Sustainability Report

Introduction

The new EU legislation, the Corporate Sustainability Reporting Directive (CSRD), aims to reinforce and standardise corporate sustainability reporting through extensive transparency and comparability requirements. The Directive mandates that companies subject to the legislation provide more detailed reporting on their environmental, social, and governance (ESG) impacts. It also requires them to conduct a double materiality assessment to identify key sustainability issues within their own operations and across their value chain.

XANO Group started preparing for the CSRD during 2023. This process has contributed to a more structured and thorough sustainability report, and as part of the process, the 2024 Sustainability Report was prepared drawing inspiration from the CSRD framework. This provides an opportunity to refine and optimise reporting processes, strengthen internal capabilities, and ensure that the entire Group is well prepared ahead of the legislation's official implementation in Sweden.

Beginning this work early has been essential for identifying key sustainability aspects, streamlining data collection, and establishing a strong foundation for future reporting. By testing and implementing CSRD-inspired practices today, there will be room to improve internal control mechanisms and create a harmonised structure for managing sustainability data, ensuring more reliable and comparable reporting.

As required by the CSRD, work is ongoing to assess the material impacts, risks and opportunities (IROs) connected to the business. This analysis provides a deeper understanding of how sustainability aspects impact the Group companies' business strategies in the short, medium and long term. It also helps to determine how sustainability-related challenges can be transformed into business opportunities.

Through close collaboration between the Group's business units and the Parent Company, structures have been established to ensure standardised and future-proof sustainability reporting. This initiative is central to the commitment to responsible and sustainable business, aligning with stakeholder expectations and regulatory requirements.

General disclosures

Basis for the preparation of the Sustainability Report

XANO Group's sustainability report for 2024 was prepared on a consolidated basis and covers the Parent Company, XANO Industri AB, and the companies over which the Parent Company has direct influence, with the exception of the companies acquired during the reporting year.

In addition to the Group's own operations, the sustainability report also covers the upstream and downstream value chain where relevant. It is based on data collected from stakeholder analyses and internally gathered insights. Information linked to the value chain is of great importance for the Group's sustainability work, particularly in relation to climate impact, since a significant share of the climate footprint stems from various parts of the value chain.

A key aspect of reporting is identifying the impacts, risks and opportunities relevant to both the business and the value chain. By analysing the impact on the environment and society, along with the risks and business opportunities arising from sustainability matters, it is possible to prioritise actions that drive positive change and create long-term value.

The same principle applies to the design of the policies, actions, and goals. A detailed description of the Group's value chain is provided in the next section.

For information regarding the accounting principles and specific circumstances in the preparation of the sustainability report, please refer to the Sustainability Notes section.

Business model and strategies

Description of our business model and value chain

XANO's business model is based on the acquisition, development and active ownership of technology-based companies within industrial products, automation equipment and precision technology. Our decentralised governance structure allows Group companies considerable independence in their operations, while sustainability efforts are driven collectively to ensure a unified strategy, strengthen synergies, and create clearer momentum across the business.

The Group's operations are divided into three different business units:

1. **Industrial Products**

The business unit focuses on circular material flows and resource-efficient production through the development and manufacturing of plastic components and systems. Industrial Products is made up of Ackurat, Blowtech, Cipax Group, Dansk Rotations Plastic (DRP) and Pioner Boat, each of which holds a strong position in its respective segment.

- **Ackurat** supplies injection-moulded parts such as slide stops, handles and adjustable feet to the furniture and interior design industry.
- **Blowtech** is a leading Nordic player in technical blow moulding, producing plastic components for vehicles, construction machinery and infrastructure equipment
- **Cipax Group** is a market leader within rotational moulding in the Nordic and Baltic regions, with product segments including industrial tanks and infrastructure solutions.
- **DRP** develops and manufactures rotational moulding products in polymeric materials, focusing particularly on the Danish market.
- **Pioner Boat** manufactures boats using rotational moulding with a robust design.

Through the business unit's extensive technical expertise and strong environmental focus, these companies are leading the transition towards more sustainable materials and manufacturing processes.

2. **Industrial Solutions**

The business unit develops and provides innovative automation and production solutions that optimise manufacturing processes and reduce resource consumption. The business unit is made up of Canline, Case Packing Systems (CPS), CIM, Fredriksons, Integrated Packaging Solutions (IPS), Jorgensen, Lundgren Machinery, NPB, Polyketting and Graniten. Specialising in industrial automation, packaging technology and smart production systems, these companies help customers achieve business and sustainability goals.

- **Canline, CPS, Jorgensen, Lundgren Machinery, NPB and Polyketting** supply automation solutions developed in-house for the packaging industry, including conveyor systems, accumulators and highly automated packaging equipment.
- **CIM** develops end-to-end software solutions for Industry 4.0 tailored to customers' needs, focusing on digitalising and optimising production processes.
- **IPS** provides metal packaging manufacturers with machinery and integration technologies as well as production optimisation services.
- **Fredriksons** combines advanced automation with customised manufacturing of industrial products in small and medium-sized batches, with applications in the packaging and food industries, medtech, infrastructure and the environment.
- **Graniten** develops advanced automation solutions for the pharma and medtech industries, specialising in packaging machinery and flexible production.

With strong technical expertise and a growing focus on sustainability and resource efficiency, this business unit drives innovation in automation and production optimisation for the industry of the future.

3. **Precision Technology**

The business unit offers advanced component and system manufacturing using advanced cutting processes, industrial 3D printing and laser welding, with a focus on high precision and quality. The unit is made up of Kuggteknik, Kungsörs Mekaniska Verkstad (KMV), Lasertech, LK Precision, Mikroverktyg, Modellteknik and Resinit, who supply solutions to industries including medtech, manufacturing and transmission parts.

- **KMV** is specialised in the advanced machining of internal surfaces and precision drilling.
- **LK Precision och Resinit** produces parts in small and medium-sized batches, primarily serving the medical device industry.
- **Mikroverktyg** manufactures tools and prototypes as well as precision components and transmission parts in small production batches. **Kuggteknik** complements Mikroverktyg with automated operations for higher volumes.
- **Modellteknik** focuses on prototyping, mould manufacturing and short runs.
- **Lasertech** is a leader in industrial 3D printing and metal laser welding.

Through excellence and advanced technologies, the companies in this business unit offer high-quality solutions for manufacturing companies that demand precision, sustainability and resource efficiency.

Our approach to collecting, developing and securing data

A structured approach is employed to ensure that the relevant data is collected and effectively applied to sustainability governance. This includes:

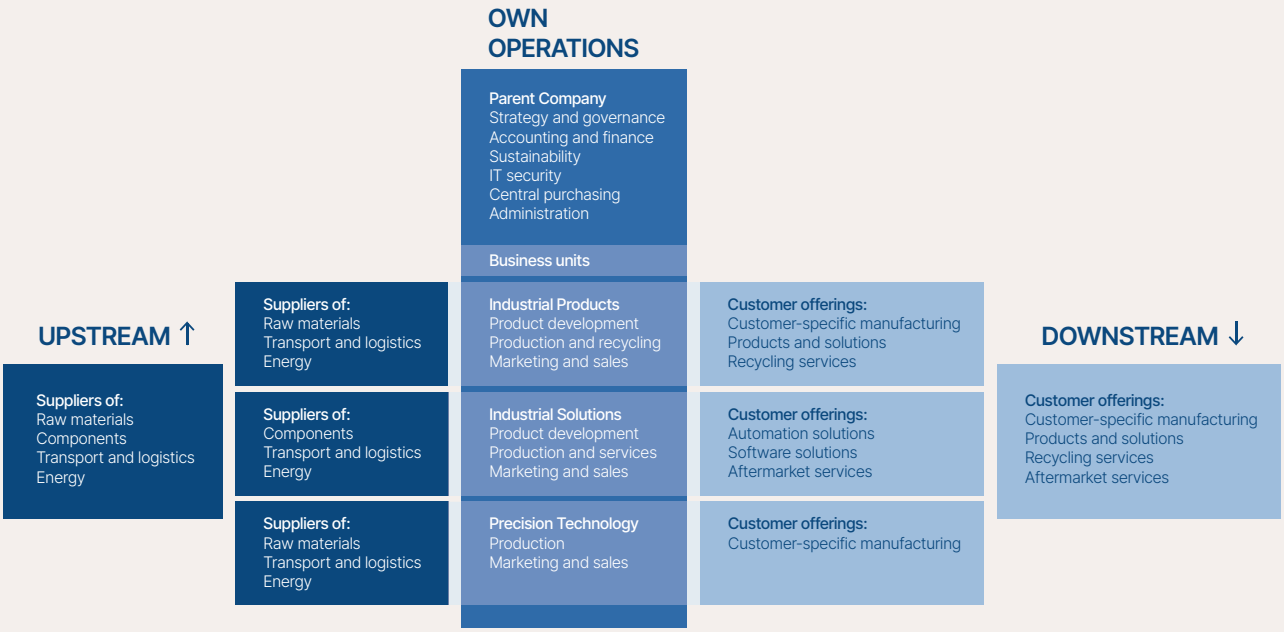
- **Double materiality assessments** to identify both the business's sustainability impact and the sustainability risks to the business.
- **Standardised reporting** through digital monitoring systems, enabling transparency and consistency in the Group companies' sustainability data.
- **Regular communication with our stakeholders,** including customers, employees, investors, and suppliers, to ensure that the data collected is relevant and adapted to the appropriate requirements.

Diversification in the value chain

The Group's value chain is extensive and spans several geographic markets, but at the same time there is a relatively high degree of homogeneity. The procurement structure is mainly concentrated in Europe, with a high proportion of suppliers located in Sweden, Denmark and the Netherlands. However, some raw materials and components are sourced from Asia, particularly China, which poses its own specific sustainability and operational challenges.

The structure of the value chain varies across the three business units, which has an impact on sourcing strategies and the ability to influence sustainability factors. Industrial Products and Precision Technology are primarily focused on sourcing raw materials, meaning their sustainability efforts in the supply chain largely concentrate on the origin of materials, extraction processes, and the environmental and climate impact of production and transportation. In contrast, Industrial Solutions focuses mainly on component sourcing, where suppliers' production techniques and processes have a greater impact on the sustainability performance. This distinction creates somewhat differing conditions for collecting relevant sustainability data and ensuring transparency across the supply chain.

Our downstream customer base is relatively homogeneous, which makes it easier to conduct a collective assessment of sustainability-related aspects and the overall impact of our business activities. This enables a systematic approach to sustainability risk management and the development of coherent strategies to foster sustainable business relationships throughout the value chain.



Material impacts, risks and opportunities

Material sustainability-related impacts, risks and opportunities (IROs) impacting our own operations and value chain have been identified and mapped through a double materiality assessment and business intelligence.

During the year, material IROs had an impact on our business model, value chain, strategy and decision-making. The impact of material opportunities is evident in the increased focus on service-based content, particularly within the Industrial Solutions business unit, which is expected to lay the foundation for the long-term exploration of circular business models. In the Industrial Products business unit, work on increasing the use of circular polymer materials has continued and expanded through the use of recycled materials in production and the collection of plastic materials for recycling.

For XANO, the transition to sustainable business is a long-term commitment, with progress being made continuously. Through incremental target setting, close collaboration across the value chain, and an agile approach to business strategy decisions, the desired reduction of negative impacts, the minimisation of material risks and the exploitation of opportunities are ensured.

TOPIC	OPPORTUNITY	RISK	POSITIVE IMPACT	NEGATIVE IMPACT	VALUE CHAIN	TIME HORIZON
Climate change **Climate change adaptation**		Extreme weather events leading to direct costs and/ or disruptions in the value chain.			Own operations Upstream Downstream	Short-term Medium-term Long-term
Climate change **Climate change mitigation**		Increased costs related to greenhouse gas emissions	Provide customers with products and solutions that help them to reduce their negative climate impact	Greenhouse gas emissions in Scope 1, 2 and 3	Own operations Upstream Downstream	Short-term Medium-term Long-term
Climate change **Energy**		Increased energy costs		Use of non-renewable energy sources, including fossil fuels	Own operations Upstream Downstream	Short-term Medium-term Long-term
Pollution **Pollution of air**				From raw material extraction and transport	Upstream Downstream	Short-term Medium-term
Resource use and circular economy **Resource outflows related to products and services**	Transition to circular business models		Recycling, after-sales services, reuse of equipment, longer lifespans	Limited ability to recycle products sold	Own operations Downstream	Short-term Medium-term Long-term
E5 Resource use and circular economy **Resources inflows, including resource use**	Use of recycled and fossil-free materials in production			Raw material extraction, manufacture of materials and components	Own operations Upstream	Short-term Medium-term Long-term
Resource use and circular economy **Waste**	Recycling of production residues, new manufacturing methods that minimise waste			Generate waste in our own operations, and indirectly in the value chain, that is not recycled	Own operations Upstream Downstream	Short-term Medium-term Long-term
Own workforce **Working conditions**	Opportunities related to the recruitment of skilled workers			Physical and/or psychological impact on own workforce	Own operations	Short-term Medium-term Long-term
Own workforce **Equal treatment and opportunities for all**	Increased profitability and benefits from recruiting skilled workers			Lack of diversity in managerial roles	Own operations	Short-term Medium-term Long-term
Workers in the value chain **Working conditions**				Potential physical and/or psychological impact on workers in the value chain	Upstream	Short-term Medium-term Long-term

The consequences of material impacts

The Group's negative environmental impacts consist primarily of climate emissions, predominantly related to material production (in the value chain), energy consumption (own operations), waste management (external) and transport (own and purchased).

The positive environmental impact has been identified as solutions which allow for more efficient production processes for customers worldwide, with the corresponding reductions in energy-related climate emissions, material consumption and the amount of waste generated.

Material impacts related to social aspects include the company's own workforce and employees within the value chain. Within our own operations, work-related incidents and other work-related ill health represent the greatest risk. For employees within the value chain, the risks are considered more diverse, highlighting the need to further strengthen efforts to ensure fair labour practices. This initiative is planned within the framework of the Group's Sustainability Roadmap.

In other words, material actual and potential impacts are present both within the organisation itself and throughout the value chain. The time horizons in question are short, medium and long term as defined under the ESRS standard.

A detailed description of the material impacts, risks and opportunities, as well as their implications for the business, can be found in the respective sections.

Sustainability-related goals and strategies

The sustainability-related targets outlined in the Group's Sustainability Roadmap are based on a comprehensive business mapping, which includes key customer segments, products and solutions, geographical regions, and stakeholders. Balancing these elements with key IROs ensures that the objectives set are relevant.

» **Product and service categories**

A few key features emerge from the mapping exercise. The most evident of these is the environmental impact of the materials and components used in the Group companies' products and solutions. This challenge is addressed from two angles – partly through a gradual transition to more environmentally and climate-friendly materials, such as recycled or bio-based materials, and partly by promoting a circular approach to waste, based on the principles of the waste hierarchy.

The goals to ensure satisfactory progress include increasing the use of more sustainable materials and components, reducing climate emissions from waste management, sustainable innovations, service-based business offerings and collaboration in the value chain.

