

XANO INDUSTRI AB (PUBL)

SUSTAINABILITY REPORT 2017

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

CONTENTS

Business concept	2
Targets and strategy	3
Our path towards a more sustainable XANO	4
Environmental responsibility	8
Social responsibility	10
Financial responsibility	17

BUSINESS CONCEPT

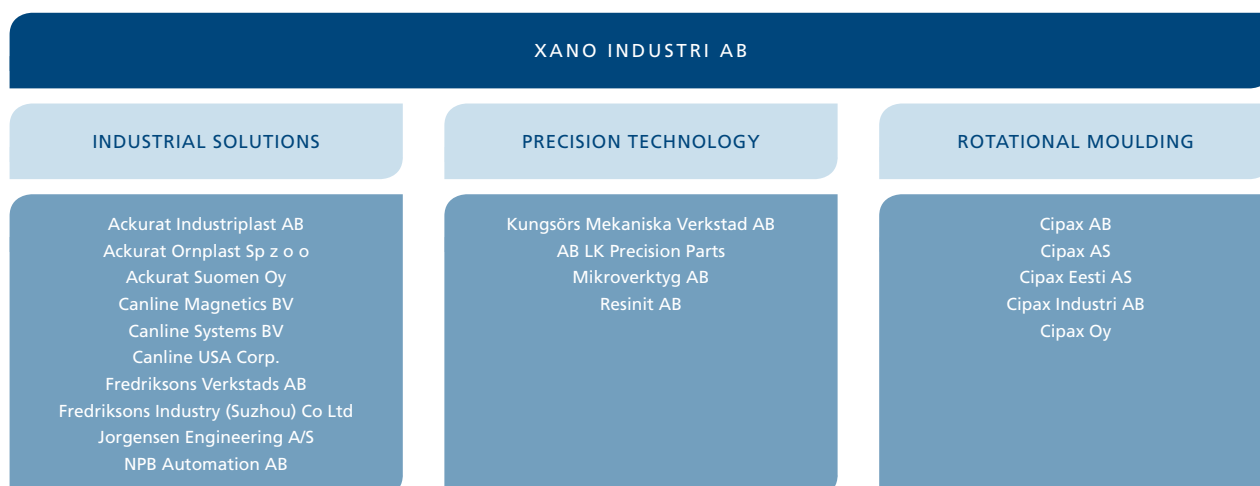
XANO develops, acquires and operates manufacturing businesses with unique or market-leading products and systems with associated services. XANO owns niche engineering companies whose main market is industry in Europe. The Group creates value for shareholders by exercising both active ownership and management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

CORE VALUES

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

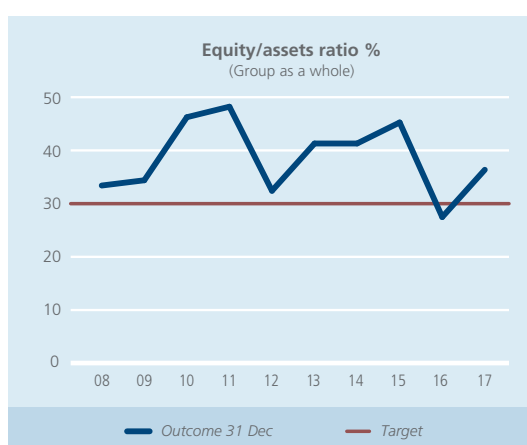
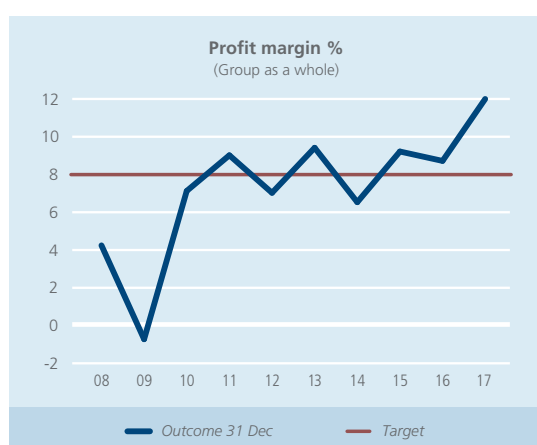
ORGANISATION

The XANO Group is made up of engineering companies that offer manufacturing and development services for industrial products and automation equipment. The Group is represented in the Nordic region, Estonia, the Netherlands, Poland, China and the USA. Each unit is anchored locally and is developed according to its own circumstances. At the same time, the Group affinity creates economies of scale for the companies and their customers. During 2017, the Group's operations were divided up into the Industrial Solutions, Precision Technology and Rotational Moulding business units.



