

This is the group's sustainability report, which must be stated in accordance with the Swedish Annual Accounts Act, Chapter 6, Section 11. It should be read in conjunction with the general description of the company and its business model on pages 4–5 and 10–13 as well as disclosures regarding valuation bases and employees on pages 18–19.

GOVERNANCE FOR A SUSTAINABLE HANZA

HANZA works to ensure that more ideas become reality in the form of innovative products, and that their manufacture will be efficient, profitable and sustainable. For the manufacturing industry to be sustainable over the long term, product owners and manufacturers must together create solutions that also work over the long term as regards environmental, social and economic aspects.

HANZA plays an advisory role, which enables a form of interplay with customers in which manufacturing solutions are tailored – with a long-term orientation. The result is a manufacturing process that is designed strategically from an economic, environmental and social sustainability perspective.

Our sustainability management is thus an integral part of both our business concept and operating activities. Sustainability permeates our way of working and includes taking responsibility for our own facilities and the choices we have the ability to influence, while also helping our clients create more sustainable manufacturing processes.

In 2019 we continued the efforts initiated in 2018 related to process improvements and policies, and also started a comprehensive program focusing on the streamlining of operational execution.

HANZA will continue to develop its sustainability management by continuously measuring and following up on this work, which in turn will enable us to contribute to a more rational, modern and efficient manufacturing industry. Our work in this regard is summarized in the annual sustainability report.

SUSTAINABILITY RISKS AND FOCUS AREAS

HANZA strives to promote a model of social development where ethical and climate issues are accorded high priority. HANZA took stock of the sustainability risks in its operations in 2017, on the basis of which it identified several important focus areas that were also confirmed and partially supplemented by the materiality analysis carried out in the form of interviews with investors, customers and suppliers as well as a survey of employees. The most material risks and focus areas that governed our sustainability management in 2019 and by which we essentially intend to allow our sustainability management to be governed in 2020 too, are described below. By focusing on the following, we lay the groundwork for being able to conduct a sustainable business:

Environment

In the environmental area, the risks mainly inhere in HANZA's operations having a greater environmental impact than necessary due to excessive resource consumption. The risks of emissions of environmentally hazardous chemicals are considered to be minor, but cannot be disregarded. There are

also risks related to the content of and production methods for purchased materials and components.

Focus areas:

- Energy (consumption and type).
- Waste (waste and recycling).
- Compliance with environmental regulations for constituent materials and components (for example, three of the most important global directives RoHS1, REACH2 and Conflict Minerals3).
- Chemicals (emissions and use both internally and in inputs).
- Emissions (air and water, for example due to transport, factories, etc.)

Social aspects and ethics

As a manufacturing company, we face risks linked to health and safety in both the manufacturing process itself and in connection with transport. In addition, there are risks linked to how our employees are treated internally, as well as how the employees of suppliers are treated, and their working conditions. HANZA adheres to the UN's 10 guiding principles on business and human rights, which means that we have a responsibility to conduct both internal and external monitoring of how we live up to these principles.

There is also a risk that corruption and unethical behavior will occur, especially in contacts with customers and suppliers.

Focus areas:

- Health & Safety of HANZA employees.
- Diversity & equal treatment.
- Internal working conditions.
- Increased commitment.
- Business ethics (anti-corruption, bribery).
- External working conditions (at the suppliers).

Economic aspects

There is also the risk, linked to the management of information in IT systems, that the privacy of employees or others will be violated, and that confidential information will end up in the wrong hands.

Focus areas:

- Privacy and data protection.

1) RoHS (Restriction of Hazardous Substance) 2) REACH (Registration, Evaluation, Authorisation and restriction of Chemicals) 3) Conflict minerals (Minerals that are extracted from Democratic Republic of Congo and nine neighboring countries, where money from the exploitation used by local warlords and groups to fund ongoing conflicts).



APPROACH AND GOVERNANCE

In 2019, HANZA completed the process of adapting to the requirements that apply to Nasdaq Stockholm's main list. An important part of this was to develop our processes for internal control and corporate governance. Among other things, this involved developing a number of policies, guidelines and manuals, and adding new ones as well.

Extensive work has been carried out in 2019 related to implementing and gaining buy-in for these policies, both within the business and at suppliers. One important policy is the Code of Conduct, which describes and governs matters related to working conditions, discrimination, minimum wages and the right to trade union organization at both HANZA and at our suppliers. The current minimum requirements in each country represent the lowest level for both working and environmental conditions, but we strive to constantly raise our standard and to develop.

