

Our vision is to be a leading player that actively facilitates the transition to a more sustainable society and business.

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Reflections

Lennart Persson, President and CEO.



Focus for the year

Various forms of collaboration are still our focus, and a precondition for successful sustainability work. We are able to generate motivation and assume joint responsibility for leading development that is sustainable in the long term – between employees, in our relations with customers and suppliers, and in dialogues with investors and authorities.

From a tangible perspective, we have worked at Group level to formulate a new sustainability strategy that will be implemented in the Group during 2023. This strategy encompasses new and ambitious objectives. We have identified a number of areas in which, in the near future, we will be implementing activities aimed at achieving significant improvements. In this way, our aim is to generate a clear shift in our vision in order, within our field of expertise, to be a leading player and business partner that facilitates the transition to a more sustainable society and business dealings.

Activities and impact

Internally, XANO Academy is an important part of the work regarding network building, innovation and coordination in various projects. Our ambition is to involve and train more employees in areas such as environmental awareness, social responsibility and ethical business skills. In this respect, our Academy is one of the tools we use to establish our strategy throughout the Group and to make progress in our sustainability work.

For our Group companies, the potential to make a real difference lies in part in their ability to improve the sustainability performance of their customers. By means of long-term collaboration, we are able to build trust and contribute with knowledge regarding the choice of materials, product design and manufacturing methods to minimise environmental and health risks. We are investing in projects and capacity that will enable our operations to promote sustainable social development.

Our plastic-processing companies have made further strides in respect of the recycling and reuse of materials. Working both in-house and in collaboration with partners, they deal with waste material and products at the end of their useful lives. These materials can be used again thanks to new recycling methods that guarantee high levels of quality.

In Vadstena, Fredriksons has invested in buildings, machinery and a completely new production line that is directly linked to a customer working with climate-smart energy storage. This is a shared, long-term investment in which both parties can see good development opportunities, at the same time as being able to satisfy a growing need in society.

Challenges and opportunities

The financial results from the year's activities did not meet our own expectations. We were increasingly affected by the lingering effects of the Coronavirus pandemic and the consequences of the war in Ukraine. This resulted in us needing to review our utilisation of resources and adapt our operations according to the new conditions.

We have tightened our belts, but are continuing with our aggressive measures in relation to sales and product development. In order to generate sustainable business dealings, we are extending our customer collaborations, establishing operations within new business areas and exploring new geographic markets. As a result, we are increasing our opportunities to contribute towards positive social development, while at the same time creating the conditions for profitable growth.

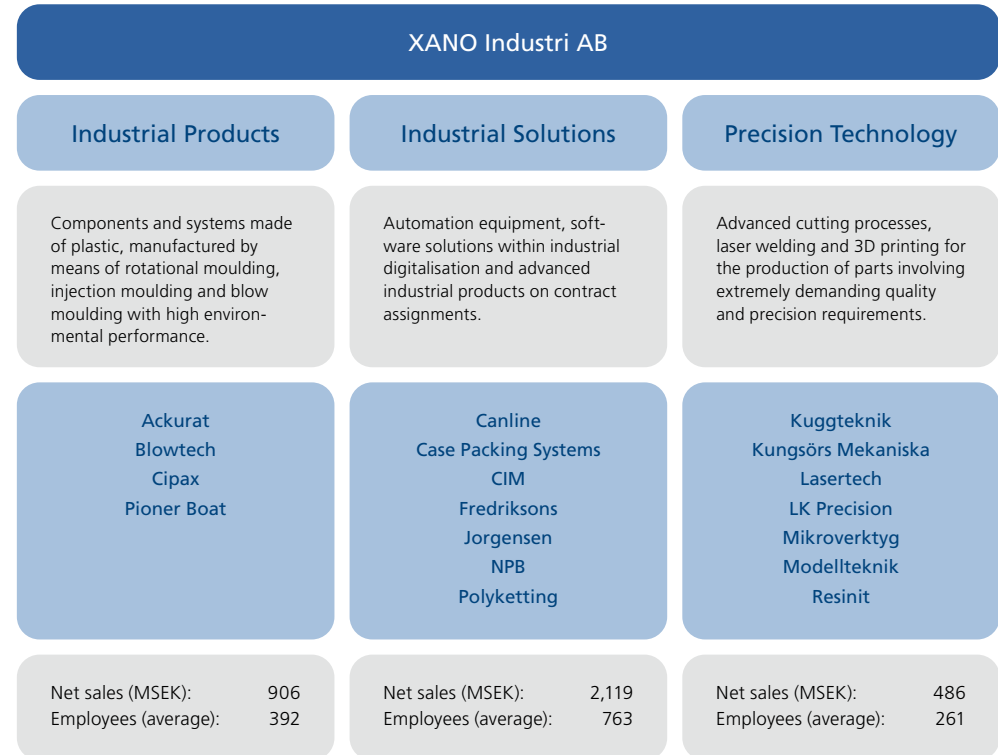
An eventful year to come

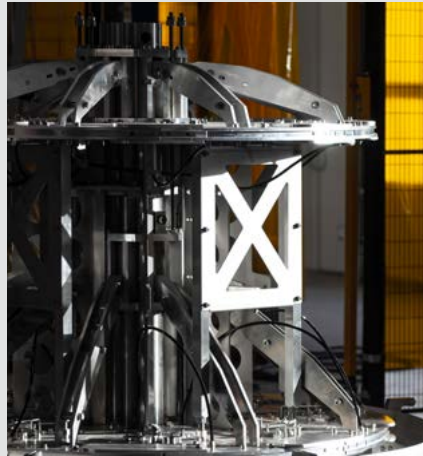
We are looking forward to an eventful year, with various activities linked to the implementation of our new sustainability strategy. We are introducing a new, Group-wide platform for reporting and following up our key performance indicators, which will streamline our work and provide better support in proactive operations. We will be extending our environment-related data collection activities to cover a broader range of indirect climate emissions, primarily in relation to material consumption and waste. More in-depth risk assessment and following-up in the supplier chain constitutes another highly prioritised area.

Group structure

XANO Industri AB is the parent company of the XANO Group, and since 1988 has been a public company whose shares are listed on Nasdaq Stockholm in the Mid Cap segment. The Group's ultimate parent company is Viem Invest AB. The business has its origins in an electronics company that was founded in Jönköping in 1937. The current Group model was established at the start of the 1980s by the entrepreneur Tord Johansson.

The XANO Group's primary operations are conducted in 24 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.





Investments for the future

Fredriksons has made extensive investments in factory space and production equipment linked directly to a customer that works with the storage of energy from renewable sources. New technology and the experiences gained from this project are developing Fredriksons' own operation and can be applied in future assignments.

Read more on page 16.



Plastic and care for the environment

The Group's plastic-processing companies have a strong sustainability profile. They optimise their manufacturing to achieve reduced material consumption and higher energy efficiency, and develop sustainable products for areas such as water treatment. Sustainable chains for the recycling of materials are established both in-house and together with partners.

Read more on page 18.



Future employees

Resinit has an active collaboration with Teknikcollege for long-term skills provision and quality assurance of niche technical expertise. Teknikcollege is a collaboration between companies, local authorities and training coordinators that is intended to improve the status and quality of training courses that are relevant for industry.

Read more on page 23.



Development and network building

During 2022, five development programmes with a total of 72 participants have been completed within the framework of XANO Academy. A further programme has been launched. XANO Academy is an important arena for the implementation of XANO's core values. The development programmes are intended to create networks for communication and the exchange of knowledge.

Read more on page 26.

Business model

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

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

Financial key ratios

		2022	2021
Net revenue	SEK m	3,509	3,151
Growth	%	+11	+41
Gross margin	%	21.2	24.6
Operating profit	SEK m	341	453
Operating margin	%	9.7	14.4
Profit before tax	SEK m	309	433
Profit margin	%	8.8	13.8
Net profit for the year	SEK m	249	342
Earnings per share	SEK	4.30	5.90
Proposed dividend per share	SEK	1.75	1.75
Equity/assets ratio	%	42	38

Definitions can be found on page 83 of the 2022 Annual Report.