TARGETS AND STRATEGY

Financial targets	<p>STABLE PROFITABILITY AND HIGH GROWTH</p> <p>XANO's organic growth will be at a higher level than general market growth. Growth will also take place through the acquisition of operations and companies. The profit margin will amount to eight per cent over time. The equity/assets ratio will exceed 30 per cent.</p>
Vision	<p>MARKET LEADER WITHIN SELECTED SEGMENTS</p> <p>XANO will be a market leader within selected market segments. XANO will create strong units from companies, where economies of scale are utilised optimally.</p>
Strategy	<p>DEVELOP, ACQUIRE AND RUN NICHE ENGINEERING COMPANIES</p> <p>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.</p>
Market offering and operations	<p>ADVANCED TECHNOLOGY FOR SELECTED TARGET GROUPS</p> <p>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.</p>
Core values	<p>EMOTIONAL AND FUNCTIONAL ADDED VALUES</p> <p>XANO's core values are entrepreneurial drive, long-term thinking and technical know-how. These form the basis for all decisions that can impact on the Group.</p>
Target achievement	<p>FURTHER STRENGTHENED PROFIT MARGIN</p> <p>The Group's organic growth stood at 22 percent, while acquisitions contributed a further 36 per cent in volume during 2017. The profit margin significantly exceeded the target value, amounting to 12.0 per cent. The equity/assets ratio was strengthened from 27 to 36 per cent.</p>





OUR PATH TOWARDS A MORE SUSTAINABLE XANO

For XANO, sustainability is a natural part of business. We have to use all our resources with care and work efficiently at every stage in order to be profitable. As a consequence, sustainability work has always been a core of the Group's operations, even though it has not been defined as such before now.

XANO's sustainability report for 2017 is the Group's first and constitutes an important tool in the systemisation of our sustainability work. Several activities were carried out during the year with the aim of reinforcing corporate governance in respect of sustainability. We drew up a Group-wide sustainability policy that all the companies have implemented. The sustainability aspects will also constitute a more fundamental part of our business plans in future.

During 2018, a sustainability strategy will be adopted by the Board, including Group-wide targets and key performance indicators.

THE XANO SPIRIT

The XANO spirit is based on the Group's origins in the southern Swedish province

of Småland. The most important common denominator for the Group's companies is entrepreneurial spirit with a strong drive. The companies have flat organisations with rapid decision-making paths and short times before arriving at solutions. Leadership is down-to-earth and close at hand, with clear demands for participation from all employees, a working climate with stakeholder relations characterised by openness and a high ceiling.

In order to achieve success, we believe in strong relations, which is the background to our long-term investments in our companies. This provides each unit with the scope to develop its own resources. For XANO, this is sustainable development.

ORGANISATION AND RESPONSIBILITY

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

POLICIES, GUIDELINES & PROCEDURES

XANO's sustainability work is based on the Group's sustainability policy. This policy covers the environment, personnel and social responsibility, as well as business ethics.

The sustainability policy is based on the UN's Global Compact, which encompasses ten principles based on the UN's Declaration

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

A Group-wide code of conduct forms the basis for the day-to-day decisions that are taken in the operations, providing a general description of the rules to which the Group's companies and their employees must adhere. The code is based on the UN's Global Compact, the UN's Convention on the Rights of the Child, the Swedish Anti-Corruption Institute's economic code, national legislation as well as basic environmental, health and safety requirements.

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

SUSTAINABILITY CONTROL

A company-specific business plan for the upcoming three-year period is produced annually by each Group company. As part of the work on the business plan, a SWOT analysis (strengths, weaknesses, opportunities and threats) is conducted regarding the individual business. Targets and key performance indicators are set on the basis of the results of the SWOT analysis. After this,

the work begins on the strategy aspects of the business plan. Based on the strategy, an action plan is drawn up along with a forecast for the next three years. Each company's CEO presents the business plan to the Group management, and it is the Group management that approves the business plans.

The Group management continually monitors each company and its business plan. A report plan controls the companies' reporting of key performance indicators and other sustainability information. During 2018, we intend to continue this work by including the sustainability issues as a natural part of existing business governance.

RISK MANAGEMENT

XANO has a systematic working method for identifying, preventing and rectifying risks. A due diligence process is normally conducted in conjunction with new acquisitions, during which potential risks are charted, for example.

