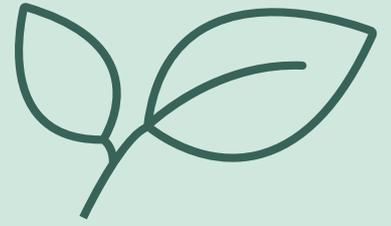


# Sustainability report 2023



# Contents

Introduction	3
Our sustainability work	5
Double materiality assessment	6
Roadmap	8
Sustainability management	10
Risks and opportunities	11
Environmental impact	12
Social impact	14
Sustainable business	15
Looking ahead	17

# Commitment is the key to successful sustainability work

XANO's ambition is to become a leading player in respect of sustainability. But where is the Group now, and what does the road ahead look like when it comes to achieving the ambitious goals relating to environment, people and the economy?



"There is an underlying awareness and a growing level of commitment, both at management level and in XANO's subsidiaries. As a result, we find ourselves in a favourable position where we can make use of this drive and come together around a common working method with ambitious goals. Within the next few years, we will be making major strides on our way to creating a real impression and becoming a leading player in the field of sustainability," says Marilyn Lindh, Chief Sustainability Officer at XANO.

## Not just in theory

Sustainable business has long been an area of focus for the Group. This means that sustainability aspects have held a prominent position in the strategic work that has been carried out. In this way, good conditions have been created for the companies to act.

"The subsidiaries have drawn up individual sustainability plans based on their own, specific circumstances. As part of this process, they have analysed where they have most impact, which has led to both increased awareness and understanding as well as greater knowledge. And sustainability is no longer just an idea. Some companies have developed their own solutions, for example in order to reduce material and energy consumption," continues Marilyn.

## Find focus and link to the business

The next step is to find focus in the sustainability work and link it to the business.

"Our aim now is to narrow our focus and identify what is most important. We

need to know where we currently have the greatest impact, both positive and negative. In order to succeed with this, we need to test and analyse various scenarios. Once we have found our focus, we have to link it to the business and identify the opportunities that exist in this integration. This is the main challenge, yet at the same time the obvious way of preserving our drive," considers Marilyn.

## Commitment is built from within

The key to conducting successful sustainability work is to build commitment from within the individual organisation.

"In an entrepreneur-driven environment like ours, it is only natural to want to ensure profitability in the sustainable transition. The commercial aspect is therefore an important building block for drive and commitment. We have to make the smartest choices that generate business and profitability, at the same time as having a positive impact on the planet and on people," says Marilyn.

Basic security is a precondition in the ongoing work. Knowledge about why the work needs to be carried out, and in what way, has to be firmly established within the organisation.

"Insecurity is often the reason for people not committing and doing more. We therefore need a broad understanding of where we are starting from and what we need to do. We get this by determining where we are at the moment and what the ongoing sustainability work entails, both for our companies and for each individual employee. Knowledge eliminates insecurity, and this in turn gives us the

confidence to dare to do things," says Marilyn.

## Important partnerships

Several examples of partnerships can be seen within the subsidiaries, where sustainable solutions are developed in close cooperation with customers. One of these is CIM's "The white liner project".

"Investments and cash flow are challenges in the relationship between customer and supplier. We therefore need to work together, just as in the example with CIM, in order to achieve the most sustainable solutions. The partnership offers the opportunity to make a mutual, long-term commitment. We carry out development and testing until we have worked out how best to handle the task. This benefits everyone – us, the customer and the planet," considers Marilyn.

## A long-term perspective

The sustainability work is conducted with a long-term perspective, where the environment, people and the economy are dependent on each other and work together.

"The environment, people and the economy are connected and affect each other in many different ways. In the long term, the planet comes first – without the planet, there are no resources for neither people nor businesses. At the same time, we also need to be profitable, because without money we cannot exert influence where required. When we find our focus and integrate it fully in our business, it has positive effects. I am confident about the future," concludes Marilyn.

# Sustainable value chain

KMV specialises in long hole drilling and is a complete partner within advanced mechanical processing, all the way from raw material to finished product with the focus on sustainability. The company challenges its customers regarding long-term business benefits through collaboration in a sustainable value chain.



## Sustainability as a sales argument

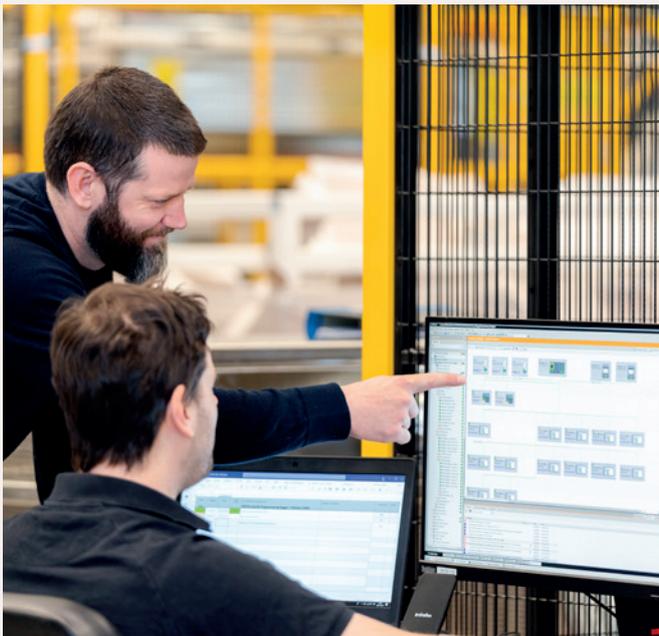
Within the manufacturing sector, quality and delivery precision are topics that are always on the table when negotiating new assignments. Until now, there has not been as much focus on sustainability. KMV wants to change this. By identifying the value, the company can offer its customers in its role as supplier, including factors such as geographic proximity and its own, robust sustainability profile, they are challenging their customers to place greater value on the sustainability aspect in each project. It is a matter of seeing

the whole picture. Quality and delivery reliability are basic preconditions, but if the customer wishes to position itself as sustainable, the perspective needs to be broader than this.

