

Sustainability Report 2019/20

The Board of Directors of Lagercrantz Group AB (publ),
corporate identity number 556282-4556, hereby submit
the Sustainability Report for the 2019/20 financial year.

The report is included in the 2019/20 Annual Report.
References in this report refer to the 2019/20 Annual Report.

The report has been subject to review
by the Company's auditors.

Sustainability Report

OUR APPROACH

Based on our stakeholder analysis, we have determined the pillars for our sustainability work as Environmental Sustainability, Social Sustainability and well as Sound Governance and Economic Sustainability. For us, it is important that the business and sustainability go hand in hand, since long-term sustainable returns depend on a sustainable business and vice versa.

Our sustainability work is based on the UN Global Compact, the ILO's core conventions, the OECD's Guidelines for Multi-national Enterprises and the UN's global sustainable development goals. Since the previous financial year, we have worked specifically with six of the goals: Good health and Well-being, Gender equality, Affordable and clean energy, Decent work and economic growth, Industry, innovation and infrastructure, and Responsible production and consumption. We work in two dimensions, firstly with getting our own businesses to meet the goals, and secondly by developing products and services that can help our customers achieve the goals. See our table in the following pages where we describe how our work is progressing under each target.

ENVIRONMENTAL SUSTAINABILITY

The Group's impact on the environment is mainly connected to transportation of input goods, finished products, business trips and waste management. Some of the Group's companies also have electric power as an important input in their production. Lagercrantz Group's carbon footprint thus mainly consists of carbon emissions, which we believe to be the largest negative environmental impact from our operations. Besides emissions related to internal use of fossil fuels and electricity, carbon emissions are also generated from different types of transports, such as transports of materials and products as well as transports of persons.

We compare the overall carbon emissions with revenue in order to provide a correct view of the emissions, a so-called carbon intensity metric.

See the table for follow-up regarding our energy use in MWh and the estimated resulting CO₂ effect. According to the GHG Protocol standard, the emissions we report would be primarily classified as scope 2, with emissions from some of our company cars as scope 1.

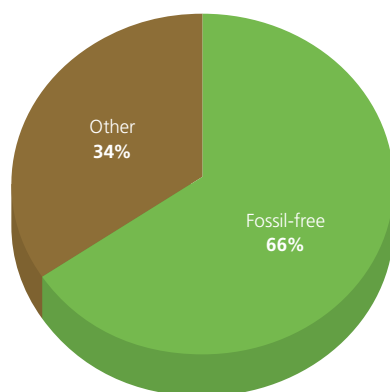
The total carbon footprint during 2019 amounted to 0.72 tonnes CO₂/MSEK (0.79 tonnes CO₂/MSEK), which shows that the work we are doing to boost energy efficiency and review our energy mix is delivering results.

Stakeholder group	Core issues in sustainability	Communication and cooperation
Customers	Financial stability and long-term relationships based on mutual trust. Customers are increasingly demanding sustainable products, both in terms of environmental footprint, as well as business ethics.	We carry out several projects together with customers with the aim of developing our offerings in a more sustainable direction, for example, in relation to choice of materials. We also strive for our customers to follow our Code of Conduct and ensure that our products are not used in harmful operations.
Suppliers	Long-term relationships with openness and transparency, clear guidelines, financial stability and cooperation around e.g. jointly reducing the environmental impact.	Our subsidiaries conduct dialogues with our suppliers. This concerns the products themselves e.g. substitution with more recycled and sustainable materials, packaging materials, but also business ethics. We strive to ensure that all our suppliers sign our Code of Conduct, for the working environment, anti-corruption, non-discrimination and human rights.
Society	The communities in which we operate expect us to conduct a sustainable and ethical business, where we contribute in terms of safe workplaces, tax payments and take responsibility for our shared environment and the local community in which we operate.	We have a continual dialogue with public authorities concerning the working environment, environment and product liability. 32 of our companies are ISO-certified. We are often one of the larger employers in the local communities where we operate and we collaborate with authorities, schools and associations. We do not engage in tax optimisation, but always strive to comply with applicable regulations.
Employees	Our employees expect safe workplaces, with a high level of ambition in relation to health and safety. They expect fair compensation and opportunities for skills development.	We conduct annual goal and career development discussions as well as skills development training. Communication also occurs via managers, Intranet and mailshots. Our larger companies conduct regular employee surveys. Whistleblower function.
Shareholders	Our owners expect a continued sustainable enterprise, with financial stability and returns, low risks and active sustainability work.	We communicate continually with our shareholders through the annual report, interim reports, analyst and investor meetings, our website and annual general meeting.

