

"We have our science-based targets approved."

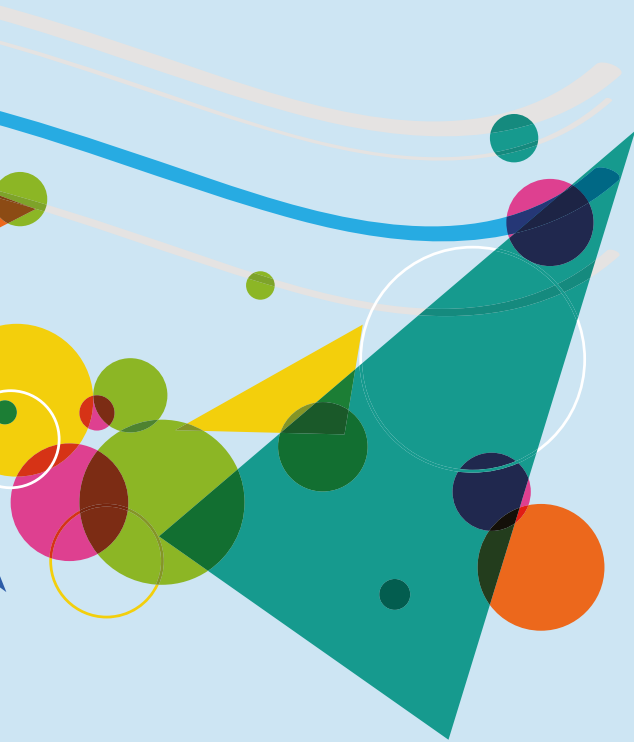
Diab  
Sustainability Report  
**2018**





## 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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# CEO WORDS

In a world shared by 7.7 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. At Diab we understand that our products and solutions are part of the future society. As a concrete example, sandwich composites is a driver of the competitiveness of wind energy. The lightweight materials that we provide enables blades to become longer, which drives down the cost of energy produced. Diab continues to grow, and the larger and more global our company becomes, the greater our responsibility. We believe we need to do our part 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 2018, 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 2018 and have achieved an approved CO<sub>2</sub>e-reduction plan in accordance with the Science-Based Targets Initiative, SBTi. Diab is the first company in our industry to make such an achievement and we challenge all our competitors and colleagues to do the same.

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.

As a proactive response to many customer inquires, we did a 3rd party investigation of our core materials environmental footprint. By utilizing an established format, Environmental Product Declaration, EPD, we provide complete transparency for our customers.

TOBIAS HAHN  
CEO

February 11, 2019

#### **GRI Standard Guidelines and External auditors**

*Diab Group's 2018 Sustainability Report is based on GRI Standards, the Global Reporting Initiative's Sustainability Reporting Guidelines, with Core options.*

*Öhrlings PricewaterhouseCoopers AB has examined this Sustainability Report and has issued an Auditor's report with an unmodified opinion.*

*The 2018 Sustainability Report is prepared for sustainability reporting in compliance with the Annual Accounts Act.*



# WORKING FOR A SUSTAINABLE FUTURE

## **Changes in reporting**

Only a slight change has been made in the list of material topics and boundaries compared to previous reporting period. The strong focus on health & safety, CO<sub>2</sub>e emissions, waste and recycling, efficient energy usage and anti-corruption remains.

No changes have been made to the social, environmental and financial areas, but the area Product value has changed. "Price" and "Support before sales" have merged into "Reliable customer", incorporating the other areas and also reflecting our value "Reliability" in a better way.

"We care about our natural resources by continuously improving the utilization of raw materials, chemicals, energy, and water, and by minimizing waste."

## **Precautionary Principle or approach**

Our sustainability commitment states:

- We care about our natural resources by continuously improving the utilization of raw materials, chemicals, energy, and water, and by 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.



