

Sustainability Report 2020

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About the Sustainability Report

This is the Group's third Sustainability Report in accordance with the requirements of the Swedish Annual Accounts Act, ch. 6, §12. The Sustainability Report relates to the 2020 financial year and is on pages 26–37. The business model can be found on pages 8–9, significant sustainability risks and their management on pages 44–46, and how we contribute to the area 'respect for human rights' on page 31 (sustainable supply chain) and page 35 (diversity and gender equality).

The Sustainability Report encompasses the Parent Company Hexatronic Group AB, reg. no. 556168-6360, and the following subsidiaries: Hexatronic Cables & Interconnect Systems AB, Hexatronic Fiberoptic AB, Proximion AB, Edugrade AB, PQMS Training, Blue Diamond Industries LLC, Gordon Franks Training Ltd., Hexatronic AS, Hexatronic US, Hexatronic UK Ltd., Hexatronic New Zealand Ltd. and Opternus GmbH. The companies acquired or formed in 2020 are not included in this Sustainability Report.

A Decade of Action

As a global player in fiber expansion, we play an important part in realising Agenda 2030 and the UN Global Compact's ten principles for sustainable enterprise.

Working with our employees, customers and suppliers, we want to contribute to a more sustainable society, and to make 2020–2030 a decade of action.

Be a part of our sustainability journey!



Henrik Larsson Lyon
CEO Hexatronic Group



Important milestones 2020

The Group's first UK
Modern Slavery Act
Statement

Revised code
of conduct
for suppliers

Sustainability Week on health
and wellness for all employees
in the Group

JANUARY

DECEMBER

Gender equal
board



Employee
Loyalty
Index

81



Ranked one of
the most sustainable
listed companies

Roadmap 2030 for
sustainability
work completed

Six prioritised sustainability areas

During 2020 we have opted to focus on managing, developing and improving the following six areas of sustainability: Strong business ethics, Sustainable supply chain, Low climate impact, Good health, safety and working environment, Diversity and gender equality, and Social involvement.



When selecting our prioritised areas of sustainability, important input was taken from trends and challenges in society, the UN's global SDGs, stakeholder demands and expectations, identified sustainability risks, current policy documents, our degree of influence, and our ability to manage, develop and improve a specific issue.

Three sustainability areas from the 2018 analysis have been removed. Environmentally sound products and High resource efficiency have been integrated into the Low climate impact area. Stable profitability has been removed, since successful sustainability work will lead to this in any case. It is also the foundation of our ability to develop as a corporation and a natural part of the ongoing operation.

Governance for increased sustainability

Responsibility and monitoring

Each subsidiary in the Group is responsible for contributing to positive development in each area of sustainability by integrating the issues as a natural aspect in all decision-making, governance, monitoring and planning processes. Responsibility for driving, supporting and monitoring developments lies at the Group-wide level. For further information about developments in each area, please see the table of key metrics later on in this Annual Report.

Diversity in the Board

As regards diversity in the Board of Directors' composition, the stipulations of Section III, point 4.1 of the Swedish Corporate Governance Code have been applied.

Central policy documents

At the Group level, the following policy documents are the main guidelines in the field of sustainability: Sustainability Policy, Code of Conduct - Internal, Diversity and Gender Equality Policy, Whistleblower Policy, and Code of Conduct - Suppliers.

To see the documents in their entirety, please go to the website: group.hexatronic.com/en/sustainability. Monitoring of compliance with the policy documents takes place through internal and external audits, and also using selected key metrics. In addition to these policy documents, our companies have other policy documents to provide management and guidance at the local level.

How we contribute to Agenda 2030

Hexatronic can and wants to help meet the challenges the world is facing on an economic, environmental and social level. The 17 UN global Sustainable Development Goals (SDGs) are due to be met in under 10 years' time, and a lot remains to be done if we are to succeed.