"We have to dare to talk sustainability and to challenge our customers to contribute to a sustainable value chain in their way. At the same time, we need to be paid for the value we provide – we can only be sustainable if we are a profitable business," says Mattias Nettelblatt, CEO of KMV.

## Lasting business benefit

High customer demands serve to develop KMV's own operations, both when it comes to technology and from a sustainability perspective. Collaborating with customers in sectors where the products are both inherently complex and surrounded by specific requirements builds knowledge and experience. This in turn generates business benefit for KMV, at the same time as providing the company with the conditions to contribute to sustainable value chains within a variety of segments.



# Technology development with the focus on people

NPB designs and manufactures automation equipment for global companies, in the first instance within the packaging and food industries. The handling solutions often entail major investments for the customer, which is therefore dependent on the equipment both getting up to speed quickly after its installation as well as delivering long-term, reliable operation. The start-up process is traditionally about getting the technology to work. Via its Start-up Services concept, NPB is focusing instead on the person who carries out the day-to-day work, in this case the operator. The training for the customer's operators is designed on the basis of existing processes and provides practical guidance within operation, quality and process control, as well as maintenance control. Safe operators ensure efficiency and reliability in the long term.

Read more at [www.xano.se](http://www.xano.se)

# Our sustainability work

We are starting to find our way and clarify how we, together with our stakeholders, can achieve a state of resilience and pass on a world that both we and future generations can be proud of.

## Going forward together

For XANO, sustainability is much more than can be described in a report. At a time when the planet is approaching a number of irreversible breaking points, and the challenges are greater than most of us can grasp, we want to be part of the solution. Working together is the only way forward, and this is the heart of our approach to sustainability.

We are part of a value chain, our employees are members of society and our economy is part of a larger context. As a result, we cannot move forward with sufficient energy on our own. By working in cooperation with customers, suppliers, industry colleagues, researchers, legislators and many others, we can achieve genuine forward momentum.

## Resilience

The objective for our sustainability work is as simple as it is obvious – a resilient XANO on the basis of the “Triple Bottom Line” concept. Planet, People, Profit.

The planet first. A viable planet where we can live and thrive, including future generations, is the most fundamental aspect of all. For XANO, this means measuring our impact and focusing our work in those areas where we consider it can make the most difference for the planet.

People. Our employees, as well as the individuals in our value chain, are the people who are affected in various ways by our operations. The focus here lies primarily on good living and working conditions for our own employees and for those who work in our supply chain. However, it also involves supplying safe products and solutions that contribute to secure conditions for our customers, and for their customers in turn.

And finally, we have profit. It is this that enables us to continue to be a good employer, to invest in sustainable solutions and drive progress. We see an unbreakable link between sustainable development and future profitability. Sustainability has to permeate our entire

business, and the business decisions we make are evaluated on the basis of a Planet, People and Profit perspective.

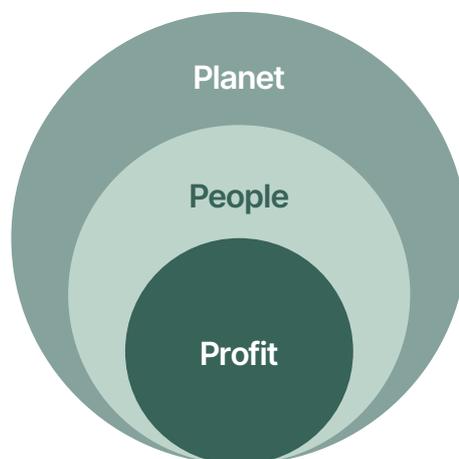
For many, sustainability is a difficult concept to grasp fully. Particularly in a business context. We do not have all the answers, but we are starting to find our way and to clarify how we and our various businesses can contribute to a sustainable transformation. How we, together with our stakeholders, can achieve a state of resilience and pass on a world that both we and future generations can be proud of.

## In harmony

In order to find our place in a larger, global context, we also reflect our strategic work in the Sustainable Development Goals. At this juncture, our sustainability journey acquires further, significant dimensions that help us to make the right decisions, in harmony with the world around us.



We have identified and linked ten of the UN's Global Goals to our significant ESG aspects and our sustainability policy.



The objective for our sustainability work is a resilient XANO based on Planet, People and Profit.

# Double materiality assessment

The double materiality assessment covers the impact we have on the world around us, as well as financial sustainability risks that may affect us. It is also double from the perspective that the transition to a sustainable world entails not only risks but also considerable opportunities.

Carrying out a materiality assessment is a structured way of mapping out where you as a company should focus your resources to achieve the greatest possible impact. It lays the foundation for the extensive analysis work that needs to be conducted in order to identify business supporting sustainability work, where the outcome has significant positive effects as regards planet, people and profit.

XANO is one of the group of companies that are the first to be covered by the new EU legislation for sustainability reporting, known as the CSRD (Corporate Sustainability Reporting Directive). This means that, as early as 2024, we will be starting to gather data and adapt our operations in accordance with the Directive. As part of our preparations for this transition, we carried out a double materiality assessment during the autumn of 2023 based on the guidelines set out in the standard linked to the CSRD, called ERS 1.

A double materiality assessment goes one step further than a traditional materiality assessment. In addition to looking at the impact we have on the world around us, we have also analysed the potential financial sustainability risks and opportunities that may affect us.

The analysis was conducted at Group level, and in our assessments, we have given consideration to all the different operations that come under our umbrella, as well as their respective value chains. This is a wide-ranging analysis that at times can be difficult to navigate, but we are certain that the results correspond to the reality in which we and our subsidiaries are operating.