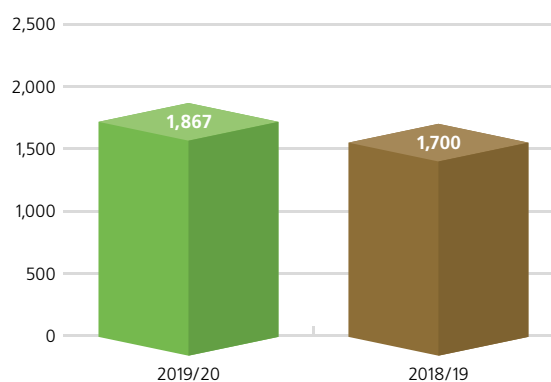
During the year, we developed our environmental work through improved calculation methods for climate effects compared to previous years. To ensure comparability, we have also opted to recalculate all comparative figures.

Energy consumption in the Group		
Our energy use in MWh	2019	2018
Buildings and operations:	23,264 MWh – 1,845 tonnes CO ₂	21,908 MWh – 1,798 tonnes CO ₂
Company cars:	3,987 MWh – 1,174 tonnes CO ₂	4,498 MWh – 1,322 tonnes CO ₂
Total energy use:	27,251 MWh – 3,019 tonnes CO₂	26,406 MWh – 3,120 tonnes CO₂
Acquisitions during the year:	409 MWh – 177 tonnes CO₂	1,149 MWh – 323 tonnes CO₂
Energy consumption in relation to net revenue amounted to 6.52 MWh/MSEK (6.72 MWh/MSEK).		
The total carbon footprint during 2019 amounted to 0.72 tonnes CO ₂ /MSEK (0.79 tonnes CO ₂ /MSEK).		
<i>The conversion of MWh to tonnes CO₂ is based on the "location-based method" where the calculation takes into account the "average mix" for electricity and heat in each relevant country.</i>		

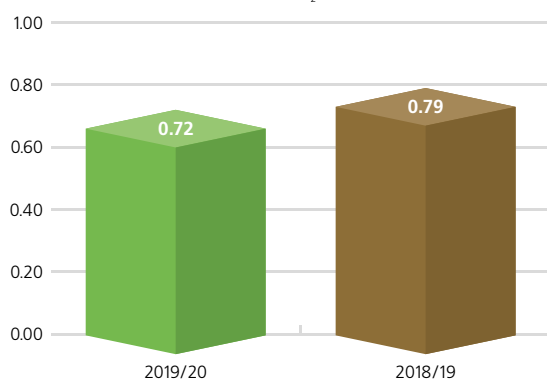
Fossil-free energy
as share of total energy



No. of video conferences (hours) in our own systems



Climate impact
Tonnes CO₂/MSEK

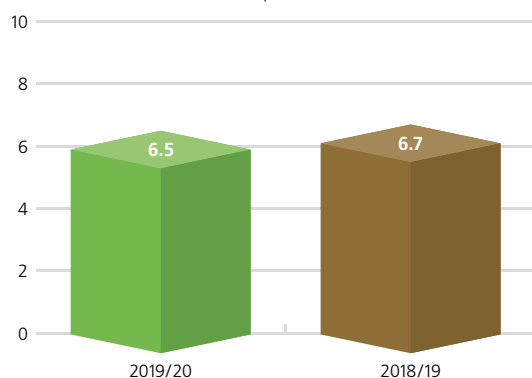


Today, the Group is twice as large as it was when we started using video, while at the same time the number of management staff has only grown by about 15%. This is mostly due to increased efficiency as a result of video and remote meetings. Without video conferencing solutions, we would have had much less productive time with the organisation, with customers, suppliers and business partners.

