


Diab
Sustainability Report
2017





DIAB – A WORLD LEADER IN HIGH-PERFORMANCE COMPOSITE CORE MATERIALS

Diab has been at the leading edge of composite core material development for over sixty years, supplying a wide range of markets including marine, wind energy, transport, aerospace and industry.



This report contains forward-looking statements that are based on the current expectations of the management of Diab Group AB. Although management believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove correct. Accordingly, results could differ materially from those implied in the forward-looking statements as a result of, among other factors, changes in economic, market and competitive conditions, changes in the regulatory environment and other government actions, fluctuations in exchange rates and other factors.

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WORKING FOR A SUSTAINABLE FUTURE

In a world shared by 7.6 billion people, sustainability is not optional – it is essential. Each one of us is responsible for our planet and the future generations who will inhabit it. We need to use resources efficiently, improve social and working conditions, protect natural ecosystems, raise aspirations and extend opportunities for all. We need to continuously improve our business performance and through that, improve the world in which we live, create and build the future.

Diab continues to grow, and the larger and more global our company becomes, the greater our responsibility. We believe we need to make a difference when it comes to the large issues. That is why we have made sustainability one of our top business priorities.

Our sustainability efforts are divided into four different areas:

- Strategy & Governance
- Human & Labor Rights
- Business Ethics
- Environment

We follow our certified management systems in accordance with ISO 14001 and ISO 9001. By reaffirming the UN Global Compact during 2017, Diab is making a long-term statement to continuously focus on our sustainable development. In addition to this we have also reaffirmed our Modern Slavery and Human Trafficking Statement for 2017 and made a commitment to set Science Based Targets, SBT.

By offering our customers innovative technical solutions together with world-class productivity and quality, we are able to support them from initial concept to finished product. We have come a long way, but we do not rest on our laurels. It is our ambition to create even more value for our customers.

We are determined to continue improving our performance, putting sustainability principles and ideas into practice.

LENNART HAGELQVIST
CEO

February 12, 2018

GRI Standard Guidelines and External auditors

Diab Group's 2017 Sustainability Report is based on GRI Standards, the Global Reporting Initiative's Sustainability Reporting Guidelines, with Core options.

PricewaterhouseCoopers has reviewed and assured compliance with this option, with a focus on the most significant CR issues. Refer to the Assurance Report on our website.

The 2017 Sustainability Report is prepared for sustainability reporting in compliance with the Annual Accounts Act.



THE MORE WE SELL- THE MORE WE SAVE

Diab - leading the way

Diab has been a frontrunner in developing composite materials for over sixty years. We know that each application requires a unique solution. Decades of experience serving various types of industries have brought us invaluable insight into products and processes, making it possible for us to deliver a solution adapted to a variety of specific needs.

The more Divinycell we sell, the more our customers' applications decrease carbon footprint. Light, strong and smart materials are needed in a sustainable society.

Impact of sandwich design and core

Lightweight materials save our non-renewable resources and reduce pollution. In addition, our materials have a long and reliable lifecycle, allowing for substantial environmental savings over their life time.

Over the years our target has always been to give our core materials the best strength-to-weight ratio possible.

Diab's position

Diab is effortlessly working to perfect the details of foam manufacturing. Making its first site ISO 14001 certified already in 1998, Diab has since worked in this spirit. Over the years Diab has removed plasticizers, stabilizers, pigment etc. to ensure that our products are as sustainable as possible.

A multitude of applications

With several product lines, numerous finishing options and kit operations in combination with engineering services and expertise, we can help our customers achieve the most competitive low-weight, high-performance structures possible. Discover how composite technology can help you getting ahead in your industry.

“Lightweight materials save our non-renewable resources and reduce pollution.”



STRONGER LIGHTER SMARTER

Design a different world

If you can imagine it, we can probably help you build it. Diab's high-performance solutions can take products to a higher level of competitiveness by making them stronger, lighter and smarter. Combining advanced sandwich composite materials, tailored kits, a wide range of finishing options and a comprehensive range of engineering services, we make it possible to develop the wildest construction dreams in a cost-efficient and sustainable way.

The ultimate building material

The volume and number of applications of composite materials are growing steadily, continuously penetrating new markets. Lighter than concrete, steel and aluminum, composite materials provide great weight reductions while maintaining strength. They combine full design freedom with exceptional durability. In addition, they are more sustainable than conventional building materials.

Lightness and strength

Who says a strong structure has to be heavy? Engineering dreams can meet harsh reality without compromises. Sandwich composites significantly reduce weight and increase stiffness, while maintaining or even adding strength. Increasing the thickness of the sandwich core yields even greater toughness and rigidity without substantially increasing weight. And since the support structure can be reduced, there are further weight reductions to be had.

Full design freedom

Do you have innovative design dreams that you have yet to realize? With sandwich composites you can enjoy a tremendous freedom to adapt both form and function to specific application needs without any loss of performance or strength. You can easily incorporate compound curves and accurately align outer skins to load paths, maximizing structural integrity and performance.

Simply smarter

The excellent stiffness and strength-to-weight ratio of the sandwich concept serve many ends. Diab's advanced core materials enable higher speed, longer range, greater pay-load capacity, reduced power demand and reduced environmental impact. They also offer good dynamic strength, low water absorption and excellent insulation while minimizing maintenance.

Sustainability is at the core of our business

An integral part of Diab's business concept is that products and services should have a positive environmental impact in the applications and processes for which they are used. Most of the companies that use our products and services are striving for applications with light and strong designs. This brings positive effects such as reduced fuel consumption, increased range and greater load-bearing capacity. We take the entire product life cycle into account in our research and development to ensure sustainable products that are reusable and recyclable.



ONE DIAB

Ratos

Diab is since 2009 wholly owned by Ratos, an investment company that owns and develops unlisted medium-sized Nordic companies. Ratos' goal as an active owner is to contribute to the long-term and sustainable business development of the companies in which they invest, and to make value-generating transactions.

Ratos creates value by being the partner that unlocks business opportunities and contributes with ideas, experience, capital and contacts. Ratos' business is about being entrepreneurial, and a prerequisite for its long-term success is its ability to attract and develop employees and to build important relationships.

Ratos is listed on Nasdaq Stockholm. It has a balanced portfolio and exposure to several industries and markets.

Complete sandwich composite solution

With a complete range of high-performance core materials, numerous finishing options and kit operations in combination with engineering services and expertise, we present presumably the widest and most valuable offering in the sandwich composite industry.

Ongoing innovation

Ever since the beginning, we have been dedicated to constant innovation, and we are promoting a widespread adoption of sandwich composite materials. What people say can't be done we do every day.

Proven performance

Our products and solutions have been used in a wide range of industries for decades and are all certified according to relevant industry standards. This excellent track record proves the quality and reliability of our materials and solutions, providing security and proof of performance few others can offer. Our dedication to making our business sustainable means that we continually improve every aspect of our operations.

Worldwide supply and support

Diab has a global manufacturing, sales and engineering presence. We follow our customers – and even anticipate their needs – by positioning ourselves in locations that can best support them. We have manufacturing sites in strategic locations around the world, offering our full range of materials, plus local representation in many countries – ensuring security of supply, cost efficiency, flexibility and local support.

Vision

“To be the number one in structural cores globally”

Mission

“To provide stronger, lighter and smarter composite solutions realizing a more sustainable world”



ONE DIAB

One Diab House

To take us to our vision - to be the number one in structural cores globally - we are implementing a performance system based on our values. The system is called One Diab since the goal is to work together across regions, countries, departments and functions. We all belong to the same One Diab company.

To visualize our performance system One Diab we have a house, where the foundation is our values. We will always put safety first; caring for our people is the base of everything we do. Can Do Attitude, Reliability, Customer Focus, High Efficiency and Manage Our Cost are all our values that we should live by every day.

The next step we are working on is implementing "Blocks". A Block is a cross-functional team. The ideal Block has one person from each department with different kinds of experience, following a strategy to improve their subject:

Step 1 - Set strategy for Diab to achieve its goals

Step 2 - GAP analysis*

Step 3 - Prioritize and plan

Step 4 - Method

Step 5 - Validate

Step 6 - Reflect and improve

** GAP analysis = Involves the comparison of actual performance with potential or desired performance.*



ONE DIAB

The most important Block is Safety, but 4 additional Blocks are ongoing in Longarone, Sualiai and Laholm, respectively and these Blocks are described below.

Focused Improvement

The members of this Block will become experts of the problem-solving method DMAIC (Define, Measure, Analyze, Improve and Control). They will be project leaders, teach the process to others and be auditors to make certain that we follow the process. The steering committee will define projects; each project will take 60-90 days.

Continuous Skills Development

Members of this Block will be the experts in training. They will break down all tasks and write instructions with the help from other Blocks.

Equipment Care

This Block takes care of our equipment and teaches the operators to carry out daily maintenance. The members of this Block will also be experts on our planned maintenance.

Work Place Organization

This Block removes waste and works toward the 5S (Separate, Simplify, Systemize, Standardize, Sustain). Each working place will have all equipment in the right place and the right amount available.

Other Blocks will follow, involving other plants and production lines. To be able to succeed we need to work as One Team, which is why the diamond is in the center.

One Team means to work cross-functionally throughout the company. This will help us successfully execute our mission to provide stronger, lighter and smarter composite solutions realizing a more sustainable world.

ONE DIAB

Diab Values

We cooperate, we help each other out and we work as one global company. Our values indicate what we think is important and what distinguishes us from the competition. Our values create a culture – a common platform where we can become One Diab even though we speak different languages, have different cultures and are geographically spread.

The Diab Values are divided into six focus areas, presented below.

Safety

Safety for people always comes first. Simply put, no one should get hurt while working at Diab. Together, we all take responsibility for each other's safety.



Can-Do Attitude

Each one of us is responsible for driving improvement. With a positive, productive approach to work, we take personal initiative – empowering ourselves, our coworkers and our company.



Reliability

We keep our promises, both to each other internally and to our customers, partners and others externally. We work for a sustainable society. Our work ethic is strong and we prove it every day.



Customer Focus

We make sure our customers are satisfied. Understanding and sharing their entrepreneurial spirit, we are committed to helping them win by providing the best products and solutions.



High Efficiency

Efficiency and high performance are distinctions of our culture. With clear organization, we make sure that we do the right things at the right time with the right speed.



Manage Our Costs

We stay on top of our costs, globally and locally, knowing that everything and every one has an impact. More than a savings program, this is a mind-set.





ONE DIAB

Brand names

Diab, Divinycell, Matrix and ProBalsa are registered trademarks in countries all over the world.

Technical Services

Diab Technical Services partners up to help customers maximize the benefits provided by the Diab sandwich concept. We have deep knowledge of sandwich design, production, finishing and kits and our skills cover everything from hand lay-up to resin infusion. We help customers choose the most appropriate design procedure for each specific case and when necessary validate the findings with in-house testing. Strategically located around the world, we provide advice and support wherever the customers are.

We can also offer both theoretical and practical training of personnel and then directly assist your team with prototyping and infusion trials.

Quantity of products and services provided

Diab offers a large quantity of products, amounting to approximately 14,000. The number of services provided cannot be calculated in the same way, but Diab offers technical support to its customers, and additional calculations and support can be had through the Composites Consulting Group (CCG).

Composites Consulting Group (CCG)

CCG is an independent Diab Group company providing specialty composite technology services. With broad competence that includes everything from design and engineering to testing, tooling, process optimization and training, we ensure that you can realize the full value of composite designs.

CCG consists of mechanical and process engineers, material scientists, naval architects and composite technicians with many years of experience from a wide range of industries. Our process consultants routinely work with applications using contact molding, vacuum infusion, RTM and RTM Light, prepregs, pultrusion and filament winding, among others.



ONE DIAB

Health & Safety Training

Diab has performed Health & Safety Training for a long time, recording it on all production sites with reports on a monthly basis. The reported training rate for the whole Diab Group from 2014 to 2017 is calculated as the hours of training per totally worked hours and shown in percent, as seen below.