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 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 per cent over time. The equity/assets ratio will exceed 30 per cent.

Goal fulfilment 2022

Lower rate of growth but strong financial position

Delayed deliveries as a result of shortages in our customers' and our own supply chains resulted in a reduced rate of organic growth and weaker margins than in recent years. Last year's acquisitions added 9 per cent in sales, and total growth during 2022 stood at 11 per cent. The profit margin amounted to 8.8 per cent. The equity/assets ratio stood at 42 per cent at the end of the year.

Core values and areas of focus

Our core values are Entrepreneurial drive, Long-term thinking and Technical know-how. 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.

We endeavour to run our businesses in a sustainable manner, with a long-term perspective and on every level. Through close and lasting collaborations with our stakeholders, we aim to create mutual trust that promotes long-term, profitable growth.

With common areas of focus linked to our core values, we are making effective use of the Group's combined knowledge and experience to further develop our operations. Shown to the right are examples of activities that have been implemented and are ongoing within areas that promote our business and at the same time support sustainable development.

Sustainable business

During the year, Fredriksons has made extensive investments linked directly to the collaboration with a customer working with sustainable energy solutions.

Blowtech has helped an automotive customer to improve the environmental performance in one of its products by offering manufacturing from recycled polyethylene.

Digitalisation

Jorgensen works with connected systems where remote data is collected, and monitors the function of production lines all over the world in real time. Required adjustments can be carried out without the need to be physically on site.

Cipax has launched online platforms including visualisation tools that help customers to order products easily based on desired parameters.

Acquisitions that provide strength

By means of software intelligence developed in-house, CIM complements other companies within Industrial Solutions. The business unit thereby has the potential to offer complete solutions and customised aftersales services.

Lasertech's expertise within laser welding and industrial 3D printing has opened up new opportunities for sister companies within Precision Technology.

Strategic sales

The automation companies within Industrial Solutions are offering services throughout the lifecycle of the supplied equipment. Long-term servitisation is deepening relationships and helping customers in their ambitions in relation to productivity, safety and sustainability over time.

Profitable growth

Thanks to a major organisational shift and structured marketing work, KMV has grown by 30 per cent and strengthened its profitability, despite a shaky global situation.

With responsiveness to market trends and future needs, the companies within Industrial Solutions are exploring new niches where their expertise can create long-term, profitable growth.

Product development and innovations

Blowtech works with a lightweight method that, in addition to reducing weight and material consumption, also entails higher sound absorption capacity and better heat insulation for the products.

Cipax has launched a new water purification system for individual drains. The treatment process minimises particles and substances that can be harmful to health and the environment, and satisfies demands for a high level of protection.

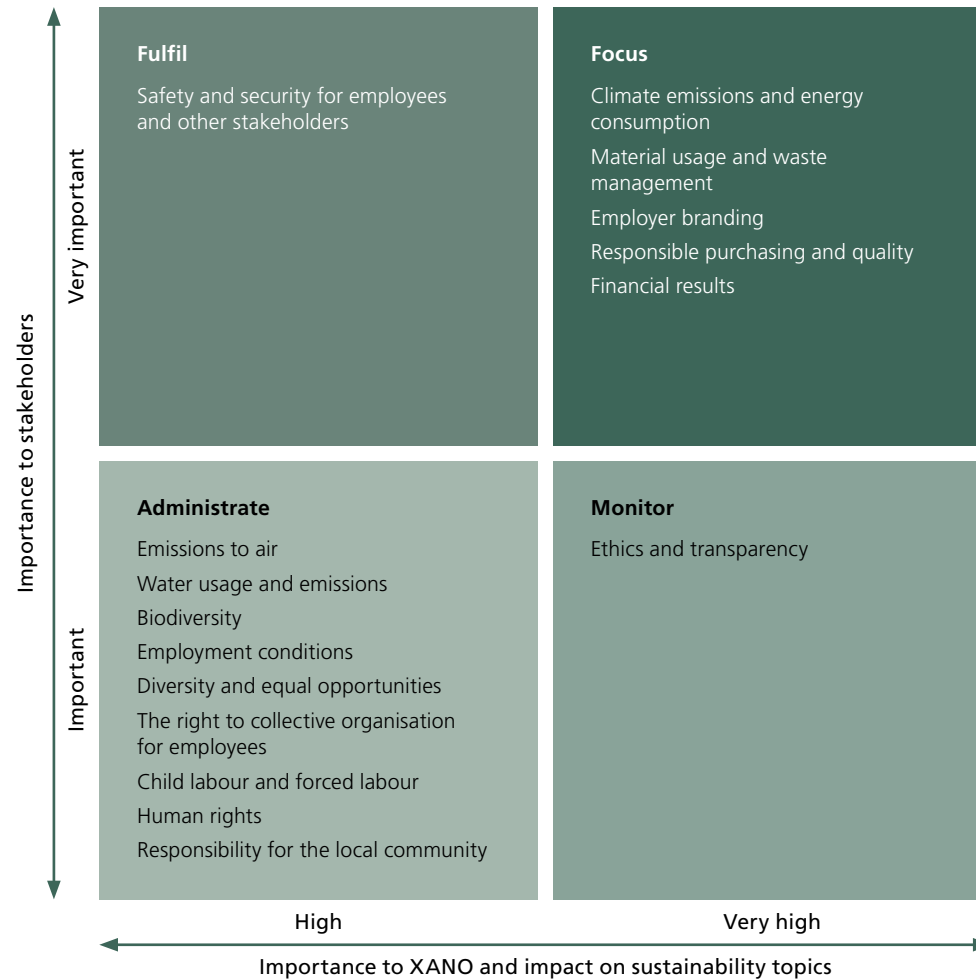
Our sustainability work

Sustainable enterprise with a long-term perspective

The Group's sustainability work is part of the model for how we do business and run our operations from day to day. The working method is based on our core values of entrepreneurial drive, long-term thinking and technical know-how. A sound corporate culture, a healthy working environment and committed employees are the basic preconditions for development and success. Sustainable enterprise requires the optimisation of resources and efficiency at every stage, as well as a long-term perspective that promotes the development both of our operations and of society at large. 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 significant sustainability aspects

The Group's materiality analysis is based on a balancing of the results of stakeholder and materiality analyses implemented in the Group's companies during 2019. The Group management and central sustainability coordinators, along with representatives from each business unit, evaluated the results of the analyses in the Group companies and jointly identified the most significant areas for the Group as a whole. The continued relevance of these areas has been tested as new companies have joined the Group or as other conditions have changed. In this way, responsible purchasing has been added as a material sustainability issue, both for our stakeholders and for our Group. It is also an area where we can see considerable opportunities to have a positive impact.



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. Change and improvement work requires involvement, and we are therefore striving to ensure lasting 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.

New Group-wide policy and strategy

Our aim is to retain the entrepreneurial spirit in our sustainability work. Each and every one of our companies can make a differ-

ence. In order jointly to achieve our vision of also being a leading player and business partner within ESG and sustainability, we have updated our Group-wide sustainability policy. The work of drawing up a joint sustainability strategy with clearer requirements and goals is continuing, and it will be implemented in the Group during 2023.

From directional goals to timed, measurable goals

One significant difference in our future, overall sustainability framework will be our move from directional goals to more defined objectives. The starting point and the motivation are the same, but in order to make more progress, the goals are being made clearer, measurable and timed.

In the course of this work, we have also charted and evaluated our significant sustainability impact through the UN’s Sustainable Development Goals (SDGs). We have identified ten goals that we have linked to our significant ESG aspects and the new sustainability policy.