Jörgen Wigh, President and CEO

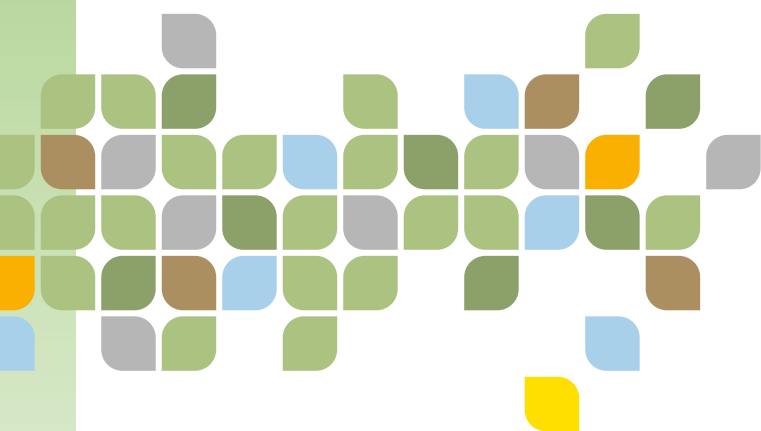
Energy intensity

Power consumption in MWh/MSEK



The Group's companies strive for high efficiency in their use of energy and natural resources, promote systems for reuse and recycling of materials and energy, and also prevent and limit environmental pollution. See example from one of the Group's companies here on the right, and more examples from other companies in the table on the following pages where we provide examples of the Group's work with the UN's sustainable development goals no. 7, 9 and 12.

Several of the Group's companies work with quantitative goals in their environmental work, adapted to the conditions of each company. In certain instances, e.g. in procurement of transport services and electric power, some coordination among companies occurs. 32 subsidiaries (29) are ISO-certified, which is 56 percent (58 percent) of the companies. The Group conducts operations in four (four) of its subsidiaries that require a permit under the Swedish Environmental Code. There are no known threats from an environmental viewpoint that could jeopardise these operations.



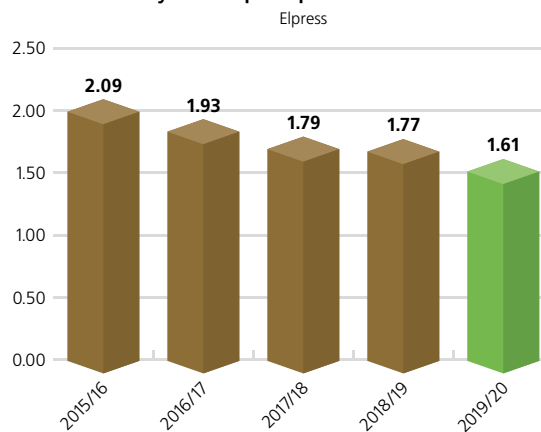
SOCIAL SUSTAINABILITY

Social sustainability for us means that we want to be a long-term, responsible and stimulating employer for our employees and contribute to the local communities where we operate. We have a decentralised working method, which means that we control by setting goals and policies such as the Code of Conduct at a central level, but leave accountability and freedom to our employees to exercise their own businessmanship within this framework.

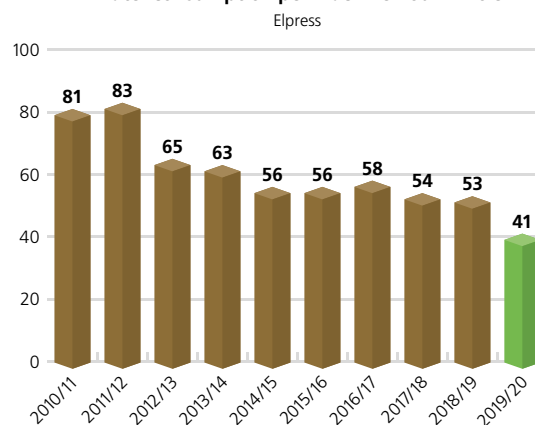
The majority of our employees are permanently employed. Temporary personnel are mainly used to replace permanent employees during illness or other absences. The fact that our employees have secure employment is not just a working environment issue but is also an important factor for ensuring continuity in the operations and in building long-term relationships. Companies in the Group should strive to be an attractive employer when it comes to the employees' professional development. The relationship with and among the employees should be based on mutual respect and also allow for reasonable influence in areas that impact the individual's work situation, with a special focus on the working environment, health and safety and development questions. Often we are one of the larger private employers in the places we operate and we are proud to be an integrated part of the local communities, where we sponsor local sports associations, collaborate with schools etc. Finally, something that is natural for us, employees should have the freedom to exercise their legal right to be a member of, organise or work for organisations that represent their interests as employees.