The existing range of products and services already incorporates several sustainability-related benefits. This includes the increased focus on service offerings in the Industrial Solutions business unit, where various aftermarket services – such as maintenance, repair and upgrades – extend the lifespan of production equipment and reduce resource consumption. Precision Technology uses advanced production methods that optimise material use and reduce waste, which saves resources. In parallel, Industrial Products has made great strides in the development of circular material flows, where it successfully uses recycled plastic materials in its own production, reducing the need for new raw materials.

» **Customer categories**

A fundamental principle across all of the Group's subsidiaries is taking the customers' perspectives into account. Assisting customers with their sustainability challenges is as important as assisting with any other aspect.

Our customer base is primarily composed of industrial companies in the manufacturing and automation sectors, which provides the framework for how best to focus our customer-related sustainability efforts.

For the approximately 50% of the business that involves customer-specific manufacturing, working in close collaboration is the key to making a difference, since this provides an opportunity to contribute knowledge and expertise concerning material selection, production methods and the choice of material supplier. The most relevant goals here are those related to innovation through value chain collaboration and an increase in service-based content.

In terms of proprietary products and solutions, there is a wider range of activities to draw from, including reducing the customer's environmental and climate impact through innovation and development with a focus on efficiency, circular flows, resource savings and service offerings.

In general, there is a marked increase in demand for products, solutions and services that help customers achieve their sustainability goals, incorporating all of the aspects outlined above, and the Group demonstrates a strong ability to meet customer needs while constantly developing new ways to optimise resource use, reduce carbon footprints and drive innovation for more responsible and long-term business development.

Several of the Group's businesses, particularly in the Industrial Solutions business unit, have a customer base with a wide geographical spread. Appropriate adjustments are always made in accordance with national legislation, but sustainability-related objectives are applied consistently across all countries.

The primary area where geographic circumstances have an impact is in supplier collaboration. Goals have been established to ensure appropriate due dilligence based on geographic risk areas, as well as in relation to high-risk industries and materials.

» **Stakeholder relationships**

Ongoing communication with customers, suppliers, investors, and employees is a fundamental part of every aspect of our business. Sustainability matters are included here as an integral part of the ongoing communication, but they are also addressed in a more targeted way in the preparation of the double materiality assessment.

Stakeholder perspectives are fully integrated into the evidence base for all sustainability-related objectives, as detailed in the section on the Group's stakeholder commitments.

IROs' connection to strategy and business model

The more concrete aspects of the Group's sustainability work are addressed in the Sustainability Roadmap, which is based on three pillars:

1. **Sustaining the Planet** – Focuses on reducing climate impact and resource consumption through energy efficiency, sustainable materials and transport, and circular processes.
2. **Owning Social Responsibility** – Ensuring good working conditions, career development opportunities, and gender equality within our own operations and, to some extent, across the value chain.
3. **Driving Sustainable Business** – Developing circular business models, innovation, strategic partnerships and ethical business practices to drive sustainable change.

The aim of this roadmap and the overall corporate strategy is to position XANO as a leader in sustainable manufacturing while enhancing the Group's long-term competitiveness.

A detailed overview of the Group's Sustainability Roadmap can be found in the Sustainability Notes section.

Resilience in our strategy and business model

XANO's business model is based on a long-term approach, acquisitions, technological innovation, decentralised governance and sustainable growth. To ensure that long-term changes are properly managed, strategic work is being carried out with a focus on three time horizons:

» Short-term (1–3 years): Preparing adjustments to the business model to meet the increased regulatory requirements and customers' sustainability expectations.
» Medium-term (4–10 years): Gradual transition to circular business models and investments in sustainable production technology
» Long-term (10+ years): Structural transformation of supply chains, fossil-free production and scalable sustainable business models.

Ensuring long-term resilience

The core business model is designed to address uncertainties and long-term changes in the external environment. The key mechanisms that ensure resilience are described below:

» **Diversified business models to reduce risk exposure**
  - The development of service-based business models reduces exposure to material cost increases and regulatory changes.
  - A long-term shift of the turnover toward circular business models reduces exposure to resource shortages and price fluctuations.

» **Flexible supply chain to manage uncertainties**
  - Long-term strategic partnerships ensure a stable supply of sustainable materials.
  - The development of alternative supply networks and regional production reduces vulnerability to global disruptions and geopolitical risks.

» **Technological developments as a resilience factor**
  - The target of directing at least 90% of the Group's investments towards sustainable innovation by 2030 provides for a rapid adaptation to changes in the technology market.
  - Automated production processes and AI-based resource optimisation improve flexibility in the face of changing raw material and energy costs.

» **Business intelligence and scenario planning**
  - In 2025, scenario analysis will begin to model various future scenarios and adapt our strategy accordingly.
  - ESG risks and sustainability challenges will be analysed in the short, medium and long term to facilitate proactive adjustments to operations.

Future developments in quantitative resilience analysis

It is very important to include a quantitative resilience analysis and assess its impact on the long-term business model. The following initiatives are planned for future reporting years:

1. Development of resilience indicators linked to sustainability risks and opportunities, such as share of turnover from circular business models or diversification of supplier networks.
2. Carrying out risk simulations to analyse the impact of, for example, price increases for raw materials, new environmental regulations or changes in customer behaviour.
3. Establishment of a structured process for quantitative scenario planning, where future scenarios are analysed to assess their impact on financial and operational stability.

Our goal is to gradually incorporate quantitative analysis into the resilience assessment over the coming years, further enhancing the robustness of the business model.

Stakeholder commitments

The XANO Group continuously liaises with key stakeholders to ensure transparency, identify material sustainability challenges and strengthen trust. Communication fosters a deeper understanding of impacts, opportunities and risks, which is crucial for developing a successful and sustainable business strategy. Stakeholder commitments also provide crucial insights for the double materiality assessment, and integrating stakeholder insights into business development, sustainability work and reporting creates stability and long-term value.

The interests and views expressed in our collaboration with stakeholders constitute a cornerstone of the Group's strategy and business model. The ever increasing demands on all aspects of sustainable business have led to adjustments in the description and direction of XANO's overall business strategy, and have had a decisive impact on the Group's strategic sustainability efforts. These adjustments are part of an ongoing effort to guide the business towards becoming more sustainable. This kind of transformation can only be achieved through collaboration with the Company's key stakeholders.

The Group's basic strategy remains the same as it has been for a long time. XANO develops, acquires, and manages manufacturing businesses that offer unique or market-leading products, systems, and related services. What has changed, and is closely aligned with the interests of the Group's stakeholders – and most importantly, the Planet – is the direction outlined in the vision: becoming a *Market Leader in Sustainable Business*. The sustainable business perspective is now embedded in governance, objectives and activities and is expected to contribute positively to all key stakeholder groups.

The Sustainability Roadmap, linked to the strategy, outlines tangible targets designed to ensure continuous progress and effectively meet the interests of all key stakeholders. It is a comprehensive plan aimed at driving positive change for key stakeholders, with the expectation that a significant portion of them will also take similar actions within the same time frame.

CATEGORY	STAKEHOLDER	COMMITMENT
Affected stakeholders	Employees	Questionnaires and employee surveys Employee performance reviews and follow-ups Meetings
Affected stakeholders	The Planet	Monitoring current science and reporting
User of the Sustainability Statement Affected stakeholders	Customers	Formally and informally through customer relationships Survey of major customers
Affected stakeholders	Suppliers	Formally and informally through supplier relationships Code of Conduct Formally via supplier evaluation and monitoring Survey of major suppliers
User of the Sustainability Statement Affected stakeholders	Shareholders	Survey of major shareholders One-to-one discussions and meetings External reports and communication Annual General Meeting
Affected stakeholders	Society and Legislators	Business intelligence Monitoring of legislation

Expected sustainability-related benefits for stakeholders

XANO's business model creates value for its stakeholders:

- **Employees:** A structured approach to internal social aspects brings direct benefits to employees, while minimising negative environmental impacts and fostering long-term sustainable business practices also creates indirect value for all our employees and their families.
- **The Planet:** Energy-efficient production, emission reductions, and resource-efficient material flows all contribute to a more sustainable industry and a smaller ecological footprint.
- **Customers:** Designing products and services that improve energy efficiency, reduce material waste and increase production capacity provides a range of customer-related benefits. Circular business models and longer product lifecycles help customers to reduce their total cost of ownership and achieve their sustainability goals.
- **Suppliers:** Close collaboration with suppliers provides sustainability-related benefits throughout multiple stages of the upstream value chain. This includes initiatives to ensure sustainable materials, responsible production and reduced transport emissions.
- **Shareholders:** Sustainability as an integral part of the business model strengthens long-term profitability and risk management. Being at the forefront of sustainable industrial production attracts capital and ensures consistent growth.
- **Society and legislators:** A well-established and focused sustainability program minimises negative social impacts, enhances positive benefits, and drives progress in the right direction.

Double materiality assessment

Application of the double materiality assessment

The double materiality assessment process was initiated in 2023. It is a continuous process, with the goal of ensuring thorough and effective implementation across all Group companies. This sustainability report is based on the current results, but the analysis is still ongoing and will continue to be developed and refined in 2025.

Additionally, as a Company involved in acquisitions, there is a heightened need to regularly reassess the double materiality assessment to ensure its continued relevance and alignment with the expansion of the business.

A double materiality assessment is carried out to identify and prioritise a company's key sustainability matters. Impacts, risks, and opportunities are evaluated based on the following criteria:

- **Impact materiality:** How the company's activities affect the environment, society and stakeholders.
- **Financial materiality:** How risks and opportunities related to sustainability matters affect the organisation's financial performance and business model.

Method and analysis tools

The Group's double materiality assessment has so far been carried out in two stages. Initially, a global assessment was performed covering the whole Group. Later on, each subsidiary carried out an individual double materiality assessment based on its own activities. The results of the latter have been consolidated and added to the initial global assessment, resulting in the first comprehensive double materiality assessment for the Group as a whole.

The assessment was performed according to the methodology set out in ESRS 1:

- The assessment criteria specified in the standard has been used and the assessment has been performed using the subject classification presented in ESRS 1, Appendix A.
- A points system has been used where each topic has been assessed on the basis of its impact and financial materiality. An average value based on the scores of the various assessment criteria has been calculated to determine whether a topic is considered material or not.
- The assessments have mainly been made at sub-topic level, taking into account sub-subtopics where they exist.
- The information on which the assessment is based has been derived from stakeholder analyses, business intelligence and internal sources. Expert advice and consultations with key stakeholders have played a crucial role throughout the process. This approach has ensured that material operations, business relationships, geographical areas and other factors that may give rise to positive or negative impacts are taken into account in the assessment.
- The assessment of financial materiality has taken into account the Group's main dependencies together with their actual and potential impacts to identify relevant risks and opportunities.
- To assess the potential financial impact, thresholds linked to the impact on earnings have been applied.

Validation

The work has been reviewed and validated by both Group and business unit management, along with XANO's Board of Directors, to ensure the analysis aligns with the company's strategy and remains consistent.

Continuous process

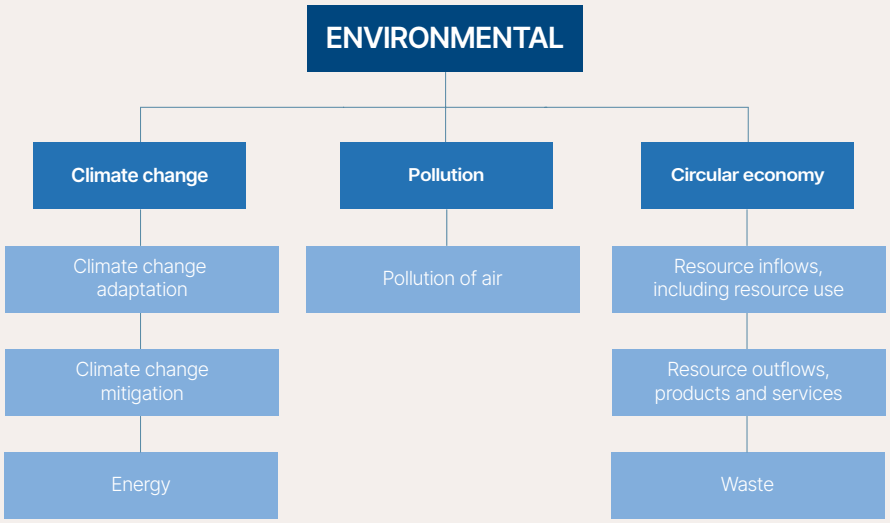
Following finalisation of the double materiality assessment, annual updates will be conducted in order to identify any changes in impacts, risks, and opportunities. The process will remain the same with individual assessments carried out by the subsidiaries and then consolidated together with a overall assessment. This process is carried out alongside the annual update of the Group companies' business plans, which are finalised and presented to the Group Management in Q3.

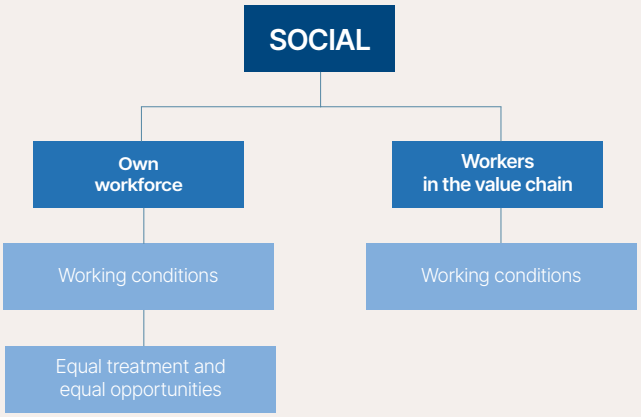
Material topics and sub-topics

The double materiality assessment has currently identified material impacts, risks and opportunities (IROs) in ten sub-topics related to five topics under ESRS 1, Appendix A.

- Climate change
- Pollution
- Resource use and circular economy
- Own workforce
- Workers in the value chain

These material topics and sub-topics collectively cover a significant portion of the business and value chain, influencing and being influenced by various aspects of the business model.





Sustainability governance

Governing, management and supervisory bodies

Board composition and diversity

XANO's Board of Directors has seven members. The composition of the Board of Directors takes into account the principles of The Swedish Corporate Governance Code, in particular with regard to diversity, range of expertise and experience, and gender distribution.

The ratio of women to men on the Board is 43% women (3 out of 7) and 57% men (4 out of 7), calculated as an average ratio according to the guidelines.

In addition, 57% of the Board members (4 out of 7) are independent in relation to major shareholders as well as the company and its management.

The Board is structured to provide effective governance, aligned with the company's operations, growth stage, and future requirements.

Roles and responsibilities

XANO's Board of Directors bears the ultimate responsibility for the Group's strategic work, including sustainability-related matters. As part of this responsibility, the Board ensures that sustainability considerations are integrated into the long-term strategy and decision-making processes of the organisation, and that material sustainability-related impacts, risks and opportunities are dealt with appropriately.

Overall responsibility for sustainability is delegated to the Group Management, who is responsible for managing and monitoring the Group's impacts, risks and opportunities, implementing relevant policies and targets, and integrating sustainability aspects into the Group's strategy and business model. The main operational responsibility is held by the Group's Chief Sustainability Officer, who is also a member of the Group Management.