# 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**

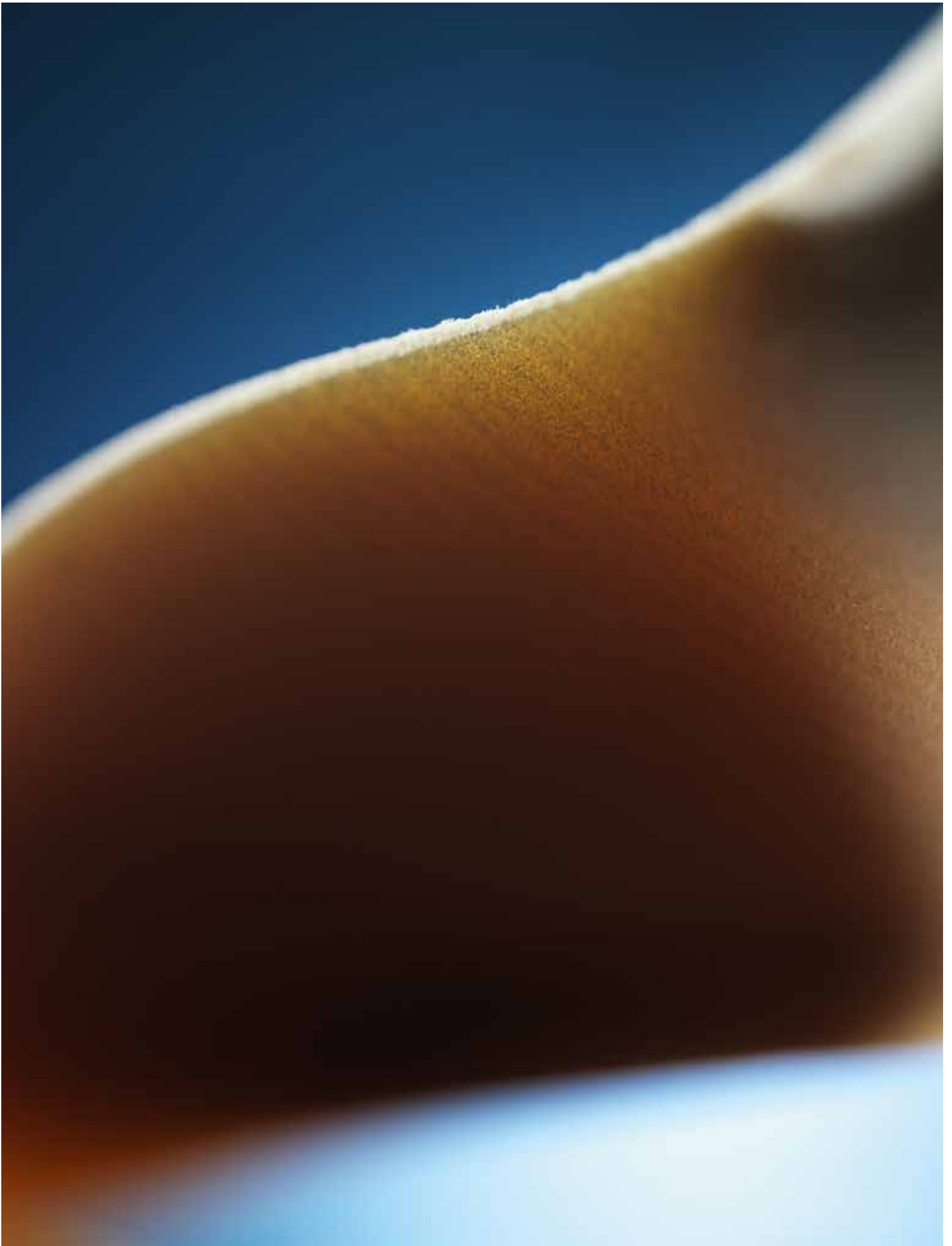
Diab is effortlessly working to perfect the details of foam manufacturing. Making its first site ISO 14001 certified already in 1998, Diab has since worked in this spirit. Over the years Diab has removed plasticizers, stabilizers, pigment etc. to ensure that our products are as sustainable as possible.

## **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.

“Our materials have a long and reliable lifecycle, allowing for substantial environmental savings over their life time.”