ESRS 1 provides a predetermined structure for the double materiality assessment. A subdivision into various topics linked to environmental impact, social impact and financial impact. Each topic has subtopics, which in some cases also have a further layer of sub-subtopics.

For XANO, the double materiality assessment resulted in eleven subtopics within six main topics being deemed material. The ones that were deemed most material of all were, not unexpectedly, climate change and energy, closely followed by resource use and working conditions in the value chain.

We are taking the results of the materiality assessment and using them in our strategic work. This is based on the risks that were identified during the course of the work, but also the opportunities. Due to our great confidence in the commercial benefits of integrated sustainability work, we view the double materiality assessment in two ways. The materiality assessment is double in the sense that it considers our own impact as well as the impact of the outside world on us, but also from the perspective that the transition to a sustainable world entails not only risks but also considerable opportunities for us as a company.

## Material topics

### Climate change

- Climate change mitigation
- Climate change adaptation
- Energy

### Pollution

- Substances of concern

### Circular economy

- Resource inflows
- Resource outflows
- Waste

### Own workforce

- Working conditions
- Equal treatment and opportunity for all

### Workers in the value chain

- Working conditions

### Consumers and end-users

- Personal safety of consumers and/or end-users



# Roadmap

Drawing from all parts of our operation, we have identified joint goals and strategies. We now have a roadmap that can help us increase the pace of our own transition and take us to a point where we are also driving the transition in the context in which we work.

## Diversity of perspectives

A resilient XANO that contributes positively to people and planet, at the same time as we strengthen our profitability and, accordingly, retain the potential to develop in a sustainable direction. This may sound simple, but we won't get there without a clear roadmap. This roadmap must be drawn up and the selected route must be clear and feasible for all of our subsidiaries to follow. The work includes challenges that not all enterprises have to address, but also opportunities and a strength in the diversity of perspectives that exist within XANO due to its many subsidiaries and decentralised governance.

## Humble confidence

We don't believe we will ever be able to sit back and claim that the roadmap is complete. That we know exactly where we are going and what we will meet along the way. We therefore believe it is necessary to display humility in the face of things we cannot know for certain at present, as well as an awareness of the fact that we will need adjust our course along the way.

This doesn't mean that we are unsure about what we are going to do or what we are aiming towards. We identify our direc-

tion based on the knowledge we have now, and we are heading in that direction with considerable force and confidence. Because we know that every step we can take that make us more sustainable, more resilient, are good steps.

## Common goals and strategies

During the autumn, we have carried out extensive work to draw up a roadmap that can help us increase the pace of our own transition and take us to a point where we are also driving the transition in the context in which we work. Starting with the double materiality assessment, we have continued this work and added the commercial perspective. Working from all parts of our operation, based on gathered data and the in-depth knowledge and experience that exist in our subsidiaries, we have looked for common goals and strategies.

This work is continuing, but we now have a shared foundation to stand on where we can clearly see where our focus should be over the coming years. We have created an initial outline of our roadmap, and the work of filling in the details is now getting under way.

## Strategic focus

When we highlight the direction of our strategic sustainability work over the coming years, our focus is on planet, people and profit. We consider what a sustainable approach to these three elements might look like for XANO. What do we need to do differently in order to minimise our negative impact on the planet? How can we affect people positively? What does sustainable business mean for us?

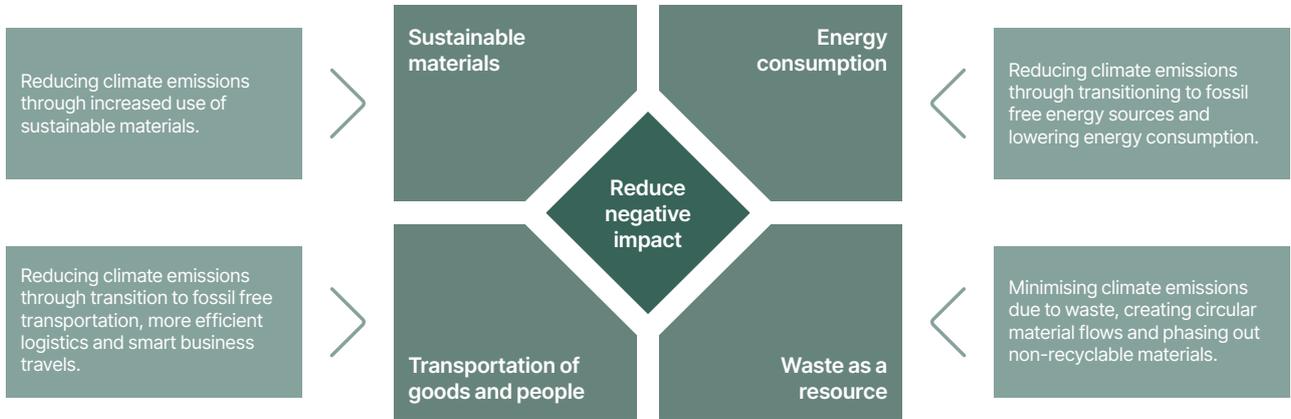
We are attempting to answer these questions through the content of our areas of focus:

- » Sustaining the Planet
- » Owning Social Responsibility
- » Driving Sustainable Business

The starting point and the overall level consequently comprise planet, people and profit. This, in itself, does not say anything about what we are actually going to do. To understand this, we have to go deeper. With our three areas of focus and their underlying sub-areas, we have a clear direction of travel for our continued journey. We know what we are going to do, and in many cases, we have already come some way along the road.