To ensure effective governance and monitoring, updates on sustainability initiatives are regularly reported to the Group Management. The Board receives relevant sustainability-related analyses and decision-making data to assess risks, opportunities and strategic priorities. The Audit Committee reviews the reporting process and ensures that the sustainability information is transparent, reliable and in line with applicable regulations.

Responsibilities and mandates are based on the principles of The Swedish Code of Corporate Governance and are regulated in the Board's decision-making processes as well as their instructions to the CEO.

XANO works actively to integrate sustainability-related aspects into governance and decision-making processes. Currently, these matters are dealt with within existing strategic and operational decision-making structures, but more formalised processes are being developed constantly.

The Board of Directors and Group Management oversee the implementation of relevant mechanisms to track sustainability performance through regular reporting and follow-ups. The Chief Sustainability Officer is responsible for collecting and analysing data related to the Group's sustainability goals, material impacts, risks, and opportunities. This information will be presented to the Board of Directors and Group Management on a quarterly basis, starting in 2025. The Audit Committee annually reviews the reporting process and ensures that risk management and performance monitoring processes are appropriate. If shortcomings are identified, corrective actions and process updates are discussed. Systems for sustainability-related activities such as reporting of sustainability data and monitoring of performance against targets are continuously evaluated to ensure alignment with regulatory requirements and business needs.

Details of the incentive programmes can be found in the Group's Remuneration Report, which describes the structure and criteria for remuneration.

AREA	OPERATIONAL RESPONSIBILITY	OVERSEEN BY	INFORMATION GIVEN TO EXECUTIVE BOARD	INFORMATION GIVEN TO THE BOARD OF DIRECTORS	INFORMATION GIVEN TO THE AUDIT COMMITTEE
Material impacts, risks and opportunities	Chief Sustainability Officer, XANO	Group Management, Board of Directors, Audit Committee	Ongoing, related to strategic and operational management work	In case of changes, or annually in December	At the time of the Annual Report
Target monitoring and reporting of the submitted sustainability data	Chief Sustainability Officer, XANO	Group Management, Board of Directors, Audit Committee	Quarterly	Quarterly	At the time of the Annual Report
Business model and strategy, including setting targets	Group Management	Board of Directors	-	In case of changes, or annually in September	-
Risk management and assessment	Chief Sustainability Officer, XANO	Group Management, Board of Directors, Audit Committee	Ongoing, related to strategic and operational management work	Annually in September	At the time of the Annual Report
Policies and guidance documents	Chief Sustainability Officer, XANO	Group Management, Board of Directors	In case of changes	In case of changes	-
Sustainability reporting	Chief Sustainability Officer, XANO	Group Management, Board of Directors, Audit Committee	When preparing the Annual Report	At the time of the Annual Report	At the time of the Annual Report
Stakeholders	Chief Sustainability Officer, XANO	Group Management, Board of Directors	Ongoing, related to strategic and operational management work	Annually in December	-

Statement on due diligence

XANO ensures due diligence by identifying, assessing and managing material sustainability-related impacts, risks and opportunities. The adoption of a structured approach across the Group ensures efficiency and a high level of implementation in relation to the identified material IROs. This process is integrated into the Group's governance, strategy and risk management and includes the following:

MAIN PARTS	APPLICATION	SECTION OF THE SUSTAINABILITY STATEMENT
Integrating due diligence into governance, strategy and business model	Due diligence is integrated into corporate governance through the Environmental Policy, Code of Conduct, Climate Transition Plan and Sustainability Roadmap. The Board of Directors monitors ESG risks and ensures that sustainability aspects are included in all business decisions	Section: Sustainability governance
Engage the relevant stakeholders in all the major steps of the due diligence process	Regular communication with the relevant stakeholders to identify and manage ESG risks. Suppliers are required to comply with the Group's Code of Conduct	Section: Stakeholders concerned
Identify and assess the material impacts, risks and opportunities	A double materiality assessment is performed to identify and assess impacts, risks and opportunities	Section: Double materiality assessment
Take action to manage material impacts, risks and opportunities	Sustainability requirements in the Code of Conduct, supplier risk assessments and evaluations, targets and monitoring linked to material IROs	Section: Sustainability-related goals and strategies, and the respective topic-related sections
Monitoring the effectiveness of actions implemented and communicating the outcomes	Sustainability data is reported quarterly by Group companies. The collected data is reviewed and consolidated. Performance against targets is monitored to ensure progress towards Group-wide goals	Section: Risk management and internal controls

Sustainability-related policies and guidance documents

The Group's sustainability-related policies and guidance documents have been designed to cover all material sustainability aspects and ensure compliance throughout the organisation. To facilitate the implementation and monitoring, their number is limited to ensure effective implementation. All material topics are covered by one or more policies or guidance documents, with the Code of Conduct being the primary framework for social governance.

All policies and guidance documents are available in the Group-wide management system. The Code of Conduct and Environmental Policy are also available to external stakeholders on XANO's website.

POLICIES/GUIDANCE DOCUMENTS	DEFINITIONS	MANAGEMENT/MONITORING	STAKEHOLDERS CONCERNED	PERSON RESPONSIBLE FOR IMPLEMENTATION
Code of Conduct	Minimum standards of responsibility internally and in relation to the Group's stakeholders – covers the environment, social responsibility and business conduct	Encompasses all Group companies, departments and employees, as well as suppliers. The MD of each Group company ensures compliance. Monitoring via internal control	Shareholders Customers Suppliers Employees The Planet	Chief Sustainability Officer, XANO
Environmental Policy	Minimum requirements for environmental aspects related to the Group's material topics as well as biodiversity and hazardous substances	The MD of each Group company ensures compliance. Monitoring in the Group companies at business review meetings with the respective business unit manager	Shareholders Customers Suppliers Employees The Planet	Chief Sustainability Officer, XANO
Climate Transition Plan	Consolidated guidance document for the Group's climate-related work	The MD of each Group company ensures compliance. Monitored through sustainability reporting to the Parent Company and internal controls related to performance against targets.	Shareholders Customers Suppliers Employees The Planet	Chief Sustainability Officer, XANO
Sustainability Roadmap	Guiding document containing the minimum requirements for targets linked to all aspects of the Group's sustainability initiatives	The MD of each Group company ensures compliance. Monitored through sustainability reporting to the Parent Company and internal controls related to performance against targets.	Shareholders Customers Suppliers Employees The Planet	Chief Sustainability Officer, XANO
Decision-making process	Authority framework for each corporate body (General Meeting, Board of Directors, Chairman and MD)	Determined annually by the Board of Directors. Monitoring in the Group companies at business review meetings with the respective business unit manager	Employees	Chair of the Board of Directors of each Group company
MD mandate	The MD's responsibilities and powers	Determined annually by the Board of Directors. Monitoring in the Group companies at business review meetings with the respective business unit manager	Employees	Chair of the Board of Directors of each Group company
Sanctions policy	Restrictions on financial transactions and commitments	The MD of each Group company ensures compliance. The business unit manager and the Executive Board have the power to stop transactions	Shareholders Customers Suppliers Employees	MD of the respective Group company
IMM's Code to prevent corruption in business	Preventing corruption in business	Employees with customer and/or supplier contacts are trained annually in anti-corruption, compliance is followed up via internal control, a whistleblowing scheme is available	Shareholders Customers Suppliers Employees	MD of the respective Group company

Risk management and internal controls

The sustainability reporting process includes the following elements:

ACTIVITY	EXECUTED BY
Establishment of material metrics based on the Group's strategy and material sustainability-related impacts, risks and opportunities	Parent Company
Production of emission factors, templates and allocation formulae	Parent Company
Collection of relevant data from suppliers and own organisation	Respective Group company
Reporting of data in the Group's sustainability reporting system	Respective Group company
Control and consolidation of the collected data	Parent Company
Reporting of the consolidated data	Parent Company

All of the data collected is verified by the Parent Company, both on an ongoing basis and prior to the compilation of the Group's annual sustainability reporting. It is compared with the previous reporting and subjected to a reasonability assessment. The system used for reporting ensures a reliable structure. All reporters receive detailed task instructions and relevant training from the Parent Company.

Regular internal controls linked to sustainability reporting will be formalised in 2025 and will follow standard internal control practices.

For risk assessment linked to the Group's sustainability reporting, an analysis is carried out annually in the form of a risk matrix in which relevant risks are evaluated based on the parameters of *likelihood*, *impact* and *priority*.

The responsibility for risk mitigation lies with the Parent Company's sustainability department, which ensures the implementation of appropriate measures across relevant departments and processes, either through direct execution of activities or delegation of responsibility.

The most recent risk analysis identified the following key risks:

RISK	LIKELIHOOD	IMPACT	PRIORITY	ACTION
Incorrect or incomplete data from internal or external sources	High	High	High	Detailed instructions on data quality control for reporters
Misunderstanding of the ESRS standards or local legal requirements	Medium	High	High	Provide training to the responsible teams and call on external experts when needed, working closely with the auditors
Issues with IT systems for data collection and consolidation	Medium	Medium	Medium	Perform system tests and ensure access to complementary data collection solutions
Insufficient time to review and validate data	Medium	High	High	Careful planning of reporting cycles and allocation of sufficient resources

Climate change

Introduction

The XANO Group is committed to minimising its climate impact while actively aligning its operations with and contributing to the transition towards a sustainable economy. The Group integrates climate action into its core strategy, combining emission reduction measures with business model adaptations to maintain long-term competitiveness in a net-zero emissions economy.

Through a systematic approach, the Group has identified key climate-related impacts, risks, and opportunities (IROs), which serve as the foundation for its climate strategy. The results of this analysis guide efforts to reduce greenhouse gas emissions and strengthen the Group's resilience to climate change.

Impacts, risks and opportunities

Method

By working in a structured manner, XANO has identified material climate-related impacts, risks and opportunities (IROs). This analysis serves as the foundation for the frameworks, processes, and objectives outlined in this section.

To ensure a transparent and science-based process, a combination of quantitative and qualitative analysis is used. The focus so far has been on:

- Identifying and accounting for Scope 1, 2 and 3 greenhouse gas emissions
- Assessing the physical and transition-related risks and opportunities based on the organisation's current impact and external factors
- Identifying locked-in greenhouse gas emissions and analysing fossil-dependent activities (ongoing)

As a next step, a more detailed analysis of future risks and opportunities is planned through the use of scenario analyses. This will take established climate scenarios into account and be integrated into the strategic sustainability work.

Further, our efforts to integrate climate-related objectives into financial planning will be intensified. While specific allocations of capital and operating expenditure have yet to be set, a process is underway to develop a structured methodology that ensures investments and resources align with the Group's long-term climate transition.

Material impacts, risks and opportunities

IRO	TYPE	VALUE CHAIN			TIME HORIZON		
		Upstream	Own operations	Downstream	Short-term	Medium-term	Long-term
Extreme weather events leading to direct costs and/or disruptions in the value chain.	Potential risk	x	x	x	x	x	x
Increased costs related to greenhouse gas emissions	Transition risk	x	x	x	x	x	x
Increased energy costs	Actual risk	x	x	x	x	x	x
Provide customers with products and solutions that help them to reduce their negative climate impact	Actual opportunity		x	x	x	x	x
Greenhouse gas emissions in Scope 1, 2 and 3	Actual negative impact	x	x	x	x	x	x
Use of non-renewable energy sources, including fossil fuels	Actual negative impact	x	x	x	x	x	x

Climate Transition Plan

Summary

The Climate Transition Plan is designed to align the Group's strategy and business model with a sustainable economy and the goal of limiting global warming to 1.5°C, as outlined in the Paris Agreement. The Plan is a dynamic tool and as such it is continuously refined to remain in step with the Group's long-term goals and evolving demands from the external environment for climate change mitigation and adaptation.

The Transition Plan has been approved by the Group's management and Board of Directors and is partly integrated into XANO's overall business strategy and financial planning. The plan covers all Group companies and is based on the double materiality assessment and CSRD-related guidance.

Climate targets and compatibility with the Paris Agreement

As the work to define overarching climate targets in line with the Paris Agreement is ongoing and the Group plans to join the Science Based Targets initiative (SBTi), the Climate Transition Plan currently includes preliminary targets.

- **Scope 1 & 2:** 50% reduction of emissions by 2030 (base year 2020)
- **Scope 3:** 30% reduction of emissions by 2030 (base year 2024)
- **Net zero:** 2045 for Scope 1, 2 and 3

The targets will be revised as part of the SBTi process and, if necessary, at a later stage, based on science-based scenarios and insights.

Drivers and key actions for phasing out fossil fuels

Key actions in the Group's efforts to meet the climate targets are as follows:

- **Change of machinery:** Long-term investment plan for conversion to electric power
- **Heating of buildings:** Evaluation of alternatives to natural gas in units where applicable
- **Transport:** Transition to electric and hybrid vehicles and travel management via digital systems
- **Transport of goods:** Optimisation of logistics and increased use of fossil-free transport options
- **Electricity use:** Gradual transition to 100% renewable electricity

Forecast for reduced emissions from fossil fuels.

Category	Emissions in 2023 (tonnes CO_2e)	Forecast for 2030 (tonnes CO_2e)	Reduction (%)
Oil and gas	3,079	1,540	50%
Business travel	907	635	30%
Transport of goods	1,134	794	30%
Electricity	1,465	732	50%
Total	6,585	3,701	44%

Investments and financing of the transition plan

XANO plans to increase the percentage of sustainable investments and to define indicators to monitor the impact of climate-related investments over the coming years. The target is for at least 90% of investments to be sustainable (based on an internally developed definition) by 2030.

At present, external financing and climate targets are not linked.

Locked-in emissions

Potential locked-in emissions have been identified in the following areas:

- Production facilities for rotational moulded products
- Natural gas dependent properties in the Netherlands
- Transport and logistics flows

The Transition Plan will be extended to include detailed data and action plans for locked-in emissions during 2025.

Alignment with EU taxonomy

The latest mapping exercise revealed that only 1.5% of the Group's total turnover falls under the EU taxonomy for sustainable activities. The Group has therefore chosen to prioritise other transition measures over taxonomy-related investments.

At present, there is no significant capital expenditure linked to coal, oil or gas related activities.

Integrating the Transition Plan into our business strategy

The Group-wide Sustainability Roadmap, integrated into the Group's business strategy, ensures alignment between climate goals and business objectives.

Progress and monitoring

Regular monitoring of climate-related targets is performed through:

- Quarterly reporting of climate-related key performance indicators from all Group companies
- Annual reporting of target attainments and climate data under the GHG Protocol
- Progressive development of Scope 3 measurements

The Climate Transition Plan was adopted at the end of 2024, making progress evaluation limited at this stage. However, a comparison with previous years shows significant progress in both the transition to renewable energy and in strengthening sustainability awareness across the organisation. A more structured and systematic approach to integrating sustainability and climate considerations into business strategy and operational management has been established and is continuously refined.