As a global player in fiber expansion, the goal where we can make the most difference is Goal 9 and Target 9.1: "develop quality, reliable, sustainable and resilient infrastructure". We can do this through our business concept, which aims to accelerate the digital transformation to the benefit of society, businesses and individuals by offering, smart, reliable product and system solutions for passive fiber infrastructure.

In 2020, we conducted a new review of which of the global SDGs and their 169 targets are most relevant to our operation, and where we can make the biggest difference. In addition to Goal 9, we have identified a further nine goals and 27 targets as being relevant to our operation and our stakeholders (see below).

HEXATRONIC ACCELERATES
THE DIGITAL
TRANSFORMATION



9.1, 9.4, 9C

Read more about the global SDGs and how you can contribute at www.globalgoals.org.



3.4, 3.5, 3.9



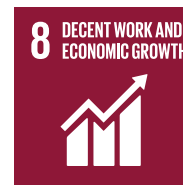
4.3, 4.4, 4.5, 4.7



5.1, 5.2, 5.5



7.2, 7.3



8.4, 8.5, 8.6, 8.7, 8.8



10.2



12.2, 12.4, 12.5, 12.8



13.1, 13.3



16.5



Roadmap 2030 for sustainability work

During 2020, a roadmap for the Group's sustainability work up to 2030 was drafted. The roadmap includes objectives for the short (2022, 2025) and long term (2030) for each sustainability area, main activities to focus on, the link to Agenda 2030, and success factors. During Q1 2021, the roadmap will be launched and will be available on our website: group.hexatronic.com/en/sustainability.

Strong business ethics

It is important that our customers, investors, suppliers, employees and other stakeholders feel trust in Hexatronic and know that we represent a high level of business ethics.

Code of conduct and Sustainability Policy since 2018

The two most important steering documents for ensuring that employees, temporary hired personnel and consultants on assignment for Hexatronic conduct themselves in a responsible, ethically correct manner are our Sustainability Policy and our internal code of conduct. The Sustainability Policy covers how we should take responsibility based on the economic, environmental and social dimension of sustainability. The internal code of conduct covers the company's sustainability responsibilities, personnel care, laws and guidelines, conflicts of interest, company property and confidential information, and is a natural part of all new recruitment.

In addition, two of our subsidiaries have taken a clear stand against trafficking and sexual exploitation, by introducing a ban on buying sex in their guidelines for business trips.

How we work with anti-corruption

The most important aspects in our anti-corruption work are: our internal code of conduct and the chapter on conflicts of interest, ongoing training and discussion on ethical dilemmas, bribery and corruption being included in the annual risk analysis, our vision

zero for cases of corruption, and internal and external audits to monitor compliance. Since 2019, Hexatronic has been a supporting member of the Swedish Anti-Corruption Institute. Anti-corruption is also an important part of our code of conduct for suppliers.

Whistleblower function

Since 2018, there has been a whistleblowing function enabling employees, customers, suppliers or anyone else in contact with the Group to anonymously report suspected serious anomalies that conflict with strong business ethics. Further information can be found on the website: group.hexatronic.com/en/sustainability.

Our long-term objective 2030:

To continue to maintain strong business ethics.

CODE OF CONDUCT

99%

of employees have signed the internal code of conduct



For further information, go to: globalcompact.se/statement-from-business-leaders-for-renewed-global-cooperation/.

Renewed global cooperation

Hexatronic has signed the UN Global Compact, and we run our business in line with the ten principles for responsible enterprise. In 2020 Henrik Larsson Lyon, President and CEO of Hexatronic Group, also backed the statement regarding the importance of a renewed global cooperation to achieve peace and security, human rights, and sustainable development.

Sustainable supply chain

Securing a sustainable supply chain is vital in our strategy to deliver value to our customers and contribute to sustainable development. We therefore want to work with suppliers who share our values when it comes to sustainability.

Updated code of conduct for suppliers

A Group-wide code of conduct for suppliers was launched in 2018, with requirements in the areas of environment, human rights, fair employment conditions, health and safety, and anti-corruption.