At year-end, the average number of employees amounted to 1,521, of whom 28 percent were women (1,449, of whom 28 percent were women). We work in traditionally male-dominated sectors and see that we can make a difference in relation to gender equality and diversity. It was positive that 31 percent of new

Electricity consumption per machine hour in kWh



Water consumption per machine hour in litre



incoming CEOs and economists in our companies during the year were women. During 2019/20, the total employee turnover was 13.7 percent (12.0 percent), excluding employees that were added via acquisitions during the year.

For information about remuneration to senior executives, see Note 6 in the Annual Report.

During the year, we reduced long-term absence due to illness from 1.7 to 1.3 percent of days worked, but unfortunately the overall absence due to illness increased from 4.3 to 5.5 percent. Towards the end of the financial year, the world was affected by Covid-19 pandemic. During the year, we took measures within the Group, including ensuring the health status of our staff, development of possibilities to work while respecting social distancing, increased cleaning frequency etc.

See also the table on the following pages where we provide examples of the Group's work with the UN's sustainable development goals no. 3, 5 and 8.

SOUND GOVERNANCE AND ECONOMIC SUSTAINABILITY

Lagercrantz's Board, through the Group Management, is ultimately responsible for the Group's sustainability work. Group Management decides on the long-term overriding goals in key areas, and through active Board work in our subsidiaries, goals are set for the sustainability work and follow up occurs in each company based on its conditions. Each company draws up a business plan annually for the next three years. Goals are set for the business and follow up then occurs during the year in each subsidiary board and this includes sustainability work.

For many years, the Group has also had a Code of Conduct for all employees, which addresses human rights, working conditions, gender equality and diversity, business ethics and anti-corruption.



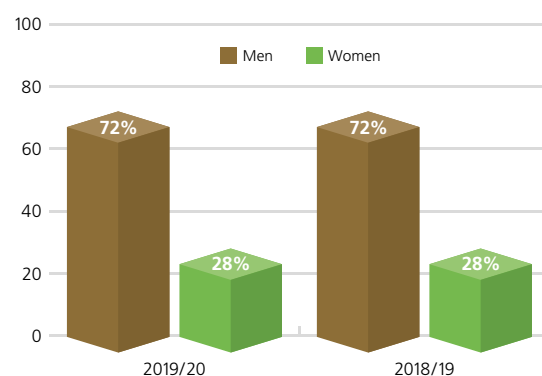
The Code is based on the UN Global Compact, the ILO's core conventions, GDPR and on the OECD's Guidelines for Multinational Enterprises and covers all companies and all employees. We conduct regular training initiatives about this, including interactive online training to ensure that all employees are familiar with it. Our Code of Conduct has been adopted by our Board and is available on our website www.lagercrantz.com. The website also contains information about the Group's whistleblower function. This provides an opportunity for those concerned to communicate with the company regarding erroneous conduct in subsidiaries or in the Group as a whole. The reporting is anonymous. During the year, we did not receive any reported incidents.

Because we impose strict requirements in relation to privacy and business ethics in our own operations, it is natural to also exert an influence on suppliers and customers. The operations are based on close and long-term relationships with business partners. We thus attach great importance that our businesses act in a professional, honest and ethically correct manner. We work continually on deepening our supplier relationships and on ensuring that our suppliers meet our expected standards in relation to their employees, society and the environment. We also have a Code of Conduct for our suppliers, which is based on our own internal Code of Conduct, with its point of departure in the UN Global Compact, the ILO's core conventions and the OECD Guidelines for Multinational Enterprises. The Group's long-term goal is that all suppliers to the Group's companies should comply with the Code of Conduct.