Policies and activities

Environmental Policy

A new Environmental Policy was implemented in 2024, which addresses the management of material climate-related impacts, risks and opportunities. This Policy forms part of XANO's broader sustainability strategy and is supported by other relevant policies and processes. The Policy has been approved by the Group Management and Board of Directors. Its implementation and monitoring are carried out through the established management structure, with operational responsibility resting with the MD of each Group company.

The Environmental Policy covers the following climate-related areas:

Climate change mitigation
XANO is committed to actively reducing its greenhouse gas emissions by switching to renewable energy, optimising transport logistics and implementing circular material flows.

Precise and measurable emission reduction targets have been set. These are regularly evaluated to ensure relevance and target attainment.

Climate reporting is conducted according to the GHG Protocol, and all Group companies are reponsible for reporting data according to established instructions.

Climate change adaptation
XANO identifies and manages climate-related risks, including the potential impact of extreme weather events on facilities and supply chains.

Strategic sourcing is used to minimise risk in the value chain, taking factors such as geographical proximity and diversifying supply sources into account.

Regular analyses of material flows are conducted to identify and phase out materials with a high climate impact.

Energy efficiency
The use of energy-efficient technologies and processes is prioritised to reduce energy consumption.

When applicable, Group companies are working to develop energy-efficient solutions for their customers.

Developing renewable energy
XANO sources renewable energy where possible and works with suppliers and partners to ensure its availability.

Link between the Environmental Policy and climate-related IROs

The Group's climate-related impacts, risks and opportunities are covered in the Environmental Policy.

- **Extreme weather events and disruptions in the value chain** (Potential physical risk)
  - Addressed through climate adaptation and risk mitigation measures in the supply chain, including geographic diversification and requiring suppliers to take preventive measures.
- **Increased costs related to greenhouse gas emissions** (Transition risk)
  - XANO is actively working to reduce its emissions through renewable energy and optimised processes, supported by the environmental policy's focus on circular material flows and energy efficiency.
- **Increased energy costs** (Actual risk)
  - Energy efficiency and renewable energy are prioritised, which addresses this risk by both reducing energy use and ensuring a stable supply of renewable energy.
- **Provide customers with products and solutions that help them to reduce their climate impact** (Actual opportunity)
  - The Group's strategy includes developing products and solutions with a lower carbon footprint, as described in The Environmental Policy under Energy and Resource Efficiency.
- **Greenhouse gas emissions in Scope 1, 2 and 3** (Actual negative impact)
  - The policy underscores the importance of regularly reporting GHG emissions in accordance with the GHG Protocol and emphasises that each Group company is accountable for reducing its own climate impact.
- **Use of non-renewable energy sources, including fossil fuels** (Actual negative impact)
  - XANO is committed to gradually replacing fossil fuels with renewable energy sources, which is a key element of both the Environmental Policy and the Climate Transition Plan.

Actions

XANO operates under a decentralised governance model, where each Group company is primarily accountable for for identifying, planning, and implementing climate transition activities. In parallel, follow-up and overarching strategic governance at Group level ensure that efforts aline with the Group's Climate Transition Plan, Environmental Policy and the targets defined in the Sustainability Roadmap. This approach balances localised initiatives with a shared, Group-wide strategy.

Completed and ongoing actions

During the reporting year, Group companies have implemented a number of initiatives to reduce climate impact and increase resource efficiency, in line with the Group's overall strategy:

- **Transition to renewable energy:** Several Group companies have started or intensified the transition to fossil-free electricity and more energy-efficient production processes.
- **Optimising transport and logistics:** Efforts to reduce the climate impact of transportation have been strengthened through better route planning and enhanced partnerships with sustainable logistics partners.
- **Energy efficiency:** Mapping of the Swedish Group companies' energy consumption to identify opportunities for energy efficiency improvements.
- **Material and resource efficiency:** Developing more circular material flows and replacing carbon-intensive materials in production processes.

Planned actions and future developments

Based on the Climate Transition Plan, the following activities will be further developed in the coming years:

- **Quantification of GHG emissions and climate impacts:** Further work to ensure comprehensive mapping of Scope 1, 2 and 3 emissions and define mitigation targets.
- **Scenario analysis and risk assessment:** Work on scenario analyses according to established frameworks will be undertaken to better understand long-term climate risks.
- **Integrating climate targets into financial planning:** Methods to align investments and resource allocation with climate actions will be developed, including a strategy for financing the climate transition.
- **Phasing out fossil fuels:** Continue the efforts to reduce the use of fossil fuels in the Group's operations and value chain.

Group companies have a broad mandate to adapt and implement activities based on their specific circumstances, but are expected to act in line with the Group's overall climate work. A centralised monitoring structure ensures that the initiatives contribute to the Group's long-term climate goals and Sustainability Roadmap.

Climate-related targets

In addition to the overarching climate targets outlined in the Climate Transition Plan, the Group has established more specific greenhouse gas emission reduction targets in the Sustainability Roadmap:

- 50% reduction of climate emissions from purchased electricity by 2030
- 50% reduction in climate emissions from gas and oil incineration by 2030
- 30% reduction of climate emissions from transporting goods and people 2030
- 40% reduction in production waste and 30% reduction in climate emissions from incinerating waste by 2030
- 30% increase in the share of sustainable materials and components in production by 2030

These targets are designed to drive the Group's climate-related work and ensure constant progress. Targets are measured in both absolute terms (tonnes of CO_2e) and in intensity values where relevant.

Data reporting

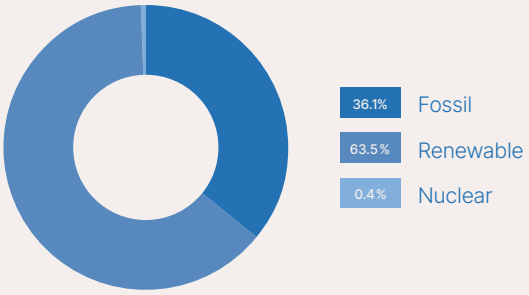
Energy

Energy use and energy mix

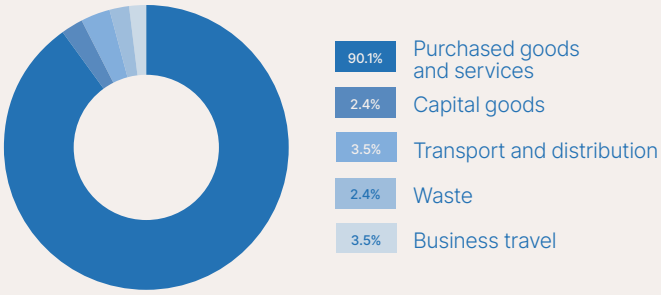
The Group's total energy consumption increased by 3.32% from 48,117 MWh to 49,714 MWh. The main reason for the increase is the companies acquired in 2023, which are now included in the reporting for 2024. The overall percentage of renewable energy improved by 6.2 points, from 57.3 % to 63.5 %.

Energy use and energy mix	2024	2023
Fuel consumption from coal and coal products (MWh)	0	0
Fuel consumption from crude oil and petroleum products (MWh)	2,164	1,974
Fuel consumption from natural gas (MWh)	8,183	8,941
Fuel consumption from other fossil sources (MWh)	4,510	5,313
Consumption of purchased or acquired electricity, heating, steam and cooling from fossil sources (MWh)	3,091	4,182
Energy consumption from fossil sources (MWh)	**17,948**	**20,409**
Percentage of fossil fuels in total energy use	**36.1%**	**42.4%**
Energy consumption from nuclear sources (MWh)	**211**	**124**
Share of nuclear energy sources in total energy use	**0.4%**	**0.3%**
Fuel energy consumption from renewable sources, including biomass (MWh)	0	0
Consumption of purchased or acquired electricity, heating, steam and cooling from renewable sources (MWh)	31,555	27,584
Use of self-generated renewable non-fuel energy (MWh)	0	0
Total use of renewable energy (MWh)	**31,555**	**27,584**
Percentage of renewable sources in total energy use	**63.5%**	**57.3%**
Total energy use (MWh)	**49,714**	**48,117**

Energy use by source



Breakdown of Scope 3 emissions (2024)



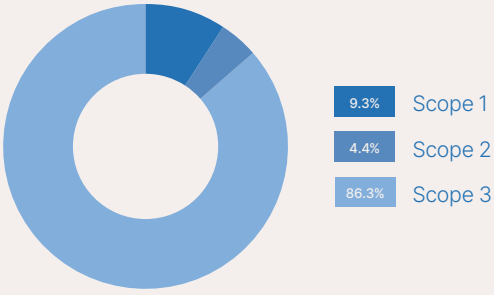
Climate emissions

GHG intensity per net revenue	2024	2023	2022
Total greenhouse gas emissions (location based) per net revenue (tonnes CO_2eq/SEK million)	2.0	2.0	2.2
Total greenhouse gas emissions (market based) per net revenue (tonnes CO_2eq/SEK million)	2.0	1.9	2.1

For comparability, 2024 only includes the categories reported in Scope 3 in previous years. Turnover data relate to amounts before elimination of internal sales. Turnover for 2022 and 2023 in currencies other than SEK has been translated into SEK using the average exchange rates for the year.

Total greenhouse gas emissions by country (tCO_2eq)	2024
China	700
Denmark	1,045
Estonia	5,526
Finland	3
The Netherlands	8,066
Norway	6,498
Poland	52
Sweden	11,880
USA	80

Emissions by scope



Total gross emissions Scope 1, 2 and 3 and total GHG emissions	2024	2023	2022	%
Scope 1 GHG emissions				
Gross Scope 1 GHG emissions (tCO_2eq)	3,145	3,542	3,410	-7.8
Scope 2 GHG emissions				
Gross Scope 2 location-based GHG emissions (tCO_2eq)	1,610	2,180	2,638	-39.0
Gross Scope 2 market-based GHG emissions (tCO_2eq)	1,502	1,594	2,242	-33.0
Significant Scope 3 GHG emissions				
Total Scope 3 indirect gross emissions (tCO_2eq)	29,203	1,881	2,571	–
1. Purchased goods and services	26,300	–	–	–
2. Capital goods	695	–	–	–
4. Upstream transportation and distribution	1,032	1,023	1,374	-24.9
5. Waste generated in operations	617	284	536	+15.1
6. Business travel	559	574	661	-15.4
Total GHG emissions				
Total GHG emissions (location based) (tCO_2eq)	**33,958**	7,603	8,619	**–**
Total GHG emissions (market based) (tCO_2eq)	**33,850**	7,017	8,223	**–**

Scope 1

During the year, the Group's Scope 1 emissions decreased by 11.2%, dropping from 3,542 tonnes of CO_2eq in 2023 to 3,145 tonnes of CO_2eq in 2024. The largest share of emissions stems from gas and oil consumption, which decreased by 10.2%, from 3,079 tonnes of CO_2eq in 2023 to 2,764 tonnes of CO_2eq in 2024. Emissions from transport and business travel using company-owned vehicles also decreased during the year.

One of the most important steps taken to reduce Scope 1 emissions during the year was the introduction of an electric rotational moulding machine at Pioneer Boats.

88% of the Group's electricity consumption is covered by Guarantee of Origin.

Scope 2

Scope 2 location-based emissions decreased by 26.1%, from 2,180 tonnes CO_2eq in 2023 to 1,610 tonnes CO_2eq in 2024, while market-based emissions decreased by 5.8%, from 1,594 tonnes CO_2eq in 2023 to 1,502 tonnes CO_2eq in 2024. This decrease is primarily driven by a lower share of electricity from emission-intensive sources and changes in electricity sourcing, with an increased share of renewable energy.

Scope 3

Reported gross emissions within Scope 3 increased from 1,881 tonnes CO_2e in 2023 to 29,203 tonnes CO_2e in 2024. As the categories Purchased Goods and Services and Capital Goods were added to the reporting in 2024, it is not possible to make a year-on-year comparison of the total Scope 3 emissions.

Explanation by category

- **Purchased goods and services:** The Purchased Goods and Services category has not previously been reported but has been prioritised this year based on the assumption that it likely constitutes the predominant share of the Group's total emissions. The calculation provides a valuable indication of emission levels, but there is a need for further process development to obtain a more complete picture.
- **Capital goods:** The category Capital Goods has not previously been reported, and a comparison with the previous year is therefore not possible.
- **Upstream transportation and distribution:** Emissions increased by 0.9% compared to the previous year, rising from 1,023 tonnes CO_2eq to 1,032 tonnes CO_2eq. This increase is attributed to normal operational variations.
- **Waste generated in operations:** Emissions increased by 117% compared to the previous year, rising from 284 tonnes CO_2eq to 617 tonnes CO_2eq. The increase is mainly attributed to increased measurement precision.
- **Business travel:** Emissions decreased by 2.6% compared to the previous year, falling from 574 tonnes CO_2eq to 559 tonnes CO_2eq. This increase is attributed to normal operational variations.

Circular economy

Introduction

The Group aims to integrate circular business models into its operations to optimise resource use, reduce environmental impact and strengthen the long-term capacity to conduct profitable and sustainable business. The Group is focusing on recycling, reducing dependence on virgin raw materials and innovation in sustainable product solutions.

By way of a structured analysis, material impacts, risks and opportunities (IROs) related to resource use and circular economy have been identified. These form the foundation of the Group's strategic initiatives in this area and guide efforts in product development, material selection and waste reduction.

Impacts, risks and opportunities

Method

Using a structured approach, material IROs related to the circular economy have been identified. This analysis serves as the foundation for the frameworks, processes, and objectives outlined in this chapter.

Methods, assumptions and screening tools

To map resource flows and identify circular opportunities, a combination of qualitative and quantitative methods has been used, including:

- **Data on material types and volumes**, based on life cycle assessments from material suppliers and internal data collection.
- **Knowledge gained from existing circular processes**, with the main focus on recycling within the organisation.
- **Internally collected data related to waste management** including volumes and the handling of residual materials.
- **Business systems and the Group's internal reporting tools for sustainability-related reporting**, which are used to analyse resource flows, material use, waste management and recycling.

The analysis focused on identifying the Group's dependency on critical resources, opportunities for improving resource efficiency and risks related to changing legal requirements or material supply. At the same time, business opportunities linked to circular solutions and innovations have been assessed for their potential to generate profitability and strengthen competitiveness. Potential negative impacts were also assessed.

Consultation and stakeholder communication

As part of the analysis, consultations with relevant stakeholders, including suppliers, customers and trade organisations were conducted to ensure a holistic understanding of resource use and the circular economy.

These consultations took place as part of the standard stakeholder programmes. Collaboration with external experts and research institutes were also conducted.

Identification of key material resources

The Group companies' business systems and the Group-wide sustainability reporting tool provide a good overview of major material flows. Using these, as well as experience-based expertise and operational knowledge, the most critical material resources have been identified. Although a structured prioritisation process has not yet been implemented across the entire Group, the assumptions used in the materiality assessment rely on the extensive expertise available within the organisation. The assessment was based on existing knowledge of the environmental impact of materials, along with circular economy principles and relevant business factors.