Sustainability control

Overall sustainability control

On the basis of our materiality analysis, the Board of the parent company is establishing a sustainability policy and a sustainability strategy at Group level, where guidelines, areas of focus and objectives are specified at an overall level. Working against the background of the joint steering documents, balanced with the results of materiality analyses performed at individual company level, the Group companies formulate their own sustainability strategies and objectives in a sustainability plan.

Sustainability policy

Our sustainability policy sets out the conditions and the overall direction of the Group’s sustainability work. It describes the fundamental principles that apply to the actions of the Group’s companies in the fields of Environment, Employees & society and Business ethics. Our core values – Entrepreneurial drive, Long-term thinking and Technical know-how – are the starting point for the way we create sustainability in our operations and our business dealings.

The commitment of our employees, their specialist knowledge and innovative capacity are making it possible to continue developing and ensure credibility in our operations. The Group will generate long-term economic value through a responsible balance between the needs of our stakeholders and care for people and the environment.

Sustainability strategy

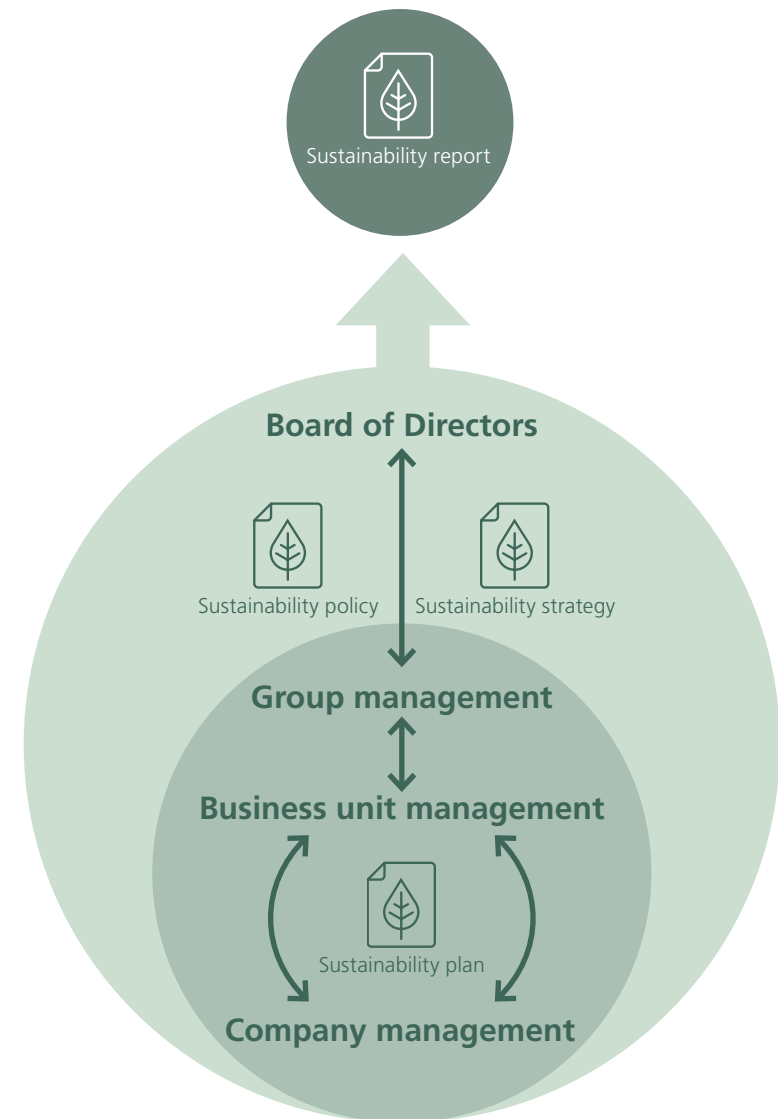
The Group’s sustainability strategy defines our vision, our objectives and the plan for how we will jointly

achieve the goals we have laid down. At an overall level, we have so far followed up the Group’s combined sustainability work in relation to directional goals, based on a general sustainability strategy. In order to make even more progress, we have carried out activities in 2022 aimed at making the plan for our ongoing work more tangible and defined, and a new sustainability strategy is being implemented in 2023.

The Group strategy is being established in management meetings, at which the Group and business unit management notify operational managers in the Group’s companies about the plan for achieving the joint goals. Working on the basis of the Group strategy, the Group’s companies draw up their own, business-specific sustainability strategy that supports the joint plan, but that can also cover additional areas that are of particular significance for the individual company.

Sustainability plans in the Group companies

In order to realise our vision and achieve our goals, our sustainability work has to be an obvious part of the corporate governance in our Group companies. With the varying conditions that apply to our companies, both the level of ambition and performance levels in this area have shifted significantly over the years. As a result, particular focus has been placed on sustainability issues during 2022, by means of all the companies establishing separate sustainability plans in conjunction with the annual strategy process.



The sustainability plan covers a description of each company's strategy, including goals, key performance indicators and action plans. Following-up is performed in business review meetings in the companies, where the responsible business unit manager evaluates compliance with the sustainability plan and initiates new measures, as required. Business review meetings are held between two and four times a year, depending on the size and profile of the company in question.

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, through responsible actions, contribute to sustainable development in our day-to-day work.

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 supervising the company-specific sustainability strategy as well as for the fulfilment of goals is delegated to each company's MD, who is also responsible for ensuring that the sustainability policy is followed. At the request of each company's MD, 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 overall sustainability policy sets out the fundamental requirements that the Group's companies have to live up to. International conventions regarding working conditions, human rights and corruption must be respected and followed. Applicable legal requirements relating to our operations and products have to be met. Risks assessments regarding regulatory compliance are carried out in connection with the annual strategy process. Following-up takes place via internal control and at business review meetings in each company.

Our common Code of Conduct provides guidance for how we, as companies and as employees, should live up to the demands and expectations of various stakeholders. It includes guidelines in respect of employee relations, business ethics and impact on society. The Code of Conduct covers all employees.



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 each individual operation's business plan and its specific circumstances, as well as through ongoing stakeholder dialogues. 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 the previous year, 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. With the current Group structure and business profile, climate change is deemed to constitute a limited risk.

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.

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

Management system for increased efficiency and continuity

Quality is an essential sustainability aspect for the Group and 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 supports universal human rights, including 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. This takes place through the implementation of codes of conduct, both internally and in relation to our business partners.

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. The risks when it comes to human rights are deemed to be limited, and principally linked to the supply chain in areas such as freedom of

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

association and collective bargaining, the working environment and discrimination. Compliance within the Group is monitored and rectified within the framework of internal control. When there is an indication of insufficient compliance on the part of business partners, the circumstances are examined in greater depth. In the event of serious or repeated breaches, the relationship is terminated.

Due diligence procedures in relation to new acquisitions and the evaluation of new suppliers are examples of control activities that incorporate human rights. An external whistleblowing service enables both employees and external stakeholders to report suspicions of possible irregularities.

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. The Group's priority

stakeholder groups are employees, customers, suppliers and the local community. For the parent company, owners also represent an important group.

The stakeholder dialogue is primarily conducted at company level. Our charting of stakeholder involvement in the Group's companies shows that they all have a structured process for regular dialogues with employees, customers and suppliers. The majority of the companies also have ongoing contacts with representatives of various functions within the local community. More than half of the companies have regular dialogues with other business partners and 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 perspective 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.

Environmental impact

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. Our operations must have processes that minimise waste and promote circular material handling.



Impact and risks

The XANO Group is made up primarily of 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.

With the current Group structure and business profile, the environmental risks are deemed to be limited. The risks that have been identified principally refer to 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 enjoy a close dialogue with customer and suppliers, and are constantly working to improve their environmental performance.