During 2017, we have conducted a Group-wide SWOT analysis based on a sustainability perspective, i.e. with regard to the acceptance of social, environmental and economic responsibility. The risks that were identified related primarily to staffing, customer relations and geographic location. During 2017, we have implemented measures aimed at preventing potential risks. For example, employer branding and sustainability have been introduced into the business

plan model.

We have conducted two Group-wide surveys during the year, with the aim of strengthening knowledge regarding the work of the operations in respect of stakeholder relations as well as guaranteeing the acceptance of responsibility in the supplier chain. These surveys have included both stakeholder dialogues as well as risks linked to each Group company's 20 largest suppliers.

Based on the business plans, the companies are working actively and in a structured manner to identify, prevent and rectify risks. In most of the companies, this work is supplemented with internal audits and certification processes such as ISO 9001:2015 and ISO 14001:2015, where demands are stipulated regarding the management's awareness of risks. Working environment-related safety rounds are conducted linked to health, safety and the environment, and environmental aspect lists are drawn up.

CERTIFIED MANAGEMENT SYSTEMS

The majority of the Group companies are quality and/or environmentally certified according to ISO 9001 and ISO 14001. Several of the companies are also certified within specific areas, such as medical technology according to ISO 13485, welding standards according to ISO 3834, deliveries to the automotive industry according to ISO/TS 16949 and working environment according to OHSAS 18001. →





HUMAN RIGHTS

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

XANO works to identify, prevent and rectify risks such as unwanted behaviour linked to human rights. The Group is represented in the Nordic region, Estonia, the Netherlands, Poland, China and the USA. Against the background of geographic location, there are various types and degrees of risks associated with human rights. Due diligence in relation to a new acquisition is an example of a control activity that incorporates human rights.

ACCEPTING RESPONSIBILITY IN THE SUPPLIER CHAIN

The duty to ensure the acceptance of responsibility in the supplier chain from a social, environmental and business ethics perspective is delegated to each company's CEO.

For XANO, it is important to create a quality assured, standardised supplier monitoring process. During 2017, one aspect of this work has entailed conducting a risk analysis of all the operations' 20 largest sup-

pliers in respect of social, environmental and economic conditions. This risk analysis was performed on the basis of 14 parameters, including working conditions, human rights, the environment, conflict minerals and business ethics. The Group intends to continue working with the results of the implemented risk analysis during 2018, with the aim of ensuring the acceptance of responsibility in the supplier chain.

INVOLVEMENT OF STAKEHOLDERS

XANO believes in strong, long-term relations, which is reflected in our attitude towards our stakeholders. In order to gain an overall picture of the work regarding the involvement of stakeholders and stakeholder dialogues, a light was shone on all the Group companies' stakeholder dialogues during 2017 – based on stakeholder group, form of dialogue, frequency and the issues/ subjects that were discussed. The survey covered the following stakeholder groups: employees, customers, suppliers, business partners, owners, investors, trade organisations, media, the local community, politicians, authorities, voluntary organisations (NGOs) and the academic/research sector. The subjects discussed comprised economics, the environment, working conditions,

human rights, quality and business ethics. The results indicate a spread among the operations – everything from operations that conduct frequent dialogues with several different stakeholder groups regarding all the subjects covered by the survey template, to operations that conduct few dialogues with a small number of stakeholder groups regarding few subjects. During 2018, we will be working to further increase awareness and knowledge among affected companies, as well as to achieve standardisation within the Group regarding systematic and strategic stakeholder analyses and the implementation of stakeholder dialogues.

XANO's core value regarding a long-term approach is reflected in our customer contacts, where extended assignments and close collaboration lead to successful projects and business development. Over recent years, the trend among the Group's customers, i.e. taking an interest in sustainability and placing demands on their suppliers, has become increasingly tangible – pressure that the Group welcomes and views positively. All with the aim of facilitating and safeguarding sustainable development throughout the value chain. ■

LONG-TERM COLLABORATION FOR A MORE SUSTAINABLE OPERATION

An important aspect of the sustainability concept is a long-term approach that includes responsibility for products, solutions and relations. An example of the latter is Fredriksons collaboration with Tetra Pak, which has extended over many years. Fredriksons is a leader in the development and manufacture of conveyor systems for the packaging industry. The company's customers can be found in the food, medical technology, environmental and other technical industries.

