SUSTAINABILITY REPORT

The Board of Directors of Sdiptech prepares a statutory sustainability report in accordance with the Annual Accounts Act (1995:1554), Chapter 6, Sections 10 – 14, which shall accordingly be reviewed by the company's auditor. Sdiptech has established a Code of Conduct detailing the basic principles for the company's values and actions. All employees are expected to adhere to the Code of Conduct in their contacts with colleagues, customers, suppliers and shareholders.

The report is included in the 20118 Annual Report. References in this report refer to the 2018 Annual Report.

BUSINESS MODEL

Sdiptech AB is a technology group whose principal focus is infrastructure. Sdiptech's business concept is to offer niched technologies, solutions and services to the infrastructure sector, currently distributed across some 30 operating companies. A growing population and increased utilisation, as well as demands for more advanced infrastructure, ensure long-term market growth. Profitable positions in niche markets drive organic growth and Sdiptech adds new revenue through acquisitions. The business model is based on decentralisation of the business units, meaning that development is conducted, and important decisions are taken, as close to the customers as possible. The Group's niches are usually defined by a particular technology or area of knowledge, although a niche can also constitute a customer segment or geographically delimited area.

Sdiptech builds on entrepreneurial spirit and innovative solutions and integrates these into a model that promotes the building of quality companies with long lifespans and good margins.

PURPOSE AND OBJECTIVES OF THE REPORT

The purpose of this sustainability report is to describe transparently Sdiptech's targets, strategies and governance, as well as its responsibilities, risks and opportunities from the perspective of sustainability. Both Sdiptech and the rest of the world must be able to monitor how the Group's sustainability initiatives develop. The report should provide customers, employees and shareholders with an understanding and knowledge of our sustainability work.

FRAMEWORK AND METHODOLOGY OF THE REPORT

In connection with the end of the financial year, all Sdiptech companies submit sustainability data as part of their non-financial reporting. The participation of all of the companies is a prerequisite for being able to monitor developments in sustainability at both the company and Group level. Unless otherwise stated, the Sustainability Report covers all of the companies and the operations of the entire Group.

DIALOGUE WITH STAKEHOLDERS GIVES THE RIGHT FOCUS IN SUSTAINABILITY WORK

The sustainability work is affected by a number of stakeholders who set requirements and have expectations of Sdiptech. A fundamental part of the Group's strategy is to set clear requirements and to be ahead of curve in sustainable business development. Sdiptech strives to maintain an open dialogue with its stakeholders to focus its sustainability work on the issues that stakeholders consider most important. Five key stakeholder groups have been identified: customers, suppliers, society/ public authorities, employees and shareholders.

SUSTAINABLE GOVERNANCE WITH DECENTRALISED RESPONSIBILITY

Sdiptech's sustainability work is primarily governed by the Group's Code of Conduct. Through the Group management team, it is Sdiptech's Board of Directors that is ultimately responsible for the Group's sustainability work. The Group management team determines long-term overall targets in important areas. The objective is for these to be supplemented by each business area developing goals and plans of action for its companies. The Code of Conduct is a fundamental pillar in our sustainability work and an integral part of the operations. Our Code of Conduct forms the basis for how we do business, behave and act in our daily work and in our external relationships. The Code includes all essential points in human rights, working conditions, corruption, equality and diversity. The Code is based on the OECD's guidelines for multinational companies and encompasses all companies and employees. The Codes of Conduct have been adopted by the Board of Directors and are available on our website www.sdiptech.com.

STRATEGY AND GOVERNANCE

Sustainability is an important part of our strategy and the objective is for sustainability to be taken into consideration in all strategic decisions made within the organisation. We have divided our sustainability work into three categories: generating financial, social and environmental value. Within each area, we have a number of strategies, policies and goals.

THREE FOCUS AREAS OF OUR SUSTAINABILITY WORK

Our stakeholder analysis shows that the areas of highest priority in sustainability are to generate and deliver profitable growth, be a healthy workplace with a high level of business ethics and to mitigate negative environmental impacts.