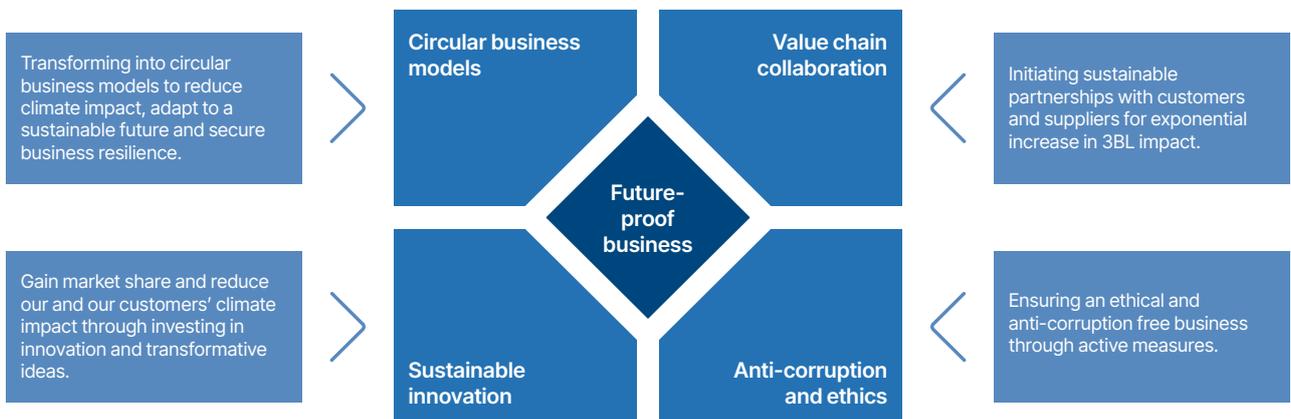
## Sustaining the Planet



## Owning Social Responsibility



## Driving Sustainable Business



# Sustainability governance

## Common goals

Sustainability governance within a Group like ours, which has a wide range of subsidiaries, constitutes an exciting dynamic where our decentralised governance model meets our endeavour to achieve a clearer direction towards common sustainability goals.

In this relationship between parent and subsidiary companies, we are striving to balance decentralised operations with an overall framework for sustainability. The subsidiaries enjoy a considerable degree of autonomy, but when it comes to sustainability, there is a greater need for a more uniform strategy and clearer guidance. We expect that our subsidiaries will not only maintain our common values regarding sustainability but will also actively strive to integrate them in their operational and strategic decisions.

At the same time, the Group companies are working on their own, complementary strategies according to their own specific circumstances. They set individual goals with associated action plans related to their own particular business. These are compiled in a sustainability plan, which is presented to the Group management and then followed up during the year.

## Overall control

The responsibility for sustainability control extends from the Group management and the Board of Directors down to each individual subsidiary. The Group management is responsible for determining the overall sustainability goals and strategies to which each subsidiary has to adapt. The Board of Directors is responsible for monitoring the implementation of these goals and strategies, and for ensuring that sustainability matters are integrated in

the Group's overall strategy. During 2023, the parent company employed a Chief Sustainability Officer with responsibility for driving the strategic sustainability work and for coaching the Group companies.

Our sustainability policy constitutes the backbone of our endeavours to achieve a sustainable future. It defines our fundamental principles, guidelines and expectations when it comes to environmental, social and economic sustainability. It serves as a common foundation for all the subsidiaries to apply in their unique business areas and, if necessary, to add to.

## Reporting key performance indicators

The processes regarding reporting are of the utmost importance when it comes to measuring and assessing our performance in relation to the sustainability goals. During 2023, a new Group-wide system was implemented for gathering and analysing data related to our sustainability efforts and results. This provides us with a guiding framework in order to monitor and improve our performance over time. Working on the basis of the CSRD, a review is currently being conducted of the data points we have been using since 2016 to ensure compliance with the legislation.

## EU Taxonomy

We also need to comply with the requirements in the EU Green Taxonomy. In previous years, only a small proportion of our sales have been affected by the Taxonomy, but this proportion has increased somewhat this year. Based on the new goals and guidelines that have been added during the year, a comprehensive review of our operations has been conducted. We are positive about the fact that more activ-

ities are now covered by the regulation. The report of our Taxonomy-related operations can be found on pages 121–123.

## Responsible business conduct

Anti-corruption and ethics constitute one of four identified subtopics within the "Driving Sustainable Business" area of focus in our strategic sustainability work. This is an important area for us, and we place great emphasis on conducting ethically sound business dealings. We follow the rules of the Swedish Anti-Corruption Institute regarding the way gifts, rewards and other benefits associated with the business sector may be used to promote operations. We regularly train relevant employees in relation to anti-corruption and perform follow-up activities through internal control. We use an independent whistleblower service to ensure that any unethical behaviour is brought to our attention. Two whistleblowing cases were received in 2023. Both of these have been managed and closed during the year. Neither of the cases related to the actions of individuals in a managerial position.

## Lasting positive impact

In summary, our view of sustainability control is focused on balancing decentralised operations with a uniform sustainability strategy. By clarifying the expectations in respect of subsidiaries, defining the division of responsibility between Group management, Board of Directors and the individual companies, and by having clear policies and processes regarding reporting and liability, we are striving to achieve a sustainable future where every part of our Group contributes to a lasting positive impact on society and the environment.

Policy / Steering document	Defines	Management / follow-up
The Group's code of conduct	Minimum requirements regarding accepting responsibility internally and in relation to the Group's stakeholders	Covers all Group companies, functions and employees, the responsibility of each manager during introduction, compliance followed up via internal control
Code of conduct for suppliers	Minimum requirements regarding accepting responsibility in the supply chain	Incorporated in all supplier agreements, compliance followed up via dialogue with each supplier
The Group's sustainability policy	Preconditions and overall focus of the Group's sustainability work	Compliance within the Group companies followed up at business review meetings with the relevant business area managers
Chain of command	Authorisation framework for each corporate body (General Meeting, Board of Directors, Chair and CEO)	Determined annually by the Board of Directors, compliance within the Group companies is followed up at the business review meetings
CEO instructions	CEO's responsibility and authorisation	Determined annually by the Board of Directors, compliance within the Group companies is followed up at the business review meetings
Sanctions compliance policy	Requirements relating to sanctions and export control laws and regulations	The CEOs of the Group companies are responsible for compliance, and relevant business area managers and company boards of directors can halt transactions
Swedish Anti-Corruption Institute's code against corruption in business	Preventive measures against corruption	Employees who are in contact with customers and/or suppliers are trained in respect of anti-corruption, compliance is followed up via internal control, whistleblower function

# Risks and opportunities

When working with the double materiality assessment, we looked at financial impact on the basis of the categories defined in the CSRD. We evaluated a large number of different risks, the likelihood of them occurring and the financial impact such an occurrence would have on us. In

addition, we identified opportunities for a possible positive financial impact.