We work actively on ensuring that there are no breaches of regulations in our operations or in our value chain. We have not noted any violations of human rights, child labour, corruption or breaches of labour law regulations either in our own operations or in our value chain during the past year.

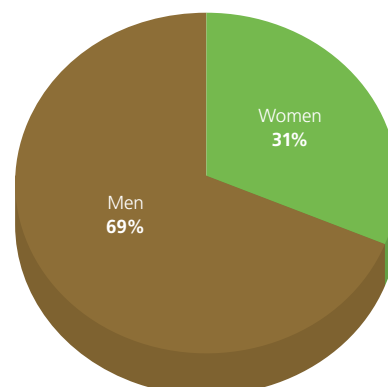
For us, it is also important to be economically sustainable, which means that we generate profits, growth and a return on invested capital to enable continued capital expenditures. Also read more later on in the Annual Report about our business model and our financial goals.

Share of women employed in the Group



We are working to increase the proportion of women in leading positions

Share of appointed CEO's, Finance managers



UN'S
GLOBAL GOALS

Milestones in focus

At Lagercrantz



- 3.6 Reduce the number of deaths and injuries from road traffic accidents.**
- 3.9 Substantially reduce the number of deaths and illnesses from hazardous chemicals and pollution.**

Lagercrantz wants to contribute to a safer society, where fewer people are exposed to injury or risks.



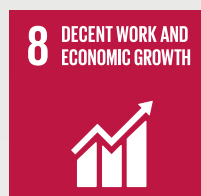
- 5.5 Ensure women's full participation in leadership and decision-making.**

Lagercrantz does not permit any form of discrimination or harassment. To the best of our knowledge, no salary differentials exist between men and women. We are also working to achieve a more uniform gender distribution in recruitment.



- 7.2 Increase substantially the share of renewable energy in the global energy mix.**
- 7.3 Double the global rate of improvement in energy efficiency.**

Lagercrantz shall conduct active work in order to continually reduce the energy use in the Group's operations, products and processes and increase the share of renewable energy.



- 8.1 Sustainable economic growth.**
- 8.5 Achieve full employment and decent work for all and equal pay for work of equal value.**

Financial stability and strength are basic requirements for investing in sustainable business development. Through growth, we can create more exciting, stimulating and rewarding job opportunities. Lagercrantz strives to be a respected employer where employees feel happy and develop.



- 9.1 Develop sustainable, resilient and inclusive infrastructure.**
- 9.C Significantly increase access to information and communications technology.**
- 9.4 Upgrade infrastructure and retrofit industries to make them sustainable.**

Each subsidiary is expected to remain at the cutting edge and develop the operations in its niche. Development issues may relate to new technology, new products, improved working procedures, new IT systems or other things that help the company to advance.



- 12.2 Achieve the sustainable management and efficient use of natural resources.**
- 12.4 Achieve the environmentally sound management of chemicals and all wastes.**
- 12.5 Substantially reduce waste generation.**

We are continually working to reduce our use of resources and to act responsibly. Through our Code of Conduct for our suppliers, we are also working with earlier stages in the chain. Our long-term goal is that all suppliers to the Group's companies should comply with the Code of Conduct.

Activities during the year

- **Swedwire** manufactures crash barrier wires, which are a constituent component in steel crash barriers. According to the Swedish Transport Administration (2019) *crash barriers of different types save about 80 person's lives in Sweden every year.* (3.6)
- Our own production mostly occurs in the Nordic countries, where we naturally follow the existing regulations. We are also continually looking to replace the chemicals that are used with better alternatives, including *with the help of the companies' chemical management system.* We choose our suppliers carefully and our goal is that they should follow our **Code of Conduct** which includes, sections about the environment. (3.9)

- We are working to have an **equal recruitment base** during hiring by actively seeking female candidates.
- Of the 200 managers in our companies, 16% are women. During the year, we recruited /promoted 26 persons to CEO or financial manager positions in subsidiaries, of which 8 are women, *which corresponds to 31%.*
- At our head office, 6 out of 16 persons are women.

Also see graphs on previous pages and Note 6 in the Annual Report.