# STRONGER LIGHTER SMARTER

## **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.

## **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.



# ONE DIAB

## **Ratos**

Diab is since 2009 almost 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

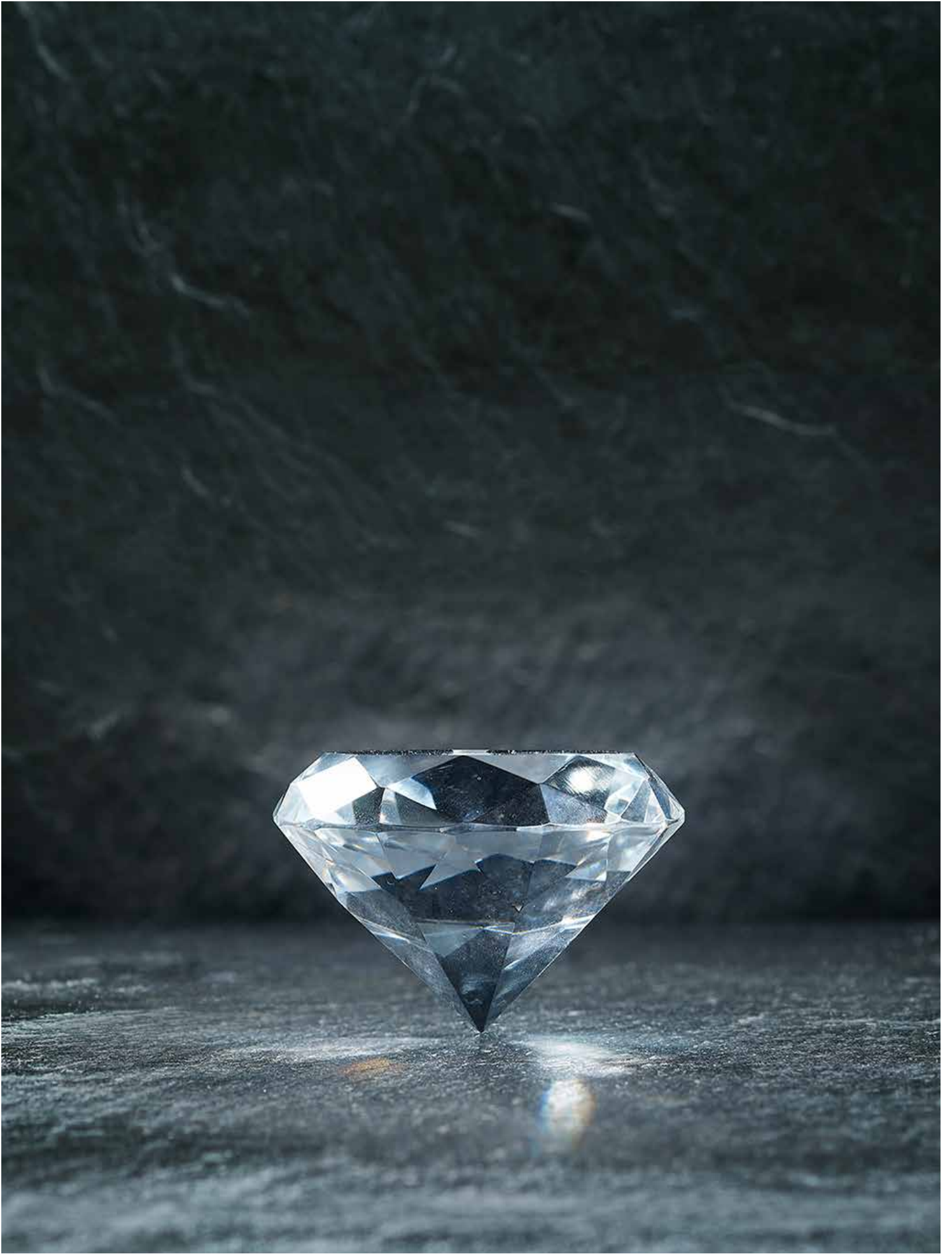
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“To be the number one in structural cores globally”

Mission

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



# ONE DIAB

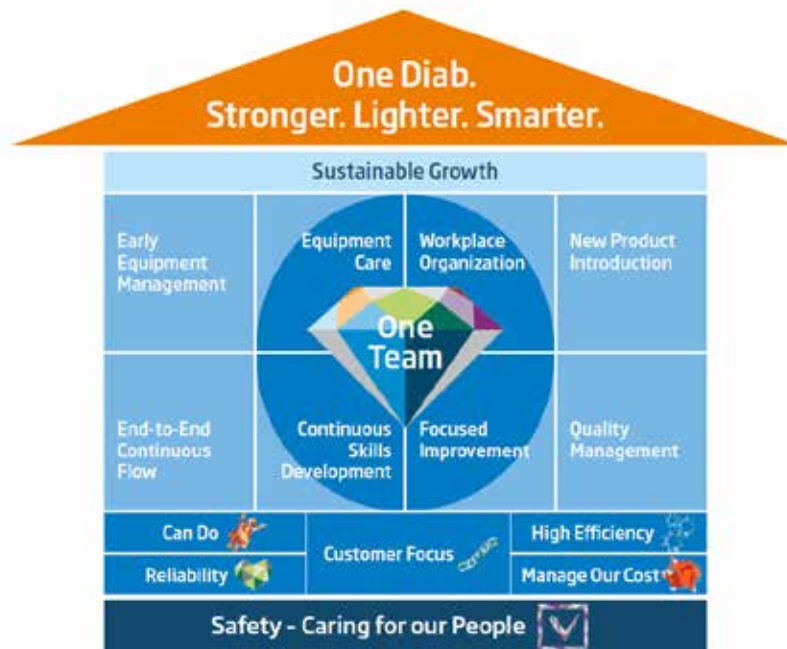
## One Diab House

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.

One Diab contains of blocks of cross-functional teams. The ideal block has one person from each department with different kinds of experience.

This will help us successfully execute our mission to provide stronger, lighter and smarter composite solutions realizing a more sustainable world.



# ONE DIAB

One Diab is implemented in Longarone, Sialiai and Laholm, with other plants to follow.

## **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.

## **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.

## **NPI**

New Product Introduction is a methodology that brings together all necessary functions to make an effective plan, develop and manufacture new products from wheat to bread to satisfy customer requirements and meet internal measures of success.