Three significant risks and three significant opportunities emerged in this assessment. These will be subject to systematic follow-up going forward and are covered by the areas on which we will

be focusing our efforts in our strategic sustainability work.

Risks associated with social impact, anti-corruption and human rights were also evaluated during the work on the materiality assessment, but none of these were deemed material according to the method that was used.

Risk	Impact	Risk management
Increased risk of disruptions to production and property-related costs due to extreme weather linked to climate change.	Direct impact at our physical units and indirect impact in the value chain. For example, linked to material supplies and transport.	Supplier follow-up and differentiated supply chain, good administration of our property portfolio.
Increased costs for climate emissions.	Little direct impact. Indirect impact linked to material supplies.	Work to reduce our direct emissions and focus on reduced climate impact from materials.
Increased energy costs.	Direct and indirect impact.	Work on energy efficiency improvements and switch to renewable energy. Measures to exert influence in the supply chain.

Possibility	Impact	Current situation and plan going forward
Use of recycled and sustainable materials in the manufacture of products and solutions.	Increased market share and higher profitability, as well as reduced climate and environmental impact.	Most of the companies in the Group work strategically to increase the share of recycled material in their production processes. An important part of XANO's overall strategic work.
Circular business models.	Increased market share and higher profitability, as well as reduced climate and environmental impact.	Part of XANO's overall strategic work. Mapping of risks and opportunities carried out.
Active sustainability work an advantage when recruiting new employees.	Makes skills provision easier and ensures continued productivity and profitability.	Strategic sustainability work at Group level and in the subsidiaries. Work on the employer brand and good working environment conditions.



# Environmental impact

We abide by the GHG Protocol framework when measuring sustainability data. Extensive work is being conducted to compile and safeguard credible emissions data regarding our use of materials.

Accurate sustainability work that results in actual movement requires the collection and analysis of sustainability data. The GHG Protocol framework is used for this, which we have opted to abide by. In Scopes 1 and 2, we measure our direct emissions from our operations as well as indirect emissions from the energy we purchase.

All other indirect emissions are gathered within Scope 3. Here we have identified the most essential aspects for XANO and chosen to direct our resources into measuring them. This applies to waste,

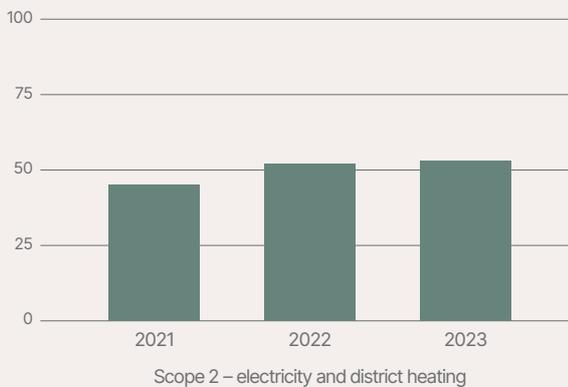
purchased transport and business travel. Scopes 1, 2 and these selected categories in Scope 3 are what we are presenting in this report.

That is not everything we measure, however. We know that the majority of our climate impact derives from the materials we procure and use in the manufacture of our products and solutions. We also measure this, but the uncertainty associated with these measurements means that we have decided not to report this at present. We have extensive work ahead of us in the foreseeable future in

terms of securing credible emissions data regarding our use of materials. And until we are ready to share this information, we will be using it internally to ensure that we are targeting our activities and resources correctly for the greatest possible effect.

Basic guidance regarding the work on our environmental impact can be found in our sustainability policy, which the companies are required to comply with, and which is followed up in the work on our sustainability plans.

SHARE OF RENEWABLE ENERGY (%)



TOTAL EMISSIONS <sup>1)</sup>

**6,815**  
(tonnes)

CHANGE

**-18.3**  
(%)

IN RELATION TO REVENUE <sup>2)</sup>

**1.8**  
(tonnes/SEK m)

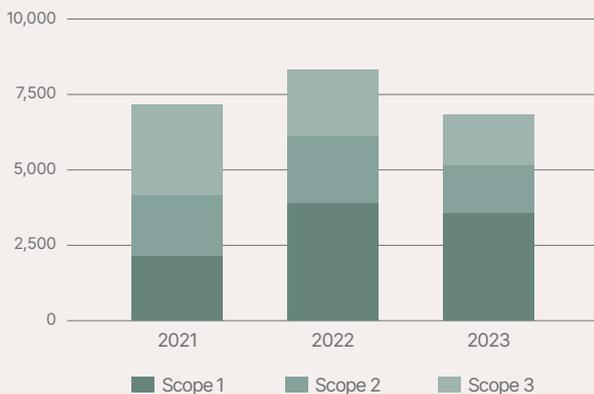
CHANGE <sup>2)</sup>

**-12.7**  
(%)

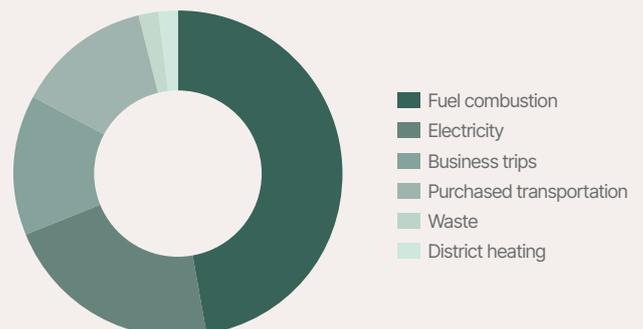
<sup>1)</sup> Includes emissions in Scope 1 and Scope 2 and emissions related to purchased transportation, business trips and waste in Scope 3.