During 2020, the code was updated, committing suppliers to ensure compliance with the code in the next stage of the supply chain, conduct proactive climate work in order to minimise emissions of direct and indirect greenhouse gases, use environmentally adapted technologies that enable high resource efficiency and low emissions, and support and respect internationally recognised human rights.

Risk analysis relating to sustainability in the supply chain

During 2020, mapping was carried out of the sustainability risks that exist in our supply chain, and where these risks are greatest. The results will form an important foundation for which issues, suppliers and countries to prioritise in future audits, be they digital or physical. There will be a particular focus on risks linked to missions to air, resource efficiency, discrimination at the workplace, health and safety, and corruption.

Supplier survey

During the year, a self-assessment survey was sent out to 34 of our suppliers, who account for just under 60% of the Group's total purchase volume of direct materials and transport. The survey included 24 questions on sustainability management, sustainable supply chain, the environment, human rights, health and safety, and anti-corruption. The results will form an important part of our ongoing dialogue, and which suppliers we opt to audit digitally and on site.

Effects of COVID-19

As a consequence of the pandemic that broke out and prevailed for most of 2020, there have been no on-site audits at our supplier companies. In the first half of 2021 we will focus on conducting remote audits via Teams, with the hope of being able to resume on-site audits after that.

UK Modern Slavery Act Statement

Hexatronic commits to preventing all forms of modern slavery, servitude, forced labour and human trafficking. To see the full statement, please go to: group.hexatronic.com/en/sustainability.

Our long-term objective 2030:

To achieve a sustainable supply chain with regard to the environment, human rights, fair employment conditions, a good working environment and anti-corruption.



Low climate impact

The climate challenges are great and time is short. Alongside our customers, suppliers and personnel, we will do what we can to contribute to reaching the 1.5°C target. Our focus is on achieving high resource efficiency, and being able to offer climate-smart products and services.

Efforts for higher resource efficiency

The Group has taken a range of measures during the year to boost resource efficiency in its operations.

Our production plant in Hudiksvall, Hexatronic Cables & Interconnect Systems, has reduced its overall consumption of single-use plastic by 50% on 2019, thanks to an investment in a new plastic wrapping machine. The same company has also invested in a new duct machine that enables a higher degree of recycling, while also dealing with several materials and grades of material. Similar initiatives have been taken in other parts of our organisation. Optimisation in the manufacturing process for our duct products has led to an almost 50% decrease in the number of rejects.

Lower climate impact from travel and transport

In 2020 the number of business trips, trips for field support, training, customer events and trips to and from the workplace has fallen dramatically due to the ongoing pandemic, and digital solutions have been used instead. We predict that a great deal of the digital working methods will continue also after the pandemic. During the year, we continued to reduce our climate emissions from goods transport by coordinating our transportation better, optimising pack sizes for our products, and moving from air cargo to sea cargo and rail.

Climate-smart products and services

All of our production plants during the year have increased the proportion of recycled material in their products, and other companies in the Group have continued in their endeavour to replace plastic

packaging with renewable/biodegradable materials and increase the percentage of packaging material from suppliers for reuse. During 2020, the next generation of Stingray boxes was released, which contributes to a reduction in material consumption of 50%. A cooperation with the University of Gothenburg and IVL Swedish Environmental Research Institute was begun, to find a method for calculating the carbon footprint of our most common products. Efforts will continue in 2021.

Renewable energy and higher energy efficiency

During the year, the Group's total energy use has increased by 25% on 2019, and our indirect emissions of greenhouse gases from energy use, Scope 2, by 48%. The main reason is expanded operations in the USA, which currently does not buy renewable electricity. In order to buck this negative trend, our American company Blue Diamond Industries has during the year looked into the possibility of buying shares in solar power parks. If this happens, as a Group we would be able to reduce our Scope 2 emissions by almost 90% on 2020, and to increase the percentage of renewable energy from just under 40% to 80%, thereby more quickly achieving our objective of a climate-neutral operation by 2030.