## **EEM**

Early Equipment Management is a block that will effectively plan, design, manufacture (purchase) and start up new equipment at the expected cost and performance rates. It is the link between business and manufacturing goals and objectives. Here we use project management methodologies to manage time, money and people resources while reducing the lead-time to start up new equipment.

## **EECF**

The End-to-End Continuous Flows methodology is used to maximize the velocity of information and material flow through the process/system. Business goals and objectives are thus aligned with the manufacturing goals and activities. EECF is the link from the customer back through to the supplier(s). Materials, equipment, and human resources are optimized to meet the order fulfillment goals.

## **QM**

The Quality block ensures that we, at all levels, have the knowledge and the right conditions to deliver the correct product/service that will effectively satisfy our customers' expectations and needs. In the Quality block we work, both internally and externally, to make our customers satisfied. We use facts/measurement data to develop and maintain reliable processes.

# 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 16,000. 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.





# STRATEGY & GOVERNANCE

## **Sustainability Strategy - One Planet, One Diab**

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

### **1. Products**

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

### **2. 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.

### **3. People**

Sustainability in everything we do - it is our ambition that all business activities in Diab are performed in a resources-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 President & CEO, CFO Finance & IT, COO, CTO R&D Technology & Development, EVP Region Asia, EVP Region Americas, Sales EMEA & India 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 include CTO R&D Technology & Development, Market Segment Managers, Products and Marketing Manager

## **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 include CTO R&D Technology & Development, Regional EVPs and CFO.

## **Operations Network**

In order to ensure continuous development and same standards between different sites, an Operations network is formed. The overall target for Operations is to drive lowest cost and shortest lead times while securing safety, quality and environmental demands.

The Operation Network consists of EVP Group Supply Chain & Operations (convenes meetings) and all production site managers.

## **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.

During 2018 the Operations organisation got further strengthened with the creation of a Chief Operating Officer role, with full responsibility of the strategy and operational planning for global operations.

*"The overall target for Operations is to drive lowest cost and shortest lead times while securing safety, quality and environmental demands."*

# DMT - Diab Executive Management Team



Tobias Hahn  
President & CEO, Acting  
Sales EMEA & India



Patrik Nilsson  
CFO, Finance & IT



Mats Persson  
COO



Magdalena Sandström  
CTO, R&D Technology  
& Development



Robert Ramnér  
EVP Region Asia



Anders Berg  
EVP Region Americas



Lena Rickard  
EVP HR

## Diversity of governance bodies:

Diab Group Board members are divided as follows:

- 7 men and 1 woman
- 5 persons are in the age group of 30-50 years and 3 persons are > 50 years

DMT members are divided as follows:

- 5 men and 2 women
- 2 persons are in the age group of 30-50 years and 5 persons are > 50 years

# Diab Group AB - Board members



Mikael Jonson  
Chairman



Torben Bjerre-Madsen  
Board member



Per Magnusson  
Board member



Joakim Twetman  
Board member



Fredrik Nilsson  
Board member



Valerian Vancea  
Board member



Christopher Dimovski  
Board alternate



Maria Ek  
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 that 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

During 2017 a thorough external and internal stakeholder survey, where Diab mainly operates, was performed on Diab's all different stakeholder groups. For 2018 one of our main stakeholder groups was the focus for this year's survey.

## Customer survey

During the year a comprehensive customer survey was conducted across all markets and segments. The survey was performed by phone interview in local language to provide as good quality as possible. The result was in many ways confirming the strategic direction as well as the areas of competitive strength for the Diab Group.

Analysing such a broad group of the most important stakeholders gives great input for further improvements.

The key improvements identified by DMT are:

- Strengthen the global supply chain reliability.
- Continue to engage in customers challenges with Diab unique core composite knowledge .
- Further strengthen the digital communication with customers.





# STAKEHOLDER INVOLVEMENT

## **The most prioritized topics for Diab's stakeholders**

### **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.

### **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 years is viewed as a child unless local legislation has defined other age for being able to work or for mandatory schooling".

### **Reliable supplier**

As the sandwich composite industry is growing and the customer requirements in the supply chain are increasing, Diab Group has made efforts to improve the performance during the year. Supply chain has been identified as an area of improvement in our yearly Customer Survey and more improvements are planned to be implemented during 2019.

### **Efficient usage of resources**

Diab's continuous work on using the resources we need for our production in a steadily increasing efficient way is always on our mind, mirrored in our way of working - how we use our employees and machines through our One Diab approach and also how we measure ourselves. This we do by our global CO<sub>2</sub>e KPI measurements, since several years back, and now even more pronounced with our approved Science-Based Targets, where we see how we perform according to our goal in a very clear way.