<sup>2)</sup> 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.

EMISSIONS PER SCOPE (tonnes CO<sub>2</sub>e)



EMISSION SHARE PER CATEGORY



# Activities linked to environmental impact

## Reduced impact

Measuring and analysing gathered data allows us to determine the extent of our impact. One thing we can see is that we have taken steps towards reducing our impact linked to energy consumption.

Many of our subsidiaries now purchase wholly or partially renewable electricity as it becomes available in the countries in which they operate.

We can also see that more and more of our subsidiaries are working to find smart ways of recycling their production waste, at the same time as minimising the amount of spillage through better and more efficient production processes. We are changing our perspective and starting to view waste as a resource, which is both profitable and good for the planet.

A good example of this is Kungsörs Mekaniska Verkstad, which works with long hole drilling. They have developed a method for extracting the drilled material in one large piece, rather than small metal shavings. This gives rise to a considerably simpler recycling process. The next step will be to look at the potential for manufacturing additional products out of the drilled material to achieve even greater efficiency and a significant reduction in climate impact.

Within Industrial Products, where plastic is the primary raw material, significant progress has also been made in the work on waste as a valuable resource. Cipax in the Netherlands have their own facility where they handle both their own and collected plastic material, grinding

it down to create a powder than can be used again in the production of rotationally moulded plastic products. By building strong collaborations with customers and other relevant business partners, they are endeavouring to scale up the recycling operation. This ensures that they will have their own supply of recycled material, at the same time as contributing to an increased degree of recycling of a material that is currently far too often sent for incineration. There are several examples of activities of this type within Industrial Products, and there are far-reaching plans to scale this up further.

## Chemicals handling

In the double materiality assessment, the area of "Substances of concern" was identified as material. The Group companies work in a structured manner on the handling of these substances and are striving to minimise their use as far as possible.

## Collaboration in the value chain

Since we know that a large part of our environmental and climate impact stems from the materials we use, collaborations in the value chain are particularly crucial. We are constantly working to identify opportunities for more sustainable products and are talking with our customers about how we can work together to make sustainable changes. We still have a long way to go in this respect, and we are continually evaluating which approaches can produce the best results from a market

perspective. This is because we know that a product can have a minimal climate footprint, yet still not make any difference if it is not also competitive. Considerations and prioritisation activities of this type are absolutely vital if we are going to see real change.

## Important changes

The work is also continuing in relation to our direct impact. Measures such as a shift to renewable energy, district heating, a fleet of electric vehicles and reduced energy and fuel consumption are the tools we have at our disposal. We are restricted to a certain extent by the geographical location of some of our subsidiaries, where access to renewable alternatives is sometimes limited. We have made important changes during the year, however, and the Group companies are continually conducting activities aimed at achieving the goals set out in their respective sustainability plans.

## Strategic area of focus

Our continued goal of reducing our negative impact on the environment and the climate can be summarised in the strategic area of focus we have decided to name "Sustaining the Planet", with its four subcategories "Sustainable materials", "Energy consumption", "Transportation of goods and people" and "Waste as a resource". We are convinced that this work will produce results and a clear forward momentum for the entire Group.



# Social impact

As an employer, we have an enormous responsibility to ensure good working conditions for our employees. This responsibility also covers people in our supply chain, where we can exert influence through systematic follow-up activities.

XANO is nothing without the people who work for us. They are our real resources. Their time, energy, creativity, knowledge and experience are the things that drive us forwards, create value for our customers and shareholders, and have brought us to where we are today. As an employer, ensuring good working conditions for our employees entails an enormous responsibility. Providing development opportunities on equal terms and supporting a healthy balance between private and working life.

As part of our strategic sustainability work, we have identified four sub-areas within the "Owning Social Responsibility" area of focus. Three of these are related to our own organisation: "Health and safety in our own workforce", "People development" and "Equal opportunity". These are intended to intensify the work that is already in progress in relation to XANO and all of our subsidiaries being the best possible employers for our employees. The Group companies have policies and pro-

cesses in place to ensure a good working environment, health and safety for the employees, as well as compliance with the relevant legislation in each country. Within XANO, we view active diversity work as a must, and each individual company is expected to provide an inclusive workplace from a diversity perspective. These areas are regulated in XANO's code of conduct and sustainability policy and are followed up through internal control and in the work on business and sustainability plans.

In addition to our own employees, we also have a responsibility for people in our supply chain. This is summarised in the area "Upstream value chain control". With this, we want to assume greater responsibility for ensuring that good working conditions and human rights are also maintained outside of our direct control. At present, this is primarily achieved through our code of conduct for suppliers and our sustainability policy, as well as by our various subsidiaries working closely with their

suppliers and selecting business partners with care. We will be expanding this work in the future through additional guidelines for systematic monitoring of suppliers and risk assessment.

Supplying products that offer a high level of security for the user is an important area that is deeply embedded in the Group companies' DNA. We are proud of the work that is being done and consider it only natural that the area of "Personal safety for consumers and/or users" was identified as material in our double materiality assessment.

When it comes to tasks linked to social impact, we have, up until now, mainly gathered data relating to sickness absence from our subsidiaries. Within the work on our strategic direction going forward and the CSRD, we see a need to extend this with more data points. This will be done as from 2024.