Governance and goals

Up to and including 2022, the Group has reported data in the environmental field in respect of energy consumption and waste volumes, as well as climate emissions within Scopes 1 and 2 and parts of Scope 3, based on directional goals laid down by the Board of Directors. Since 2016, these have constituted the foundation for the work of the Group companies towards reducing their environmental load. In order to contribute optimally to our common directional goals, the Group companies have set their own goals with a focus on the areas where they see the greatest potential to achieve sustainability and business benefits.

Preconditions for measurement and following-up

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 revenue. When calculating indicators in relation to revenue, the comparison period's amounts are converted to the current period's average exchange rates. Newly acquired companies are included in those cases where data is available, and on a whole-year basis.

Activities for reduced environmental impact

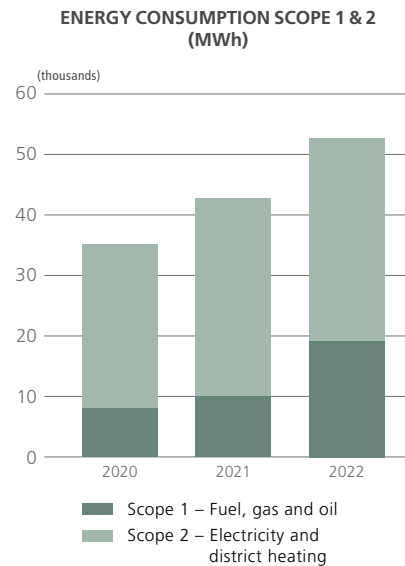
The optimisation of our operations to achieve greater energy efficiency and to minimise waste form part of the Group companies' day-to-day work aimed at reducing their environmental impact. When it comes to manufacturing our own products, the choice of materials and production processes are both important factors. In our role as a subcontractor, it is our task to deliver expertise and innovative technology that raises the customer's environmental performance. Examples of this are presented on the next spreads.

Energy consumption

The ongoing energy efficiency work includes energy recovery from our own processes as well as environmentally aware choices when investing in new machinery and replacing e.g. light sources. To date, detailed energy surveys have been conducted in seven of the Group's Swedish units. 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. Reported consumption is mainly based on information received from the Group's energy suppliers. 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.

The increase in total energy consumption is entirely related to the three companies that have been added to the reporting since the previous year. Other operations have an overall slightly lower consumption.



TOTAL ENERGY CONSUMPTION	CHANGE
52,634 (MWh)	+23.1 (%)
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IN RELATION TO REVENUE ¹⁾	CHANGE ¹⁾
13.6 (MWh/MSEK)	+3.5 (%)

¹⁾ Revenue data refer to amounts before elimination of internal sales. Last year's revenue in currencies other than SEK have been translated into SEK at the average exchange rates of the current year.

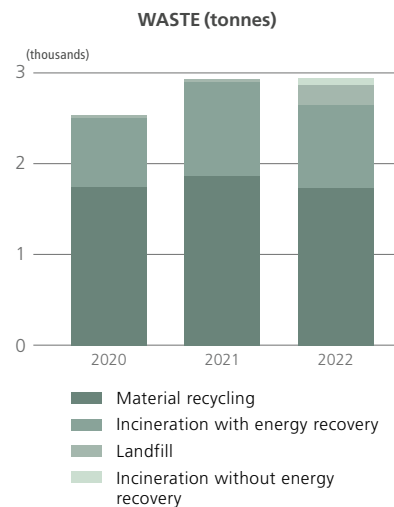
Waste management

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 through extended recycling. Improved sorting at source, the reuse of packaging and a higher degree of digitalisation are other activities that are contributing to reduced amounts of waste.

Companies added since last year account for 5.3 percent of the year's reported waste volumes.



TOTAL AMOUNT OF WASTE	CHANGE
2,947 (tonnes)	+0.2 (%)
<hr/>	
IN RELATION TO REVENUE ¹⁾	CHANGE ¹⁾
0.8 (tonnes/MSEK)	-15.7 (%)

¹⁾ Revenue data refer to amounts before elimination of internal sales. Last year's revenue in currencies other than SEK have been translated into SEK at the average exchange rates of the current year.

Business case:

Fredriksons investing to promote a more sustainable future

Investments that promote sustainable business and long-term collaborations with customers are highly prioritised within the Group. Our aggressive measures must contribute to sustainable social development, strengthen the individual company and create the conditions for positive development within sister companies.



Linus Elf, Project Manager at Fredriksons

Challenging assignments

System deliveries of customer-specific products with a global market as a starting point form part of Fredriksons' operations. One of their existing customers works with environmentally and financially sustainable solutions for storing energy from renewable sources, that is available where and when it is required.

Fredriksons' profile, with wide-ranging expertise in the manufacture of stainless steel products that satisfy stringent demands, corresponded closely with the customer's fundamental needs. Fredriksons also offers a quality assurance system and the management of the entire manufacturing chain, which appealed to the customer. Linus Elf, Project Manager at Fredriksons in Vadstena, explains that it was not certain that the company would take on the assignment, however.

"We actually declined when we were first asked. The reasons for this were the physical size of the product as well as the complexity of the project. Even though the product itself is well suited to our operations, a considerable amount of deliberation was required before we finally came to an agreement."

Collaboration and commitment

The collaboration with the customer was initiated and a production base was developed in line with the requirement specification. Various solutions were discussed, and the details were fine-tuned jointly in order to arrive at both a successful production process and good functionality. For example, issues were

explored regarding how the product should be put together rationally and paced optimally in a production line. Prototypes were developed and preproduction series were launched.

"Following the initial work, we experimented with the dynamic elements in the project group," explains Linus. "Working on the basis of our differing perspectives and areas of expertise, we came to an agreement on what we considered was the best way of executing the project. We have constantly maintained a close dialogue with the customer, which has provided us with a good understanding of each other's challenges. Working together to resolve such a complex task has also generated a high level of commitment within our respective companies."

Lessons from XANO Academy

During the time that the project has been running, Linus has taken part in a management programme within XANO Academy. Converting the theory he has learned directly into practice has created better conditions for building a well-functioning team at Fredriksons, for example.

"In XANO Academy, we have been provided with tools that have benefited me greatly in my day-to-day work," considers Linus. "For example, new insights have helped me to see how different skills can match each other in a progressive manner. I am proud of the project group that has emerged. Both in terms of the way we have identified a working method that works for this unique project, and the way we have done this together."