MATERIAL POLICIES, GUIDELINES AND MANUALS FOR HANZA'S SUSTAINABILITY MANAGEMENT:

- Code of Conduct, internal
- Code of Conduct, suppliers
- HR Policy
- Anti-Corruption Policy
- Work Environment Policy
- Diversity Policy
- Information Policy
- Purchasing Policy
- Information Security Policy

GOALS AND ACTIVITIES

ENVIRONMENT

Thanks to HANZA's manufacturing cluster business model, sustainability is an integral part of the business. The manufacturing clusters entail the pooling of several factories with different manufacturing technologies into the same geographical area, which creates a more environmentally friendly manufacturing method with reduced transport and enhanced resource utilization. A group environmental officer has been appointed in order to strengthen environmental management, whose aim is to reduce HANZA's environmental impact. This officer's responsibilities include implementing an environmental management system that covers the entire group.

Expanded monitoring of environmental management

Production of the type conducted by HANZA impacts the environment in different ways. Efforts to follow up on and reduce negative environmental impact primarily occur at the local level, at each factory. In its sustainability report HANZA has for the past two years been reporting on environmental targets and the associated monitoring for a sample factory in Tartu. This is one of HANZA's largest factories. It is certified and complies with ISO 14001 requirements. This has served as preparation for the implementation of an environmental management system for the entire group. The experiences

gained at the Tartu factory will affect working methods and priorities when the monitoring is extended to the entire group.

Goals and goal achievement

Prior to 2019, HANZA's goal was to have a functioning environmental management system covering the entire group in place at the end of the year, to reduce energy consumption by installing new equipment, and to start measuring and compiling both energy consumption and waste generation metrics. Work on the environmental management system has been expanded to include health and safety. The work has not been completed but continues. Comprehensive environmental certification of the group is not expected to take place until 2021. However, all factories, with the exception of those added via acquisitions in 2019, were certified according to ISO 14001:2015 at year-end, and we assess that the efforts towards creating a group-wide environmental management system have made significant progress. In 2019, HANZA has made a number of investments in modern production equipment, which reduces energy consumption. In 2019 the measurement of energy consumption and the volume of generated waste has been standardized and compiled. Accordingly, the group now has a good basis for monitoring and comparing these factors over time and as between units.

In 2020, HANZA will continue to focus on energy use and the amount of waste generated, as these factors are considered to have the greatest impact on carbon dioxide emissions from HANZA's operations.

In addition to the priority goals described, efforts to reduce the environmental impact of HANZA's production to the greatest extent possible naturally continue at both the local and the central level, as does the work to fully comply with the environmental laws and regulations applicable in the countries where the group has its factories.

Goals 2020

- To have a functioning environmental management system that covers the entire group at the end of the year, and that enables group-wide environmental certification in 2021.
- To keep constant or to reduce the cost of generated waste, excluding the cost of recycling, in relation to sales.
- To keep constant or reduce the costs for energy in the form of electricity, gas for energy and district heating, again in relation to sales.

Activities 2020

- Implement a group-wide environmental, health and safety management system that will enable certification in 2021.

BUSINESS ETHICS – ANTI-CORRUPTION

Going in to 2019, HANZA's goal was for all new suppliers to sign the Code of Conduct for suppliers. This goal has been achieved.

Moreover, the company aimed for all employees to receive training as regards the Anti-Corruption Policy to the extent required for their position. However, efforts in the area of ethics have been concentrated on the implementation of the Code of Conduct that was completed in 2018, whereas the bulk of the work on training and communication related to the Anti-Corruption Policy remains to be done in 2020, as efforts to reach set goals continue.

The Code of Conduct is published on the intranet together with communication about the importance of reading the Code. Information about the Code of Conduct is also included in the onboarding received by new employees. All managers at group, cluster and factory management level have taken note of the policy and confirmed this.

The company has also communicated about its reporting and reporting paths as regards nonconformities, irregularities and the like, examples of which range from bribery and nepotism to violations or abuses of positions of trust. We have continued to work on our corporate culture, including by emphasizing the fact that openness and transparency are key mottos in our organization, and the fact that we encourage employees who are experiencing a problem to, in the first instance, contact their manager, their manager's manager, HR or group management. Should the employee feel that this cannot be done for any reason, there is also a HANZA Hotline where employees can report known or suspected deviations from policies and rules, including an option to report anonymously. Information about this Hotline has been communicated within the group through mailings, the intranet and communication by cluster managers.

In 2020, we plan on carrying out work similar to that done for our Code of Conduct for our Anti-Corruption Policy as well, i.e. to inform the organization about its existence, to present its content in broad terms, and to ask employees to confirm that they have taken note of the policy. The policy will also form part of the onboarding program for new hires, and all employees are required to be familiar with it.