During the year our Swedish company Proximion has looked into the possibility of acquiring new production lasers that use 100 times less energy than the current ones. This too would make an important contribution to our climate ambitions. Unfortunately, delivery of the new laser has been delayed due to COVID-19 and has been postponed until 2021. Several companies are continuing to make the switch to LED lighting.



Roadmap 2030

During the year, a roadmap 2030 for our sustainability work was drafted, which also includes our climate work. The roadmap highlights 13 prioritised climate activities (see below) that will help us achieve our climate goals. We are already working on these to a great extent, but will focus even more strongly on them during 2021 and beyond. The roadmap was launched in early 2021 and can be found on our website.

1. Increase the use of renewable energy
2. Introduce energy-saving programmes in buildings and production plants
3. Reduce the amount of goods transport by optimising pack sizes, coordinating deliveries and establishing local production
4. Increase the proportion of goods transport by sea and rail
5. Move towards a vehicle fleet with zero emissions
6. Reduce the use of virgin materials, increase the recycling and reuse of materials and products
7. Calculate our indirect emissions, Scope 3
8. Calculate and report on the carbon footprint of our most common products
9. Develop and offer the market climate-smart products and services
10. Introduce new climate-smart materials and technologies
11. Replace plastic packaging materials with recycled/biodegradable materials
12. Increase the proportion of travel-free meetings and trainings as well as field support online
13. Use suppliers with a clear focus on low climate impact

Climate management of the supply chain

During the year, we introduced stricter requirements in our code of conduct for suppliers, and also conducted a follow-up of our suppliers' climate work, which encompassed 60% of the Group's purchase volume of direct materials and transport.

"We want our suppliers to report their climate emissions and set measurable goals, use 100% renewable energy in production of products and services, and to take climate-reducing measures in their operations"

Steffen Bjerregaard,
Head of Group Procurement,
NKT Group

Our customers' expectations on our climate work are increasing

During the year, other customers in addition to Ericsson and Telia have begun placing clear expectations of Hexatronic to take action on the climate issue and help to achieve the 1.5°C target.

Our long-term objectives 2030:

- Reduce our emissions of greenhouse gases, Scopes 1, 2 and 3, by 50%
- Become a climate-neutral company, own operations
- Report on the carbon footprint of our most common products

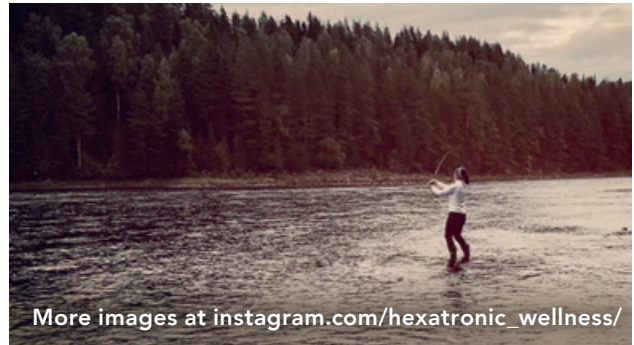
Good health, safety and working environment

Our employees should feel safe and secure with the way we manage the working environment. Therefore, we always maintain a strong focus on health and safety in our operations.

Our employees' health and safety

During the ongoing pandemic, we have increased our focus on the health and safety of our employees. Activities have varied by country and operation. Based on each company's risk analysis, measures have been taken to minimise the risk of any employee/customer/student/supplier catching COVID-19. One positive effect of introducing flexible workplaces and working from home is that, for many people, it has enabled a better balance between work and leisure time, particularly for many parents with young children.

During the year, Hexatronic Fiberoptic has introduced a management system for working environment in accordance with ISO 45001, and 42% of our employees are now encompassed by this. Various training initiatives have been executed, linked to: CPR, health and safety, developmental leadership and self-leadership. Some courses have had to be postponed due to the pandemic. At company level, ongoing wellness initiatives are being taken.



Sustainability Week focusing on health and wellness

At Group-wide level, a wellness week for all employees was arranged during the year.