Tetra Pak – a company that was established in 1951 and is now a world leader when it comes to processing and packaging solutions for food – is one of Fredriksons' customers. The business relationship between the two companies began back in the 1960s. Thanks to a long-term approach and mutual trust, they have worked together over the years to make food safe and accessible and, as far as possible, to eliminate

adverse effects from a sustainability perspective.

Tetra Pak's goal as regards their supplier relations is to minimise negative effects and instead supply something positive to the companies, people and communities with which their supplier chain is associated. As part of this work, Fredriksons undertakes to comply with Tetra Pak's code of conduct for suppliers. The code sets out Tetra Pak's expectations in respect of its business partners based on the ten principles in the UN's Global Compact.

In order to evaluate how well the conditions in the code are being followed, Tetra Pak has drawn up a control framework. The company demands that selected suppliers sign up to Sedex (Supplier Ethical Data Exchange), through which Tetra Pak gains access to detailed results regarding the level of compliance. Furthermore, Tetra Pak use an internal scorecard to continually follow up results in relation to quality, lead times

and price, for example. With the aid of an independent party, financial audits are also conducted.

Tetra Pak is extremely satisfied with Fredriksons as a supplier, as can be seen from the collaboration that has now lasted for more than 50 years. The potential for improvement exists within all relationships, however. Fredriksons is currently achieving 100 per cent compliance with the code of conduct, and has limited its dependence on Tetra Pak by extending its customer portfolio.

Within all the sectors in which Fredriksons operates, business customers stipulate high demands as regards sustainability, professionalism and quality in their supplier chains. Fredriksons appreciates these demands – together with its customers, the company is striving to create more sustainable business and, in the long term, a more sustainable society.

 **FREDRIKSONS**



ENVIRONMENTAL RESPONSIBILITY

XANO is constantly striving to achieve sustainable development through environmentally aware choices. The Group's companies are sensitive to the wishes of customers and to the market's environmental requirements.

Each company within the Group is responsible for and is working actively and systematically to reduce its environmental impact. The factors within the Group's operations that affect the environment include energy consumption, emissions and discharges into the air and water, waste, wastewater, noise, packaging and transport. The nature of our operations, manufacturing processes and products is such that the environmental risks are deemed to be limited. During 2017, the Group has begun to measure and follow up the following indicators: energy consumption, waste volumes and carbon dioxide emissions from transport.

At the end of the year, the Group was conducting notifiable and licensable activities according to the Environmental Code in five Swedish subsidiaries. The notification requirement refers to the manufacture of plastic products (one company) and the engineering industry for metal finishing (three companies). The licensing obligation refers to the engineering industry for metal finishing (one company). These operations affect the external environment primarily through waste.

As part of the work of systematising and quality assuring the environmental work, the majority of the Group's companies have opted to certify their environmental management systems in accordance with ISO 14001. During 2018, this work will continue with the inspection and monitoring of the operations' environmental work and environmental management.

SAFE PRODUCTS

The Group's companies are working actively to chart the impact that the operations are having on human health and on the environment, as well as how they can counter any negative effects. For example, the affected companies are identifying and managing risks

associated with chemicals in accordance with the Reach provisions, including chemical registration, evaluation, permits and limitations regarding chemical substances.

WASTE MANAGEMENT AND RECYCLING

The Earth's resources are being used in a manner that is not sustainable, which is having major consequences for people and the environment. As manufacturing companies, we have an environmental responsibility, not only to ensure that the production processes live up to stipulated requirements, but also for what happens with waste material and finished products when they reach the end of their service life or are taken out of use for some other reason. We are working to minimise our environmental impact by reducing waste volumes and increasing material recycling in our production processes. This not only entails the use of a smaller volume of raw materials, but also energy and cost savings.

ENERGY EFFICIENCY

We are working actively to make our operations more energy efficient. Reduced energy

consumption produces several benefits: as well as reducing our impact on the climate and achieving cost savings, we are also increasing our competitiveness by means of more satisfied customers.

During 2018, we will be establishing goals and guidelines for our continued energy efficiency work based on the analyses and measurements that were conducted over the past year.

MORE ENVIRONMENTALLY FRIENDLY TRANSPORT

The transport systems used in society and the companies are currently dependent on fossil fuels. The use of fossil fuels has a negative impact on the climate and the environment, as they contribute to the greenhouse effect. The same applies to the Group's logistics solutions.