GENERATING FINANCIAL VALUE

Financial stability and strength represent a basic condition for being able to invest in sustainable business development. The accumulated expertise and experience in acquisitions, international expansion and management of creative teams has laid the foundation for the Group's decentralised management philosophy, which aims to inspire creativity and stimulate growth.

Growth – at Sdiptech, we focus on growth in earnings rather than sales. Sdiptech's growth target is to achieve an average annual organic EBITA growth of 5-10 percent. Continuous improvement in earnings at this level requires us to work continuously with investments, improvements and efficiency enhancements. We need to sell more to existing customers, launch new products, find new customers and segments and establish ourselves in new markets. Other ways of generating growth, beyond organic growth, include making company acquisitions or establishing partnerships with different players.

Profitability – measured as the return on capital employed, should exceed 15 percent. This demonstrates how effective we are in using the working capital invested over the year and our other assets. We want each business concept and business unit to have the potential to achieve this target to be part of the Group in the long term. A high level of profitability enables us to self-finance our growth.

Development – each business unit is expected to be at the cutting edge, developing operations in its sub-sector. Development issues may involve new technologies, new products, improved processes, new IT systems or other aspects helping the company advance. We know that companies successful in identifying and managing such issues ahead of their competitors build long-term competitiveness.

Targets in generating financial value
To realise Sdiptech's business concept and vision, in most of the companies, these are translated into targets and sub-targets . Within Sdiptech, we have transformed our vision into financial targets for the entire Group, which are then broken down at the business unit level. The Group's three most important financial targets are:

- Organic earnings growth: Sdiptech's target is to achieve an average annual organic EBITA growth of 5-10 percent.
- Earnings growth through acquisitions: Sdiptech's target is to maintain an annual average rate through of acquisition in line with 2016.
- Return on capital employed: Sdiptech's long-term target is for return on capital employed to exceed 15 percent.

GENERATING SOCIAL VALUE
Sdiptech's business is based on long-term relationships with customers and suppliers, as well as good ethics and great respect for all individuals, both within the company and in external contacts. Like other parts of the Group's operations, concrete efforts in social responsibility are largely decentralised within the framework of the guidelines adopted by Sdiptech. The Group's Code of Conduct provides guidelines for how employees, suppliers, customers and other stakeholders should be treated in a lawful, fair and ethical manner.

Our employees are our most important asset
All employees' efforts are important. At Sdiptech, each employee is a prerequisite for our success. Their combined efforts make a huge difference.

Employees
Most of our workforce is employed on a permanent basis. Contracted personnel are used primarily to substitute for ordinary employees who are ill or otherwise absent. Our employees having secure employment is not only a work environment issue, but also an important factor in achieving continuity in the operations and being able to build long-term relationships. At the end of the year, the average number of employees was 1,014, of whom 89 percent were men:

	Total
Managing Directors (including subsidiaries) and Boards of Directors	40
Production	715
Sales	33
Administration	137
Other	81
Total personnel	**1,014**
of whom, women	112
% women	**11.0 %**

WORKING ENVIRONMENT
We provide good workplaces and foster employees' health, well-being and development. This means that with regard to workplace design, equipment, our behaviour towards one another, job descriptions, skills development and in all other work environment-related issues, we work to ensure that our employees have a working environment and a work situation that prevents physical and mental ill-health and that promotes well-being and development.

Health and safety
In our industry, health and safety is a priority area. We apply a zero vision with regard to work-related accidents, illness and incidents and have the ambition to work continuously to improve health and well-being among our employees. The objective is for no one to suffer from physical or mental ill health due to their work situation. Absence due to illness as a percentage of working time in days was 4.0 percent for the 2018 full-year.

Employee turnover
We strive to be a respected employer. The companies within the Group shall strive to be attractive employers with regard to their employees' personal development. Relations to and between the employees shall be based on mutual respect and permit reasonable influence in areas affecting the individual's work situation. In 2018, total employee turnover was 8.9 percent excluding employees joining the Group through acquisitions during the year.

Skills development
Sdiptech's companies strive to develop their operations and to be attractive employers. To support development efforts, Business Area Managers and other centrally stationed employees are involved in various matters among the business units, including leadership, marketing and sales, financial review and reporting and project review.