Health & Safety Training Rate, %

2014	0.14
2015	0.33
2016	0.30
2017	0.40

E-learning

Our e-learning platform "Smarter" was introduced in May 2017 to Top management, the Sales & Technical organization, the Operations Management Team, and HR managers. As of December 31, 2017, a total of 180 users had been registered.

12 training programs consisting of a total of 65 modules have been launched. Each module is between one and twelve minutes long and includes various steps - a slide show with or without voice, videos, download files or links to external webpages where extended information is

available. The training programs aim to provide general information and knowledge about Diab and our materials, but also in-depth knowledge of the Sales and Technical area. Each module has been developed by various senior co-workers with long and deep knowledge of each area.

During 2018 "Smarter" will be introduced to all white-collar workers globally. All line managers will find a specific program that will help them develop their leadership skills. A pilot will be run in Laholm to introduce e-learning for all co-workers to make competence development possible in an easy and effective way. The planning also involves carrying out annual mandatory trainings through the portal, as well as importing previous e-learning materials to create a complete training platform.

"Our e-learning program Smarter provides knowledge about Diab and our materials"

ONE DIAB

Information on employees and other workers

The majority of the organization's activities are carried out by Diab employees, the total number of which is presented below. The data is compiled through local and global HR.

Total number of employees by employment contract (permanent and temporary), by gender:

	Men	Women	Total
	1003	270	1273

Total number of employees (permanent and temporary), by employment type:

	Men	Women	Total
Full-time	982	255	1237
Part-time	21	24	45

Total number of employees by employment contract (permanent and temporary), by region:

	Men	Women	Total
Australia	7	1	8
China	208	95	303
Ecuador	93	3	96
France	3	2	5
Germany	5	1	6
India	6	4	10
Italy	220	7	227
Lithuania	148	67	215
Norway	2	1	3
Poland	2	1	3
South Korea	1	0	1
Spain	3	3	6
Sweden	210	48	258
Thailand	2	6	8
UK	6	2	8
USA	87	29	116
Total	1003	270	1273



STRATEGY & GOVERNANCE

Sustainability Strategy - One Planet, One Diab

Diab's strategy for sustainability is built on three pillars:

Products

The more we sell the more we save the planet - leveraging Diab's potential contributes to a stronger, lighter and smarter future society.

Operations

"Zero waste and closed loop" - waste that can be reduced must be eliminated to save resources and cost. Materials that cannot be eliminated need to find new customers as raw material in new products, to create closed loops.

People

Sustainability in everything we do - it is our ambition that all business activities in Diab are performed in a resource-effective and ethical manner in line with our Code of Conduct and external commitments to customers, owners and non-governmental organizations (NGOs).

Within each area selected targets are set that drive the activities which are then funded and prioritized in the overall strategy and budget process on a yearly cycle.

It is clear that Diab products fit into a future sustainable society as the sandwich core composite solution and its applications are in many ways superior to traditional solutions mainly built of steel and other metals. The strategy for Diab is to identify the applications where our products add value both from a financial and sustainable perspective, as this is the only way to secure long-term sustainable solutions.

It is crucial to Diab to coordinate its activities, ensure consistency, and share best practice within the global organization.

There is special focus on "Zero waste and closed loop" as the potential for improvement has been identified as significant and will deliver best return on investment in the mid-term perspective, 1-3 years.

Governance structure

The legal levels of management consist of the Company's Annual General Meeting, Board of Directors and CEO. The Annual General Meeting elects the Board of Directors and the Company's CEO is appointed by the Board of Directors.

Shareholders' General Meeting

The authority of the Shareholders to make decisions regarding comprehensive matters in the name of the Company (including Group Companies) is exercised at the General Meetings. The Annual General Meeting for the parent company, Diab Group AB, shall take place within six months of the Company's financial year-end, and the Board of Directors is obliged to discuss the Annual Reports in accordance with the Swedish Companies Act.

The Board of Directors

The Sustainability Report is subject to the same liability rules as the annual report, which means that the Board is ultimately responsible for the report's establishment as well as its contents.

STRATEGY & GOVERNANCE

The Board of Directors is responsible for the organization of the Company and the management of the Company's affairs, such as compliance with law and the Articles of Association.

The Board consists of minimum three members and maximum six members with maximum six deputies elected at a Shareholders' meeting and two members chosen by the union, with two deputies.

In the formal work plan, laid down by the Board, it is defined which items should be discussed in the different meetings in accordance with a specific plan drawn up to ensure that the Board is able to fulfil its assignments in terms of operational control, the establishment of strategic guidelines which are significant to the business and development of the Company, as well as evaluation of its own actions and the work carried out by the managing director.

The work plan stipulates that a minimum of six board meetings should be held during each year. The Company auditors participate in the meeting that deals with the annual accounts. Throughout the financial year, the board members as well as the deputies and auditors receive written information about the Company business, economic and financial position as well as other information of significance to the Company.

Overall responsibility

The Board is accountable to the shareholders for the organization and management of the Company's and Group's

affairs. In background of this overall responsibility, the Board deals with any matter it considers relevant for the Company or the Group.

These are, for example, to continuously assess the Company's and Group's financial situation.

The General Meeting of Diab Group AB has established an Audit Committee and a Remuneration Committee. The Audit Committee, which is a body within the Board, shall prepare issues for the Board in accordance with the committee's tasks. The tasks include quality-assurance of the internal control, establish policies and currently maintain contact with the auditors.

The tasks of the Remuneration Committee, which is a body within the Board, shall prepare issues for the Board concerning remunerations. The Committee shall, on the Board's behalf at the Annual General Meeting present guidelines for remuneration and other conditions of employment for management.

The CEO for Diab Group AB is appointed by the Board of Directors and shall handle the day-to-day management and co-ordinate the operations of the company and the group in accordance with the instructions set by the Board of Directors. That means that the CEO for Diab Group AB also is Group CEO.

The operating management bodies are created to support and control the operating group structure. Group management is executed through DMT (Diab Management Team).

STRATEGY & GOVERNANCE

DMT - Diab Management Team

The DMT shall discuss more long-term strategic questions and typically meets at least seven times per year. The DMT comprises CEO, CFO, EVP Business & Sales Development, CTO, EVP EMEA & India - Group SC & Operations, EVP Sustainability & EHSQ, EVP Asia and EVP HR.

The DMT has the overall responsibility for the Group's operations, strategies and financial control. CEO is the chairman of the group.

Product Board

The Product Board deals with tactics around Diab's offering of core materials, finishing options and positioning. The Board consists of, at least, Market Segment Managers, Product and Marketing Manager, R&D Manager, CTO, Sustainability Manager and Operations.

Investment Committee

The Investment Committee's main objective is to prioritize, decide (under the mandate of authority rights), suggest investments for CEO or Board decision and follow up on the investment budget. The committee also suggests investments budget. The committee includes Regional EVPs and CFO.

Supply chain

Diab's main suppliers supply their raw materials as chemicals, except for balsa and a few others. There are in total 30-40 unique suppliers, mainly located in Europe for IPN (Interpenetrating Polymer Network) with a few exceptions in Asia for IPN production in Europe. About five suppliers are located in Asia to support the IPN production in Zhangjiagang.

PET (Polyethylene Terephthalate) production suppliers are served from Europe, balsa mainly from South America and PES (Polyether Sulfone) from Europe and USA.

No significant changes to the organization's size, structure, ownership, or supply chain have been made in the year 2017.

"The DMT has the overall responsibility for the Group's operations, strategies and financial control. CEO is the chairman of the Group."

DMT - Diab Executive Management Team



Lennart Hagelqvist
President & CEO



Patrik Nilsson
CFO



Mats Persson
EVP EMEA & India -
Group SC & Operations



Magdalena Sandström
CTO



Robert Ramnér
EVP Asia



Per-Erik Velin
EVP Business & Sales
Development



Per Hökfelt
EVP Sustainability &
EHSQ



Lena Rickard
EVP HR

Diversity of governance bodies:

Diab Group Board members are divided as follows:

- 8 men and 2 women
- 4 persons are in the age group of 30-50 years and 6 persons are > 50 years

DMT members are divided as follows:

- 6 men and 2 women
- 4 persons are in the age group of 30-50 years and 4 persons are > 50 years

Diab Group AB - Board members



Stig Karlsson
Chairman



Carl-Erik Ridderstål
Board member



Fredrik Nilsson
Board member



Henrik Lundh
Board member



Linda Jahic
Board member



Torben Bjerre-Madsen
Board member



Viktoria Bergman
Board member



Joakim Twetman
Board alternate



Göran Ingvarsson
Board alternate



Per Månsson
Board alternate

STAKEHOLDER INVOLVEMENT

Stakeholders

Diab interacts with a number of stakeholder groups on an almost daily basis, which brings a range of requirements and expectations in relation to sustainable development.

Our understanding of which stakeholders are significant – and what they consider to be important – is based on experience, commercial relationships and dialogue over a long period of time, as well as events over the past financial year.

Stakeholder survey

Additionally, during the second half of 2017, Diab performed a survey including all identified stakeholders internally, externally and globally, where Diab mainly operates.

The different stakeholder groups included in the survey were customers, employees, suppliers, shareholders and society, in total approximately 30 persons. They received a questionnaire which varied depending on whether they were external or internal stakeholders.

All of them had access to personal support through Diab representatives in all countries that participated in the research (Sweden, Italy, China, USA and Ecuador).

This survey was undertaken specifically as part of the report preparation process.

The survey was divided into four groups of questions:

1. Environment
2. Working conditions
3. Product value
4. Business ethics and anticorruption

The areas of most concern within each of the above mentioned groups included:

1. Health & Safety for employees
2. No child labor
3. Price (very close in significance to “Support before sales”)
4. Anti-corruption measures

All the topics prioritized by the different stakeholder groups (not only those presented above) were presented to DMT members for common evaluation and discussion on future actions.

STAKEHOLDER INVOLVEMENT

The most prioritized topics for Diab's stakeholders

Health & Safety for employees

Health & Safety already is the most prioritized topic within Diab and has throughout the year been further highlighted through the One Diab work.

The prevention of Lost Time Accidents (LTA) will remain one of Diab's KPIs followed up in monthly reports.

No child labor

Diab is already putting strong focus on this topic, but will further strengthen it through continuous work and follow-up processes in the Supplier Code of Conduct.

In the Supplier Code of Conduct we state the following: "All forms of child labor are unacceptable, and documentation certifying the age of all employees must be available. All forms of work that can have a negative impact on the child's right to a healthy childhood and development, or that prevent the child's education, are classified as child labor. All forms of violence, compulsion

and the exploitation of children are unacceptable. A person below the age of 15 is viewed as a child unless local legislation has defined other age for being able to work or for mandatory schooling".

Support before sales and price

The technical support provided by Diab to customers is unique and something strongly connected to our brand.

The pricing of Diab products are based on the value for our customers as we strive to deliver high-value products, solutions and services.

Anti-corruption measures

Our policy for anticorruption is official. In addition, we are continuously offering internal education on this subject. It has also been decided to annually record and report the amount of corruption errands identified globally, as data already exists.