Daily emails were sent out containing facts, inspiration and challenges on different health themes, linked to the importance of being mindful, taking a break, staying active, sleeping well and eating healthily. Each company also organised its own local wellness activities. A new Wellness Week is being planned for spring 2021.

Satisfied employees

This year's employee survey, which was conducted in all the Group's subsidiaries, shows that our employees are satisfied with us as an employer. The Group-level Employee Satisfaction Index increased from 69 to 71. A figure of 75 or above signifies "very satisfied". The Group-level Employee Loyalty Index increased from 80 to 81. In 2021, we will carry on working with the results, and initiatives are being planned linked to various areas: the psychosocial working environment, work rate/work volume, boosting team spirit, greater participation in decision-making, and competence development.

Our long-term objective 2030:

To be a safe, attractive workplace for our employees.

Diversity and gender equality

At Hexatronic we are convinced that people with different perspectives, knowledge and experiences are crucial in creating the innovative climate required for long-term commercial success.

Action taken during the year

Many of the Group's companies have a high degree of diversity, and the main challenge lies in attracting women into a male-dominated industry. During the year, the Group's companies have made various moves to contribute to a more gender equal and inclusive workplace.

The Group's training companies are working actively to attract a broad representation of students, and several of our training companies have modules that include gender equality, diversity and inclusion. In connection with Black Lives Matter, several companies enabled personnel to hold digital discussions focusing on personal experiences of discrimination, which was highly appreciated.

Zero tolerance of discrimination

Our 2019 Diversity and Gender Equality Policy explains our zero tolerance towards discrimination, sexual harassment and degrading treatment. The policy is part of our introduction procedure for new employees. Based on this ambition, we take the two confirmed incidents of discrimination we had in 2020 very seriously. In both cases, measures have been taken and we continue to focus our efforts on these issues.

Our long-term objective 2030:

To offer an equal and inclusive workplace with a high degree of diversity.



Social involvement

We will make a difference by supporting initiatives and operations that strive for a socially and environmentally sustainable future.

Our training companies make a difference

We are proud that several of our training companies are continuing to make a difference for young people and adults who are far from the job market, by offering the education they need to find a job or continue studying. During the pandemic, training activities have quickly had to be moved to digital platforms, with excellent results.

Far-reaching support

Our companies and employees themselves choose the focus of their social involvement, and often support



the most vulnerable groups in society, matters of integration, children and young people, sports, mental health, and gender equality and education issues. Some of the organisations and initiatives to receive support from our companies are: PLAN International, Shoebox Appeal 2020, Doctors Without Borders, Save the Children, BRIS - Children's Rights in Society, and the Swedish Cancer Society.

In addition, several companies offer internships for young people and backup employment for the long-term unemployed. They also give their employees an opportunity to work as corporate volunteers, and during work hours to give blood and consider organ donation, for example.

Our long-term objective 2030:

To be a positive force in society.

Goals and results indicators for sustainability work

To monitor developments in our prioritised sustainability areas, we have selected a number of key metrics, presented in the table below. Certain adjustments have been made in 2020 compared with the 2019 Sustainability Report. Some key metrics have been added and others have been omitted based on the changes that have taken place during the year.

Our aim

This aim in 2020 has still been for all selected key metrics to develop in a positive direction, with a particular focus on positive development in the sustainability areas: sustainable supply chain, low climate impact, and diversity and gender equality.

Link to Agenda 2030 and the Global Compact

Each sustainability area is connected to Agenda 2030 goals and targets (SDGs). For further information on the targets, go to www.globalgoals.org, and also see the UN Global Compact's ten principles for sustainable enterprise (GC), unglobalcompact.org/what-is-gc/mission/principles.