On the basis of the data that was collected during 2017, we intend to evaluate the potential for more sustainable and environmentally friendly transport, for example through the choice of transport method, type of fuel, number of deliveries and delivery volumes. ■



RECYCLABLE AND RECYCLED PLASTIC – AN OBVIOUS CHOICE FOR CIPAX

Through conscious, strategic initiatives at all stages of the value chain – within its own organisation as well as in the supplier and customer stages – Cipax aims to assume greater environmental responsibility. One important ingredient in this work is to manufacture products that are as environmentally friendly as possible.

Cipax's products are made from recyclable materials such as polyethylene, polyamide and polypropylene, whereas several competitors are using fibreglass in their manufacturing process – a material that usually becomes landfill waste after use.

The production of plastic components results in waste material, which is negative for the environment if it is not dealt with and recycled. Cipax has developed technology and process flows for ensuring that surplus material and used components are reused for the manufacture of new products – a lifecycle approach that benefits both the environment and the company's profitability.

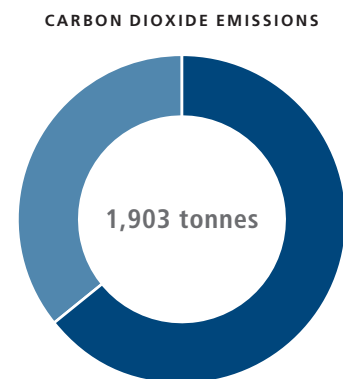
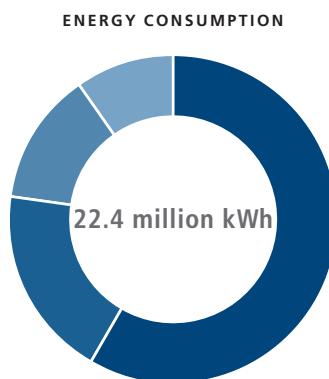
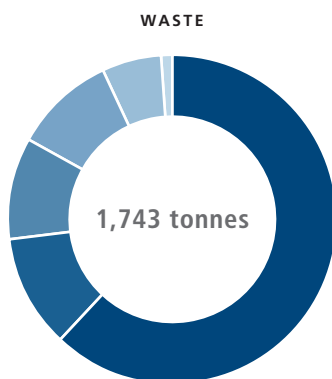
At present, Cipax's own volume of recycled material is not sufficient to meet the every higher demand. Through extended collaborations with customers and other external parties regarding collection and handling, Cipax will gain access to larger quantities for reuse during 2018.



Cipax is distinguishing itself on the market by manufacturing plastic products that are as environmentally friendly as possible.

This picture shows a compost container made from 100 per cent recyclable polyethylene plastic and where part of the raw material comprises recycled material.

During 2017, the Group has conducted measurements within the fields of waste, energy consumption and carbon dioxide emissions. The results of these measurements will be followed up and targets for improvements will be established during 2018.



- Material recycling, metals (62%)
- Energy recovery (11%)
- Material recycling, other (10%)
- Recycling, hazardous waste (10%)
- Other recycling and landfill, non-hazardous waste (6%)
- Landfill, hazardous waste (1%)

- Electricity (58%)
- LPG (19%)
- District heating (13%)
- Miscellaneous (10%)

- Transport of goods (64%)
- Passenger transport (36%)



SOCIAL RESPONSIBILITY

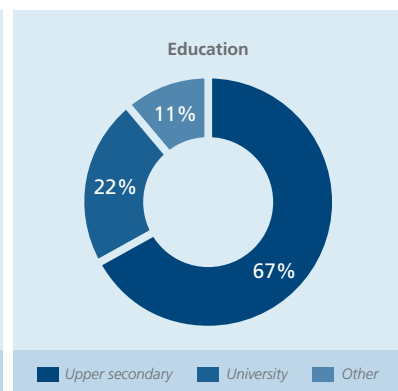
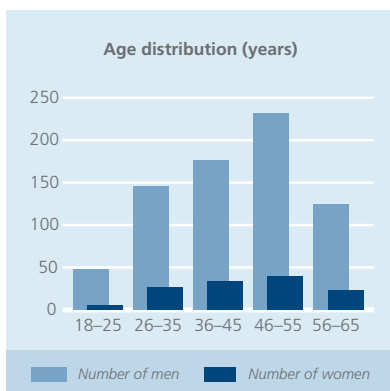
XANO's acceptance of social responsibility can be divided into two parts: internal and external. The internal acceptance of responsibility relates to assuming responsibility for employees and ensuring that each individual has a good working environment from both a physical and a psychosocial perspective.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

ATTRACTIVE EMPLOYER

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

XANO's employer branding work covers issues and activities linked to how the Group companies are perceived as employers by current, future and former employees. We

are currently working actively within various areas with the aim of attracting, recruiting, motivating and retaining personnel. As from 2017, employer branding is part of each Group company's business plan and is one of the Group management's areas of focus during the current year. ➔



REFLECTIONS FROM THE CEO

To manage our heritage with the focus on long-term profitability, we will be working systematically and consciously on sustainability issues – both for us as a company and for the society in which we operate.