# 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 2018. The overall results are good and Diab's sustainable development aims are valued by customers. This year we finalized the Life Cycle Assessments (LCA) of our main grades, which means that we can now provide thorough Environmental Product Declarations (EPD) to our customers, who want to have a picture of the environmental footprint connected to usage of our products.
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

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### 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.

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.

In 2018 Diab Group got approved science-based targets as the first company worldwide within the composite industry. In this way we have now officially taken our responsibility to strive towards a planet with significantly reduced GHG emissions.

# 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 VP Sustainability & EHSQ.

## **A focus on materiality**

Diab's sustainability report for 2018, 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.

Last year an extensive survey for all external and internal stakeholder groups was undertaken, which rendered in a specific and much deeper survey for one of the major stakeholder groups this year, the customers. The results were very satisfactory and are discussed further on page 24.

As no general stakeholder survey was performed this year only minor changes in the Materiality Analysis were made based on meetings and discussions held on Diab's business strategy within DMT. Diab's material topics were extracted from this, resulting in the Materiality Analysis presented on page 29.

## **Reporting principles**

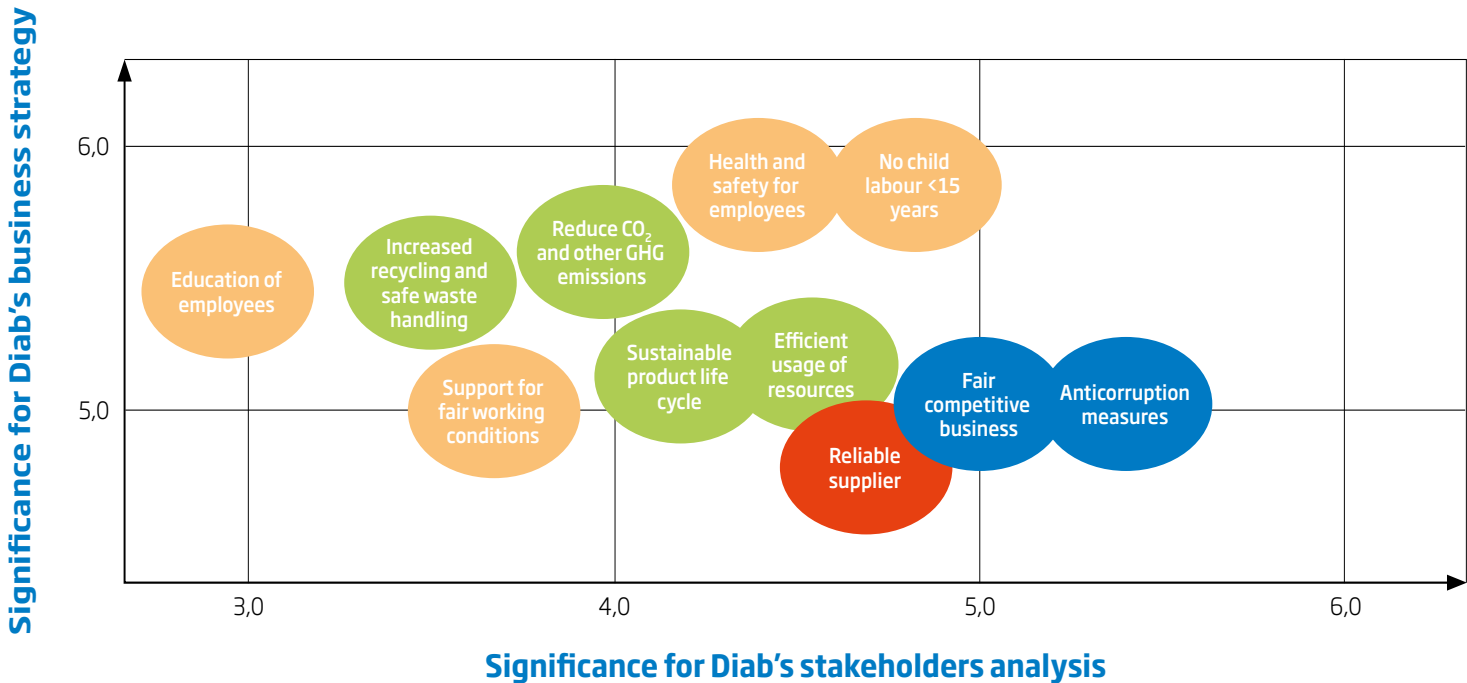
The reporting is made on core option and the material topics identified through the process of the materiality assessment.

In line with the Ratos CR Framework, Diab reports implementation and status of progress in Q1 annually. The framework is continuously updated and revised by Ratos' 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

Result 2018 materiality analysis



- Social
- Environmental
- Financial
- Product Value

# CORE SUSTAINABILITY

## - list of material topics

All production sites report figures for calculating tCO<sub>2</sub>e 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 scope 3 emissions required by SBTi.