KEY FIGURES – PERSONNEL		2023	2022
Average number of employees <sup>1)</sup>		1,381	1,426
– in Sweden		619	663
– in other countries		762	763
– women		203	211
– men		1,178	1,215
Number of employees on closing day		1,415	1,409
– in Sweden		583	654
– in other countries		798	755
– women		212	213
– men		1,203	1,196
Average age, women <sup>2)</sup>	years	45	43
Average age, men <sup>2)</sup>	years	45	43
Average employment period, women <sup>2)</sup>	years	7	7
Average employment period, men <sup>2)</sup>	years	7	8
Sickness absence		%	
– short-term		4.6	5.2
– long-term		3.5	4.2
– women		1.1	1.0
– women		4.7	4.2
– men		4.4	5.3

<sup>1)</sup> Average number of employees during the period based on time worked.

<sup>2)</sup> Refers to employees at the end of the year.

# Sustainable business

In order to run a business with consideration for planet, people and profit, we have to make smart decisions and the right moves at the right time. We have to be profitable in order to secure the resources needed for our transformation journey.

What is a sustainable business? This is a question we have been reflecting on for a number of years. Is a profitable business always a sustainable business? No, we don't think so. So, what are the most important building blocks in order for something to be viewed as a sustainable business?

A good starting point for understanding the concept is to look at what is sustainable in a broader perspective, i.e. something that has no negative impact from an environmental, social and financial perspective. This also provides the answer to why a profitable business is not always a sustainable business. All too often, profitability goes hand in hand with a negative impact on both the planet and people. And, by definition, is not sustainable.

However, this is not enough to identify what a sustainable business actually is. Not if we want to understand it in practice. The value chain is a central concept here. Upstream, in the supply chain, where the majority of the impact on both people and

the planet occurs. But we also need to look downstream, at our customers, in order to understand what can be a sustainable business now and in the future.

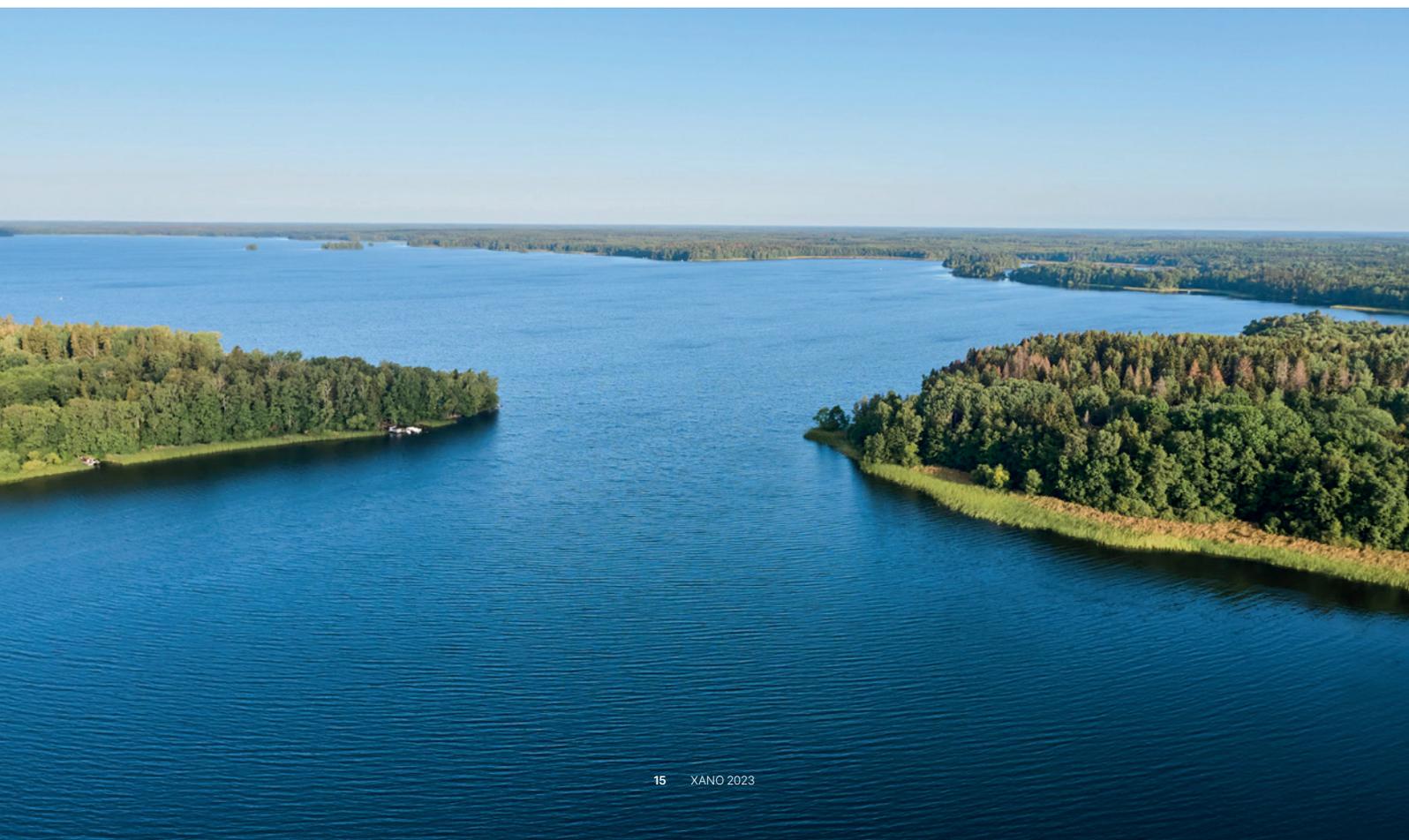
Understanding the context you find yourself in is decisive when it comes to identifying sustainable business opportunities. It took a long time for humanity to get to where we are today. Even though the transformation that is now required will have to move much faster, it will not always proceed as rapidly as we would wish. In order to run a business in accordance with the principle of Planet, People and Profit, we have to make smart decisions and the right moves at the right time. Because we have to be profitable in order to secure the resources needed for our transformation journey.