Resource use in the various parts of the value chain

The value chain mapping has shown that the main resource flows and resource-related risks are concentrated to the following areas:

- Upstream: raw material production and material suppliers.
- Own operations: production and material efficiency in the manufacturing process.
- Downstream: recycling, waste management and the products' life cycle.

Material impacts, risks and opportunities

IRO	TYPE	VALUE CHAIN			TIME HORIZON		
		Upstream	Own operations	Downstream	Short-term	Medium-term	Long-term
Transition to circular business models	Actual opportunity	x	x	x	x	x	x
Use of recycled and fossil-free materials in production	Actual opportunity	x	x	x	x	x	x
Recycling of production residues, new manufacturing methods that minimise waste	Actual opportunity		x	x	x	x	x

Policies and activities

Environmental Policy

The Group's Environmental Policy sets out principles and guidelines for the sustainable use of resources and the transition to a circular economy. The Policy highlights the importance of minimising environmental impacts through resource efficiency, recycling and reducing the use of primary raw materials.

The Environmental Policy promotes a gradual transition from primary and fossil-based materials to recycled and fossil-free alternatives wherever it is technically and commercially achievable. Group companies are expected to work actively to identify opportunities to increase the percentage of secondary raw materials in their products and solutions. This includes requiring suppliers to provide sustainable materials and to prioritise recycled content.

The Environmental Policy uses the waste hierarchy as a tool for resource management:

1. **Prevention measures:** Working to minimise the quantity of materials and waste through efficient production methods and thoughtful product and solution design.
2. **Reuse:** Striving to design products and solutions with long lifespans that can be reconditioned and reused. In the Group's own operations, maintenance is carried out to increase service life and efforts are made to purchase reused equipment wherever possible.
3. **Recycling:** Striving to use materials that can be recycled when products and solutions can no longer be used. A high level of recycling is targeted across the organisation's own operations for the waste it generates.
4. **Other recovery:** In cases where the Group's own waste cannot be recycled, energy recovery or other recovery methods are utilised.
5. **Disposal:** The Group ensures that any waste that cannot be reused or recycled is disposed of in an environmentally responsible manner.

In addition to measures aligned with the waste hierarchy, circular business models are also prioritised as a way to avoid and minimise waste, rather than falling back on waste treatment.

Link between the Environmental Policy and IROs related to the circular economy

The Environmental Policy addresses the Group's significant IROs as follows:

- **Transition to circular business models:** The Policy promotes circular solutions through product design for long lifespans, reuse and resource efficiency, and supports actions that enable reduced material consumption.
- **Use of recycled and fossil-free materials in production:** The Policy promotes a gradual transition to recycled and fossil-free materials where technically and commercially feasible, and requires suppliers to provide sustainable materials.
- **Recycling of production residues, new manufacturing methods that minimise waste:** Through use of the waste hierarchy, the recycling of production waste and optimised manufacturing processes are prioritised to minimise waste volumes and resource consumption.

Actions

The XANO Group operates under a decentralised governance model, where each Group company is primarily responsible for identifying, planning and implementing activities related to the circular economy. In parallel, follow-up and overall strategic management is carried out at Group level to ensure that the initiatives are in line with the Group's Environmental Policy and the targets defined in the Sustainability Roadmap. This approach balances localised initiatives with a shared, Group-wide strategy.

Completed and ongoing actions

» **Increased resource efficiency**

- Group companies are working to optimise material use through improved product design, efficient production processes and by minimising residual materials.
- Production techniques are used that allow lower material consumption per unit produced.
- The Industrial Solutions business unit develops solutions that help customers achieve greater resource efficiency.
- The Precision Technology business unit has developed a resource-saving production method linked to long-hole drilling.

» **Increased use of secondary raw materials**

- Recycled materials are increasingly used in plastic-based products in the Industrial Products business unit.
- Within the Industrial Products business unit, offcut materials are directly reused in production, and internally discarded plastic products are recycled.
- Carbon footprint calculations are used for comparative purposes to encourage customers to choose more sustainable options.
- Participation in research projects specialising in recycled plastic materials.

» **Recycling**

- Recovery of plastic-based boats for recycling
- Structured internal processes and partnerships with recycling companies to recycle production waste.

Targets

The Group's Sustainability Roadmap defines targets related to materials and waste management. These include increasing the use of sustainable materials and reducing production waste, which has a direct impact on resource inflows and outflows.

Circular material use and product development

The Group strategically integrates circular principles into both product development and material use, aiming to reduce negative impacts and enhance business resilience.

» **Circular product development and minimisation of primary raw materials** is promoted through targets linked to sustainable innovation and the use of recycled and recyclable materials.

» **Increased circular material use** is regulated by a target for the use of sustainable materials. Sustainable materials are defined here as recyclable and recycled, bio-based or with a significantly lower carbon footprint than traditional alternatives. A target focused on reducing the amount of waste sent to energy recovery further supports this objective.

Targets for waste management

The XANO Group aims to reduce production waste by 40% and reduce the climate impact of waste incineration by 30% by 2030.

Actions include increasing recycling, optimising resource use and implementing circular material flows.

The Sustainability Roadmap takes the waste hierarchy into consideration, prioritising waste prevention and reuse over recycling and finally disposal.

The targets aim to reduce the need for virgin raw materials and increase resource efficiency in the Group's operations.

Data reporting

Inflow

Resource inflows (tonnes)	2024
Steel and iron	3,057
Aluminium	63
Plastic	6,996
Copper	82
Wool felt	1
Chemicals	1
Cutting fluid	67
Plastic packaging	89
Paper packaging	173
Wooden packaging and pallets	2,135
Total weight	**12,664**

Outflow

XANO works strategically to optimise resource use and integrate circular principles into product design and material selection. The Group is increasingly using recyclable and fossil-free materials wherever it is technically and commercially feasible. Strategies include designing products with a long lifespan, using materials more efficiently and enabling recycling.

Within the Group's three business units, specific initiatives are applied to strengthen resource efficiency, such as:

- **Industrial Solutions:** The entire business unit focuses on after-sales services such as the sale of spare parts and maintenance to extend the products' lifespan. To a lesser extent, they also recover and remanufacture production equipment.
- **Industrial Products:** Here, all companies are involved in recycling and increasing the use of recycled plastics in production in various ways.
- **Precision Technology:** One of the companies in the business unit has developed a new production method that offers significant resource savings through more efficient material utilisation.

Data collection related to product durability and reparability is managed at subsidiary level as relevant, as the Group is currently prioritising other strategic sustainability initiatives. XANO continues to develop its work on circular processes and resource efficiency, with the ambition of gradually improving the transparency of its reporting.

The total share of recyclable material in products and packaging totalled 62%.

Resource outflows	2024		
	Hazardous waste (tonnes)	Non-hazardous waste (tonnes)	Collected waste (tonnes)
Diverted from disposal	**78**	**1,099**	**1,177**
Preparing for reuse	0	0	0
Recycling	64	878	942
Other recycling procedures	14	221	235
Waste disposed of	**106**	**1,904**	**2,010**
Incineration	6	18	24
Landfill	18	1,032	1,050
Other disposal method	82	854	936
Total waste	**184**	**3,003**	**3,187**
Non-recycled waste	120	2,125	2,245
Percentage of non-recycled waste	65%	71%	70%

Own workforce

Introduction

A safe, inclusive and stimulating working environment for all staff is fundamental to the success of any organisation. The Group's work with its own workforce aims to ensure good working conditions, promote skills development and create a sustainable work culture based on safety, commitment and diversity.

Using a systematic approach, material impacts, risks and opportunities (IROs) related to the Group's own workforce have been identified. These form the foundation of the Group's strategies and initiatives in this area.

Impacts, risks and opportunities

Description of XANO's own workforce

The Group has a diversified workforce consisting of permanent and temporary staff, as well as interim staff hired through an agency. Due to the decentralised structure of the Group's operations, workforce matters are primarily addressed at the subsidiary level, taking local circumstances into account.

In the process of identifying material IROs, all categories of employees have been taken into account.

Within the Group, certain occupational groups are more exposed to work-related risks, especially in production environments where safety aspects are crucial. To minimise these risks and improve working conditions, systematic health and safety procedures are in place at subsidiary level. Meanwhile, the shift towards more sustainable operations is creating new opportunities for skills development and innovation in a number of roles.

Having access to skilled workers is a key factor in XANO's success, making talent supply a priority. To attract and retain talent, the Group invests in the training and development of its employees and provides good working conditions. It also closely monitors legislation and labour market changes to identify potential risks and manage them promptly, ensuring minimal impact on its operations.

Material impacts, risks and opportunities

IRO	TYPE	VALUE CHAIN			TIME HORIZON		
		Upstream	Own operations	Downstream	Short-term	Medium-term	Long-term
The shift towards sustainability creates opportunities for attracting skilled talent.	Potential opportunity		x		x	x	
Increased profitability and benefits from recruiting skilled workers through increased diversity	Potential opportunity		x		x	x	x
Physical and/or psychological impact on own workforce	Actual negative impact		x		x	x	x
Lack of diversity in managerial roles	Actual negative impact		x		x	x	x

Potential opportunities

- **The shift towards sustainability creates opportunities for attracting skilled talent.**
  The transition to a more sustainable economy is creating new business opportunities but also changing the skills needed. The Group recognises an opportunity to attract and retain qualified employees by positioning itself as a sustainable and responsible employer. This opportunity primarily affects the organisation's own operations and has a medium to long-term horizon.
- **Increased profitability and benefits from recruiting skilled workers through increased diversity**
  A more diverse workforce could contribute to improved innovation, higher productivity levels and increased profitability. The Group therefore views diversity as a key strategic factor in its talent supply and management efforts. Increasing the representation of diverse backgrounds and experiences is a long-term endeavour but one that may also benefit the business in both the short and medium term.

Actual negative impacts

- **Physical and/or psychological impact on own workforce**
  Occupational health and safety risks are a big priority within the Group. Repetitive strain injuries, ergonomic issues and psychosocial work environment factors can all negatively affect the health and well-being of employees. In order to mitigate these risks, the Group works actively on health and safety initiatives and preventive measures. This impact affects the organisation's own activities and is deemed to be relevant in both the short and long term.
- **Lack of diversity in managerial roles**
  Diversity in management teams and other key positions is essential to ensuring broader perspectives and maintaining long-term competitiveness. The double materiality assessment has identified representation in senior management – with regards to gender, background, and experience – as a key area for improvement. This negative impact is primarily linked to its own operations and is considered relevant in the short, medium and long term.

Policies

Code of Conduct

Social and labour matters concerning the Group's own workforce are regulated by the Group's Code of Conduct, which constitutes the Group's overarching policy on ethical business practices. The Code of Conduct applies to all employees, contractors, management and the Board of Directors. Its principles also apply to suppliers and other business partners. The Code of Conduct sets out the basic principles that govern how the Group deals with material IROs related to its own workforce.

Working conditions and respect of human rights

XANO's Code of Conduct ensures that the Group complies with international guidelines, including the UN's Guiding Principles on Business and Human Rights, the ILO's Core Conventions and the OECD Guidelines for Multinational Enterprises. The Code states that:

- Child labour and forced labour are not accepted in any part of the operations or value chain.
- Fair working conditions shall be ensured, including fair wages and working hours in accordance with local laws and collective agreements.
- Freedom of association and the right to collective bargaining is respected.

Occupational health and safety

Occupational health and safety are priority areas within the Group, and each Group company is responsible for implementing safety measures to minimise risks. The occupational health and safety approach follows national and international standards, and systematic efforts are made to create a safe working environment.

Diversity, equity, and inclusion

The Group is committed to fostering an inclusive organisation where everyone is treated fairly and has equal opportunities. The Code of Conduct prohibits discrimination based on gender, ethnicity, religion, disability, sexual orientation, age or other protected characteristics. The Policy also covers:

- Measures to promote diversity and gender equality throughout the organisation.
- Efforts to ensure equal pay for equal work.
- A working environment free from harassment and discrimination.

Skills development and just transitions

The Group invests in training and skills development to strengthen the long-term competitiveness of its workforce.

Compliance and monitoring

To ensure accessibility and compliance internally, the Code of Conduct is incorporated into every new employment contract. It is also published on the Group-wide management system and available on the official XANO website. The MD of each Group Company is accountable for implementing and ensuring compliance with the Code within their own organisation, as well as communicating it to and enforcing it among external partners. Regular monitoring is carried out as part of the routine internal control process, and employees can report deviations anonymously through the whistleblowing scheme.

Collaboration within XANO’s own workforce

Collaboration

Within XANO, commitment to employees is mainly managed at the subsidiary level, where companies have the operational responsibility for maintaining communication and contact with their employees. Each Group company tailors its approach to employee engagement according to its specific operating conditions and local needs. This includes regular health and safety meetings, appraisals, employee surveys and other forms of communication to ensure that employee perspectives are taken into account in decision-making processes.

In order to gain a broader understanding of employees' views across the Group, an employee survey was conducted in parallel with the Group-wide double materiality assessment. The survey was targeted at representative companies within each business unit and aimed at capturing key matters. These included matters related to the working environment and the working conditions of the Group’s own workforce. The results have contributed to the Group's understanding of key workforce-related risks and opportunities and are being used to guide strategic decisions at Group level.

Group companies are responsible for ensuring that employee views are taken into account and that relevant information is communicated to the groups concerned. Responsibility for workforce-related matters is delegated to each Group company’s MD, who is accountable for implementing commitment initiatives and ensuring their outcomes inform decision-making.

Regarding strategic transitions and sustainability initiatives, including measures to reduce climate impact and strengthen circular business models, each subsidiary is responsible for communicating with employees about potential impacts, such as the need for skills development or changes to roles and work tasks.

Communication with the workforce takes place through established channels such as internal intranets, meetings and appraisals. Where employee representatives serve on the Executive Boards of Group companies, they are also included in the consultation process.

Complaints handling mechanism

The Group applies a decentralised approach to governance, with individual Group companies holding primary responsibility for employee commitment and workforce initiatives. To ensure that employees' perspectives are considered in relevant decisions, each company within the Group uses various communication channels. For example, these may include regular staff meetings, appraisals and other communication channels, as well as regular surveys. Through these various forums, companies maintain ongoing communication with employees, fostering active dialogue at the subsidiary level.

In addition to the ongoing communication within the individual Group companies, there is also a central whistleblowing scheme where employees can anonymously report any complaints or improper actions. This scheme ensures that all employees have a safe and confidential channel to raise issues that they feel require attention at Group level.

Actions

XANO takes a strategic approach to managing significant negative impacts related to its workforce. At Group level, this is mainly done through objectives in the Group-wide Sustainability Roadmap, while the operational responsibility for implementation lies with the respective Group companies. Under the decentralised governance model, the Companies take action based on their specific circumstances and needs. Actions may include initiatives aimed at ensuring a positive working environment, fostering skills development, and promoting long-term employability. Monitoring is performed through communication at business unit level, and by follow-up on target attainment using the Group's internal reporting tools.

Targets

Efforts to set targets related to the Group's own workforce are guided by the Group's decentralised governance model, where individual Group companies are responsible for defining and monitoring relevant targets based on their own specific operating conditions. At Group level, overarching targets are defined within the framework of the Sustainability Roadmap, while each Group company works on tangible initiatives in areas such as health and safety, skills development and diversity.