Area	Sustainability target	Performance in 2018
Environmental Responsibility		
Efficient usage of resources	The target for 2022 is approximately 8 tCO <sub>2</sub> 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 (which is our base year for SBT) approximately 11 and 2018 approximately 10 tCO <sub>2</sub> e/tons sold product.
Reduce CO <sub>2</sub> emissions and other greenhouse gases (GHG)	Diab got the earlier set Science-Based Targets (SBT), in order to reduce GHG emissions, officially approved. The targets are set in line with the level of decarbonization required to keep the global temperature increase below 2°C compared to pre-industrial temperatures	During 2018 the building of the solid biofuel boiler close to the Laholm production site was started up in order to supplying heat to Diab AB during the first part of 2019. This will significantly reduce the carbon footprint for this site during the coming year.

# CORE SUSTAINABILITY

## - list of material topics

Area	Sustainability target	Performance in 2018
Environmental Responsibility		
Increased recycling and safe waste handling	The Group-wide objective is for the volume of waste to be reduced by 50% from 2016 until 2022.	<p>The global waste level remains more or less the same during the year as our base year 2016. During the year a cross-functional program for waste reduction has been launched, with the purpose to accelerate the implementation of best practices and new technologies in the operations organisation. The effects of this, significantly decreased waste volumes, will be seen starting in 2019. The program is reporting to DMT.</p> <p>During the year a cross-functional program for waste reduction has been launched, with the purpose to accelerate the implementation of best practices and new technologies in the operations organisation. The program is reporting to DMT.</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 2018 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 2018
<hr/>		
Social Responsibility		
<hr/>		
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 20,0. This is a high number vs general industry benchmark and additional efforts to reduce the LTA have been put in place at the European sites. We are expecting to curb the negative trend during 2019.
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.	No 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.	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, 2018, a total of 410 users had been registered.



# CORE SUSTAINABILITY

## - list of material topics

Area	Sustainability target	Performance in 2018
<hr/>		
Financial Responsibility		
<hr/>		
Anti-corruption measures	There should be no cases of bribery, corruption or cartel formation. Continued active information for employees.	The Group has a whistleblowing system and one event relating to corruption or inadequate business ethics were recorded in 2018.
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 one whistleblower incident was registered.
Reliable supplier	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.	As the sandwich composite industry is growing and the customer requirements in the supply chain are increasing, Diab Group has made efforts to improve the performance during the year. Supply chain has been identified as an area of improvement in our yearly Customer Survey and more improvements are planned to be implemented during 2019.

# ENVIRONMENTAL RESPONSIBILITY

## Risk assessment and environment

The topics in the risk assessment carried out by DMT 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.

A plan is set and rolled out 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 CO<sub>2</sub>e emissions, which clearly showed that the usage of

natural gas within the group is the main contributor to the CO<sub>2</sub>e 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. As a consequence of this Diab in Laholm signed and agreement 2017 with an external partner to change the natural gas boiler for a solid biofuel boiler. This has now been executed during 2018 and the building of the new boiler is well in progress, see separate information on this on page 56. This is considered a renewable heat source and the CO<sub>2</sub>e 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 2018, (2017 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	<b>Total MWh</b>
1,884 (1,750)	1,170 (1,241)	44,193 (41,737)	85,308 (84,328)	1,812 (1,301)	<b>134,367 (130,357)</b>



# 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 CO<sub>2</sub>e 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, which were officially approved during 2018.

All of 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 tCO<sub>2</sub>e emission volumes divided per scope is shown for Diab Group in 2018 (2016 values in brackets), in total. As can be seen Scope 3 is by far the largest:

Market-Based, tCO<sub>2</sub>e:

• Scope 1	18,153	(17,009)
• Scope 2	17,881	(16,739)
• Scope 3	79,200	(73,088)
• Total	115,234	(106,836)
• Biogenic	0	(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 <sub>2</sub> )	1
Methane (CH <sub>4</sub> )	25
Nitrous oxide (N <sub>2</sub> O)	298
Biogenic (CO <sub>2</sub> )	0
Biogenic (CH <sub>4</sub> )	24
CO <sub>2</sub> e	1

The KPI, mentioned under Core Sustainability, showing tCO<sub>2</sub>e 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 parts of other indirect gases (Scope 3), required by SBTi. As for the calculations mentioned above all Kyoto gases are included.

2016 is the base year for tCO<sub>2</sub>e emission calculations. The total tCO<sub>2</sub>e emissions for 2018 were 8% higher than for 2016. The main reason for this is the machinery and equipment investments made related to the facility move from Kunshan to Zhangjiagang and also "One roof project" in Lithuania, where 2 factories became 1. This means that the main reason for the tCO<sub>2</sub>e emissions increase is not connected to Diab's other activities although increased emissions connected to materials purchased and electricity and heating also is seen. This is mainly caused by a higher production rate in China in 2018 compared to 2016.