And it is here that the understanding of sustainable business is so vital. When we evaluate new and existing business dealings on the basis of a deep understanding of what is most sustainable in the long term,

we can make major advances and transform our operations. We can then move steadily towards our vision of a truly resilient XANO. The Group companies have been working on this analysis for a long time, and when our Chief Sustainability Officer travelled around and met the companies during the autumn, it received renewed focus.

Conducting sustainable business dealings is the aim of our final area of focus, "Driving Sustainable Business". Here, we have defined four areas that we believe will be decisive: "Circular business models", "Value chain collaboration", "Sustainable innovation" and "Anti-corruption and ethics".

We are continuing to work on what constitutes sustainable business for XANO, while our subsidiaries are doing the same for their operations. Slowly but surely, we are piecing together the jigsaw puzzle that will show what resilience looks like for us and all of our companies.



# Sustainable streamlining

CIM develops software solutions for production lines. One of its niches is the pharmaceutical industry, where the company is renowned for its drive when it comes to introducing new technology that ensures productivity and compliance with strict rules.

## Innovative technology

For CIM, the focus is on developing solutions that will optimise its customers' production processes. These customers contact CIM with ideas relating to improvements that can e.g. save time or minimise the amount of waste.

"The customer may not have the resources to develop new concepts, machines and algorithms. They turn to us, and we try to help them. This might entail building a robot equipped with cameras or supplying models for deep learning. We mostly work with software, although our deliveries sometimes also include physical machines," says Anders Rohde, Site Manager at CIM.

## Efficient and sustainable labelling

One customer enquiry resulted in CIM launching an initiative aimed at digitalising labelling and making the labelling of pharmaceuticals more sustainable and efficient.

"Despite this being an apparently simple task, there are several challenges when it comes to producing and handling labels, such as availability, material consumption and changing the produc-

tion set-up," says Anders. "Labelling is a critical part of pharmaceutical manufacture, and so it is also an important area to develop.

The traditional way of handling product labelling is to print static data on labels, such as logos and product information, prior to the manufacturing process. Dynamic data, such as the expiry date, is printed towards the end of each product run.

"Let's assume that a company sells five different pharmaceutical products to 200 countries. For these products, information must be provided in the local language, which means that 1,000 different labels have to be printed. The products are much more expensive than the labels, so the dealers tend to buy large batches of ready-printed labels – if the correct label is missing, the product in question cannot be sold. However, labels have a limited useful life and there is therefore a large amount of waste," says Anders.

The most important element when handling labelling is changing over the production set-up. This phase normally entails extensive manual work.

"A single machine or production line might handle many different products for different countries. Between the production rounds, the operator has to manually change labels from one product or one country to another. This is a time-consuming process that gives rise to long operational downtime, which in turn lead to lost income," emphasises Anders.

## Everything happens in the printer

The relatively complex situation relating to supplying labels, material consumption and performing changeovers required a more sustainable approach that served to improve efficiency.

"Just imagine if we could print both static information and dynamic data in the same printer as part of the manufacturing process? The only thing we would need to stock then would be white labels. Using the same label for all the products and adding all the information at the same time means that everything happens in the printer. Integrated digital printing is tackling these challenges and delivering sustainable handling," rounds off Anders.



# Looking ahead

XANO is the sum of all of our subsidiaries, today finding considerable energy in a clear entrepreneurial drive, a high level of technical expertise and a long-term perspective, all of which are creating the conditions for a Group that is based on sustainable business.

A sustainable XANO. A resilient XANO. A sustainable and resilient world. We do not have that much influence from a global perspective. But as part of a bigger picture, a value chain, a global commercial sector, our influence is considerably greater.

Through far-reaching collaborations, our committed companies can increase their positive impact exponentially. It is only when we understand this and start to build new, sustainable collaborations that the transition to a resilient world can really take effect.

There is a great deal going on for XANO right now, and even more is set to happen in the future. We are absolutely determined to make changes and to be a driving force in the scenarios in which we operate and are able to exert influence. We will be starting

within our own operations and other areas where we can have a direct impact. After this, we will move on to our value chain for an even greater effect. The journey that lies ahead of us is both exciting and challenging in equal measure, and we will be tackling it with a high degree of humility.

Working on the basis of data in order to know the effect of our operations and where we can make the biggest difference, we are establishing goals and setting a course. Our subsidiaries demonstrate a high level of commitment and forward drive. We are constantly increasing the share of recycled material and looking for new ways of becoming more circular, evaluating new business dealings from a sustainability perspective and developing products with

a lower climate footprint. In addition, health and safety are high up on the agenda and we are carrying out work on sustainability in the supply chain. To name just a few areas.

XANO is the sum of all of our subsidiaries, today finding considerable energy in a clear entrepreneurial drive, a high level of technical expertise and a long-term perspective, all of which are creating the conditions for a Group that is based on sustainable business. We are confident in the knowledge that XANO has a strong and stable foundation to stand on, which is preparing us for the new circumstances that the transition to a sustainable and resilient world will entail. With the planet, people and profit on the bottom line.

The annual report for 2023 holds the following information: XANO's business model is described on pages 8–12. The five-year overview on page 81 presents the Group's development in respect of results and position, as well as key performance indicators. Definitions and information regarding key performance indicators can be found on pages 105–106. On page 115 there is a list of the companies that are included in the Group. Complete taxonomy tables can be found on pages 121–123.

#### **Diversity policy for the Board of XANO Industri AB (publ)**

*In its proposal to the Annual General Meeting regarding the election 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 2024. See also page 72 in the annual report for 2023.*



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