STAKEHOLDER INVOLVEMENT

Stakeholders	Aim, requirements and expectations	Value created
Customers	Diab believes that sustainability measures strengthen customer relationships. Many customers demand that Diab have a Code of Conduct, certified management systems and phasing-out of non-sustainable chemicals. Also, as Diab offers resource-efficient products, customers expect us to continuously decrease the environmental impact of our product range during production and in the customer's final application.	Diab's sustainability work is continuously reviewed by customers, also during 2017. The overall results are good and Diab's sustainable development aims are valued by customers. A completely new type of IPN product has been developed, which offers better properties with lower density. It further requires a significantly lower resin consumption during the customer's process and reduces the environmental impact overall.
Consumers	All Diab's products are sold to industrial customers. Although this relates to some consumer products such as yachts and sports gears, for example, it is unlikely that the product will be linked directly to Diab's operations.	Consumers' views were addressed during the year via dialogue with customers and the demands they place on Diab.
Employees	Health & Safety, benefits, social conditions, well-being, development opportunities.	Fatalities: 0 Share of employees in risk positions attending training: 100% Further data is available under Social Responsibility

STAKEHOLDER INVOLVEMENT

Stakeholders	Aim, requirements and expectations	Value created
Suppliers	Diab endeavors to have long-term and transparent relationships with suppliers. The aim is to ensure the right quality, financial stability and sustainable development for both parties.	Over the year the Group has conducted assessments, which also addressed sustainability issues.
Shareholders	The aim for the sustainability work at Diab is to create value for shareholders. Diab ensures this, for example, through efficient resource usage and investments in new sustainable technology. The integration of sustainability issues in business operations, such as more sustainable products, reduces risks and creates business opportunities.	The major shareholder Ratos has a clear Corporate Responsibility Framework that is mandatory for Diab to follow. The status and progress of implementation of the framework is reported to Ratos yearly in Q1.
Society	Social engagement is an important aspect and something that is expected by local communities where Diab Group operates. As a global company, Diab Group is expected to undertake measures that contribute to national global sustainable development goals.	<p>Diab Group has reaffirmed its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labor, Environment and Anti-Corruption.</p> <p>In 2017, Diab Group committed to setting science-based targets, which shows that Diab Group is making a long-term contribution to the global development goals.</p>

CORE SUSTAINABILITY

How do we manage sustainability

All sites have local management and teams within the environmental, social (HR) and financial areas. The activities follow Diab global directives, and further local strategies are added to this dependent on country, area or production specific issues.

Each site has managers within each sustainability field that report to the corresponding global management. Further, all sites have a sustainability manager/coordinator, all members of Diab global sustainability network and coordinated by EVP Sustainability & EHSQ.

A focus on materiality

Diab's sustainability report for 2017, in accordance with GRI Standards, includes aspects relating to the environmental, financial and social responsibility. Our ambition is for this report, together with supplementary information, to give our employees and external stakeholders a transparent view of the company's corporate responsibility activities and how these interact with our business activities.

An extensive survey for all external and internal stakeholder groups was undertaken this year in order to investigate the areas of "environment", "working conditions", "business ethics and anticorruption" and "product value". The stakeholders geographically represent the countries where Diab has production facilities. The outcome of this evaluation gave valuable input on expected performance from Diab compared to actual performance within a wide range of sustainability areas. Both new and old focus areas for Diab were highlighted, but the general result for all tasks was

that Diab performed satisfactory within all investigated subjects. This clearly shows that we are on the right track, but we have to increase our efforts even more, which is already in our plans, both long and short term.

DMT members were set to process and prioritize the same areas and subjects as the stakeholder survey covered from a Diab business strategy point of view.

Diab's material topics were extracted from the process described above, resulting in the Materiality Analysis presented on page 29.

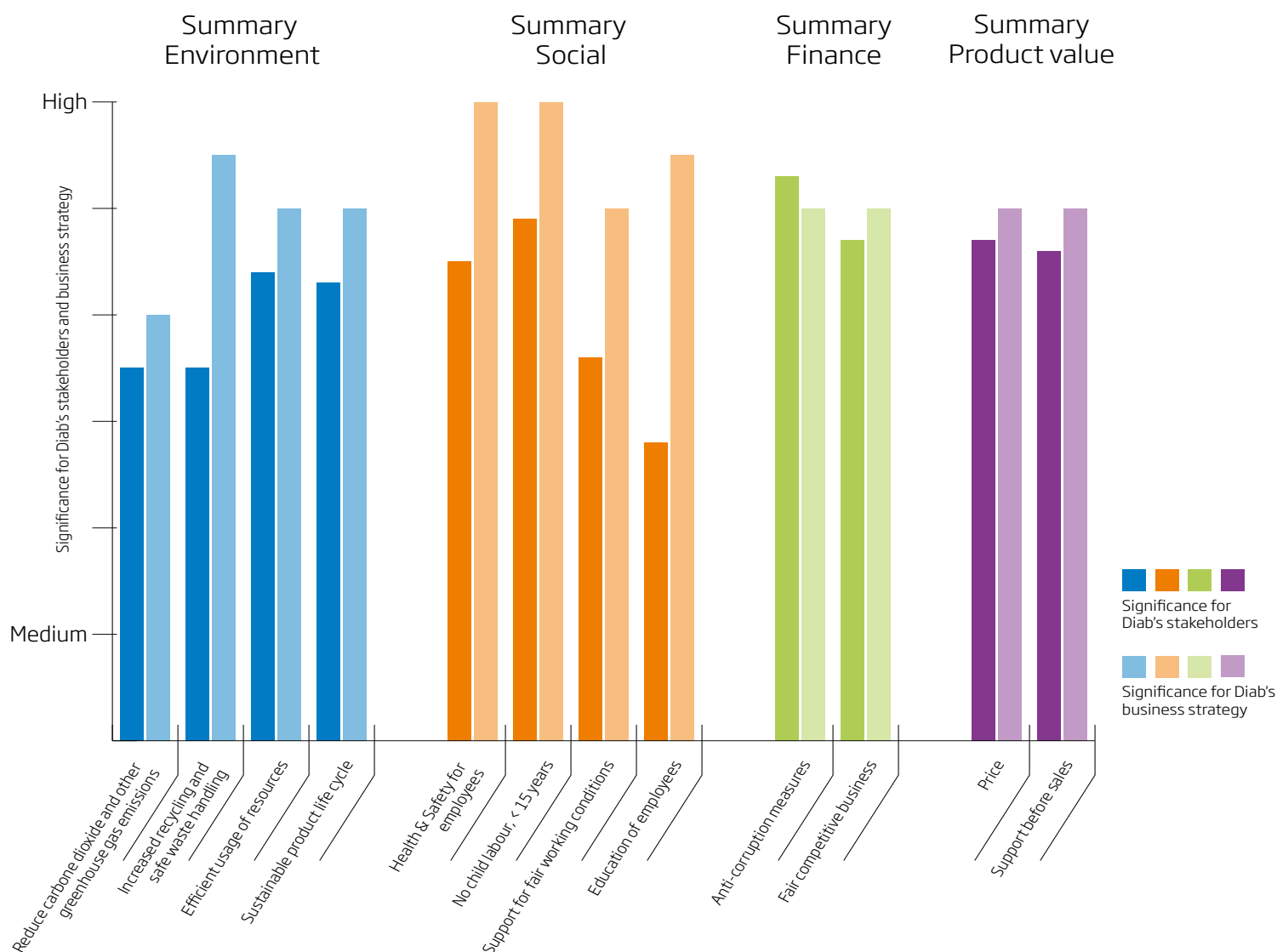
Reporting principles

The reporting is made on core option and the material topics identified through the process of the materiality assessment.

In line with the Ratons CR Framework, Diab reports implementation and status of progress in Q1 annually. The framework is continuously updated and revised by Ratons' Head of Sustainability and reflects the wishes of Diab's shareholders. Each production unit provides quantitative and qualitative information in accordance with Diab's sustainability KPIs. The person responsible for sustainability in each company is responsible for assuring the quality of the information submitted. This year's performance is compared and verified against information from previous years. Most of the figures and data are received from the process connected to the ISO certification of the different units.

CORE SUSTAINABILITY

- Diab Materiality Analysis



CORE SUSTAINABILITY

- list of material topics

All production sites report figures for calculating tCO₂e emissions in the software tool “Our Impact” (following the Greenhouse Gas Protocol, GHG). This GHG emission assessment quantifies all scope 1 and 2 greenhouse gases produced by Diab’s global activities and also the main corresponding from scope 3.



Area	Sustainability target	Performance in 2017
Environmental Responsibility		
Efficient usage of resources	The target for 2022 is approximately 6 tCO ₂ e/tons sold product. The reason for giving it an approximate value is because of its dependence on the mix of products produced. This varies to a certain extent each year.	2016 approximately 10 and 2017 approximately 8 tCO ₂ e/tons sold product.
Reduce CO ₂ emissions and other greenhouse gases (GHG)	Diab committed during the beginning of 2017 to set Science Based Targets (SBT) in order to reduce greenhouse gas (GHG) emissions in line with the level of decarbonization required to keep the global temperature increase below 2°C compared to pre-industrial temperatures.	During 2017 the second CO ₂ e emission survey for Diab Group was performed and arranged to fit the requests from SBT. With this knowledge built up, it was possible to set SBTs and by the end of the year the targets were submitted to SBT for examination. An agreement on moving from natural gas to buying heat from a solid biofuel boiler in Laholm was signed by the end of the year. This change is expected to significantly reduce the carbon footprint for the Laholm production site in 2019.

CORE SUSTAINABILITY

- list of material topics

Area	Sustainability target	Performance in 2017
Environmental Responsibility		
Increased recycling and safe waste handling	The Group-wide objective is for the volume of waste to be reduced by 50% until 2022.	<p>A lot of work and activities have been undertaken in order to improve and market the IPN by-products. Several new businesses have been identified as well as an increased interest from the market. In addition, a number of possible projects to utilize the IPN by-products have been initiated in order to decrease the amount of primarily IPN waste.</p> <p>The internal awareness of waste has increased tremendously as the majority of the employees has achieved education and information on the waste situation together with concrete tools on how everyone can contribute to a reduction of waste, but also information on planned projects and activities.</p>
Sustainable product life cycle	Diab markets sustainable products as they significantly contribute to reduced usage of fossil fuels and other types of energy. At the same time the products enable efficient building of and recovery of renewable energy as for example windmills.	Diab continuously develops and improves sustainable products. During 2017 new products within both the PET and IPN range were developed with significantly improved properties, reducing carbon footprint not only for Diab but also for the products of our customers and end-users.

CORE SUSTAINABILITY

- list of material topics

Area	Sustainability target	Performance in 2017
Social Responsibility		
Health & Safety for all employees	To continually reduce the number of accidents and illnesses in the workplace is an essential objective. LTA is one of our main KPIs. Our long-term target here is of course to achieve an LTA of 0.	All facilities record an LTA and this year the mean value for all sites was 14.3. This is a high number vs general industry benchmark and significant efforts to reduce the LTA has been put in place at the European sites. The One Diab program was launched in Q1 & Q2 during the year and is expected to deliver lower LTA results in 2018.
No child labor < 15 years	No incidents, either internally or externally, are acceptable.	No incident identified during the year.
Support for fair working conditions	"Support for fair working conditions" for Diab includes Non-discrimination, Freedom of association and Collective bargaining, Forced or compulsory labor, Human rights assessments and Supplier social assessment. No incidents, either internally or externally are acceptable.	One incident of discrimination.
Education of employees	Diab empowers continuous learning, both external and internal. Diab has performed and recorded Health & Safety Training for many years.	This year a new e-learning system was introduced for internal training and various lessons can and have to be conducted dependent on employment category.

CORE SUSTAINABILITY

- list of material topics

Area	Sustainability target	Performance in 2017
Financial Responsibility		
Anti-corruption measures	There should be no cases of bribery, corruption or cartel formation. Continued active information for employees.	<p>The Group has a whistleblowing system and no events relating to corruption or inadequate business ethics were recorded in 2017.</p> <p>Those employees in Thailand, Australia and India who did not participate in the web-based anti-corruption training during 2016 have done so during 2017. This means that all employees globally requiring the anti-corruption training have performed the training and passed the test.</p>
Fair competitive business	This is a KPI for Diab and should be measured as the amount of whistleblower incidents handled per year. This KPI shall remain low.	During the year three whistleblower incidents were registered.
Price	Pricing of Diab products are based on value for our customers. We strive to deliver high value products, solutions and services.	It is at the core of Diab to continuously innovate and develop new valuable products and solutions for our existing and new customers. This year, several valuable opportunities have been identified, developed and delivered.
Support before sales	The technical support provided by Diab to customers is unique and something strongly connected to our brand. In order to protect this strength and also ensure the most sustainable handling and usage of our products, the organization will maintain this level of competence and support for our customers.	During the year Technical Services has focused on the reduction of resin consumption in our customers' production processes in order to reduce the final product weight. A lot of this work has been done within the wind mill industry. In addition, activities and projects have been run during the year in order to optimize production processes for renewable energy, such as solar and tidal energy.