The focus areas related to the Group's own workforce in the Sustainability Roadmap are as follows:

- **Occupational health and safety** – Targets related to minimising work-related incidents and improving health and safety in production environments.
- **Talent supply and development** – Efforts to promote employee skills development and enhance the organisation's attractiveness as an employer.
- **Diversity and inclusion** – Work to increase the inclusion of under-represented groups, especially in senior positions.

The Group-wide targets are defined at a central level on the basis of data collected, conversations with stakeholders, material IROs, current legislation, best practices and business-related factors. All targets related to the workforce must be incorporated into each Group company's own operations. This is achieved by implementing relevant processes and developing concrete actions, and each Group company is also free to add its own targets, which they do frequently.

These targets are monitored internally by each Group company and centrally using the Group's internal reporting tools.

Learnings and areas for improvement are identified through data analysis, employee surveys, and industry benchmarking.

Data reporting

Group employees

Number of employees by gender	2024
Men	1,120
Women	208
Other	0
Not indicated	0
Total employees (number)	**1,328**

Geographical breakdown of number of employees

Geographical breakdown of number of employees	2024
China	52
Denmark	197
Estonia	86
Finland	4
The Netherlands	223
Norway	115
Poland	10
Sweden	604
USA	37

Employee turnover

Employee turnover	2024
Total employee turnover (number)	**280**
Employee turnover rate (%)	21

Gender composition at executive level

Gender composition at executive level (headcount as of the last day)	Number (people) 2024	Share as a % 2024
Men	114	80%
Women	28	20%
Total	**142**	**100%**

Age breakdown

Age breakdown (headcount as of the last day)	Total 2024	Share as a % 2024	Total 2023	Share as a % 2023
16–25 years	82	6%	91	6%
26–35 years	264	20%	301	21%
36–45 years	280	21%	296	21%
46–55 years	334	25%	365	26%
56 and older	368	28%	360	25%
Total	**1,328**	**100%**	**1,413**	**100%**

Occupational health and safety

Occupational health and safety	2024	
	Employees	Non-employees
Number of people covered by the occupational health and safety programme	**1,313**	**35**
Percentage covered by the occupational health and safety programme	99%	100%
Number of work-related accidents	52	0
Accident frequency rate (number/1 million hours worked)	21	0
Number of fatalities resulting from work-related injuries or ill health	0	0

Reported cases of discrimination and formal complaints filed

Reported cases of discrimination and formal complaints filed	2024
Reported cases of discrimination	1
Reported cases of sexual harassment	0
Reported cases of other forms of harassment	0
Complaints filed through internal channels from own workforce	3
Material fines, penalties and compensation for damages as a result of violations regarding social and human rights	0

Workers in the value chain

Introduction

The Group depends on the value chain's workforce to ensure sustainable and responsible operations. These workers include employees of suppliers, subcontractors and other external partners. Through the Group's decentralised approach to governance, individual Group companies are responsible for ensuring good working conditions within their respective supply chains. This focuses on identifying and managing risks and opportunities related to labour conditions, in line with the Group's overarching policies and Code of Conduct.

Impacts, risks and opportunities

Description of workers in the value chain

In this instance, workers in the value chain includes employees of suppliers, subcontractors and other external partners upstream who contribute to the Group's operations. They may be involved in production, distribution, logistics and other tasks in support of the business model.

Material impacts, risks and opportunities

IRO	TYPE	VALUE CHAIN			TIME HORIZON		
		Upstream	Own operations	Downstream	Short-term	Medium-term	Long-term
Potential physical and/or psychological impact on workers in the value chain	Potential negative impacts	x			x	x	x

Conducting a double materiality assessment of the workforce in the value chain is particularly challenging in a decentralised group. Even greater knowledge of and communication with the value chain is required in this area than in other areas covered by the assessment. Due to the dispersion of the Group companies, this is an extensive exercise which is still ongoing. This is therefore an area where insights, actions and reporting are expected to be further improved in the coming years.

Policies

Code of Conduct

Social and labour matters concerning the workforce in the value chain are regulated by the Group's Code of Conduct, which constitutes the Group's overarching policy on ethical business practices. The Code of Conduct requires all suppliers to ensure good working conditions, as well as complying with local legislation and international guidelines such as ILO conventions and the UN's Guiding Principles on Business and Human Rights. The Code of Conduct includes specific requirements to address potential physical and psychological stresses on workers in the value chain. This includes ensuring a safe working environment, implementing measures to prevent discrimination, harassment, and excessive workloads, as well as establishing requirements for access to adapted working conditions. Suppliers are expected to implement policies and processes to prevent work-related incidents, stress and other negative work environment factors. To ensure compliance, regular monitoring and, where necessary, additional audits are conducted.

Collaboration with workers in the value chain

Collaboration

Group companies have independent responsibility for their supplier collaborations in line with the Group's decentralised approach to governance. In general, Group companies have close and fruitful collaborations with their suppliers, but direct interaction with workers in the value chain is a particularly challenging area. This is therefore identified as an area for improvement, requiring further action to ensure more systematic monitoring, improved processes and enhanced collaboration. The Group is dedicated to enhancing transparency and accountability within its supply chain. This is an ongoing effort that aligns with its overarching strategy.

Complaints

Workers in the value chain are able to report work-related issues through the suppliers' internal mechanisms or through the Group's central whistleblowing scheme. This scheme is designed to allow the anonymous reporting of any breaches or grievances and is accessible through XANO's website.

Counteracting negative impacts

If actual negative impacts are identified, Group companies are expected to take corrective actions in collaboration with the supplier. This may include monitoring working conditions, requiring improvement plans and, if necessary, terminating collaborations, as stipulated in the Group's Code of Conduct.

Targets

XANO aims to progressively enhance the control and monitoring of working conditions within the value chain, with a particular focus on identified risk areas. As direct control over the supply chain is limited in a decentralised governance model, the emphasis is on assisting and guiding Group companies to ensure responsible supplier relationships.

Current targets that regulate the Group's work with suppliers:

- Percentage of suppliers complying with the Group's Code of Conduct.
- Enhanced control initiatives for suppliers in high-risk geographical areas or sectors – this target will be implemented in 2025.

Ethical business practices

Introduction

Anti-corruption and ethics is one of four identified focus areas within the ‘Driving Sustainable Business’ pillar of XANO's Sustainability Roadmap. This is a key priority for the Group, with a strong focus on maintaining the highest ethical standards in business conduct.

Policies and regulations

Within the Group, the use of corporate gifts, rewards and other benefits to promote its activities is governed by the rules of The Swedish Anti-Corruption Institute. Employees concerned are regularly trained in anti-corruption matters and this is monitored in the Group's reporting tools and through internal control.

The Group's Code of Conduct sets out the principles that each Group company and individual employee is expected to follow to ensure ethical and responsible business conduct. Compliance with these principles is also regulated at the supply chain level.

Targets

The Group's Sustainability Roadmap includes targets for ethical business practices under the focus area of ethical business practices and anti-corruption:

- Compliance with the Group's Code of Conduct at supplier level.
- All employees with customer and/or supplier contact are required to take annual anti-corruption training.
- No confirmed ethical breaches.

Incidents

An independent whistleblowing service is used to ensure that any unethical behaviour is revealed. In 2024, three cases were reported, two of which qualified as whistleblowing matters.

These have been addressed and resolved during the year. None of the cases concerned the behaviour of a person in a senior position.

Reporting of key performance indicators according to taxonomy

The EU taxonomy regulation

The EU taxonomy regulation is a key component of the EU's sustainable finance framework, established to classify environmentally sustainable economic activities conducted within the EU. The taxonomy aims to create market transparency and enable investment in economic activities that contribute to the EU's net-zero emissions target for 2050, as well as other EU environmental targets. The economic activities included in the taxonomy relate to the six EU environmental targets:

1. Climate change mitigation
2. Climate change adaptation
3. Sustainable use and protection of water and marine resources
4. Transition to a circular economy
5. Pollution prevention and control
6. Protection and restoration of biodiversity and ecosystems

An economic activity is classified as sustainable if it makes a substantial contribution to one or more environmental objectives, does not significantly harm any other objectives, and complies with defined minimum safeguards.

Activities included

The Group's comprehensive economic activities for the financial year 2024 were:

1. Climate change mitigation
   - 3.18. Manufacture of automotive and mobility components
   - 5.1. Construction, extension and operation of water collection, treatment and supply systems
3. Sustainable use and protection of water and marine resources
   - 2.2 Urban wastewater treatment

Analysis of outcomes

Overall, 0% of turnover for 2024 falls under the Taxonomy regulation. The same applies to capital and operating expenditure. At present, the Group's operations fall under the taxonomy to a very limited extent. Around half of the operations concern manufacturing on behalf of customers. In addition to the commercial aspects, new collaborations are assessed based on the potential for shared sustainability initiatives. Customers impose high standards on subcontractors, and Group companies support their sustainability targets by collaborating to develop technological innovations and enhance expertise. Regardless of the economic activities outlined in the Taxonomy regulation, the Group is committed to advancing sustainability across all areas of its business on an ongoing basis.

Proportion of turnover from products or services associated with taxonomy-aligned economic activities

Financial year 2024		Year		Substantial contribution criteria						Do No Significant Harm ('DNSH') criteria									
Economic activities (1)	Code (2)	Turnover (3)	Proportion of turnover 2024 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of Taxonomy-aligned (A.1) or -eligible (A.2) turnover 2023 (18)	Category enabling activity (19)	Category transitional activity (20)
		kSEK	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	%	Enabling	Transitional
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0.0**	–	–	–	–	–	–	–	–	–	–	–	–	–	0.0		
Of which enabling activities		0	0.0	–	–	–	–	–	–	–	–	–	–	–	–	–	0.0	–	
Of which transitional activities		0	0.0	–						–	–	–	–	–	–	–	0.0		–
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
Manufacture of automotive and mobility components	CCM 3.18	10,461	0.3	–	–	–	–	–	–								0.3		
Construction, extension and operation of water collection, treatment and supply systems	CCM 5.1	16,714	0.5	–	–	–	–	–	–								0.1		
Urban wastewater treatment	WTR 2.2	35,609	1.1	–	–	–	–	–	–								0.9		
Data-driven solutions for GHG emissions reductions / Provision of IT/OT data-driven solutions	CCM 8.2/ CE 4.1	0	0.0	–	–	–	–	–	–								0.1		
Sale of spare parts	CE 5.2	0	0.0	–	–	–	–	–	–								0.1		
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**62,784**	**1.9**	–	–	–	–	–	–								1.5		
A. Turnover of Taxonomy-eligible activities (A.1 + A.2)		**62,784**	**1.9**	–	–	–	–	–	–								1.5		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		3,251,947	98.1																
Total		**3,314,731**	**100.0**																

	Proportion of turnover / Total turnover	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	0.0%	0.8%
CCA	0.0%	0.0%
WTR	0.0%	1.1%
CE	0.0%	0.0%
PPC	0.0%	0.0%
BIO	0.0%	0.0%

Proportion of CapEx from products or services associated with taxonomy-aligned economic activities

Financial year 2024	Year			Substantial contribution criteria						Do No Significant Harm ('DNSH') criteria								
Economic activities (1)	Code (2)	CapEx (3)	Proportion of CapEx 2024 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of Taxonomy-aligned (A.1) or -eligible (A.2) CapEx 2023 (18)	Category enabling activity (19)	Category transitional activity (20)
		kSEK	%	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Y; N; N/EL	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	Yes/ No	%	Enabling	Transitional
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0.0	–	–	–	–	–	–	–	–	–	–	–	–	–	0.0		
Of which enabling activities		0	0.0	–	–	–	–	–	–	–	–	–	–	–	–	–	0.0	–	
Of which transitional activities		0	0.0	–						–	–	–	–	–	–	–	0.0		–
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL	EL; N/EL										
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned) (A.2)		**0**	**0.0**	–	–	–	–	–	–								0.0		
A. CapEx of Taxonomy-eligible activities (A.1 + A.2)		**0**	**0.0**	–	–	–	–	–	–								0.0		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
CapEx of Taxonomy-non-eligible activities		310,954	100.0																
Total		**310,954**	**100.0**																

	Proportion of CapEx/Total CapEx	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	0.0%	0.0%
CCA	0.0%	0.0%
WTR	0.0%	0.0%
CE	0.0%	0.0%
PPC	0.0%	0.0%
BIO	0.0%	0.0%

Nuclear and fossil gas related activities

Nuclear energy related activities		
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	No
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	No
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	No
Fossil gas related activities		
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	No
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	No
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	No

Proportion of OpEx from products or services associated with taxonomy-aligned economic activities

Financial year 2024		Year		Substantial contribution criteria						Do No Significant Harm ('DNSH') criteria								
Economic activities (1)	Code (2)	OpEx (3)	Proportion of OpEx 2024 (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of Taxonomy-aligned (A.1) or -eligible (A.2) OpEx 2023 (18)	Category enabling activity (19)	Category transitional activity (20)
		kSEK	*%*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Y; N; N/EL*	*Yes/ No*	*Yes/ No*	*Yes/ No*	*Yes/ No*	*Yes/ No*	*Yes/ No*	*Yes/ No*	*%*	*Enabling*	*Transitional*
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		**0**	**0.0**	–	–	–	–	–	–	–	–	–	–	–	–	–	0.0		
Of which enabling activities		0	0.0	–	–	–	–	–	–	–	–	–	–	–	–	–	0.0	–	
Of which transitional activities		0	0.0	–						–	–	–	–	–	–	–	0.0		–
A.2. Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
				EL; N/EL	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*	*EL; N/EL*										
Construction, extension and operation of water collection, treatment and supply systems	CCM 5.1	0	0.0	–	–	–	–	–	–								0.3		
Urban wastewater treatment	WTR 2.2	549	2.7	–	–	–	–	–	–								6.3		
Data-driven solutions for GHG emissions reductions / Provision of IT/OT data-driven solutions	CCM 8.2/ CE 4.1	0	0.0	–	–	–	–	–	–								40.3		
Sale of spare parts	CE 5.2	0	0.0	–	–	–	–	–	–								0.7		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		**549**	**2.7**	–	–	–	–	–	–								47.6%		
A. OpEx of Taxonomy-eligible activities (A.1 + A.2)		**549**	**2.7**	–	–	–	–	–	–								47.6%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of taxonomy-non-eligible activities		19,504	97.3																
Total		**20,053**	**100.0**																

	Proportion of OpEx/Total OpEx	
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	0.0%	0.0%
CCA	0.0%	0.0%
WTR	0.0%	2.7%
CE	0.0%	0.0%
PPC	0.0%	0.0%
BIO	0.0%	0.0%

Sustainability notes

NOTE 1 General reporting principles

VALUE CHAIN DATA ESTIMATED USING INDIRECT SOURCES

Emissions calculations within the value chain are based on an integrated approach, utilising both primary and secondary data, in line with the established methods for emissions assessment as recommended by the GHG Protocol. Primary data was used where available and includes data collected directly from suppliers. Where specific data was not available, secondary data was used in the form of average and general emission factors. The secondary data was sourced from public databases, industry organisation reports, scientific articles, and values developed in collaboration with reputable consultants with industry-specific expertise.