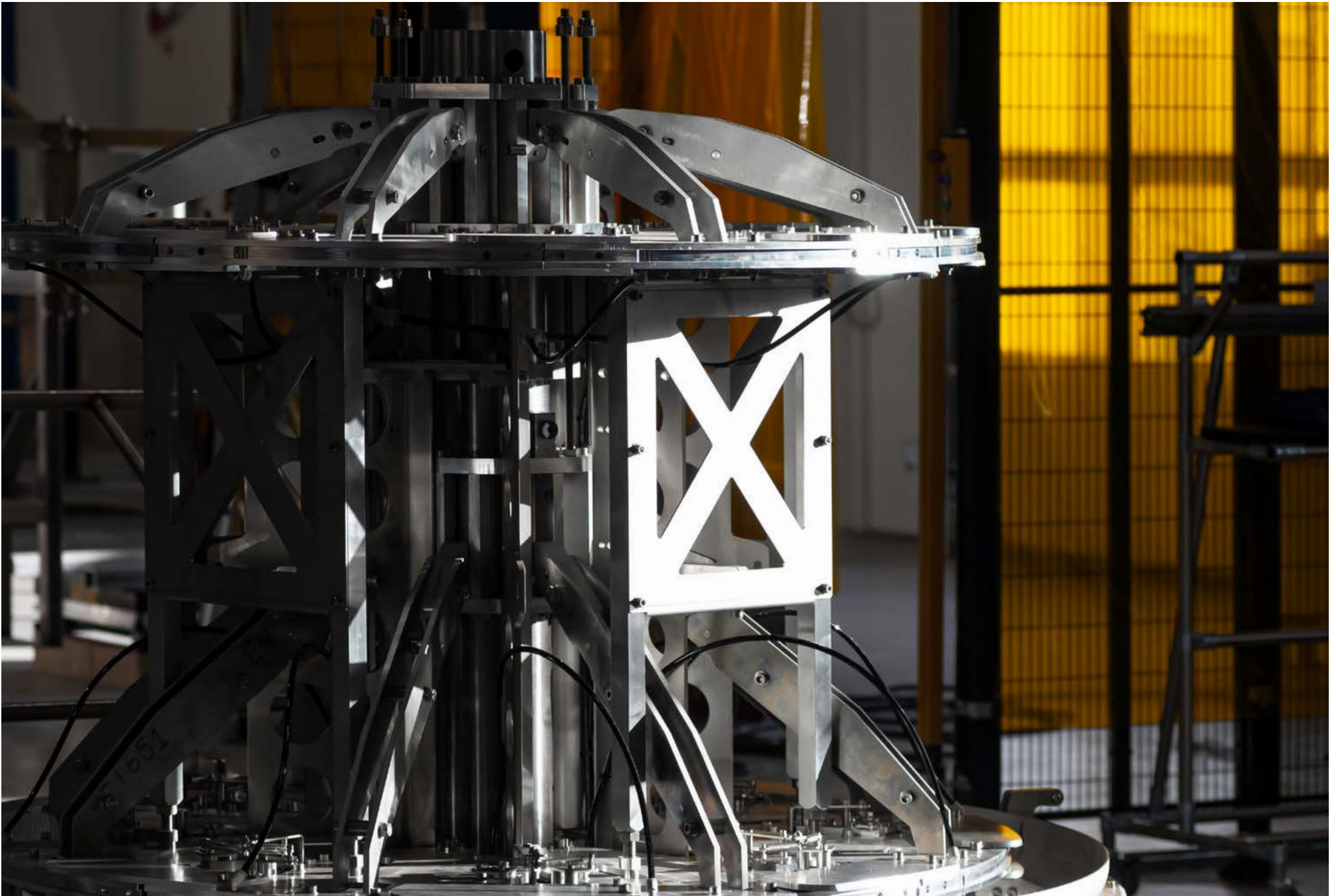
Producing ripples

During 2022, Fredriksons has carried out extensive investments and other preparations for effective production. Changes have been made to the layout in existing operations, and new factory space has been completed and equipped with robots and production lines. Skills levels have also been strengthened in various ways, for example in the form of training in new welding technology.

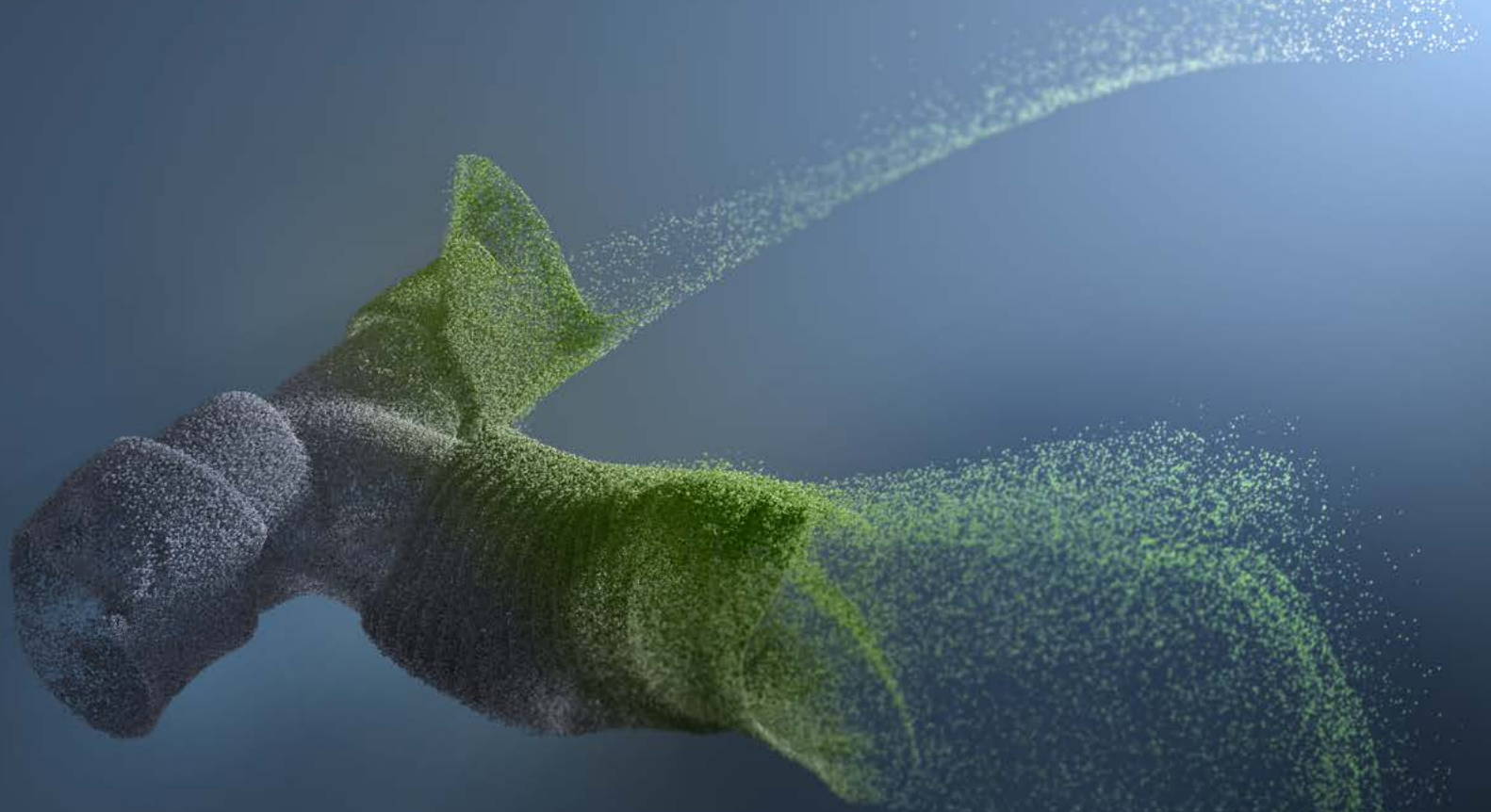
"We have invested in a robotic welding technology, forceTig, which delivers both high quality and a rapid process," says Linus. "The technology is fairly unusual, yet is of interest in areas such as foodtech and medtech, where there are stringent demands as regards finish. When it comes to physically large products requiring a large amount of welding, as in this case, speed is also crucial."

January 2023 will see the start of production for the project, which the parties involved view as being one step closer to accessible renewable energy.

"The soft parameters for the project, such as knowledge and experience, will produce ripples far into the future," continues Linus. "Along with new technology, these are factors that we can apply in future assignments. Our entire operation has been positively impacted, making this a sustainable investment in many ways."



Care for the environment





Circular material handling

Cipax's processes support a life-cycle approach, where the extraction of natural resources is minimised by recycling materials and reusing them to make new products. This produces twice the impact, as less raw materials are consumed at the same time as waste volumes are reduced.

Several important steps have been taken in recent years. Cipax is now able to boast that 100 per cent of in-house production waste is taken care of. The Cipax Group's Dutch unit has complete equipment for recycling waste material to make new plastic raw materials, which are then used in the company's own manufacturing.

Cipax has also been running Nordic Plastic Recycling (NPR) for a number of years. Through this initiative, products such as polyethylene boats at the end of their useful life are dealt with. After various stages of processing, the recycled material is ready to be moulded to create new products. The nature of the recycling process is absolutely decisive when it comes to the quality of the recycled material. NPR has identified a method whereby the vital properties of the polyethylene are retained, resulting in a quality that is equivalent to new raw material.