CORE SUSTAINABILITY

Changes in reporting

A few changes have been done in the list of material topics and topic boundaries compared to previous reporting periods. The strong focus on health & safety, CO₂e – emissions, waste and recycling, efficient energy usage and anti-corruption remains, but other topics have been added, as can be seen below:

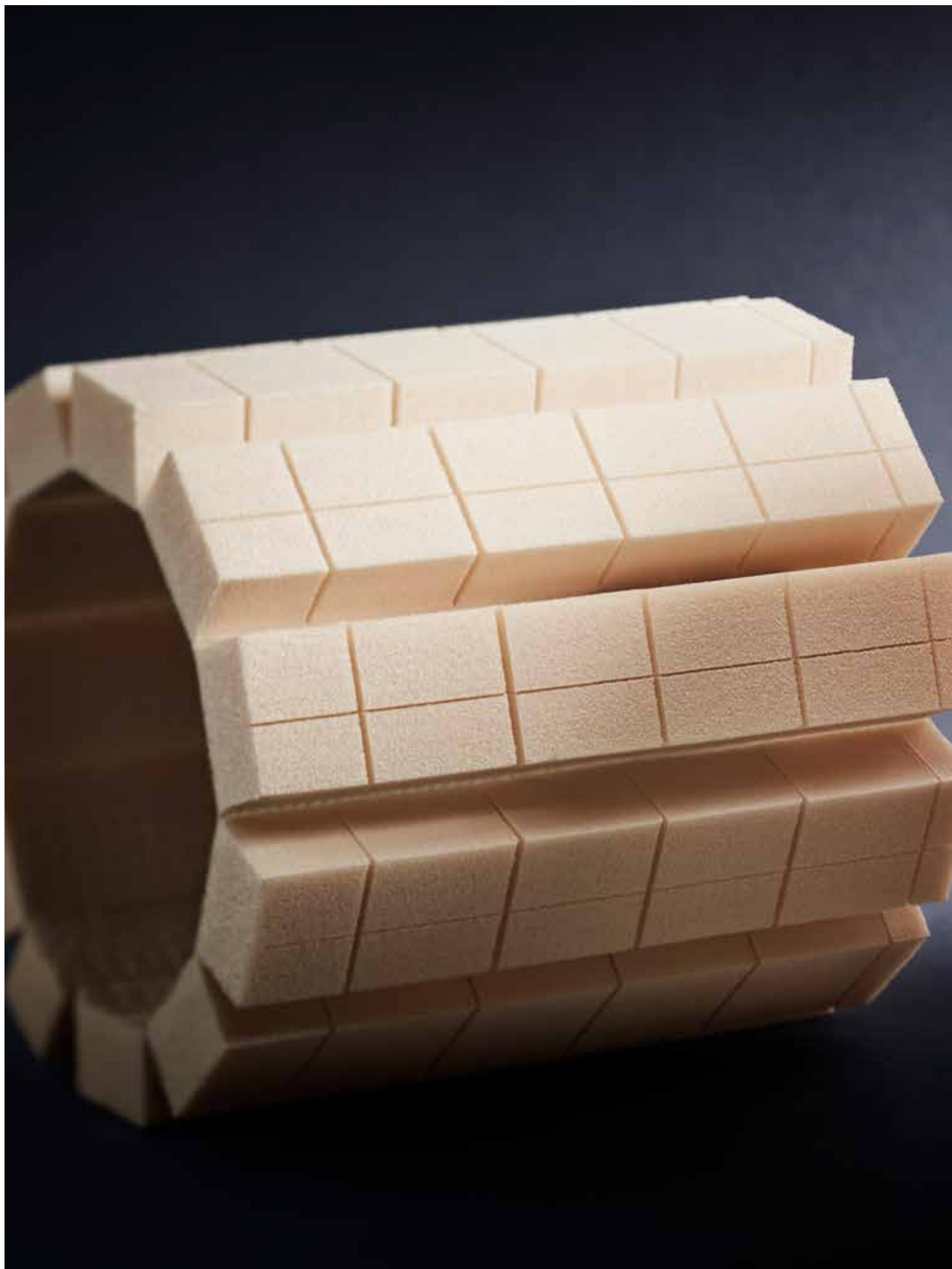
- No child labor <15 is a new material topic on the list, but has been recorded for a long time.
- Fair working conditions is a new material topic on the list, but has been recorded for a long time.
- Education of employees
- Under a new focus area called "Product Value", two new material topics have been added:
 - Price
 - Support before sales
- Sustainable product life cycle
- Fair competitive business

"The strong focus on health & safety, CO₂e – emissions, waste and recycling, efficient energy usage and anticorruption remains."

Precautionary Principle or approach

Our sustainability commitment states:

- Caring about our natural resources by continuously improving the utilization of raw materials, chemicals, energy, water, and minimizing waste.
- Continuous improvement of the environmental performance of our activities, products and services and preventing pollution to ground, air and water through the implementation of the principles in the ISO 14001 standard.
- Systematically assessing and optimizing the environmental impact from the design of new and redesigned products.



ENVIRONMENTAL RESPONSIBILITY

Risk assessment and environment

During the risk assessment carried out by DMT in 2017, the most actual risks and opportunities were identified and evaluated. The topics are graded based on the level of probability multiplied by the severity. The topic with the highest risks within the environmental area, but still only at a moderate level, was identified as permits for production and the risks for them to be changed or cancelled. The actions to reduce this risk have been to nominate special functions within operations. In addition, a plan is set to deepen the local risk assessment at each production facility in order to identify the different aspects around the permits that deviate between the different sites. DMT is set to be main responsible for this topic, where actions have been fully implemented.

Energy

Diab's Sustainability policy clearly states the importance of caring about natural resources as energy by continuously improving how it is utilized. Each operating site is measuring and keeping track of the usage of energy, which is also reported internally on a monthly basis and annually to shareholders.

During 2016 Diab also implemented a yearly calculation on CO₂e emissions, which clearly showed that the usage of natural gas within the group is the main contributor to the CO₂e emissions connected to energy consumption in the group. Moving away from natural gas to renewable energy would be an efficient way ahead to reduce the carbon footprint. Therefore, it is a pleasure to present the agreement that was signed by the end of 2017 in Laholm, where the natural gas boiler will be exchanged for a solid biofuel boiler. This is considered a renewable heat source and the CO₂e emissions will be significantly reduced in Laholm as soon as the equipment has been built and has started to deliver energy to the Laholm facility.

All data for energy consumption is measured values from all production sites. These are put into the software "Our Impacts" that is designed to help conduct high-quality assessments of an organization's greenhouse gas emissions.

Our Impacts is a flexible accounting service that brings together extensive research databases and carbon and energy expertise. In addition, this tool continuously receives updates on scientifically-based emission factors for energy calculations.

Below the energy consumption in MWh during 2017, (2016 values in brackets) from electricity and heating together with other kinds of fuel consumption for all sites and offices combined:

Fuel Type Non Renewable	Fuel Type Renewable	Electricity Consumption	Heating Consumption	Steam Consumption	Total MWh
1,750 (1,550)	1,241 (1,158)	41,737 (43,761)	84,328 (81,167)	1,301 (1,265)	130,357 (128,901)



ENVIRONMENTAL RESPONSIBILITY

Emissions

Diab's sustainability policy clearly states a strive for continuous improvement of the environmental performance of our activities, products and services, preventing pollution to ground, air and water through the implementation of the principles in the ISO 14001 standard.

By the implementation of the yearly CO₂e emissions calculations, a global and deeper understanding of all Diab activities and their corresponding contribution to GHG emissions in Scope 1 to 3 has been achieved. In accomplishing this, Diab realized the aim to commit to set company-wide emissions targets based directly on climate science in the early 2017.

All of the four Diab relevant gases in the Kyoto Protocol, see table GWP of for Diab relevant Kyoto Gases (IPCC2007), have been included in the calculations, which have been carried out in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard.

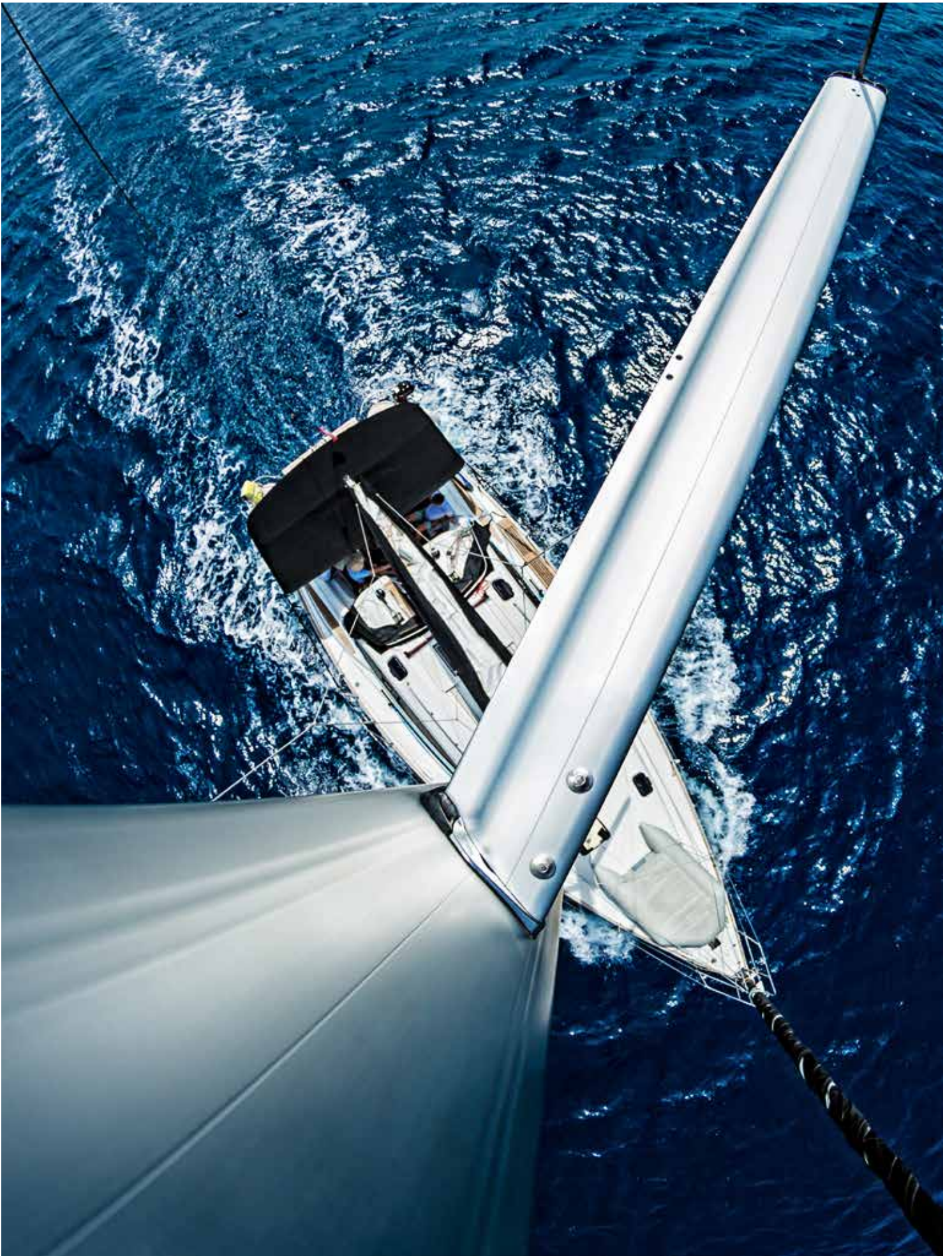
Below the tCO₂e emission volumes divided per scope is shown for Diab Group in 2017 (2016 values in brackets), in total. As can be seen Scope 3 is by far the largest:

Market-Based, tCO₂e:

• Scope 1	18,042	(17,009)
• Scope 2	15,616	(16,739)
• Scope 3	57,083	(64,393)
• Total	90,741	(98,141)
• Biogenic	32	(30)

The consolidation approach for emissions is operational control, and the tools used for the calculation is the software Our Impact, provided by Ecometrica. The GWP rates used are GWP of Kyoto Gases (IPCC 2007):

Greenhouse Gas	GWP
Carbon dioxide (CO ₂)	1
Methane (CH ₄)	25
Nitrous oxide (N ₂ O)	298
Biogenic (CO ₂)	0
Biogenic (CH ₄)	24
CO ₂ e	1



ENVIRONMENTAL RESPONSIBILITY

Emissions

The new KPI, mentioned under Core Sustainability, showing tCO₂e tons / tons sold product, can also be considered as the GHG emissions intensity ratio for the organization. In this all types of GHG emissions are included from direct (Scope 1) and energy indirect (Scope 2) and the main part of other indirect gases (Scope 3). As for the calculations mentioned above all Kyoto gases are included.

