspicions of serious irregularities can be reported. This service will be available during the first quarter of 2022.

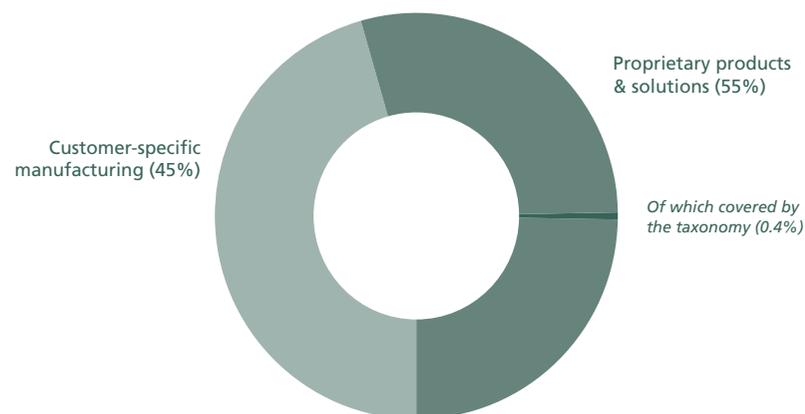
THE EU TAXONOMY REGULATION

XANO is covered by the reporting requirements according to the EU Taxonomy Regulation. For 2021, this means that information must be provided regarding what proportion of the operation is covered by the taxonomy's environmental goals 1) *Limiting climate change* and 2) *Adaptation to climate change*.

XANO has identified operations that are covered by the taxonomy's activities in two of the Group's companies. This makes up 0.4 per cent of the Group's turnover. Within the Industrial Solutions business unit, CIM has operations that are covered by taxonomy activity 8.2 *Data-driven solutions for GHG emissions reductions*. Within the Industrial Products business unit, Cipax has operations that are covered by taxonomy activity 3.6 *Manufacture of other low carbon technologies*.

The Group's companies develop and manufacture proprietary products and solutions within their respective areas of expertise. This portion currently accounts for just over half of total turnover. The remainder of the Group's operations relate to manufacturing in the form of assignments from customers. In addition to the purely commercial aspect, new collaborations are valued on the basis of the potential for joint sustainability work that exists in the relevant relationship. Our customers place high demands on us as a subcontractor, and we contribute towards their sustainability goals by participating in the development work with technical innovation and expertise. Several of the components that are produced constitute essential constituents in an end product that we deem to be covered by the taxonomy. ■

DISTRIBUTION OF REVENUE AND
PROPORTION OF REVENUE COVERED BY THE TAXONOMY



TAXONOMY	Total (SEK thousand)	Proportion of financial operations that are covered by the taxonomy (%)	Proportion of financial operations that are not covered by the taxonomy (%)
Revenue	12,096	0.4	99.6
3.6 <i>Manufacture of other low carbon technologies</i>	5,003		
8.2 <i>Data-driven solutions for GHG emissions reductions</i>	7,093		
Operating expenditure	0	0.0	100.0
Capital expenditure	0	0.0	100.0

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 January 2020, 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."

The Sustainability Report for XANO Industri AB (publ) in respect of 2021 has been approved for publication by the Board.

Jönköping, 5 April 2022

Fredrik Rapp
Chairman

Anna Benjamin
Deputy chairman

Per Rodert
Board member

Eva-Lotta Kraft
Board member

Petter Fägersten
Board member

Anna Benjamin
born 1976



Deputy chairman elected 2016.
Principal education
Master in economics.
Principal work experience
Project manager business development at ICA Sverige, manager PricewaterhouseCoopers, controller Nobina.

Fredrik Rapp
born 1972



Chairman elected 2004.
Principal education
Graduate economist.
Principal work experience
CEO of Pomona-gruppen, CEO 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.

Petter Fägersten
born 1982



Member elected 2011.
Principal education
Graduate economist.
Principal work experience
CEO 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, Division manager at Siemens-Elema, Strategy and Marketing Manager FOI.

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