### **Life Cycle Assessment (LCA) and Environmental Product Declaration (EPD)**

Diab strives to continuously increase the knowledge of the way in which our products and processes make an impact on our environment and our planet. This forms the base for the ability to improve.

Our products generally contribute to reduced energy consumption and fuel usage and also to increased efficiency in different systems. But we want to do more. As already mentioned, we have performed calculations on all our global activities regarding CO<sub>2</sub>e emissions since 2016, which clearly point out which actions are necessary for us to implement in order to move toward minimizing our emissions. We have recently expanded the scope and, together with a third party, performed LCAs on our main grades. This work has rendered EPDs (Environmental Product Declarations), recently finalized and ready to be presented to our customers.

The LCA study starts with the extraction of the natural resources. It also covers transport from the supplier and finally presents production and packaging at Diab all the way up to the factory gate. We don't use any secondary materials or recovered energy and we don't make any assumptions. Thus the assessment is based on the entire process, "from cradle to gate". The product life after gate exit from Diab depends on customer usage.

The full assessment is presented with facts and data, covering the potential environmental impact, use of resources, waste production and output flows. The data is presented for each grade in their respective EPDs. The most well-known potential environmental impact - the global warming potential (GWP) - was calculated for IPN foam to 7.60 kg CO<sub>2</sub>e/kg IPN and the corresponding value for PET foam to 4.12 kg CO<sub>2</sub>e/kg PET.

# ENVIRONMENTAL RESPONSIBILITY

## Science-Based Targets, SBT

As the first company within the field of composite materials in the world, Diab has set SBT which have been approved by the Science-Based Targets initiative, SBTi.

According to the Paris agreement, governments have committed to strive to prevent dangerous climate change by limiting global warming to less than 2 degrees Celsius. The agreement is accelerating the transition into a low carbon economy and companies worldwide need to urgently adapt to this, take the lead and do their part.

The SBTi, which is a collaboration between CDP, UNGC, WRI and WWF, aims to help companies set SBT as a powerful way of boosting their competitive advantage in the transition to a low-carbon economy.

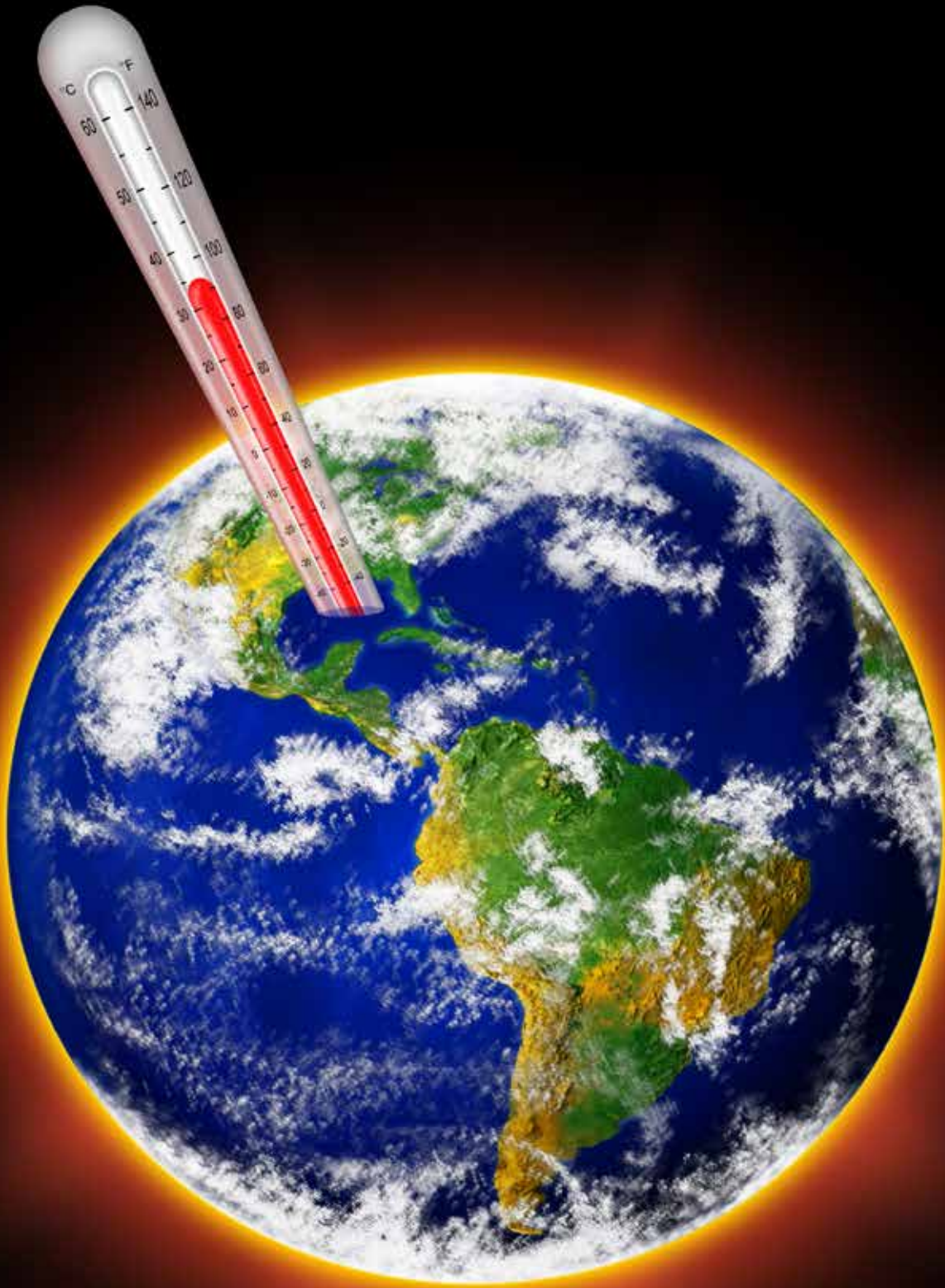
The setting of science-based emission reduction targets ensures that a company's strategy is in line with the latest scientific findings and that a business is resilient and prepared to adapt to the changing regulatory and business environment.