Prioritised sustainability areas/ where the impact is	Link to Agenda 2030 / the Global Compact	Key metric	2018	2019	2020	Goal level 2030
Strong business ethics Where: Purchasing, sales, manufacturing, acquisitions, finance, marketing	SDG: 5.2, 16.5 GC: Principles 1, 5, 10	Percentage of employees who have signed the internal code of conduct	72	93	99	100
		No. of confirmed instances of corruption	0	0	0	0
Sustainable supply chain Where: Manufacturing and goods transport	SDG: 5.1, 7.2, 7.3, 8.4, 8.5, 8.7, 8.8, 9.4, 10.2, 12.2, 12.4, 12.5, 13.1, 16.5 GC: Principles 1–10	Percentage of suppliers who have signed the code of conduct for suppliers ¹⁾	34	75	74	-
		Number of audits conducted relating to sustainability	0	11	0	-
Low climate impact Where: Business travel leased cars, company cars and mileage, machinery, coolants and purchased energy	SDG: 7.2, 7.3, 8.4, 9.4, 12.2, 12.4, 12.5, 12.8, 13.1, 13.3 GC: Principles 7–9	Percentage of ISO 14001-certified companies in the Group ²⁾	33	33	33	-
		Direct energy consumption, MWh	22,265	21,575	27,305	-
		Percentage of green electricity	49	53	40	-
		Energy intensity, MWh/MSEK sales	13.9	11.7	13.5	6
		Total emissions of CO ₂ e, tonnes – Scope 1	821	891	722	-
		Total emissions of CO ₂ e, tonnes – Scope 2 ³⁾	4,237	3,551	5,988	-
		Climate intensity, Scopes 1 & 2, tonnes CO ₂ e/MSEK sales	3.2	2.4	3.3	1.25
Where: In-house production		Recycled material in production, tonnes	n/a	3,596	4,521	-
		Recycled material in production, kg/MSEK sales	n/a	1,952	2,243	10,000

* The code of conduct was launched in 2018

** No survey conducted

n/a = not available

¹⁾ Based on total purchase volume of direct materials and transport

²⁾ Figure includes companies with more than 15 employees

³⁾ Market-based method used

⁴⁾ Number of work-related accidents with more than 24 hours absence, divided by total number of hours worked x 200,000

⁵⁾ After completing training via Hexatronic's training companies

Prioritised sustainability areas/ where the impact is	Link to Agenda 2030 / the Global Compact	Key metric	2018	2019	2020	Goal level 2030
Good health, safety and working environment Where: Entire Group	SDG: 3.4, 3.5, 3.9, 8.8	Percentage of employees covered by a management system for safety and working environment in the Group, ISO 45001 or equivalent	32	32	42	90
		Sick leave, %	3.0	3.0	3.0	3.0
		Work-related accidents with absence, frequency ⁴⁾	0.5	1.4	1.0	0
		Employee Satisfaction Index	69	**	71	76
		Employee Loyalty Index	80	**	81	86
Diversity and gender equality Where: Entire Group	SDG: 5.1, 5.5, 8.5, 10.2 GC: Principle 6	Percentage of women	25	29	24	40
		Percentage of women managers	28	27	24	40
		Percentage of women in Executive Management	11	20	18	40
		Percentage of women on Board of Directors	40	33	50	40
		Number of confirmed instances of discrimination	1	1	2	0
		Percentage of employees who have had a performance review	98	96	98	100
Social involvement Where: Entire Group, locally and globally	SDG: 3.4, 4.3, 4.4, 4.5, 4.7, 8.6, 10.2, 12.8, 13.3 GC: Principles 6,8	Number of young people and adults far from the job market who have gone into permanent employment or studies, at least six months ⁵⁾	n/a	156	357	-

* The code of conduct was launched in 2018

** No survey conducted

n/a = not available

¹⁾ Based on total purchase volume of direct materials and transport

²⁾ Figure includes companies with more than 15 employees

³⁾ Market-based method used

⁴⁾ Number of work-related accidents with more than 24 hours absence, divided by total number of hours worked x 200,000

⁵⁾ After completing training via Hexatronic's training companies

Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Hexatronic Group AB,
corporate identity number 556168-6360

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2020 on pages 26-37 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on

Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Gotheburg, April 14 2021
Öhrlings PricewaterhouseCoopers AB

Johan Palmgren
Authorised Public Accountant