- Most of our own production takes place in the Nordic countries, which means that a large part of the energy needed during production is **fossil-free.** *See table previous pages.* (7.2)
- Several subsidiaries, including **Tormek**, installed *solar cells as an energy source* during the year. (7.2)
- Several subsidiaries, including **Elpress**, *increased their energy efficiency* during the year due to a changeover to LED lights in production. *See separate graph on earlier pages concerning Elpress.* (7.3)

- In order to realise our vision, we have three basic requirements, **Growth, Profitability** and **Development.** We monitor this continually in each company during the year and it can be followed in each annual report. (8.1)
 - **Developing our employees** is important for us. During the year, 114 employees participated in our various training courses. (8.5)
 - We also work locally in the places we operate in to *also employ those who are a bit removed from the labour market*, such as new arrivals or people with disabilities. (8.5)
 - Almost one third of our companies conduct regular **employee surveys** and we aim to increase this figure. (8.5)
- Also see the graphs on the previous pages and Note 6 in the Annual Report for more data about our employees.*

- During the year, we installed three additional **video conferencing facilities** in our companies and further developed the opportunities to work from home for those who need to. (9.1, 9.C)
- During the year, we **increased the utilisation of video meetings** by 10% in our own system to almost 1,900 hours in order to reduce travel. (9.4) *Also see graph on previous pages.*
- We advocate **eco-friendly cars** and they now account for just over 90% of the company car fleet. (9.4)

- **Elpress** measures monthly water consumption, electricity consumption, etc. *Also see graphs on previous pages.* (12.2)
- **Acte Denmark** coordinates deliveries from suppliers to customers in order to limit the number of deliveries. (12.2)
- We sponsor **Ståda Sverige**, where young people clean up different areas of the Swedish (outdoor) environment and thereby raise money for their sports associations. (12.4)
- **Acte Poland, Acte Denmark** reuse packaging material from incoming deliveries in outgoing deliveries. **ISG Systems** substitutes plastic with paper packaging material. (12.5)

Our own business

- **ISG Systems** works with technical solutions in order to detect traffic jams and obstacles in traffic in order to *avoid accidents* on our roads. (3.6)
- **Radonova** saves people from lung cancer. Radon is an invisible, odourless and radioactive gas, which is a significant cause of lung cancer. It is generally not difficult to deal with when you can measure the radon levels. Radonova is the leader in Europe for radon measurement in homes, schools and at workplaces. (3.9)
- **Asept** with its aseptic dispensing solutions contributes to *reduced chemical use* in liquid foodstuffs. (3.9)

- Many of our products enable a **better working environment** for our customers, which promotes diversity. One example is **Elpress's** system for connectors that are ergonomically adapted and require lower hand strength.

- Several of Lagercrantz's subsidiaries are actively working to promote renewable energy production through their products and solutions. **Elpress**, the cable companies (**EFC, Elfac, Kablageproduktion**), **Norwesco, Swedwire** contribute to helping energy companies *increase their share of renewable energy.* (7.2)
- **Vanpee Norway** and **Vanpee Denmark** provide intelligent and demand-controlled lighting control that provide *great energy savings.* (7.3)

- The goal of our products and services is to help our customers in turn to become more efficient. For instance, **Asept's** dispensing solutions enable customers to *reduce their plastic consumption by 90%* and boost their efficiency as they can replace disposable packaging. (8.1)
- **Vanpee Sweden** is a supplier of cable systems for infrastructure projects, e.g. for railways. The products are manufactured in **recycled plastic** and at the same time are lighter than traditional products, which *reduces the workload* during assembly. (8.5)

- Several of our companies have products and services for *promoting communication infrastructure*, including **Cue Dee, STV, Leteng, Direktronik, Enkom, COBS** and **ACTE Denmark.** (9.1, 9.C)
- **STV** enables *remote meetings.* (9.4)

- **Acte Denmark** sells Green Trough® recycled plastic cable ducts for railway applications, replacing the traditional concrete ducts. (12.2)
- **NST** minimises the customer's cable waste by customers ordering the exact length, which NST cuts according to order. (12.2)
- **Vendig** has conveyor components, which among other things, are important components in *recycling facilities around the Nordic countries.* (12.4)
- Dispensing solutions from **Asept** replace disposable packaging and *reduce the amount of plastic waste by up to 90%.* (12.5)



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