2016 was the base year for tCO₂e emission calculations. The total tCO₂e emissions for 2017 were 7.5% lower than for 2016. As mentioned earlier in this section the natural gas usage in Laholm will be eliminated, which will significantly reduce the CO₂e emissions in total and especially for the Laholm site. In addition, many minor activities are spread throughout the organization with the main purpose of reducing CO₂e emissions. In our coming Sustainability Reports for 2018 and onwards, the reduction of GHG emissions will be visualized.



Science Based Targets

The Science Based Targets initiative is a partnership between CDP*, UN Global Compact, WRI* and WWF*, helping companies determine how much they must cut emissions to prevent the worst impact of climate change. Targets adopted by companies to reduce greenhouse gas (GHG) emissions are considered "science-based" if they are in line with the level of decarbonization required to keep global temperature increase below 2 degrees Celcius.

Diab is one of a few hundred companies in the world that are committed to reducing our climate impact in line with what the latest climate science stipulates is needed, to make sure that we do our part in keeping the planet's temperature increase below 2 degrees Celcius.

CDP = Carbon Disclosure Project

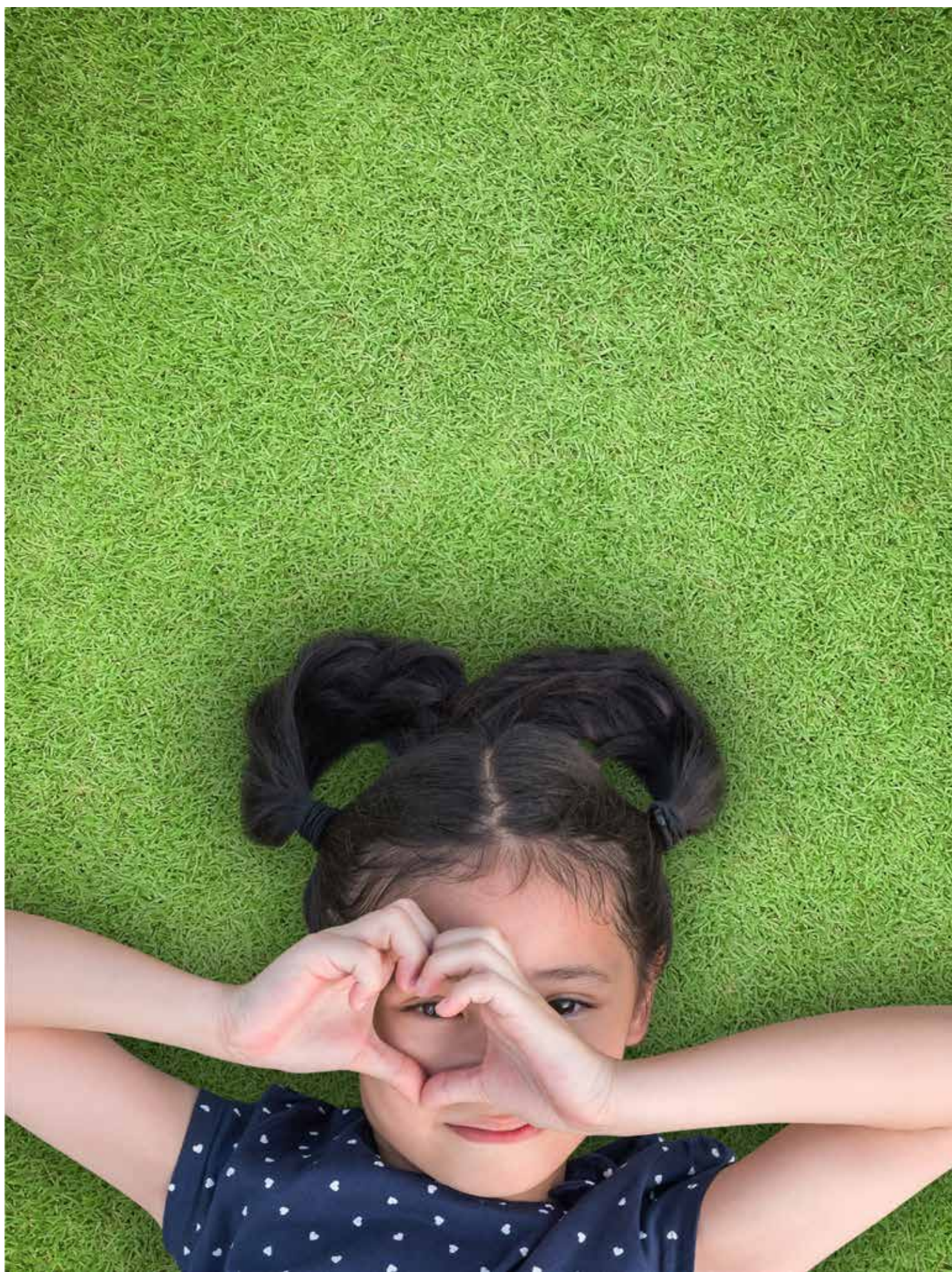
CDP runs the global disclosure system that enables companies, cities, states and regions to measure and manage their environmental impact.

WRI = World Resources Institute

A global research organization working on six critical goals that the world must achieve this decade in order to secure a sustainable future: climate, energy, food, forests, water, cities & transport.

WWF = World Wildlife Fund

The leading organization in wildlife conservation and endangered species.



ZERO WASTE

Reduce, reuse, recycle

Zero Waste is a goal that is ethical, economical, efficient and visionary, to guide people in changing their lifestyles and practices to emulate sustainable natural cycles, where all discarded materials are designed to become resources for others to use.

Zero Waste means designing and managing products and processes to systematically avoid and eliminate the volume and negative environmental impact of waste and materials, conserve and recover all resources, and not burn or bury them.

Implementing Zero Waste will eliminate all discharges to land, water or air that are a threat to planetary, human, animal or plant health.

Waste

We measure our waste in many different ways to be able to sum up the actual contribution of our waste to our total carbon footprint.

Handle waste includes the final stages of the waste, either put in landfill or incinerated.

Raw material to produce waste includes all the materials that Diab uses in order to produce the waste.

Energy to produce waste includes all energy needed to produce all waste.

Transport waste is waste that we transport between facilities.

IPN by-products

IPN by-products created from the waste stream are associated with IPN core production. We wish to increase the market for this waste stream in order to convert it from a cost for Diab into something positive that could generate business.

The IPN by-products is a sandwich core material made of recycled compounds. It is a sustainable and cost-efficient core material for non-structural applications. Wooden, metallic or GRP (Glass Fiber Reinforced Polyester) skins can be readily bonded to create light and stiff sandwich panels.

Good thermal and sound insulating properties make IPN by-products suitable for several applications such as plugs, direct molds, acoustic panels, insulating panels etc.

Agglomerator

Agglomerators have been installed in Longarone, Italy, to recycle our internal waste of PET (which is the material used in our P, PN, PY and PX grades) and also in DeSoto, USA, to recycle our internal waste of PES material (which is the material used in our F grade).



ZERO WASTE

Water discharge by quality and destination

The measured water supply to Diab was calculated to a total of $3.9 \times 10^6 \text{ m}^3$. $3.8 \times 10^6 \text{ m}^3$ of these are supplied to Longarone. The main part is taken from the river passing the factory and is used as cooling water. The water is recycled to the river after having passed the cooling system.

The same process is used in Laholm but the amount of water from the river here is not measured and therefore not calculated. In Zangjiagang, the process utilizes a cooling water unit, as the climate is warmer most part of the year. The remaining water used in Laholm, Longarone and Zhangjiagang and the other sites is clean water used in offices and for minor parts of the factories.

Waste by type and disposal method

The contracted external waste management to handle our hazardous waste have all necessary approvals for all the operations handling and finally to incapacitate our hazardous waste. According to the information provided by the waste disposal contractors the hazardous waste during the year has been handled as follows (no data from 2016 compiled):

- Incinerated: 172 tons
- Landfill: 0.4 tons
- Other: 14 tons

The non-hazardous waste disposal methods used and their percentage of the total waste amount are shown below (2016 values in brackets):

- Landfilled waste: 88% (71%)
- Incinerated waste: 10% (25%)
- Recycled waste: 2% (4%)

The waste disposal method is generally decided by the waste disposal contractor and as the IPN waste, which is the main part, is difficult to incinerate, only the landfill alternative remains for several production sites.

Balsa production in Ecuador - Zero waste

Parts of the incinerated waste within Diab are connected to the waste from the balsa core production in Ecuador. Here, almost 100% of the waste from the different production steps is incinerated in a chimney at our local site and this producing direct heat to operational processes. By this approach the production waste leaving this factory is as close to zero as you can get in reality.

“The waste from the balsa core production in Ecuador is as close to zero as you can get in reality.”



FINANCIAL RESPONSIBILITY

Every company within Diab has a responsibility to fulfill legal requirements and to maintain a high standard of business ethics as well as ensuring compliance with national policies and laws regarding financial responsibility.

All entities included in the organization's consolidated financial statements:

Diab International AB (Sweden) 556509-3027

Diab AB (Sweden)

Diab Sweden AB (Sweden)

Diab ApS (Denmark)

Diab GmbH (Germany)

Diab AS (Norway)

Diab Ltd (UK)

Diab SAS (France)

Diab SpA (Italy)

Diab UAB (Lithuania)

Diab Sp. z o.o. (Poland)

Diab Spain S.L. (Spain)

Diab (Kunshan) Co. Ltd (China)

Diab Composite Materials & Technology Co. Ltd. (China)

Diab New Material (Zhangjiagang) Co. Ltd. (China)

Diab Core Materials Private Ltd (India)

Diab Australia Pty Ltd (Australia)

Diab South East Asia Co. Ltd. (Thailand)

Diab Holdings Inc. (USA) including:

- Diab Ecuador S.A. (Ecuador)
- Diab Investments Inc. (USA)
- Diab Americas LP (USA)

Location of operations

The company has production units for material in Sweden, Italy, USA, China and Ecuador. Material processing takes place in the production units as well as in China and Lithuania.

Scale of the organization 2017 (2016 values in brackets)

- Total Number of Employees (December): 1273 **(1242)**
- Total number of Operations: 7 **(7)**
- Net sales of MSEK 1439 **(MSEK 1516)**. Split between Private sector and Public Sector: 100% Private sector
- Total capitalization broken down in terms of debt and equity per December 31, 2017 is published on Ratos' website

Risk assessment and compliances

The outcome of the risk assessment done by DMT, as described under "Environmental responsibility", on the risks related to compliances is pointing out failure in adhering to international trade regulations and restrictions.

During the year, a control function has been built into Diab's Salesforce CRM-system in order to control countries and companies with international sanctions as well as export permits. This is an efficient and now implemented tool to significantly minimize the failure in adhering to international trade regulations and restrictions.



ZERO CORRUPTION

Risk assessment and corruption

The outcome of the risk assessment done by DMT, as described under “Environmental responsibility”, on the risks related to corruption, pointed out corruption risks in China, India, former Soviet Union and Ecuador. The risks are connected to contacts with customers, agents, distributors and suppliers. The actions performed to minimize the risks have been to change the reporting structure to avoid the organization’s dependency on “one man”, for example financial reporting to a local MD. In addition, there has been an increased presence of representatives from headquarters (DMT) in high risk countries and also audits. After the implementation of these actions during the year, we will continue to monitor the situation.