It is a matter of accepting responsibility for sustainable development, internally and externally, both now and for future generations.

There is plenty happening on the market and within industry as regards sustainable development. From an earlier emphasis on environment-related issues, I am now noticing an increased focus on social conditions. We are also working continually to increase awareness in this area, for example through evaluation and employer branding work. For us, our personnel are our most important resource. Each individual member of our workforce is a key person with specific knowledge and experience who is difficult to replace.

Systematic sustainability work facilitates and generates business benefits. An example of this is Industry 4.0, which for us relates to creating the conditions for more sustainable production by adopting new technology. New solutions in the form of digitalisation and automation are making it possible for us to help our customers remotely, which benefits the environment at the same time as leading to new business.

Having close, long-term relationships with both customers and suppliers is a key to success, regardless of whether this relates to product development, the environment, quality, personnel issues or business ethics. Over the years, we have done business in some 40 countries with varying cultures, and we are work-



ing actively to ensure high morals and good business ethics both internally and externally. It is a matter of common sense as well as respect for the individual and the environment around us.

We currently have many activities in progress in the field of sustainability, but we want to achieve more. During 2018, we will continue our work of safeguarding sustainable business development as well as strengthening our internal and external employer brand.

I am both excited and committed as I look forward to our journey towards a more sustainable XANO in 2018 – a journey that we will be making alongside our customers and suppliers.

Lennart Persson
Managing Director and CEO



Mats Blomqvist and Jonathan Hillblom, whose areas of responsibility cover control and technology, were two of the participants when Mikroverktyg visited the EMO trade fair in Hanover.

EMPLOYER BRANDING VIA DEVELOPMENT AND SOLIDARITY

Mikroverktyg is part of XANO's Precision Technology business unit. The company manufactures precision components and transmission parts, as well as tools, fixtures, prototypes and special equipment. Generating commitment at work has been one of Mikroverktyg's areas of focus during 2017.

The EMO trade fair, one of the world's largest meeting places for manufacturing industry, was arranged in Hanover in September. Mikroverktyg's participation generally relates to keeping an eye on competitors and monitoring new technology. Prior to the fair in Hanover, the company's management offered all personnel the opportunity to attend, both to aid skills development and to strengthen the sense of solidarity.

The activity was voluntary, and out of a total of around 50 employees, some 30 opted to take part. Two of these were Andreas Ekström and Leif Hildebrand.

Andreas and Leif found the visit to the trade fair to be very positive from an individual development perspective. They were given the opportunity to acquaint themselves with the latest technology, knowledge that both have taken back to their respective positions as a machine operator and a toolmaker.

"I have stood next to machines for 20 years and have now been given the opportunity to look at new products along with my colleagues," says Leif, who has been employed by the company for 38 years.

Andreas has worked at Mikroverktyg for 8 years and feels that he gained a good insight into what the range of technology available on the market looks like in the light of day.

"The trade fair provided me with a good awareness and a greater understanding of developments when it comes to machinery, tools and services."

Andreas and Leif stress that few are granted the opportunity to take part on a trip like this one to the EMO trade fair.

"It is by no means a matter of course for the entire workforce to be able to head off like this," says Andreas, and Leif agrees.

"I didn't come across any other company that had as many employees with them at the fair. For the most part, each company had only taken two or three people," says Leif.

"We were even mentioned in a sector magazine," chips in Andreas, before continuing: "I think this has been great fun. The trip has undoubtedly strengthened the sense of solidarity within the company, and I now have an even more positive view of Mikroverktyg as an employer."

Mikroverktyg's CEO Kjell Wallin's vision for the trip was that it would contribute to skills development and create a stronger employer brand.

"We have to dare to invest in our personnel, as they are the company's most important resource," concludes Kjell.

LEADERSHIP

The preconditions for a sustainable operation are generated by committed and responsible employees. In order to achieve this, we need skilled managers who can see the potential that exists within individuals and groups.