Equality and diversity
Sdiptech does not permit discrimination or harassment in any form. Sdiptech strives for employees within the Group

to be afforded equal opportunities for career development, training, remuneration, work content and employment conditions, regardless of gender. In cases where compensation gaps do exist between men and women, we work actively to ensure that these are evened out. We also work for a more even gender distribution in recruitment. We offer equal opportunities for employment regardless of race, religion, gender, age, disability, family circumstances or sexual orientation. We work to counteract any form of discrimination in the workplace or in the treatment of employees when it comes to wage setting and career development. We strive to introduce appropriate processes to detect and address any cases of discrimination.

Other working conditions

Employees shall be at liberty to exercise their legal right to be a member of, organise or work for organisations representing their interests as employees.

WE IMPOSE STRINGENT DEMANDS ON SUPPLIERS

Because we impose strict demands on integrity and ethics in our own operations, it is natural that we do the same also with regard to suppliers. We work closely with our suppliers and review them regularly to ensure that the entire value chain works towards the same objective. No incidents involving human rights violations were reported in 2018.

Anti-corruption

Business ethics is high on our agenda and is an issue that is continuously addressed. We apply a pronounced zero tolerance on corruption and do not tolerate bribery or unfair competition-limiting practices. No cases of corruption were identified during the year.

Labour law

With regard to labour law, we adhere to all laws and regulations as a minimum, and we expect customers and suppliers to comply with current legislation. We work actively to ensure that there are no regulatory breaches within our operations or our value chain.

OUR ROLE IN SOCIETY

Sdiptech also generates value in society. We generate jobs, further develop the competitiveness of value-generating trade in technology and contribute tax payments. Each company within the Group works to exert a positive influence in the communities in which the Group operates. Business decisions that can be assumed to have an impact on society as a whole should, as far as possible, always be preceded by, or promptly followed by, discussions with community representatives to identify any needs for joint action. We contribute to public welfare through employer's contributions and taxes. Profit before tax amounted to SEK 127 million and taxes amounted to SEK 30 million. Adjusted for revaluation of liabilities for contingent considerations and revaluations of goodwill assets (which are not taxable income items), profit before tax was SEK 138 million, and taxes corresponded to approximately 22 percent.

Targets in generating social value

Sdiptech strives to be a respected employer with whom employees thrive and develop. To achieve this, we strive to:

- Have satisfied employees.
- Be a workplace that promotes diversity and equality.
- Have no employees suffer from physical or mental illness due to their work.
- Ensure that all employees, operations and suppliers adhere to our Code of Conduct.

GENERATING ENVIRONMENTAL VALUE

Responsibility for improving the environment and participating in lasting sustainable development is an important cornerstone of the Group's operations. The Group's impact on the environment is limited and occurs mainly in connection with transportation of input goods and finished products, business travel and waste management. The Group's companies work continuously to reduce the environmental impact of the operations. The environmental work is conducted locally based on each company's specific conditions. Group companies strive for superior efficiency in their use of energy and natural resources, favour systems that re-use and recycle materials and energy, and that prevent and limit environmental pollution. The ambition is to be highly sensitive to customers and suppliers' wishes and to thus be able to meet the market's demands for proactive environmental efforts. Many of the companies within the Group apply quantitative targets in their environmental work. Fully 52 percent of our business units are ISO certified. In four of its business units, the Group conducts operations requiring permits under the Environmental Code, with regard to waste water management. There are no known threats that could endanger the operations from an environmental perspective.

Carbon dioxide emissions

Sdiptech's climate impact consists mainly of carbon dioxide emissions, which we consider the foremost negative environmental impact of our operations. In addition to emissions related to the internal use of fossil fuels and electricity, emissions of carbon dioxide are also generated by various modes of transport, such as transport of materials and products and passenger transport.

Targets in generating environmental value

Sdiptech shall work actively to continuously reduce the direct and indirect environmental impact of its operations, products and processes. To achieve this, we strive to:

- Continue the work of providing products and solutions that help drive sustainable development and reduce environmental impact.
- Continue work on setting targets with regard to energy and climate.
- Establish energy mapping in accordance with the EU's Energy Efficiency Directive.
- Ensure that our business units continue updating to ISO 14001:2015.