Anti-corruption

At Diab, we make it a rule to act with integrity at all times. Our business principles commit us to comply with all rules and regulations in each country where we operate and to not accept any form of corruption.

Anti-corruption is specifically stated in Diab’s Code of Conduct that is published on our website.

Awareness

We make all our business partners and employees aware of the Code of Conduct and we provide the information and training necessary to understand and comply with it. We inform all employees about the Code of Conduct through our e-learning program and via our intranet.

Diab has a confidential whistleblowing procedure in place whereby potential breaches can be reported confidentially, and we follow up on reported incidents in a thorough and responsible manner.

The operations within Diab still assessed for risks after the actions described above are those situated in China, i.e. in Kunshan and Zhangjiagang. These facilities correspond to 28% of the operational sites.

A thorough global education on the organization’s anti-corruption policy and procedures, together with general training on anti-corruption, was undertaken during 2016. Some minor areas were not covered during 2016, but the training was completed also in all parts of Asia in 2017.

This means that 100% of the governance body members and all globally interested parties among our employees (covering all employees with email addresses) have passed the training on Diab’s anti-corruption policies and procedures and general anti-corruption. Employees with email addresses include all white collar workers as well as some blue collar workers.

In Lithuania the work on implementing the supplier Code of Conduct, which also covers anti-corruption, was implemented during 2016 and further developed during 2017. This work will continue globally during 2018.

During 2017 Diab had no confirmed incidents of corruption.



ETHICS

RESPECT

CODE

HONESTY

INTEGRITY

SOCIAL RESPONSIBILITY

UN Guiding Principles and ILO convention

Diab's approach to Human Rights is based on the UN Guiding Principles on Business and Human Rights. Our policy is built on our Human Rights Statement below and applies to all entities within the Diab Group.

Diab looks to those Human Rights defined in the Universal Declaration of Human Rights and its two corresponding covenants, The International Covenant on Civil and Political Rights and The International Covenant on Economic, Social and Cultural Rights.

Diab's approach to its business operations is informed by the ILO International Labor Organization's Declaration on Fundamental Principles and Rights at Work, The Children's Rights and Business Principles and the United Nations' Global Compact, to which we are signatories.

Human & Labor rights and working conditions at Diab

Human Rights, such as the right to nondiscrimination, are relevant for the social aspect of our business. And the aspects of working conditions will affect issues such as safety and first aid.

As a global company, we have a considerable impact on the entire range of Human & Labor rights as well as the working conditions at our sites. In order to know and show that we respect these rights, we need to have certain policies and processes in place.

Diab Code of Conduct

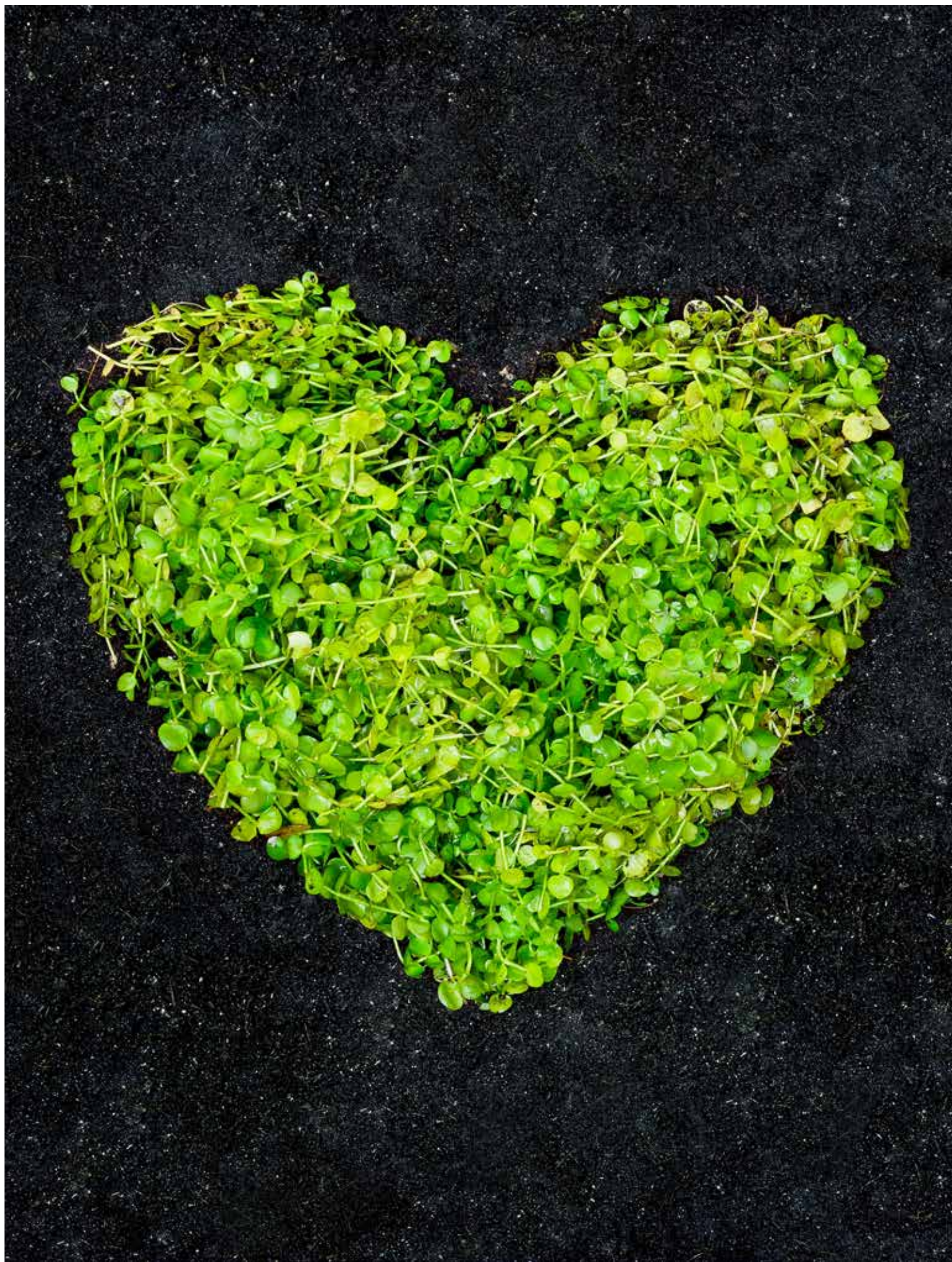
To ensure that we meet the commitments to our stakeholders and interact with our colleagues, customers, partners, internally as well as with local and global society, in a respectful and correct manner, we have implemented the Diab Code of Conduct. This document is available on our website and is meant to provide guidance on how to act in any given situation.

The Diab Code of Conduct describes the way we respect human and labor rights and defines the business ethics we expect all of our employees to show.

We believe that fulfilling our corporate social responsibilities is instrumental in meeting our commitment and reaching our targets.

To this end:

- Safety for our people always comes first. Simply put, no one should get hurt while working at Diab. Together, we all take responsibility for each other's safety.
- We work in strict adherence with regulatory requirements.
- We are a trustworthy partner for our business associates.
- We work in close cooperation with local society and continuously focus on minimizing the impact on the environment on a local and global scale.



SOCIAL RESPONSIBILITY

Discrimination

During 2017 Diab Group had one incident of discrimination. This incident has been reviewed by the organization, an action plan has been implemented and the incident is no longer subject to action.

Risk assessment of child labor

Operations within Diab are assessed to have very limited risk of child labor, young workers exposed to hazardous work or forced or compulsory labor.

The risk for child labor, young workers exposed to hazardous work or forced or compulsory labor is assessed as possible for suppliers to our China operations. Diab has global suppliers and the problem is primarily associated with smaller local suppliers in China. Direct materials for production in China are mainly supplied by global European suppliers, where the risk for child labor, young workers getting exposed to hazardous work or forced or compulsory labor is assessed as very low.

Supplier Code of Conduct

Indirect suppliers have not been audited, but have been invited to sign our Code of Conduct. In those cases a Supplier Code of Conduct has been sent, it has been accepted and signed, but at present it is not always offered.

The main measures to be carried out in order to contribute to the effective abolition of child labor and to the elimination of all forms of forced or compulsory labor is to continuously increase the rate of acceptance of all suppliers in all regions, direct and indirect, to sign the Supplier Code of Conduct.

This work has mainly progressed in Lithuania during 2017, but will continue also in other regions as stated earlier in the report. The work conducted in Lithuania during the year also involves screening of suppliers, using social criteria subject to due diligence processes.

Whistleblower system

No operations have been subject to human rights reviews or human rights impact assessments during 2017. Diab's Code of Conduct is very clear on human rights, which are the guidelines followed by all operations. If any breakage against the Code of Conduct is conducted this would be notified in the whistleblower system. Apart from the above-mentioned incident of discrimination, there has been not reported incident on infringements on human rights.



SOCIAL RESPONSIBILITY

Risk assessment and Health & Safety

The outcome of the risk assessment done by DMT, as described under "Environmental Responsibility", on the risks related to Health & Safety, pointed out accidents where personnel are injured as the main material topic under Social Responsibility. As a response the One Diab program was initiated. The program started in Laholm, Longarone and Siauliai in Q1 & Q2 and has been expanded gradually on these sites during the year. The LTA for the Group is high vs general industry benchmark. With the One Diab program significant efforts to reduce accidents has been put in place during 2017. The program will be expanded during 2018 to more sites and is expected to deliver lower LTA results for the Group average.

Recorded Health & Safety data

Data collected in each production site on a monthly basis within this field include types of injury and rates of injury, occupational diseases, lost days, absenteeism, and number of work-related fatalities. The data is recorded according to

Swedish safety regulations.

Nomenclature used:

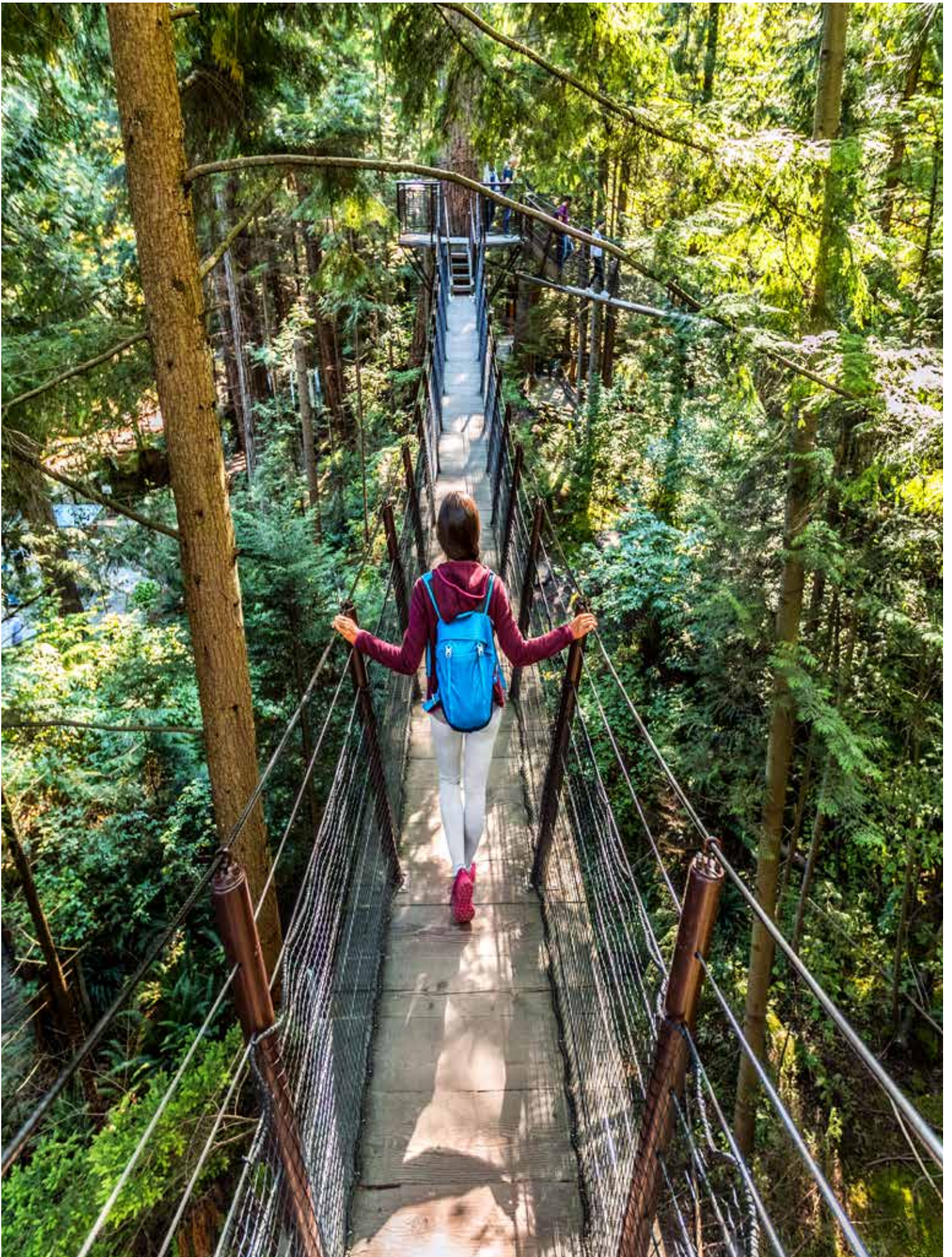
Lost Time Accidents (LTA): Accidents that result in an employee missing the next regularly scheduled workday or shift. Diab records LTA per million of worked hours (including temps, but excluding contractors, and only accidents that have happened within our premises, not on the way to/from work).