Goals 2020

- Communication of the Anti-Corruption Policy and follow-up at group management level, and at clusters and factories, to ensure that employees have taken note of it.
- Developing an e-learning module related to the Anti-Corruption Policy, implementing it in local languages, and communicating it.
- The e-learning module will be included in the onboarding received by new employees.

Activities 2020

- Development of an e-learning module for anti-corruption training, which will become part of onboarding.
- Decision on which employees are to provide this training of existing employees.
- Possible decision regarding specific training for certain employee groups who have a lot of contact with external stakeholders

SOCIAL CONDITIONS

In 2019 our focus was on incorporating the operations added via acquisitions during the year into our culture and HANZA's values in the form of workshops, translated materials and more. In other parts of the group, we have continued to work on the results of the employee survey that was carried out in the fall of 2018. The respective clusters were responsible for identifying measures in their clusters and factories, and for monitoring them accordingly. We have also continued efforts on expertise sharing and collaborations between different factories both within and between clusters, especially within a given technology, but also including a certain amount of exchange between different technologies and areas of expertise. We have also continued to focus on health and safety and have, among other things, decided to produce videos about security and evacuation for each factory. For the factories in Tartu, this work was completed in 2019.

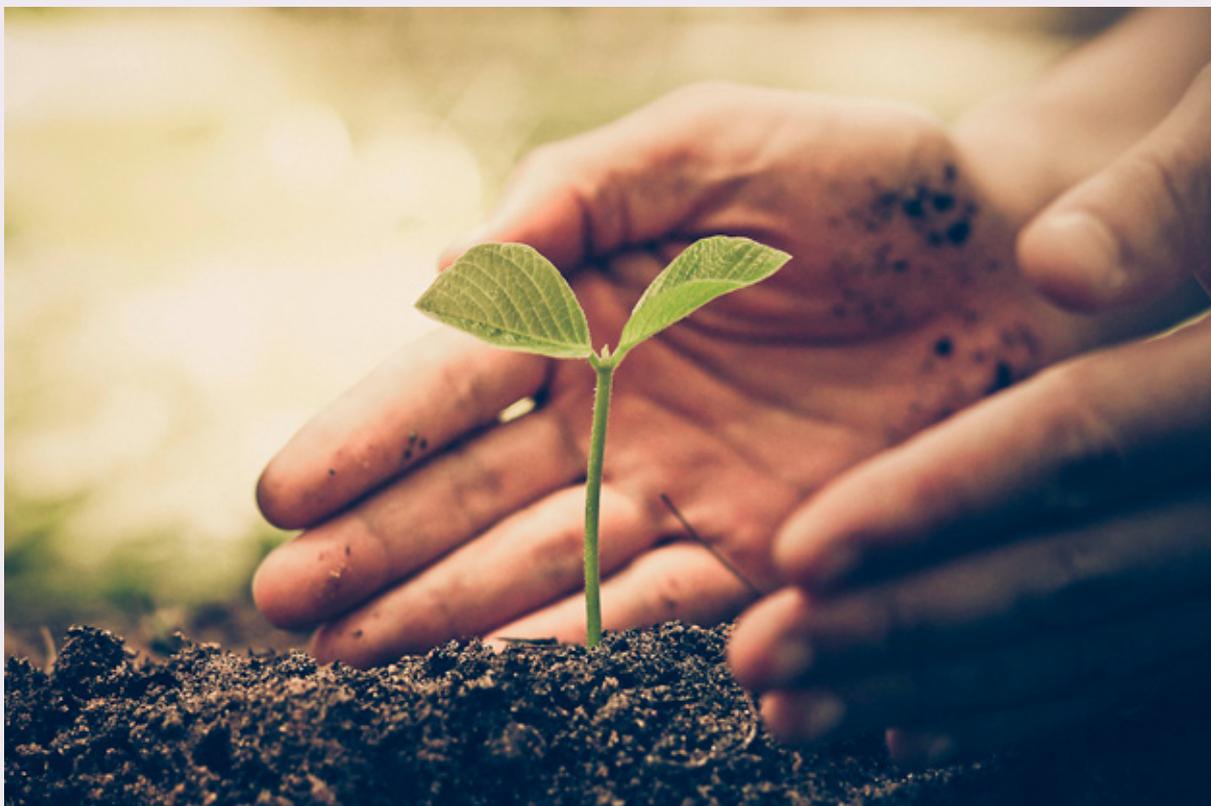
Several clusters have seen upgrades of both premises and machinery. The result is an improved work environment with better and more functional premises, improved ventilation and renovated and upgraded changing rooms.