Collaboration for sustainable plastic production

Blowtech's speciality is products with complex forms and cavities for either liquids or air. For many years, the company has been manufacturing components from polymer materials for customers in the automotive sectors. Working in collaboration with customers, products and processes are analysed and adapted to reduce their environmental impact. For example, Blowtech is working with a lightweight method that, in addition to the positive environmental aspect, also entails a reduction in weight, higher sound absorption capacity and better heat insulation for the products.

The first air duct made from 100 per cent recycled material was produced in 2022. High quality recycled plastic is still in short supply. Thanks to a volume agreement that has recently been entered into, Blowtech has secured deliveries of high quality polyethylene (HDPE). The material has been recycled from production waste, which entails a halving of the climate impact compared to using new raw material.

Easy and sustainable boating life

Pioner Boat manufactures boats for both professional use and leisure activities. The boats are manufactured in a single piece by means of rotational moulding using recyclable plastic material. The method and material that are used deliver high impact and temperature resistance. The boats require a minimum of maintenance and have a long service life.

Pioner Boat has launched its first fully electric boat. Considerable emphasis has been placed on the design of the hull to ensure that it meets as little resistance in the water as possible. An electric motor produces zero emissions locally, but also minimal emissions globally if the electricity is produced in a climate-neutral manner.



Climate emissions

Within the XANO Group, 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 climate 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 high proportion of the Group's manufacturing takes place in its own premises in Sweden and Norway. In these two countries, the energy production comes largely from renewable sources, which means that energy consumption generates relatively low climate emissions. However, fossil-based gas is used to a large extent in the Group's facilities in the Netherlands and Estonia, where the alternatives are currently limited.

Our day-to-day work

Constant improvements are being made in respect of energy efficiency to achieve reduced energy consumption and lower climate emissions. For example, this includes identifying and eliminating energy leaks and making better use of surplus energy within our own operations. 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.

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. During 2022, the companies have taken further steps in their work towards more circular material handling. Working both in-house and in collaboration with industry colleagues, waste material and scrapped products are processed and reused. In this way, the business unit can offer manufacturing in recycled materials to more customers.

It is clear that sustainability is becoming increasingly important to the Group's customers, and this is an important source of motivation in our sustainability work. Within Industrial Products, several collaboration projects are being run aimed at improving the environmental performance. These are supported, for example, by a model for evaluating climate footprint. This presents detailed data regarding the business unit's products, such as the proportion of recycled material and the type of energy that is used during the manufacturing process. This service also helps customers to easily measure their climate impact and thereby make well-founded decisions when it comes to sustainability choices.

Emissions data

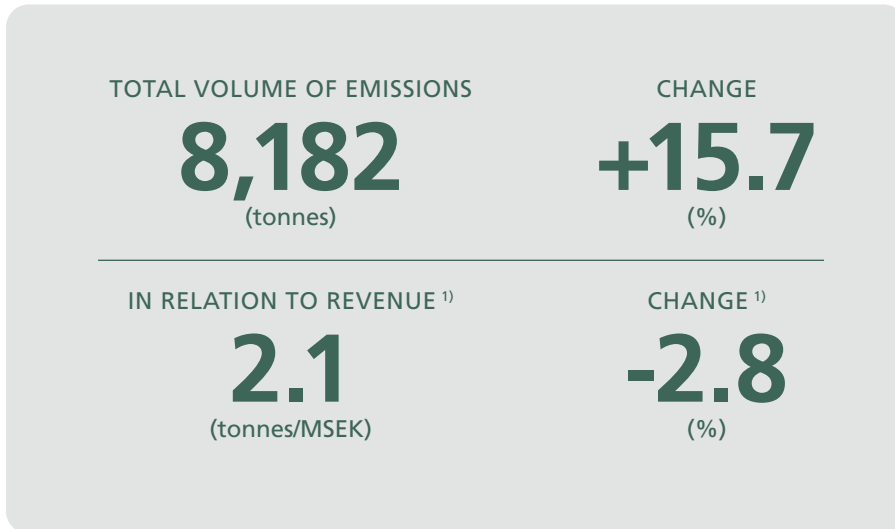
External reporting of climate emissions is currently carried out on a full-year basis. Internally, the Group's companies report quarterly emissions data related to energy consumption and transport. All wholly-owned operational companies are

included in the reporting. This data is based both on in-house measurements, as well as 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 company-owned vehicles as well as the combustion of gas and oil for electricity, heating and production processes are reported in Scope 1. Scope 2 covers emissions from the use of purchased energy for electricity and the heating of premises, and is primarily reported using the market-based method. Up to and including 2022, the reporting of emissions within Scope 3 encompasses the transport of goods carried out by external parties, as well as business travel by air and using hire cars and taxis.

All in all, the year's activities have led to reduced climate emissions for comparable units. The three companies that have been added to the reporting since the previous year account for 32 per cent of the total amount of emissions. The major change lies within Scope 1 and mainly relates to higher consumption of natural gas.

With the support of a new reporting tool, the Group will, in future, expand its measurements and include more categories in the reporting of emissions within Scope 3, initially with a focus on purchased material and waste management. We will also be developing and communicating new, more ambitious objectives for our work.



Key performance indicators	Net revenue ¹⁾ MSEK		Scope 1 emissions tonnes CO ₂ e		Scope 2 emissions tonnes CO ₂ e		Scope 3 emissions tonnes CO ₂ e		Total emissions tonnes CO ₂ e	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Industrial Products	1,051	809	3,249	1,543	1,146	753	458	570	4,853	2,866
Industrial Solutions	2,315	1,873	594	489	1,050	1,203	1,540	2,316	3,184	4,008
Precision Technology	489	558	46	116	46	47	42	25	134	188
Parent company	2	2	4	9	0	0	7	2	11	11
Total	3,857	3,242	3,893	2,157	2,242	2,003	2,047	2,913	8,182	7,073

¹⁾ Revenue data refer to amounts before elimination of internal sales. Last year's revenue in currencies other than SEK have been translated into SEK at the average exchange rates of the current year. Revenue from newly acquired companies, whose climate emissions are not included in the reporting for 2021, have been excluded.

Social impact

Employee wellbeing and commitment are a precondition for the further development of our Group companies and for ensuring our credibility in relation to our stakeholders. There is therefore a strong drive to create a good organisational culture and a stimulating working environment.



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. Collaboration with authorities and training coordinators is also an important part of this work.

Values

In their role as employers, the Group companies are responsible for creating a good organisational culture. Our goal is an open and permissive working climate, completely free 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. Each and every employee within the XANO Group is expected to treat colleagues and other people with respect. Our sustainability policy and our code of conduct guide our actions as companies and employees linked to human rights. Internal control ensures that all employees have acquainted themselves with our code of conduct. Deviations from the code of conduct or other suspected irregularities can be reported through an external whistleblowing function.

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.

Our ambition is to increase the proportion of women in senior positions within the Group. Using targeted skills development and network building, we want to strengthen and inspire our female employees in their work roles. If we succeed in bringing more women into positions of responsibility, we believe that this will significantly increase the potential to achieve a more even gender balance more generally.



Technology student Lovisa Andreassen appreciated having the opportunity to alternate theoretical training with practical experience during her work-based learning at Resinit.

Collaboration for skills provision

Resinit offers precision-machined components and composite products made from polymer and laminate materials to customers in sectors such as medical technology, food, defence and energy. The operation is based in Västervik, Sweden, and is part of XANO's Precision Technology business unit. Turnover amounted to SEK 160 million in 2022, and the company has 70 employees.