Occurrence index: LTA + Recordable (Accidents that result in an employee not missing the next regularly scheduled workday or shift) per million of worked hours (including temps, but excluding contractors, and only accidents that have happened within our premises, not on the way to/from work).

Sick leave rate: percentage of not worked hours in relation to worked hours due to sick leave.

Recorded data Health & Safety - Values for all sites measured during 2017 (2016 values in brackets)

	LTA	Occurrence Index	Sick Leave Rate, %
Laholm, Sweden	19.7 (24.7)	36.6 (32.9)	5.7 (5.23)
Longarone, Italy	29.7 (15.1)	32.1 (15.1)	4.9 (4.47)
Siauliai, Lithuania	23.1 (20.6)	34.7 (29.5)	8.5 (6.34)
DeSoto, USA	0.0 (0.0)	8.5 (23.4)	1.4 (0.88)
Kunshan, China	5.5 (8.2)	13.8 (8.2)	1.6 (2.65)
Zhangjiagang, China	5.1 (0.0)	15.4 (0.0)	0.4 (0.22)
Duran, Ecuador	6.0 (6.3)	9.0 (9.5)	1.2 (0.65)
Diab Group	14.3 (12.5)	22.8 (17.9)	3.7 (3.38)



CASE STORIES

A passenger ferry for sustainable sightseeing

The 40 meter long Vision of the Fjords runs the route between Flåm and Gudvangen, with a capacity of 400 passengers. The ferry takes sightseeing to a new – and more sustainable – level.

A hybrid-electric catamaran by Brødrene Aa

Constructed in 2016 by the renowned Brødrene Aa i Høy for the Norwegian shipping company The Fjords, the hybrid-electric catamaran can take tourists up Norway's beautiful coast in a both silent and sustainable way. The unique vessel utilizes the very latest clean technology to preserve the ancient, natural treasure of the fjords.

Powered by batteries

With a top speed of 19.5 knots, Vision of the Fjords has a diesel engine, but the idea is to avoid using it as far as possible. Instead, the ship utilizes an electric hybrid propulsion system developed by ABB, and powered by Mancraft diesel or by batteries from ZEM. The idea is to only use the diesel engines for longer transit distances, but that the vessel will be powered by batteries alone during sightseeing tours in the vulnerable Nærøysfjord, a UNESCO World Heritage-listed site. The batteries can be charged either by on-shore power or by the engines on board.

Light weight is crucial

In order to reduce energy consumption and lower the battery capacities needed, the vessel needs to be as light as

possible, which is why Vision of the Fjords was constructed with carbon fiber composite materials. The sleek design is not only pleasant to the eye but the light weight reduces the impact on the environment. In addition, the material offers a great deal of construction freedom, allowing for a design that efficiently reduces waves and thus the impact erosion of the vulnerable shores of the Nærøysfjord.

Working together to create a winner

Diab has been working with Brødrene Aa since 1974 and has been a partner in developing the sandwich composite technology. Brødrene AA has produced several fast-going ships with Divinycell FRP reinforced panels. Vision of the Fjords was constructed using Divinycell H, which provides excellent mechanical properties and low weight. Compatible with most wet resin systems, it can be found in virtually every application area where sandwich composites are employed, including marine, transport, wind energy and civil engineering. Its low thermal conductivity makes it especially suitable as insulation at low or cryogenic temperatures.

Vision of the Fjords is officially a winner. Brødrene Aa received the prestigious award "Ship of the Year 2016" at the International Maritime Trade Fair SMM in Hamburg, and the 2017 JEC WORLD Innovation Award.

www.braa.no



CASE STORIES

Croatian shipbuilder Uljanik and Diab set a new standard in commercial ship building

By building the top three out of 13 decks with Divinycell sandwich panels, shipbuilder Uljanik cuts the deck weight of car carrier Siem Cicero by 25%. These decks are the first extensive application of sandwich composite in the shipbuilding industry.

Unique car carrier from leading shipbuilder Uljanik

Founded in 1856, Uljanik is a shipbuilding company and shipyard located in Pula, Croatia. It is one of the oldest shipyards in the world with 4,000 employees. After two years of R & D with the support of Diab, Uljanik has made the future reality with Siem Cicero. The ship will be used for the transportation of cars and heavy vehicles for the London-based company "Siem car carriers", serving mainly Volkswagen cars. With a length of two football fields, the ship can carry 7,000 vehicles and it incorporates new technologies that will reduce environmental impact and cut running cost.

Reducing deck weight

The ship has thirteen decks. The top three decks are built in sandwich composite using Diab's strong and lightweight Divinycell core. Each deck uses 2500 m² of Divinycell H80 and 1000 m² of Divinycell H100. Compared to the tradi-

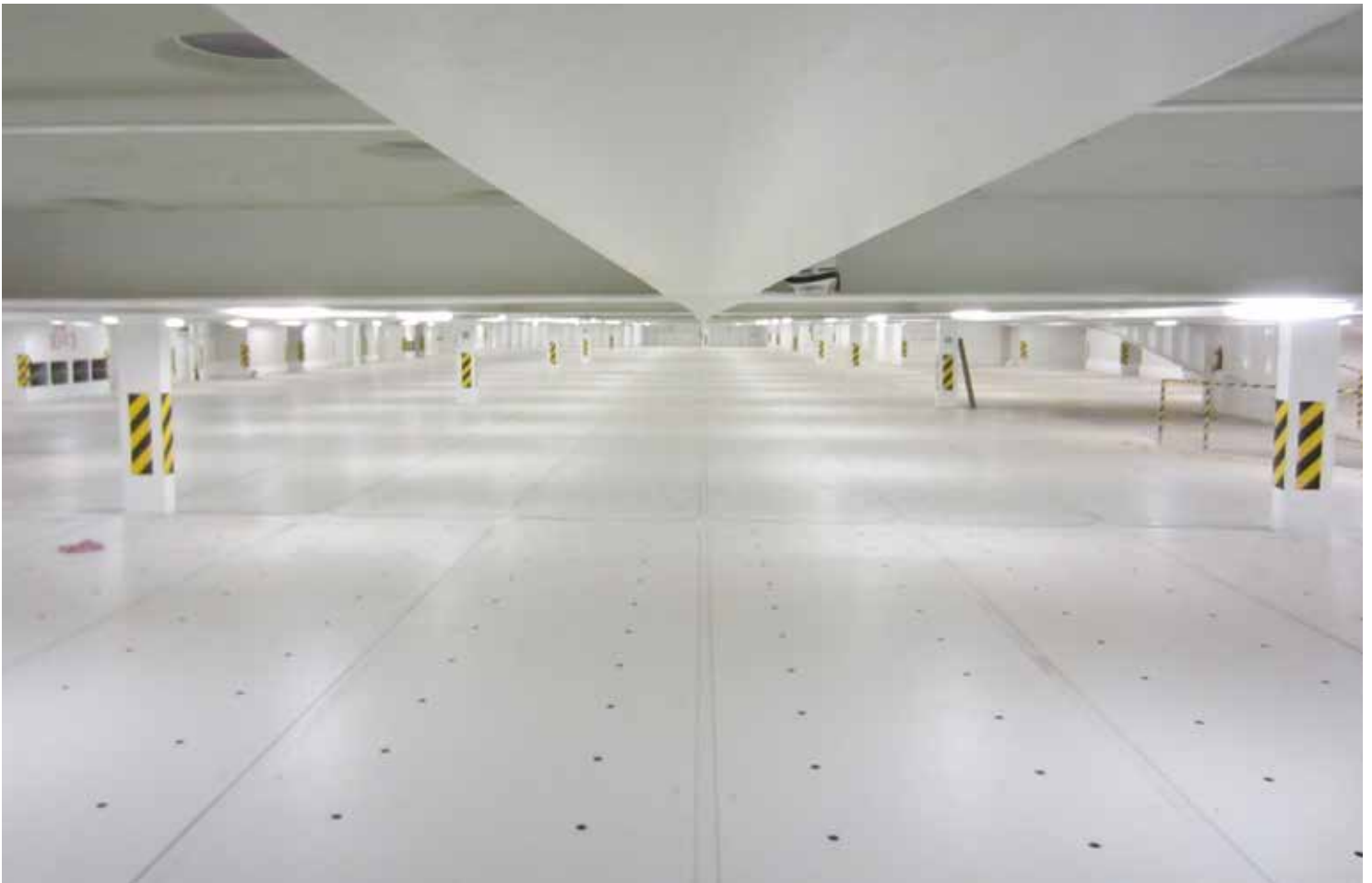
tional steel decks the weight savings for the decks will be 25% or a staggering 200 tons. Indirectly less ballast water will be required to stabilize the ship. These weight savings will result in a reduced fuel consumption of 4%.

Composite solutions are the future for shipbuilders

These substantial weight and cost savings are made possible by replacing just three out of thirteen decks. With decks and superstructures traditionally made of heavy steel, there is a tremendous opportunity for further savings in the ships that are to follow Siem Cicero. Through close cooperation and a careful analysis of data from this first vessel, Uljanik and Diab are looking into how core sandwich solutions can be used in other ships. The collaboration between Uljanik and Diab offers a unique opportunity to estimate and measure the savings that can be achieved with Diab sandwich composite solutions.

As a leader in sandwich core composite technology, Diab is constantly developing new products for stronger, lighter and smarter solutions and will proudly follow Siem Cicero and her sister ships.

www.uljanik.hr



GLOBAL COMPACT REPORT

Diab - our commitment to sustainable business

In order to confirm our commitment to sustainability, Diab has signed up as a member of the United Nations Global Compact. Through this membership we are given an international framework supporting our sustainability efforts. We also send a clear signal to our stakeholders on our commitment to operate according to the principles of the UN Global Compact and we gain a possibility to share experience and learn from other member organizations.

What is the UN Global Compact?