Goals 2020

- Ensure implementation of the company's policies, guidelines and manuals as well as its values and Codes of Conduct, and ensure how this is monitored at our new acquisitions.
- ISO45001 certification at all factories, excluding new acquisitions, during 2020.
- Continued focus on e-learning and onboarding for HANZA in general with translation into local languages as well as local training for each Cluster.
- E-learnings, surveys and communication with employees via a new platform, featuring mobile access, will be implemented during the year.

EMPLOYEES

We have continued our work environment efforts and have implemented new, revised policies in this area. During Q4 2019, we also began efforts related to preparing analyses of both the target level and the actual level of the respective clusters as regards work environment, as we are preparing for certification according to ISO45001, a work environment management system. This certification is planned for 2020 for all factories operated by HANZA at the beginning of the year.



In 2019 we had a total of 35 work-related accidents at our 15 factories, one of which was serious. Measures have been identified regarding all accidents in the workplace and its surrounding area. This represents an increase over previous years, which we attribute to increased reporting and several acquisitions during the year. The focus in 2020 will be on reducing these accidents and working to bring about changes in behavior linked to accidents. For 2020 we have also introduced a mechanism to monitor time lost to absenteeism due to accidents called LTIFR (Lost Time Injury Frequency Rate). We also continue to focus on incident reporting, which has to do with preventing accidents by focusing on incidents that could lead to an accident. In 2019 we had 255 incident reports. We are pleased to see a continuing increase in this type of reporting throughout the year and also at factories that have not previously reported in this area, or had few reports.

In 2019 we worked on the outcome of the employee survey conducted in the fall of 2018, and identified measures to improve the work environment and increase the level of

commitment. We will be carrying out a follow-up survey in 2020 in order to capture developments during the time that has passed since the last survey. A leadership training course was started in 2019 at group level and for our clusters in Sweden and the Baltics. This course will continue for much of 2020.

The work needed to finalize the technical/professional skills needed for each position at several HANZA factories was carried out in 2019. Such work was also commenced at some of our newly acquired factories. This mapping of employee skills occurs in the framework of the EDP interview (the development interview).

The goals for EDP interviews and skills mapping for 2020 are set at 98 percent. Values, job satisfaction and more will be followed up on in the employee survey that will commence in mid-March 2020.

The internal communication is governed by a previously adopted model involving internal messages sent out to cluster management and relevant groups for onward communication within the organization. Information about organization, global

policies, guidelines, presentations and more is published on our intranet. Here employees can also find links to local systems and pages. HANZA also has an internal magazine called HANZA United, which is published quarterly and deals with our various clusters, employees, customers, plans going forward, the financial situation, what our customers are doing and much more. In 2020 we will be establishing a mobile accessibility platform for access to e-learning courses, messaging and many other features.

Goals 2020

- Ability for all employees to have mobile access to the intranet.
- Continued development of e-learning modules for general onboarding and compulsory training sessions at an overall level.
- Development of e-learning courses at the local level for proprietary systems, processes and more.
- Measures identified for all groups within HANZA linked to the follow-up employee survey.
- Development interviews for all employees according to the EDP process – 98 percent.
- Skills mapping completed for all positions and employees – 98 percent.

Activities 2020

- Create an opportunity for groups of employees to connect to the intranet from mobile devices without their own email account.
- Completion and launch of e-learning courses for our Code of Conduct, Anti-Corruption Policy and Work Environment Policy.
- Identification of measures linked to the employee survey results.

PRIVACY AND DATA PROTECTION

HANZA attaches great importance to the proper, legal and fair handling of all personal information, and values legal rights, privacy and trust. The company has therefore developed and implemented a policy to protect personal information, and has appointed an information security officer.

HANZA complies with GDPR. This means that HANZA has a good idea of where, by whom, for what reason and what personal data is processed in the group, as well as how the personal data is protected, and processes to improve such protection. The company has also informed and trained the group’s employees as concerns the processing of personal data.

For HANZA it is essential to maintain the confidentiality and privacy of the production documentation with which customers supply the company. For this reason, HANZA has for some time been working to implement an information security management system based on the ISO27001 standard. HANZA believes that the group is ready for a certification audit in 2021.

Goals 2020

- For all employees to receive training related to privacy and data protection to the extent needed for their position.

Activities 2020

- Adaptation to ISO27001 with regard to information security.
- Continued information and training concerning issues related to GDPR.

This is the English translation of the auditor's report in Swedish.

THE AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of Hanza Holding AB, corporate, identity number 556748-8399

Engagement and responsibility

The Board of Directors is responsible for that the statutory sustainability report for the year 2019 on pages 20-24 has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination of the statutory sustainability report has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's report on the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially 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 opinions.

Opinion

A statutory sustainability report has been prepared.

Stockholm, April 1 2020

Ernst & Young AB

Charlotte Holmstrand
Authorized Auditor