ESTIMATION SOURCES AND OUTCOME UNCERTAINTY

The XANO Group is committed to ensuring the highest possible accuracy and reliability in reported data at all times. However, due to circumstances such as difficulties in obtaining accurate data from the value chain, limitations in system support and prioritisation of resources, some reporting uses estimated data.

This means that the accuracy of the reported data varies depending on the data source. Primary data in the form of supplier-specific elements is more precise, while secondary data, in the form of average and generalised indicators, may lead to some variations and reduce calculation reliability. To improve data quality and reduce uncertainty, work is ongoing to increase the use of primary data by strengthening supplier collaboration and developing processes for data collection. This work has resulted in some adjustments to previously reported climate data for 2023. In this year's reporting, the adjusted outcome is used in comparisons.

Any sources where there is measurement uncertainty, or based on assumptions and estimates, are disclosed in the accounting policies for each reporting item.

CHANGES TO THE PREPARATION AND PRESENTATION OF SUSTAINABILITY INFORMATION COMPARED TO THE PREVIOUS REPORTING PERIOD

In preparation for this year's reporting, the Group has significantly expanded its reported sustainability data. This primarily concerns the reporting of climate impacts under the GHG Protocol framework, with two additional measurement points introduced in Scope 3 (indirect emissions) and a restructuring to ensure alignment with key ESRS standard requirements. The scope of a number of the Group's material topics has also been extended compared to the previous sustainability report.

To ensure a more comprehensive and accurate picture of the Group's emissions, the data for the previous year was adjusted for the categories of purchased goods and services and waste generated in operations.

For purchased goods and services, previous categories have been adapted and have a new structure with a more detailed breakdown. Previous (internal) reporting for the category only included volumes. Emission factors have now been added to allow for climate calculations and transparent and comparable reporting.

The reporting of waste generated in operations was improved by restructuring previous categories to separate hazardous and non-hazardous waste. The distribution of these waste types across different treatment methods was determined using generalised allocation factors and updated, geographically differentiated emission factors, ensuring a consistent and comparable methodology.

SPECIAL CIRCUMSTANCES IN THE PREPARATION OF THE SUSTAINABILITY STATEMENT

Although significant impacts, risks and opportunities (IROs) related to air pollution have been identified in the double materiality assessment, the 2024 Sustainability Statement does not include this topic. This is because there are currently significant uncertainties related to data, methodology and impacts across the value chain. To ensure reliable and meaningful reporting, further analysis and more detailed work is needed. Our aim is to integrate this information into future reporting cycles once a more robust assessment is performed.

INFORMATION DERIVED FROM OTHER LEGISLATION

The XANO Group ensures that its sustainability reporting fulfils all requirements under Swedish legislation, which is primarily the Annual Accounts Act. Otherwise, the report's structure is largely based on the guidance in the European Sustainability Reporting Standards (ESRS).

NOTE 2 Double materiality assessment

REPORTING OF TOPICS CONSIDERED TO BE NON-MATERIAL

Topic	Reasoning
Water and marine resources	Due to the nature of the business, the impact on the Water and marine resources topic is not considered sufficient to be material.
Biodiversity and ecosystems	Due to the nature of the business, the impact on the Biodiversity and ecosystems topic is not considered sufficient to be material.
Affected communities	Due to the geographical location and the nature of the business, the impact on the Affected communities topic is not considered sufficient to be material.
Consumers and end-users	The Group's products and solutions are not considered to have a sufficiently high direct impact on the topic Consumers and end users to be considered material.
Business conduct	Business conduct is not classified as a material issue, as the Group primarily operates in regulated industries with low risk exposure, is supported by robust governance systems, and has no history of incidents in this area.

DEFINING MATERIAL INFORMATION

The results of the double materiality assessment provide the basis for the information which is included in the sustainability report. A GAP analysis was carried out based on the topics, subtopics and sub-subtopics deemed material for the Group. The GAP analysis was performed by comparing the datapoints outlined by EFRAG with the Group's previous sustainability report, along with sustainability-related data points that are internally reported but have not yet been publicly disclosed.

Since the 2024 reporting serves as a transitional phase toward full CSRD compliance in the coming years, certain reporting requirements have been excluded from this year's sustainability report. This is primarily due to the workload within the Group companies and the need to ensure a sufficient level of expertise regarding the reporting of sustainability-related information. No precise thresholds were set – instead a situation-based assessment was made in each individual case.

Aside from that, ESRS 1 assessment criteria was applied to ensure that the reporting is in line with the standard's principles for materiality and information quality.

The data on material topics was gathered from internal and external sources, including stakeholder consultations and company data.

To ensure that the reporting is comprehensive, both qualitative descriptions and quantitative data have been included, mainly based on available guidance in the ESRSs and from EFRAG.

SPECIAL CIRCUMSTANCES IN THE PREPARATION OF THE SUSTAINABILITY STATEMENT

In carrying out the Group's double materiality assessment, the following assessment criteria – taken from ESRS 1 – was used to evaluate the impacts, risks and opportunities:

» **Impact materiality**

- **Scale:** The number of people, ecosystems or geographical areas that are affected.
- **Scope:** Extent of actual or potential impact.
- **Irremediable character:** How difficult it is to remedy the impact.
- **Likelihood:** The likelihood of the impact occurring.

» **Financial materiality**

- **Consequence:** How much of an impact a sustainability-related risk or opportunity may have on the Group's financial position.
- **Likelihood:** How likely it is that an identified risk or opportunity will materialise within a relevant timeframe.

For the identified IROs in each section of the double materiality assessment, all assessment criteria was evaluated on a five-point scale, where higher scores indicate greater materiality. An average value was then calculated and compared to a threshold value indicating whether an IRO should be considered material or not. The threshold for impact materiality is 24, and for financial materiality it is 12.

In the financial assessment, the impact on profit was used as a metric linked to the assessment of consequence to ensure a clear link to the Group's financial position.

NOTE 3 Time horizons according to ESRS

Definition of short, medium and long term according to ESRS:

» **Short term:** The period that the entity uses as its financial reporting period.
» **Medium term:** The period from the end of the short-term reporting period lasting up to five years.
» **Long term:** The period exceeding five years from the end of the short-term reporting period.

NOTE 4 XANO Group's sustainability roadmap

The Group's Sustainability Roadmap is a central part of the overall business strategy and focuses on creating measurable sustainability outcomes. Through a combination of internal control and external collaborations, XANO strives to become a market leader in sustainable business. The Company has set clear targets and timelines to reduce its environmental impact, enhance social responsibility, and drive sustainable growth. Most of the targets extend to 2030, with intermediate targets for 2026 and 2028.

Continuous monitoring and strong governance ensure that the Group's sustainability objectives are met in alignment with the business strategy and stakeholder expectations.

The plan is based on three pillars:

» **Sustaining the Planet:** Focus on environmental impact, energy efficiency and material use.
» **Owning Social Responsibility:** Employee well-being, diversity in the organisation and working conditions in the value chain.
» **Driving Sustainable Business:** Circular business models, innovation and ethical business practices.

Each area contains specific targets with clear timeframes and measurable key performance indicators.

FOCUS AREAS AND TARGETS

Sustaining the Planet

Purpose: To reduce negative environmental impacts through more efficient use of resources and reduced climate emissions.

Focus area	Target
Sustainable materials	Increased use of sustainable materials
Energy use	Reduced climate emissions from purchased electricity Reduced climate emissions from gas and oil combustion
Transport	Reduced transport-related emissions
Waste as a resource	Reduction of production waste and lower emissions from waste incineration

Connection to stakeholders, policies and material IROs:

» Affected stakeholders: suppliers, customers, shareholders, society and the Planet.
» This topic is also regulated by the Group's Environmental Policy.
» Related material impacts include extreme weather and increased energy costs that may affect the supply chain, as well as Greenhouse gas emissions in Scope 1, 2 and 3.

Owning Social Responsibility

Purpose: Ensuring good working conditions, gender equality and the responsible management of supplier relationships.

Focus area	Target
Health and safety in our own workforce	Structured approach to health and safety for own workforce No work-related accidents Maximum 2% short-term sick leave
Upstream value chain	At least 80% of the purchase value is governed by XANO's Code of Conduct. Increased due dilligence of suppliers in geographical risk areas and/or risk industries
Equal opportunity	Structured diversity work Annual salary benchmark
Internal people development	Structured approach to development of the Group's workforce

Connection to stakeholders, policies and material IROs:

» Affected stakeholders: employees, suppliers, society and shareholders.
» The Code of Conduct and supplier audits address workforce matters for XANO's own workforce and workers in the supply chain.
» Material impacts include risks related to working conditions in XANO's own workforce and in the value chain, including potential physical and psychological stresses.

Driving Sustainable Business

Purpose: Fostering sustainable innovation, enhancing the business model with circular solutions, and upholding high ethical standards.

Focus area	Target
Circular business models	Share of revenue from service-based business Share of EBIT from service-based business
Sustainable innovation	Share of Group investments that contribute to sustainable development
Collaboration in the value chain	Number of sustainable products/services developed in close collaboration with customers and/or suppliers per year
Anti-corruption and ethics	100% of employees with customer and/or supplier contact receive annual anti-corruption training No confirmed ethical incidents

Connection to stakeholders, policies and material IROs:

» Affected stakeholders: employees, suppliers, customers, shareholders and the Planet.
» Ethical business practices are governed by the Group's Code of Conduct and The Swedish Anti-Corruption Institute's rules.
» Material impacts include limitations in product recycling, material flows and circular business models. Ethical business principles, including anti-corruption measures and value chain responsibility, are also key components of the Group's strategy.

NOTE 5 Analysis and data

STAKEHOLDER ANALYSIS

Stakeholder analysis was carried out by an external consultancy firm, and was designed to capture the views of key stakeholders. The following groups were included in the analysis to ensure a broad representation:

» Employees from three companies in each of the three business units.
» All MDs within the Group.
» The four largest customers and suppliers in each business unit.
» The Group's six biggest investors.

The data was collected through an anonymised digital survey and then compiled into a comprehensive report. The results were compared with the outcomes of previous stakeholder analyses to ensure consistency and relevance over time.

BUSINESS INTELLIGENCE

The business intelligence analysis was carried out in parallel by the same consultancy firm and included an audit of:

- Current and future legislative requirements related to sustainability reporting.
- Trends and changes in market conditions with a potential impact on the Group's operations.
- Industry-specific sustainability challenges and opportunities.

INTERNAL DATA SOURCES

To enhance the analysis and ensure a data-driven assessment of material sustainability aspects, data gathered through the Group's internal reporting system was consolidated and analysed.

NOTE 6 Main dependencies

The Group relies on a number of key factors to ensure its long-term sustainability and competitiveness. These factors affect its ability to deliver high-quality products and services and to fulfil business and sustainability objectives.

1. **Material availability and supply chains**
   The availability of raw materials, such as metals and plastic components, is crucial for the Group's manufacturing operations. Disruptions in the global supply chain, for example due to geopolitical factors or resource constraints, can affect both costs and supply capacity.
2. **Access to a skilled workforce**
   The Group's business relies on technical expertise in areas such as automation, electronics, software development, process engineering and industrial design. In addition, qualified production staff, such as CNC operators, welders, assemblers, maintenance technicians and production planners, are essential to ensure efficient and high-quality manufacturing processes. A shortage of skilled workers could hinder production efficiency and limit innovation capacity.
3. **Technological development and innovation**
   The Group relies on continuous technological progress in society to develop competitive and sustainable solutions. Developments in digitalisation, automation, electrification, and material technologies are creating opportunities to streamline production processes, optimise resource utilisation, and better meet customer demands. To keep pace with technological developments, the Group relies on academic innovation, research and industrial collaborations.
4. **Market demand and customer relationships**
   Demand for the Group's products is influenced by global and industry-led trends. These include the packaging industry, the food sector and medtech. To respond to changing market conditions, product development and production capacity are adapted based on customer needs and long-term business opportunities.
5. **Regulatory requirements and sustainability legislation**
   The Group is subject to national and international laws and regulations, including environmental standards, labour regulations and industry-specific regulations. Evolving demands for sustainability and climate reporting are driving a growing need for transparency and adaptation to new regulations. XANO regularly monitors changes in legislation and integrates relevant requirements into its business strategy.

NOTE 7 Climate change

ENERGY USE AND ENERGY MIX

Accounting principles

- Energy from non-renewable sources includes fuel consumed by the Group's fleet of cars, rental cars and employee vehicles, transport using company-owned vehicles, and consumption of oil, natural gas, LPG, propane and recycled propane. It also includes the use of district heating and electricity consumption at XANO's production facilities and office premises.
- Energy from renewable sources includes electricity and district heating used in production facilities and offices. In addition, energy consumption linked to business travel using electric cars is included.
- Energy from nuclear sources includes electricity and district heating used in production facilities and offices. In addition, energy consumption linked to business travel using electric cars is included.

TOTAL GREENHOUSE GAS EMISSIONS

The Greenhouse Gas Protocol (GHG Protocol) is used as the framework for calculating Scope 1 and Scope 2 greenhouse gas emissions, as well as for material Scope 3 emissions. The calculations are conducted using the Group's internal reporting system, which complies with the Protocol and is capable of managing complex data flows, ensuring accurate and transparent reporting. Opting for the GHG Protocol ensures comparability and transparency. The Group has been reporting Scope 1 and 2 emissions and selected Scope 3 categories since 2020.

As part of efforts to improve data quality and provide a more comprehensive picture of the Group's climate impact, Scope 3 reporting was expanded in 2023 to include the category of waste generated in operations and in 2024 to include capital goods and purchased goods and services. This means a total of five Scope 3 categories are now reported. Work is ongoing and more categories are expected to be added in subsequent reporting years.

Previous years' reporting of waste generated in operations have been adjusted according to current calculation methods to ensure more accurate and comparable reporting.

In Scopes 1, 2 and 3, carbon dioxide equivalents (CO_2eq) have been measured, which include all greenhouse gases. Biogenic CO_2 emissions from biomass are not reported separately.

SCOPE 1

Accounting principles

GHG emissions in Scope 1 of the GHG Protocol refer to direct emissions from sources owned or controlled by the organisation and represent the total amount of greenhouse gases, converted to carbon dioxide equivalents (CO_2eq). For XANO, these emissions arise mainly from fuel consumption in the Group's fleet of vehicles, transport with owned or leased vehicles and the use of oil, natural gas, LPG and propane in production. When calculating GHG emissions from company cars, all vehicles are assumed to be premium cars, reflecting the category of vehicles used almost exclusively in the organisation. The emission factors are taken from the latest version of DEFRA's GHG conversion factors (2024).

SCOPE 2

Accounting principles

Scope 2 emissions of the GHG Protocol refer to indirect emissions arising from the consumption of purchased energy used by an organisation. Scope 2 emissions occur at the facility where the energy is produced and are therefore classified as indirect emissions. Emissions are linked to electricity and district heating consumption related to the Group's production units and office premises.