For us, it is a matter of building long-term, healthy relationships, where leadership becomes a tool for achieving goals, resolving tasks and producing results. Against this background, we are working actively with leadership issues and skills development.

SKILLS DEVELOPMENT

XANO's objective is for all employees to possess the correct skills. The Group's companies are constantly striving to increase the skills of their employees, for example through training programmes within XANO Academy.

WORKING ENVIRONMENT

We have a responsibility to secure a good working environment for our personnel from both a physical and a psychosocial perspec-

tive, and to ensure that nobody sustains injuries due to their job.

We therefore work actively and systematically to improve our working environment.

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

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

SAFETY IN THE WORKPLACE

Safety awareness and good safety behaviour at the workplace in general and specifically in production are of the utmost importance within the Group. The safety of the

employees is the priority. The companies must have equipment that eliminates the risk of injuries and facilitates demanding work procedures, for example. Safety regulations and procedures must be drawn up and complied with. Any accidents and near-accidents must be reported and investigated.

EQUALITY

Equality entails equal terms and conditions for men and women, an approach that is obvious to us. In order to safeguard equality at each workplace, we continually evaluate and monitor of equality plans and policies.

The manufacturing sector is male-dominated, and the same is true of the workforce within the Group. We want to see a more even gender distribution. When recruiting, we therefore endeavour to market ourselves in a way that is intended to generate greater interest among female candidates regarding positions that are traditionally held by men. →

KEY FIGURES FOR PERSONNEL		2017
Average number of employees		807
– in Sweden		420
– in other countries		387
– women		123
– men		684
Average age, women ¹⁾	years	43
Average age, men ¹⁾	years	44
Average employment period, women ¹⁾	years	7
Average employment period, men ¹⁾	years	8
Absence due to illness	%	3.3
– short-term	%	2.4
– long-term	%	0.9
¹⁾ Refers to employees at the end of the year.		



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

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

To date, 64 employees have attended XANO Production School, which focuses on various groups of production personnel. In addition, 16 employees with a sales focus have taken part in XANO Sales School and 33 managers have attended XANO Management School.



DIVERSITY

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

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

needs, demands and expectations of various target groups and stakeholders. This in turn makes a valuable contribution to product development and service.

ZERO TOLERANCE OF DISCRIMINATION AND HARASSMENT

Each and every employee within XANO is expected to treat their colleagues and fellow people with respect. We have zero tolerance of all forms of discrimination and harassment.

XANO'S ROLE IN THE COMMUNITY

For us, it is important to accept social responsibility in the local community in which we operate. Most of the Group's companies work in small towns where they constitute a central, important employer. We are always careful to adopt a long-term approach in all our relations. We try as far as possible to be sensitive and to satisfy the needs and wishes of our stakeholders, yet without compromis-

ing on the environment or profitability as a result.

In order to attract future personnel and contribute to some extent to the development principally of industrial training programmes, we collaborate with Swedish universities and participate in sector-specific training courses. During the year, several Group companies in Sweden have also been in contact with the Swedish Public Employment Service and their respective home municipalities with the aim of guaranteeing skills provision, helping vulnerable groups to enter the labour market and facilitating healthy integration. One highly successful project in 2017 was LK Precision's collaboration with Haninge Municipality.

During 2018, we will be continuing the work of reviewing how best to collaborate with the local community from a skills provision, integration and diversity perspective. ■



SECURE SKILLS PROVISION THROUGH DIVERSITY & INTEGRATION

A conversation between LK Precision and Haninge Municipality

We are sitting in LK Precision's staff area in Skogås, sharing a coffee break with Haninge Municipality and looking back over the past year. During 2017, LK Precision launched a collaboration with Haninge Municipality's labour market unit, with the aim of securing LK Precision's skills provision through diversity and integration.

During spring 2017, LK Precision needed to take on more employees, but was having difficulty finding personnel for its production process. After surveying and testing various recruitment channels, production manager Fredrik Marknäs came across details regarding an offer of collaboration from Haninge Municipality. Fredrik made contact with the recruitment agent Jens Gustafson von Zeipel.

Together, they looked at LK Precision's specific opportunities and needs. Around a week later, Fredrik was contacted by Jens,

who announced that he had a possible candidate for a work placement position, called Hassan Beddel. Hassan had been awarded his residence permit in Sweden two years previously, and since then had been trying to find a job. Hassan was offered and accepted the work placement, which lasted for two months.