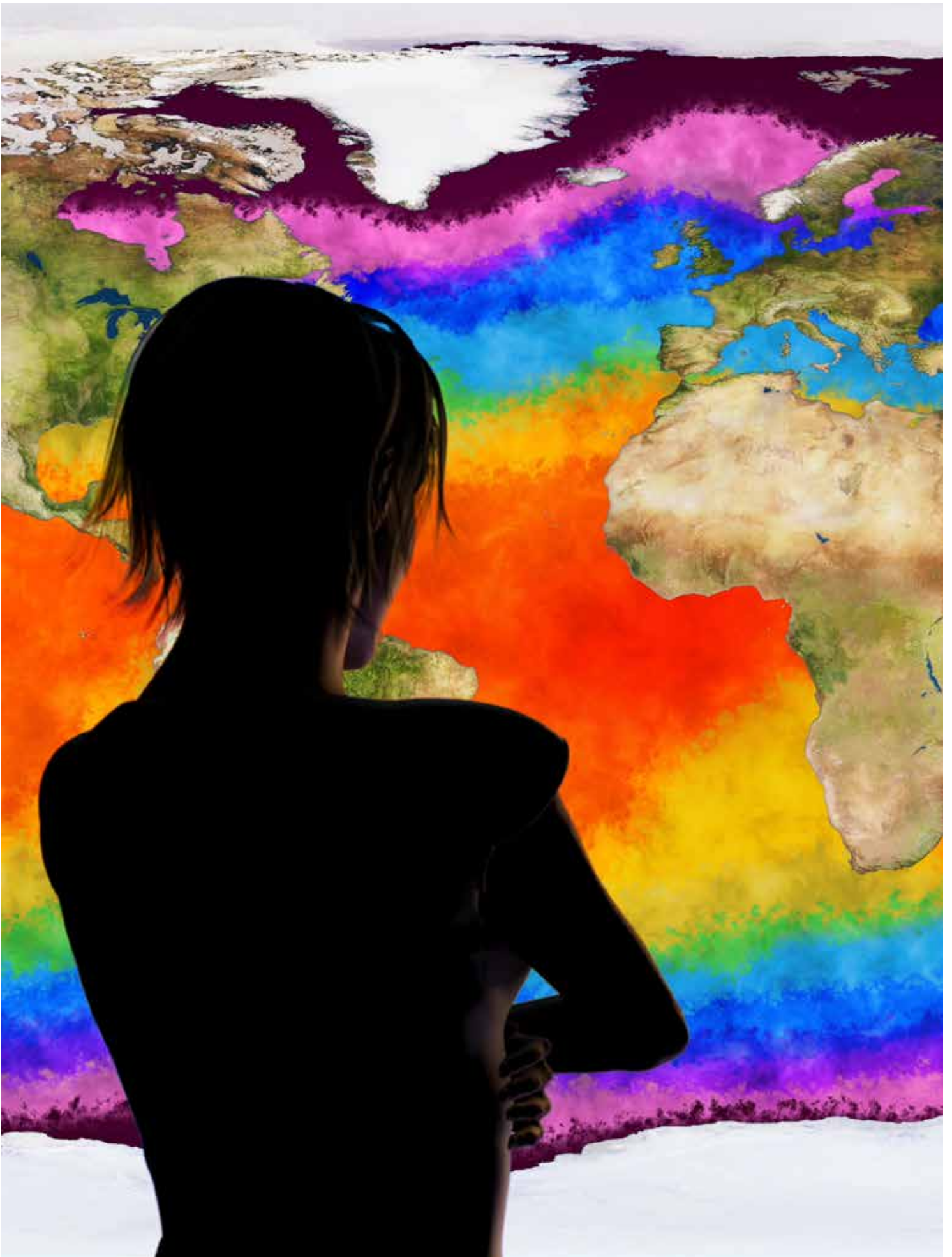
The UN Global Compact is the world's largest corporate sustainability initiative with over 8,300 participants in 161 countries. It was launched by Kofi Annan in 1999. Its aim is to transform the world, creating a sustainable and inclusive global economy that delivers lasting benefits to all people, communities and markets. To make this happen, the UN Global Compact supports its member companies to do business responsibly by following the Ten Principles on human rights, labor, environment and anti-corruption.

What does it mean for Diab as a company?

As a member of the UN Global Compact, Diab commits to:

- Continue the development of our business operations so that the UN Global Compact and the Ten Principles always are part of our strategy, culture and day-to-day operations, including in subsidiaries and the supply chain;
- Advocate the UN Global Compact and the Ten Principles via available communications channels.
- Communicate annually with our stakeholders on our sustainability efforts and the implementation of the UN Global Compact principles, and post this Communication on Progress (COP) on the UN Global Compact website.





GRI CONTENT INDEX

This report has been approved by the Board on February 12, 2018.

Diab Group's sustainability reporting refers to calendar year 2017. This report has been prepared in accordance with the GRI Standards: Core option. This is Diab Group's second sustainability reporting according to GRI and Diab Group intends to report annually.

In line with the Global Compact (GC) commitment, Diab Group submits a Communication on Progress (COP) that presents the task of implementing GC's principles. The sustainability report is prepared based on GRI's principles in order to determine content and ensure quality.

Stakeholder dialogues and materiality analysis are the basis for Diab Group's sustainability issues.



GRI Standard Number	GRI Standard Title	Disclosure Number	Disclosure Title	Page Number - Section	Omission
GRI 102	General Disclosures	102-01	Name of the organization	Diab Group AB	
GRI 102	General Disclosures	102-02	Activities, brands, products and services	10 - One Diab + Website	
GRI 102	General Disclosures	102-03	Location of headquarters	Laholm, Sweden	

GRI CONTENT INDEX

GRI Standard Number	GRI Standard Title	Disclosure Number	Disclosure Title	Page Number - Section	Omission
GRI 102	General Disclosures	102-04	Location of operations	46 - Financial Responsibility	
GRI 102	General Disclosures	102-05	Ownership and legal form	Ratos 96%, Management & Board 4% Limited company	
GRI 102	General Disclosures	102-06	Markets served	Americas, Europe, Asia, Australia and Africa	
GRI 102	General Disclosures	102-07	Scale of the organization	16 - One Diab, 46 - Financial Responsibility, Ratos' website	
GRI 102	General Disclosures	102-08	Information on employees and other workers	18 - One Diab	
GRI 102	General Disclosures	102-09	Supply chain	22 - Strategy & Governance	
GRI 102	General Disclosures	102-10	Significant changes to the organization and its supply chain	22 - Strategy & Governance	
GRI 102	General Disclosures	102-11	Precautionary Principle or approach	34 - Core Sustainability	
GRI 102	General Disclosures	102-12	External initiatives	Website	
GRI 102	General Disclosures	102-13	Membership of associations	Sweden: IKEM, Svenskt Näringsliv, Unionen. Sv.Ing., Ledarna, IF Metall. Italy: Industrial Association (Chemical & Plastics). Ecuador: Cámara de Comercio Guayaquil. USA: Global Society of plastic Professionals, National Marine Mfg Association.	

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GRI Standard Number	GRI Standard Title	Disclosure Number	Disclosure Title	Page Number - Section	Omission
GRI 102	General Disclosures	102-14	Statement from senior decision-maker	4 - CEO words	
GRI 102	General Disclosures	102-16	Values, principles, standards and norms of behavior	Website	
GRI 102	General Disclosures	102-18	Governance structure	20-22 - Strategy & Governance	
GRI 102	General Disclosures	102-40	List of stakeholder groups	26 - Stakeholder Involvement	
GRI 102	General Disclosures	102-41	Collective bargaining agreements	Employees with collective bargaining agreements are engaged in Italy, Sweden and China. They represent 78% of the personnel.	
GRI 102	General Disclosures	102-42	Identifying and selecting stakeholders	24, 26-27 - Stakeholder Involvement	
GRI 102	General Disclosures	102-43	Approach to stakeholder engagement	24-27 - Stakeholder Involvement	
GRI 102	General Disclosures	102-44	Key topics and concerns raised	24-25 - Stakeholder Involvement	
GRI 102	General Disclosures	102-45	Entities included in the consolidated financial statements	46 - Financial Responsibility	
GRI 102	General Disclosures	102-46	Defining report content and topic boundaries	28 - Core Sustainability	
GRI 102	General Disclosures	102-47	List of material topics	30-33 - Core Sustainability	
GRI 102	General Disclosures	102-48	Restatements of information approach	None during the year	
GRI 102	General Disclosures	102-49	Changes in reporting	34 - Core Sustainability	

GRI CONTENT INDEX

GRI Standard Number	GRI Standard Title	Disclosure Number	Disclosure Title	Page Number - Section	Omission
GRI 102	General Disclosures	102-50	Reporting period	The reporting period for the information provided is 2017	
GRI 102	General Disclosures	102-51	Date of most recent report	The Sustainability Report Issued May 14, 2017	
GRI 102	General Disclosures	102-52	Reporting cycle	The reporting cycle is annual	
GRI 102	General Disclosures	102-53	Contact point for questions regarding the report	Per Hökfelt EVP Sustainability & EHSQ per.hokfelt@se.diabroup.com	
GRI 102	General Disclosures	102-54	Claims of reporting in accordance with the GRI Standards	62 - GRI Content Index	
GRI 102	General Disclosures	102-55	GRI Content Index	62 - GRI Content Index	
GRI 102	General Disclosures	102-56	External Assurance	Website	
GRI 103	Management Approach	103-1	Explanation of the material topic and its boundary	30 - Core Sustainability	
GRI 103	Management Approach	103-2	The management approach and its components	28 - Core Sustainability and for subject specific information about sustainability control see each focus area respectively	
GRI 103	Management Approach	103-3	Evaluation of the management approach	For subject specific information about sustainability control see each focus area respectively	
GRI 205	Anti-corruption	205-1	Operations assessed for risks related to corruption	48 - Zero Corruption	
GRI 205	Anti-corruption	205-2	Communication and training about anti-corruption policies and procedures	48 - Zero Corruption	

GRI CONTENT INDEX

GRI Standard Number	GRI Standard Title	Disclosure Number	Disclosure Title	Page Number - Section	Omission
GRI 205	Anti-corruption	205-3	Confirmed incidents of corruption and actions taken	48 - Zero Corruption	
GRI 302	Energy	302-1	Energy consumption within the organization	36 - Environmental Responsibility No energy has been sold from any of the production sites	
GRI 305	Emissions	305-1	Direct (Scope 1) GHG emissions	38 - Environmental Responsibility Location-Based, tCO ₂ e: 18,042	
GRI 305	Emissions	305-2	Energy indirect (Scope 2) GHG emissions	38 - Environmental Responsibility Location-Based, tCO ₂ e: 13,224	
GRI 305	Emissions	305-3	Other indirect (Scope 3) GHG emissions	38 - Environmental Responsibility Location-Based, tCO ₂ e: 56,972	
GRI 305	Emissions	305-4	GHG emissions intensity	38 - Environmental Responsibility Total Location-Based, tCO ₂ e: 88,238	
GRI 305	Emissions	305-5	Reduction of GHG emissions	40 - Environmental Responsibility	
GRI 306	Effluents and Waste	306-1	Water discharge by quality and destination	44 - Zero Waste	
GRI 306	Effluents and Waste	306-2	Waste by type and disposal method	44 - Zero Waste	
GRI 306	Effluents and Waste	306-3	Significant spills	0 significant spills	
GRI 403	Occupational Health and Safety	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	54 - Social Responsibility	
GRI 404	Training and Education	404-1	Average hours of training per year per employee	17 - One Diab	

GRI CONTENT INDEX

GRI Standard Number	GRI Standard Title	Disclosure Number	Disclosure Title	Page Number - Section	Omission
GRI 405	Diversity and Equal Opportunity	405-1	Diversity of governance bodies and employees	18 - One Diab and 23 - Strategy & Governance	Partly legal prohibitions
GRI 406	Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	52 - Social Responsibility	
GRI 407	Freedom of Association and Collective Bargaining	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk		Not followed to-day *
GRI 408	Child Labor	408-1	Operations and suppliers at significant risk for incidents of child labor	52 - Social Responsibility	
GRI 409	Forced or Compulsory Labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	52 - Social Responsibility	
GRI 412	Human Rights Assessment	412-1	Operations that have been subject to human rights reviews or impact assessments	52 - Social Responsibility	
GRI 414	Supplier Social Assessment	414-1	New suppliers that were screened using social criteria	52 - Social Responsibility	
GRI 414	Supplier Social Assessment	414-2	Negative social impacts in the supply chain and actions taken	a-e. 0	

* but a part of our improvement process to get in place