- Location-based method: Emissions are calculated by applying the average emission factors for electricity, heat and steam from the regional or national grid that the organisation uses. This method takes into account the production mix, the current energy mix in the geographical area where the energy is consumed, but does not take into account any renewable energy purchases or use of emission credits. When calculating GHG emissions for both electricity and district heating consumption, emission factors from AIB (2023) and Carbon Footprint (2023) were used, with the assumption that the emission factors for electricity also reflect the emissions from district heating consumption.
- Market-based method: Emissions are calculated based on the specific energy sources an organisation uses for its purchased electricity, heat or steam. The purchase of renewable energy and emission credits are included in the calculation of indirect greenhouse gas emissions under the market-based approach. Where emission factors from suppliers have been available, these have been used. Where no such factors were available, emission factors from the residual mix according to AIB (2023) and Carbon Footprint (2023) were used, with the assumption that the emission factors for electricity also reflect the emissions from district heating consumption.

SCOPE 3

Scope 3 GHG emissions under the GHG Protocol are the indirect emissions attributable to an organisation's value chain. Scope 3 comprises 15 categories, five of which are included in the Group's reporting for 2024:

PURCHASED GOODS AND SERVICES

This category represents the largest share of the Group's Scope 3 emissions, depending on the volumes purchased and the emission intensity of raw materials such as metals and plastics, as well as components, used to produce the Group companies' products and solutions. There are significant opportunities to reduce these emissions by increasing the use of sustainable and recycled materials. This area is prioritised for both emission reductions and business development, as the purchase of materials and components involves significant financial expenditure and a high strategic impact on the value chain. Growing stakeholder demands for sustainability, coupled with industry trends, are driving further action.

Accounting principles
Purchased goods and services include raw materials and components used in production, as well as packaging materials. GHG emissions from raw materials have been calculated by multiplying the weight (tonnes) or volume (litres) of purchased materials by supplier-specific emission factors where available. Where primary data is not available, generalised emission factors have been used, taken from DEFRA, scientific papers or industry reports. For components and packaging materials, GHG emissions have been calculated through a spend analysis. The cost was translated into SEK using the average exchange rate for each quarter. The weight for each category has been established using conversion factors developed by specialised consultants. These weights were then multiplied by general emission factors. When using general emission factors, emissions are assumed to be equal for all materials and components within the same category. This simplified approach allows emissions to be estimated, as the broad scope of the Group's activities makes it challenging to collect specific data for each individual purchase.

CAPITAL GOODS
Investments in machinery and equipment contribute to emissions mainly linked to the production and transport of these goods. The category is material due to the scale of the Group's capital investments and their long-term impact on greenhouse gas emissions. Prioritising energy-efficient and sustainable procurement choices, along with optimising the lifecycle of capital goods, can lower emissions while reducing energy and maintenance costs. This is particularly important as capital goods represent a significant financial investment and are crucial for managing future transition-related risks and opportunities.

Accounting principles
This category includes land and buildings, plant and machinery, equipment, large tools and installations. Greenhouse gas emissions have been calculated through a spend analysis, where emissions have been estimated based on the economic value of purchases. The cost was converted to SEK using the average exchange rate for each quarter and then multiplied by general emission factors (tonnes of CO_2eq/SEK) developed by specialised consultants. When using general emission factors, all goods within the same category are assumed to have the same level of emissions. This assumption is made because there is not enough data for the individual capital goods.

TRANSPORT AND DISTRIBUTION UPSTREAM
Transport and distribution upstream causes significant emissions, especially in the case of long distance and heavy goods. Logistics and transport costs are directly affected by the choice of supplier and transport method. Opportunities to reduce these emissions are mainly found through optimising logistics flows and working with transport companies to use alternatives with a lower climate impact. In addition, the shift to fossil-free transport reduces risks linked to rising fuel prices and regulations, while strengthening the position of Group companies in a sustainable value chain.

Accounting principles
This category includes transport paid for directly by Group companies, including the transport of purchased materials, components and products from suppliers to Group units and the transport of products sold to customers. The GHG emissions of these transports are 100% based on supplier-specific data.

WASTE GENERATED IN OPERATIONS
Waste generated by the business is a significant part of the Group's environmental impact. Efforts to reduce waste are continuously pursued by emphasising circular processes. An important step in this process is to gradually phase out non-recyclable materials and replace them with more sustainable alternatives. These actions not only minimise the climate impact of operations but also generate value by optimising resource efficiency and enhancing alignment with stakeholders' evolving sustainability expectations.

Accounting principles
This category includes waste generated in production, offices and other activities. Waste is classified as either hazardous or non-hazardous, and then broken down into different waste management methods: Preparing for reuse, recycling, other recycling procedures, incineration, landfill and other disposal operations. The breakdown uses regional data retrieved from Eurostat and the EPA. Consequently, the breakdown of waste within the operations is assumed to mirror the national waste breakdown. This assumption is made because XANO operates in many countries where data availability varies – allowing all companies to report in a standardised way. In some cases, the breakdown for multiple countries was merged and a weighted average based on the previous year's data was used. The weight per waste management method is then multiplied by general emission factors, developed by specialised consultants, based on the assumption that emissions are the same for both hazardous and non-hazardous waste.

BUSINESS TRAVEL
Emissions from business travel, including air and ground transportation, represent a significant impact category. The Company sees opportunities to reduce these emissions by increasing the use of digital meeting solutions, promoting public transport and reducing air travel where alternative options are available.

Accounting principles
This category includes travel by air, rail and car using both rental cars and employees' private cars, broken down by diesel, petrol, plug-in hybrid and electric cars. GHG emissions for air travel are calculated using supplier-specific data. For rail and car journeys, emissions are calculated by multiplying the distance of each journey by general DEFRA emission factors for each transport mode. All rail journeys are assumed to have the same emissions as international trains, in order to cover all journeys regardless of location. In the absence of specific information on car models, the cars used are assumed to be average.

EXCLUDED CATEGORIES IN SCOPE 3

- *Fuel- and energy-related activities not included in Scope 1 or Scope 2*
  This category is not considered to be material because the energy-related activities are mostly covered by Scope 1 and Scope 2, and further activities are considered marginal or irrelevant to the Group.
- *Employee commuting*
  This category was not included due to the limited availability of data on employees' commuting habits. A mapping exercise is planned to evaluate the scope and significance of emissions.
- *Upstream leased assets*
  This category is deemed non-material as the Group does not rent or lease any assets at a scale that would result in significant GHG emissions.
- *Downstream transportation and distribution*
  This category is excluded due to the fact that the Group does not currently have visibility into the logistics chains used after the products leave its hands.
- *Processing of sold products*
  This category is considered non-material as the products are sold as ready-made solutions and do not undergo any further processing by customers.
- *Use of sold products*
  This category is currently excluded due to the lack of comprehensive information on the energy use and life cycle emissions of the products. A more detailed analysis is planned.
- *End-of-life treatment of sold products*
  This category is excluded due to insufficient data on how products are treated at the end of their useful life.
- *Downstream leased assets*
  This category is deemed non-material as Group companies do not lease assets to customers at a scale that would result in significant GHG emissions.
- *Franchises*
  This category is considered non-material as no business is conducted through franchises.
- *Investments*
  This category is considered non-material as the Group does not hold a significant investment portfolio that would result in GHG emissions.

GHG INTENSITY PER NET REVENUE
GHG intensity based on net revenue is calculated as total Scope 1, Scope 2 (location-based/market-based) and Scope 3 emissions divided by the reported net turnover in SEK million. The GHG intensities for the previous years – 2022 and 2023 – are based on the adjusted figures.

NOTE 8 Circular economy

RESOURCE INFLOWS
Water is used in operations, but the extent and types of use are not included in this report. A complete mapping of whether critical raw materials or rare earth elements are used in operations has not been performed.

Accounting principles
Resource inflows are calculated based on a combination of direct measurements and estimations. The weight of consumed steel, iron, aluminium, plastic, copper, glass, carbon fibre, wool felt, and chemicals was determined using available weight data from suppliers. Cutting fluid was measured in litres and converted to kilograms using an estimated conversion factor. For plastic and rubber components, fasteners, major metal components and plastic, paper and wood packaging including pallets, resource inflows were estimated based on financial data. Conversion factors (SEK/tonne) were used to transform this financial data into weight-based estimates. All calculations are based on purchased materials, with the assumption that purchases reflect material consumption.

RESOURCE OUTFLOWS

WASTE COMPOSITION

Metalworking generates waste such as non-ferrous metal filings and turnings (EWC 12 01 03), plastics shavings and turnings (EWC 12 01 05), mineral-based machining oils free of halogens (EWC 12 01 07) and machining emulsions and solutions free of halogens (EWC 12 01 09). In the case of plastics processing, waste includes plastic packaging and plastics (EWC 15 01 02, EWC 20 01 39). In terms of automated solutions, electronic waste is generated, such as discarded electrical and electronic equipment (EWC 20 01 36).

The materials reported as waste include metals, plastics, wood, paper, chemicals, oils, electronics and water-based waste. Metal waste primarily arises from waste generated during manufacturing, while plastic waste includes plastic scraps and packaging plastics. Wood and paper waste consists of wooden packaging, pallets, paper and cardboard waste and office paper. Oil and chemical waste includes used oil, cutting fluids, oily waste, absorbents, rags, oil filters and household chemicals. Electronic and hazardous waste consists of batteries, fluorescent tubes, light bulbs, electronic office equipment, unprocessed e-waste and other electronics. Water-based wastes include alkaline wastes, process water, emulsions and contaminated water. Other waste includes barrel polishing sludge/tumbling sludge, grinding swarf, landfill waste, empty packaging and refrigeration and freezer scrap.

Accounting principles

Calculations of resource outflows are based on a combination of available supplier data and estimates. The total weight and the breakdown between hazardous and non-hazardous waste is determined from data obtained from waste management providers. The breakdown of waste between the different management modes – preparing for reuse, recycling, other recycling procedures, incineration, landfilling and other disposal methods – was according to regional data from Eurostat and the EPA. In cases where the countries' waste distribution was similar, the data was merged and a weighted average based on the previous year's data was used.

NOTE 9 Own workforce

NUMBER OF EMPLOYEES

Accounting principles

The total number of employees in the Group is calculated by adding up the number of employees in all the countries in which the Group operates. This calculation is based on the headcount as of the last day of the reporting period. The gender breakdown is determined by adding up the number of employees in the male and female categories.

GEOGRAPHICAL BREAKDOWN

Accounting principles

The geographical breakdown of employees was calculated by adding up the number of employees in each geographical area in which the Group companies operate. The calculation is based on the headcount as of the last day of the reporting period.

EMPLOYEE TURNOVER

Accounting principles

Employee turnover was calculated by adding up the total number of employees who left the organisation during the reporting period. The employee turnover rate was calculated by dividing the total number of departures by the average number of full-time employees (FTEs) during the period.

GENDER COMPOSITION AT EXECUTIVE LEVEL

Accounting principles

Executive level is defined here as members of the executive management teams of the Group companies.

Gender composition at executive level was calculated by adding up the number of people who are executives and dividing them by gender. The resulting figures, based on the number of people, were then divided by the total number of women and men in the executive team to calculate the breakdown by gender. The calculation is based on the headcount as of the last day of the reporting period.

AGE BREAKDOWN

Accounting principles

The age breakdown of employees was calculated by adding up the total number of employees in the age groups 16–25, 26–35, 36–45, 46–55 and 56–65. The number of employees in each Group is then divided by the total number of employees to calculate the percentage for each age group. The calculation is based on the headcount as of the last day of the reporting period.

GENDER COMPOSITION AT EXECUTIVE LEVEL

Accounting principles

The number of people covered by the occupational health and safety programme within the Group was calculated by adding up the total number of employees and non-employees included in these schemes. The percentage of people covered by occupational health and safety schemes is calculated by dividing the total number of covered individuals by the headcount as of the last day of the reporting period for each category. The number of work-related accidents was compiled based on reported and verified incidents during the reporting period. The rate of work-related incidents was calculated as the number of accidents per million hours worked. The number of deaths due to work-related incidents or ill health is calculated based on confirmed cases where work-related factors have directly or indirectly led to death.

REPORTED CASES OF DISCRIMINATION AND FORMAL COMPLAINTS FILED

Reported cases of discrimination, harassment, and complaints are managed internally within Group companies or through the Group's whistleblowing service, with due respect for the confidentiality of each case. To protect the parties involved, no details of specific incidents are provided. Each report is carefully examined and treated with the utmost confidentiality. The Group's complaints and whistleblowing scheme ensures that employees can report any improper actions confidently and safely.

NOTE 10 EU taxonomy

METHODS TO IDENTIFY TAXONOMY-ELIGIBLE AND TAXONOMY-ALIGNED ACTIVITIES

The XANO Group consists of a number of different types of operations. There is a wide range of activities, which requires a comprehensive analysis of each activity based on the technical screening criteria of the EU taxonomy. This screening was conducted for all six environmental objectives and relevant activities were identified. As none of the identified economic activities are currently considered to be taxonomy-aligned, the principles 'Do no significant harm' and 'Minimum safeguards' have not been evaluated for 2024.

ACCOUNTING PRINCIPLES – TURNOVER

The majority of reported turnover in taxonomy-eligible activities is attributed to distinct legal entities with separate accounting systems, ensuring that double counting is avoided.

Total turnover refers to the Group's net revenue for the year 2024. The turnover included in the Taxonomy Regulation follows the same definition as in the annual accounts and consists of revenue from the sale of products and systems and the provision of related services after deduction of sales rebates and VAT and other taxes directly related to sales.

The turnover was allocated by analysing deliveries to customers to identify the proportion that meets the taxonomy criteria. If an activity covered by the taxonomy is part of a larger performance obligation without a separate recognisable unit, it was not included as turnover under the taxonomy.

ACCOUNTING PRINCIPLES – CAPITAL EXPENDITURE

Capital expenditure refers to tangible and intangible assets during the financial year, before depreciation, amortisation and revaluations, and excluding changes in fair value. Examples include the cost of moulds and tools and capitalised time spent on development.

ACCOUNTING PRINCIPLES – OPERATING EXPENDITURE

Operating expenditure refers to direct costs that are not capitalised as assets. This includes, for example, the repair and maintenance of fixed assets and direct employee costs related to development work.

Comprehensive taxonomy operating expenditure consists of the relevant direct costs for the following activities covered by the taxonomy:

3. Sustainable use and protection of water and marine resources
   2.2 Urban wastewater treatment

MINIMUM REQUIREMENTS FOR SOCIAL RESPONSIBILITY

The minimum requirements set out in the EU taxonomy are based on four pillars: human rights, taxation, corruption and fair competition, and aim to promote responsible and sustainable economic practices. According to Article 18, these requirements shall include respect for human and labour rights and responsible business conduct, in line with the OECD Guidelines for Multinational Enterprises and the UN's Guiding Principles on Business and Human Rights. The criteria ensure that economic activities are not only environmentally sustainable but also socially and ethically responsible, contributing to a more sustainable and equitable global economy.