"Hassan immediately became an asset for LK Precision. He did very well and was very keen to learn," says Ebrima John, who acted as Hassan's mentor during the placement period. Fredrik agrees, adding:

"We invested our time but nothing else, and this started to pay off as early as the second week."

In December 2017, Hassan was offered a permanent position at LK Precision. When Hassan is asked what this has meant to him, he says:

"I am now self-sufficient and no longer dependent on welfare. By getting a job, I am becoming part of Swedish society."

At the end of 2017, the municipality and LK Precision launched another collaboration project. With the support of the municipality, the company hopes to be able to secure the provision of skills in the long term.

"This collaboration is undoubtedly a win-win situation," says Fredrik.

"Our contacts with the commercial sector are incredibly important," emphasises Jens from the municipality's perspective. Ebrima agrees, stressing:

"Everyone who comes to Sweden has something to offer that can benefit companies, and it is important for us at LK Precision to see and attract them before someone else does."

"There are undoubtedly approaches we have not thought of before when it comes to identifying potential labour. The people are out there – it's just a matter of finding them – and we found Hassan," concludes Fredrik.

6 QUICK QUESTIONS TO BOARD MEMBER ANNA BENJAMIN



1. How does the Board view sustainability issues?

We take sustainability issues extremely seriously. In addition to positive effects for people and the environment, we also believe that there are tangible business strategy benefits linked to these issues. For us, it is important to secure a clear vision. The XANO companies must be able to conduct their sustainability work independently, yet with joint control.

2. What risks does the Board see in relation to sustainability?

The main risk that the Board sees is linked to our stakeholders' trust capital, i.e. the risk that we fail to live up to the expectations our stakeholders have of us.

3. What is the Board's sustainability agenda for 2018?

We will be continuing our work of developing XANO with the aim of safeguarding long-term profitability. For example, we consider that skills provision is becoming increasingly important, with diversity and skills development as central parameters. The Board will also be drawing up a sustainability strategy during 2018, including targets and key performance indicators, as well as ensuring that the strategy is followed up.

4. What characterises XANO from a sustainability perspective?

I would say the Småland spirit. XANO is a responsible company. Being cost-conscious, optimising resources and recycling where possible, working to achieve constant improvements, as well as building up wellbeing and long-term relations with employees, customers and suppliers, are natural ingredients in XANO's heritage.

5. What is XANO's greatest challenge for 2018 in relation to sustainability?

It is the issue of resources. The economic boom and the fact that XANO is an acquisition-driven company jointly entail a strained situation as regards resources. This is accompanied by the risk that sustainability issues will not be sufficiently high up on the companies' agendas.

6. What should XANO focus on during 2018 from a sustainability perspective?

The focus should be on integrating the sustainability issues in the companies through a business-driven approach, as well as ensuring that they become a natural part of our corporate governance.

FINANCIAL RESPONSIBILITY

In order to be profitable, it is important to use all your resources with care and to work efficiently at every stage. XANO has a clear focus on long-term, profitable growth. Through its long-term approach, XANO accepts responsibility, not only from a financial perspective, but also in relation to social aspects and the environment. As a consequence, sustainability has always been a core of the Group's operations. Now that Industry 4.0 is knocking at the door, XANO is excitedly looking forward to connecting new technology and new business with the acceptance of social and environmental responsibility.

BUSINESS ETHICS

The long-term approach is a natural part of the XANO spirit and our corporate values. Our external stakeholder relations are also characterised by this long-term attitude, where good business ethics are a precondition for trust. Ethics is about doing the right

things – respecting laws and paying tax in accordance with applicable regulations, as well as having zero tolerance of corruption.

ANTI-CORRUPTION

Within XANO, there is zero tolerance of bribery and corruption. Based on the Group's sustainability policy and code of conduct, we are working actively and consciously to combat corruption. Particular risk areas are identified in our work on internal control. Payment processes and other sensitive operations are continually reviewed and safeguarded.

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

The Group's companies are working to promote open communication with both employees and the outside world, without breaching applicable regulations or jeopardising confidentiality in respect of trade secrets and individual personal data. ■



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

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

"The board is to have a composition appropriate to the company's operations, phase of development and other relevant circumstances. The board members elected by the shareholders' meeting are collectively to exhibit diversity and breadth of qualifications, experience and background. The company is to strive for gender balance on the board."

XANO Industri AB's sustainability report for 2017 has been drawn up in accordance with the requirements set out in the Annual Accounts Act. The sustainability report for 2017 was adopted by XANO's Board of Directors on 15 March 2018.