Just as for many of its colleagues in the sector, one of the challenges facing Resinit is finding new employees with an interest in, and an aptitude for, technology. In Västervik, there hasn't been an industrial engineering programme at upper secondary level for many years. As a result, there has been no natural pathway directly from school into the technology positions that Resinit needs to satisfy. Working alongside local colleagues, it was established that there was a considerable need for a programme focusing on production technology. Thanks to an active collaboration with Teknikcollege, the companies in Västervik have had their wish fulfilled, and Västervik Upper Secondary School now runs an industrial engineering programme. This is a three-year course that includes at least 15 weeks of work-based learning.

When Stefan Bergh, Production Manager at Resinit, made contact with the school to find a student who would be suitable for work-based learning at Resinit, Lovisa Andreassen was the most suitable candidate. Lovisa enjoys working with detailed activities and she was given the opportunity to do this at Resinit. Medical technology companies are a dominant customer group for the company, and the products that are manufactured demand small tolerances. "Practical work is my favourite topic, and I enjoy progressing from thought to finished product. I am learning more here at Resinit than at school," says Lovisa. She got hooked on CNC technology (Computer Numerical Control) and considers that the industrial engineering programme has an important role to play in the community.

"When it comes to skills supply, we are obviously not just thinking about the here and now, but also in the long term," says Stefan Bergh. "In addition to good training, we need to have a functioning labour market, and good relations with other companies in the collaboration group are important. Through Teknikcollege, we benefit from a strong network and opportunities to influence developments. We have been involved with Teknikcollege for a long time, and from 2023 we have also taken on the responsibility for its presidency," continues Stefan. "This also enables us to gain an insight into what is going on in other regions. We gain inspiration from other companies and can make the training more attractive by showing off what we are doing and how we are contributing in society. This involvement certainly requires input from our side, but the collaboration is incredibly rewarding and we get a great deal back in return."

About Teknikcollege

Teknikcollege is Sweden's largest collaborative platform for skills supply within industry, and is a quality label for courses where local authorities, training coordinators and companies work together to increase the attractiveness and quality of training with a technical focus.

Health and safety

A healthy, safe and secure workplace is a fundamental precondition for a sound business, and one of the most important sustainability issues for our Group. This means that our companies have to work actively and in a structured manner to minimise the risk of accidents and ill health.

Working environment

In their role as employers, the Group companies have a responsibility to secure a good working environment for all employees from both a physical and a psychosocial perspective, and to ensure that nobody sustains injuries at work. This responsibility also covers hired personnel, as well as visitors to our operations when it comes to the physical 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. The lingering consequences of the Coronavirus pandemic have meant ongoing raised levels of sick leave at periods during the year. As in 2020 and 2021, short-term absence levels have been comparatively high. Total sickness absence amounted to 5.2 per cent during the year, an increase of 0.2 per cent compared to the previous year. The proportion of short-term sick leave as a result of illness increased by 0.7 per cent, while the corresponding proportion for long-term absence fell by 0.5 per cent. 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. When the Group implements its new sustainability strategy in 2023, with new, more ambitious goals, additional focus will be placed on the health of its employees.

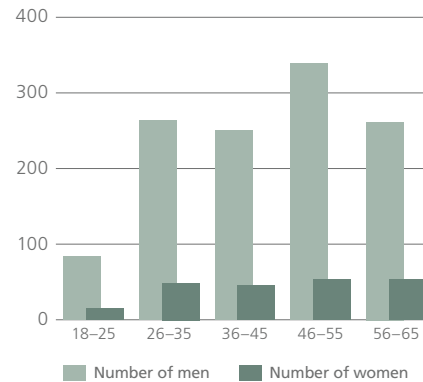


Safety in the workplace

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.



AGE DISTRIBUTION (YEARS)



■ Number of men ■ Number of women

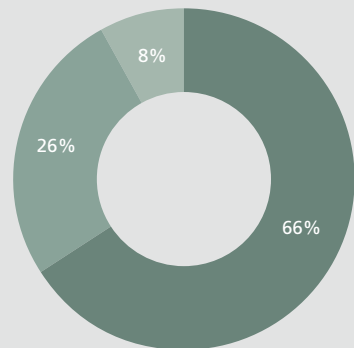
Key performance indicators – personnel

	2022	2021
Average number of employees ¹⁾	1,426	1,245
– in Sweden	663	613
– in other countries	763	632
– women	211	174
– men	1,215	1,071
Antal anställda på balansdagen	1,409	1,392
– in Sweden	654	640
– in other countries	755	752
– women	213	201
– men	1,196	1,191
Average age, women ²⁾	years 43	44
Average age, men ²⁾	years 43	44
Average employment period, women ²⁾	years 7	7
Average employment period, men ²⁾	years 8	8
Sickness absence	% 5.2	5.0
– short-term	% 4.2	3.5
– long-term	% 1.0	1.5
– women	% 4.2	5.9
– men	% 5.3	4.7

¹⁾ Average number of employees during the period based on time worked.

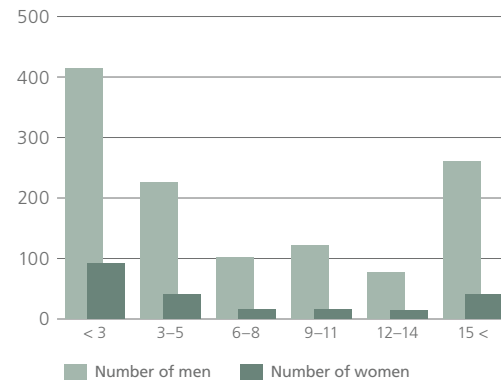
²⁾ Refers to employees at the end of the year.

EDUCATION



■ Upper secondary ■ Academic ■ Other

EMPLOYMENT PERIOD (YEARS)



■ Number of men ■ Number of women



Development and network building

XANO Academy

The activities within our Academy are intended to strengthen XANO as an employer by maintaining a high skills level among our employees. We want to make use of the commitment and innovation that exists in our Group. Through the development programmes, networks are created for communication and the exchange of knowledge. The Academy is also an important arena for the implementation of XANO's core values.

The programmes are designed according to current needs, focusing for example on positions of responsibility within production and finance, as well as on employees within management teams. The MDs in the individual Group companies are responsible for nominating potential participants. Cultural and value-based issues are mandatory topics. Live project work linked to business development is also carried out in parallel with the programmes.

Five development programmes with a total of 72 participants have been completed within the XANO Academy over the past year. These programmes covered subjects such as leadership, strategy and innovation, as well as corporate governance. Another programme was launched in 2022, for 18 employees from the Group companies' production departments. This covers areas such as integrated management systems, working environment, quality development, strategies for efficient production as well as stable processes.

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.

Staff development

Our objective is for all employees to feel that they possess the correct skills for their work duties. There should also be development opportunities for those who so wish. In addition to Group-wide development programmes within the framework of XANO Academy, the Group companies conduct their own training courses within their specific skills areas. In total, the investment in training activities in 2022 amounted to SEK 6.8 million. This gives an average value per employee of approx. SEK 5,000, which means an increase of 66 per cent compared to the previous year.

Future activities

We are implementing a new sustainability strategy in 2023, covering areas such as defined objectives for skills development with a focus on sustainable transition.

Social commitment and sustainable partnerships

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. When selecting business partners, consensus regarding core values is important.



Commitment to society

It is important and only natural for us to have broad social commitment. Most of our operations are conducted in Europe, and the vast majority 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 of our 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 training providers can be very important in securing future skills provision. Taking part in job fairs and industrial seminars are other ways for Group companies to present 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.

Sustainable collaboration

In order to promote long-term, sustainable social development, close and long-lasting relationships with customers and suppli-

ers are of the utmost importance. We invest in personnel and mechanical capacity in order to support our customers in their sustainable transition. By being sensitive to their requirements and wishes, we also ensure that our own operations are relevant. In this way, we create the conditions for mutual growth and financial stability.

With a good understanding and knowledge of the entire value chain, we have the potential to rapidly identify and prevent risks. In an ever more globalised world, the risks in the supply chain are increasing. A structured and meticulous evaluation of our business partners in respect of ESG and sustainability is essential. Our code of conduct must be incorporated in agreements with suppliers, and compliance with this code must be monitored regularly within the Group companies. In this respect, we need to continue developing our processes. In connection with the implementation of a new sustainability strategy in 2023, the work aimed at securing sustainability in our supply chain will be a priority.

Corporate governance

A healthy business is based on sustainable business ethics. We work actively and consciously to combat all forms of corruption and unethical behaviour. We encourage employees and other stakeholders to notify us if they suspect any irregularities in our operations.

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 includes minimising the risk of having a negative impact on people's health and our environment as a result of our processes and products. 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 other 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.

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.

ANTI-CORRUPTION & WHISTLEBLOWING

The Group has zero tolerance of corruption and bribery. As part of the preventive work, all employees who come into contact with customers and/or suppliers must undergo training in relation to anti-corruption. At present, we are using Transparency International UK's digital training module "Doing Business Without Bribery", which e.g. provides advice about how to prevent and resist bribes in challenging situations.

Suspected irregularities within the Group can be reported through an external whistleblowing function.

<https://xano.se/en/sustainability/whistleblowing>



XANO and EU Taxonomy

XANO is covered by the reporting requirements according to the EU Taxonomy Regulation. The EU Taxonomy is a framework for the classification of environmentally sustainable economic activities. The regulation requires that companies that are covered by NFRD (shortly to be replaced by CSRD) must report the extent to which their operations can be classified as sustainable according to the EU Taxonomy.

The Group's operations are currently only covered by the taxonomy to a very limited extent. Most of the Group companies manufacture components or have other financial operations that are not covered by the taxonomy. Future investments in production facilities, manufacturing processes and equipment may be covered, depending on the nature of the investments.

Just over half 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 promotes the sustainable transition.

Activities that are covered by the taxonomy

Prior to the reporting for 2021, the Group's operations were mapped in order to identify income-generating activities that are included in the EU Taxonomy. This mapping process demonstrated that XANO, through its subsidiaries CIM, in the Industrial Solutions business unit, and Cipax, in the Industrial Products business unit, conducts activities on a permanent basis that fulfil the criteria for being covered by the taxonomy. The turnover for these activities corresponded to 0.4 per cent of the Group's net sales in 2021. For 2022, the proportion is 0.3 per cent and relates to the taxonomy's activities *5.1 Construction, extension*

and operation of water collection, treatment and supply systems and 8.2 Data-driven solutions for reductions in greenhouse gas emissions.

Environmentally sustainable activities

During 2022, the activities covered by the taxonomy have undergone technical screening in order to ascertain whether they can also be classified as environmentally sustainable according to the EU Taxonomy. This requires that the activities satisfy the criteria for a substantial contribution to limiting climate change and not causing significant harm, as well as the requirements for minimum safeguard measures. Some parts of XANO's operations meet the criteria for making a substantial contribution. No aspect of the operations fully meets the criteria for not causing significant harm, nor the requirements regarding minimum safeguard measures. We need to further develop our work in this respect and build processes in order to live up to all the requirements and criteria. This work is ongoing.

Turnover, CapEx and OpEx according to the EU Taxonomy for year 2022

	Total	Environmentally sustainable economic activities		Taxonomy-eligible but not environmentally sustainable economic activities		Taxonomy-non-eligible economic activities	
		(TSEK)	(%)	(TSEK)	(%)	(TSEK)	(%)
Turnover ¹⁾	3,508,706	0	0.0	10,578	0.3	3,498,128	99.7
<i>5.1 Construction, extension and operation of water collection, treatment and supply systems</i>		0	0.0	2,564	0.1		
<i>8.2 Data-driven solutions for GHG emissions reductions</i>		0	0.0	8,014	0.2		
Capital expenditure (CapEx) ²⁾	144,696	0	0.0	0	0.0	144,696	100.0
Operating expenditure (OpEx) ²⁾	–	0	0.0	–	–	–	–

¹⁾ Total turnover refers to the Group's net revenue for 2022. A summary of the financial information can be found on page 6. Complete financial information can be found in the 2022 Annual Report. Taxonomy-eligible revenues relate to product solutions for water collection and purification and software for reducing fuel consumption in ships. In the tables above, reported revenues for taxonomy-eligible activities are linked to two separate legal entities with isolated accounts, whereby double counting can be excluded.

²⁾ XANO currently lacks detailed data to be able to calculate capital expenditure and operating expenditure in accordance with the EU Taxonomy. The reason is that the Group's accounting systems currently do not support full reporting in accordance with the EU Taxonomy. All capital expenditure has been assumed to be attributable to taxonomy-non-eligible economic activities. There is no basis for reporting total operating expenditure.

Complete tables for disclosure of key ratios according to the taxonomy can be found on pages 99–100 of the 2022 Annual Report.

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 that 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 2022 has been approved for publication by the Board.

Jönköping, 30 March 2023

Fredrik Rapp
Chair of the Board

Anna Benjamin
Vice Chair of the Board

Per Rodert
Board member

Eva-Lotta Kraft
Board member

Petter Fägersten
Board member

Jennie Hammer Viskari
Board member

Pontus Cornelius
Board member

Chair of the Board elected 2004.
Principal education
Graduate economist.
Principal work experience
MD of Pomona-gruppen,
MD of Talk Telecom.

Fredrik Rapp
born 1972



Board member elected 2012.
Principal education
Graduate engineer, MBA.
Principal work experience
Regional manager at Alfa Laval, Division manager at Siemens-Elerna, Strategy and Marketing Manager at FOI.

Eva-Lotta Kraft
born 1951



Board member elected 2022.
Principal education
Graduate economist.
Principal work experience
Senior positions within Tetra Pak, Indutrade, Ernströmgruppen, Bona and Spinova.

Pontus Cornelius
born 1968



Anna Benjamin
born 1976



Vice Chair of the Board 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.

Per Rodert
born 1953



Board member elected 2013.
Principal education
Graduate in business administration.
Principal work experience
MD of INEV, MD of Rörvik Timber, MD and Finance Director of Munksjö.

Jennie Hammer Viskari
born 1981



Board member elected 2022.
Principal education
Graduate engineer, MBA.
Principal work experience
Senior positions within Veoneer/Autoliv.

Petter Fägersten
born 1982



Board member elected 2011.
Principal education
Graduate economist.
Principal work experience
MD of ITAB Shop Concept Jönköping.

AUDITOR'S OPINION REGARDING THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of the shareholders in XANO Industri AB,
corporate identity number 556076-2055

Engagement and responsibility

It is the board of directors who is responsible for the sustainability report for the year 2022 and that it is prepared in accordance with the Annual Accounts Act.

The scope of the examination

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 *The auditor's opinion regarding the statutory sustainability report*. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Jönköping, 3 April 2023

KPMG AB

Olle Nilsson
Authorised Public Accountant

THIS SUSTAINABILITY REPORT COVERS THE FOLLOWING COMPANIES:

Ackurat Industriplast AB
Ackurat Sp. z o. o
Blowtech GP AB
Blowtech GT AS
Canline Systems B.V.

Case Packing Systems B.V.
CIM Industrial Systems A/S
Cipax AB
Cipax Eesti AS
Cipax Nederland B.V.

Cipax Norge AS
Fredriksons Verkstads AB
Fredriksons Industry (Suzhou) Co Ltd
Jorgensen Engineering A/S
AB Kuggteknik

Kungsörs Mekaniska Verkstad AB
Lasertech LSH AB
AB LK Precision Parts
Mikroverktyg AB
Modellteknik i Eskilstuna AB

NPB Automation AB
Pioneer Boat AS
Polyketting B.V.
Resinit AB
XANO Industri AB

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