Per Hökfelt, Group VP Sustainability EHSQ, comments: "We are proud to be the first company in the world within the composite industry to have set science-based targets and we want to challenge our colleagues in the business to do the same."

Cynthia Cummis, Director of Private Sector Climate Mitigation at World Resources Institute, member of the SBTi steering committee said: "We congratulate Diab International for their newly approved SBT. By setting a target that aligns with global efforts to mitigate the worst effects of global warming, Diab International are future proofing their operations and priming themselves to thrive during the low-carbon transition."

"As the first company within the field of composite materials in the world, Diab has set science-based targets which have been approved by the Science-Based Targets initiative."





# 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**

The IPN waste is not possible to use in new IPN foam core, instead this is reused in other material flows. 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.

## **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).

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





# ZERO WASTE

## **Water discharge by quality and destination**

The measured water supply to Diab was calculated to a total of 4.93x106 m<sup>3</sup>. 4.87x106 m<sup>3</sup> 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 Zhangjiagang, 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.

The non-hazardous waste disposal methods used and their percentage of the total waste amount are shown below (2017 values in brackets):

- Landfilled waste: 74% (74%)
- Incinerated waste: 24% (24%)
- Recycled waste: 2% (2%)

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 is 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 2018 (2017 values in brackets)**

- Total Number of Employees (December): 1271 (1273)
- Total number of Operations: 6 (7)
- Net sales of MSEK 1496 (MSEK 1439). Split between Private sector and Public Sector: 100% Private sector
- Total capitalization broken down in terms of debt and equity per December 31, 2018 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. Since a control function now has been built into Diab's Salesforce CRM-system, that control countries and companies with international sanctions as well as export permits, the risk to fail in adhering to international trade regulations and restrictions has significantly been reduced.



# 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. An external e-learning on anticorruption training was rolled out a few years ago starting specifically with employees on positions assessed with higher risks for corruption. This was further broadened during 2017 to cover the main part globally of white collar employees. During 2018 an anti-corruption training platform was purchased. A third party guarantees that the content is continuously up-to-date but the e-learning is now owned by Diab. This focused improvement on an accurate anti-corruption training that covers the main part of the employees worldwide together with the possibility of more frequent training sessions is predicted to reduce the risk of corruption significantly.

## **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 operation within Diab still assessed for risks after the actions described above is in Zhangjiagang, China. This facility correspond to 17% of the operational sites.

A thorough global education on the organization’s anti-corruption policy and procedures, together with general training on anti-corruption is undertaken on regular basis for all employees.

During 2018 Diab had one confirmed incident of corruption.

A wooden signpost with five directional signs pointing in various directions, each with a different ethical value written on it. The signs are arranged vertically on a single post. The background is a bright blue sky with scattered white clouds.

**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 Nation's 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 2018 Diab Group had no incident of discrimination.

## **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.

## **Whistleblower system**

No operations have been subject to human rights reviews or human rights impact assessments during 2018. 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. During 2018 there has not been any reported incident on infringements on human rights.

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



**LOYALTY**

**WHISTLEBLOWING**

# EMPLOYEES

## 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 2018 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
2018	0.43

## 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, 2018, a total of 410 users had been registered.

12 training programs consisting of more than 80 modules have been launched. Each module is between one and twenty 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 2019-2020, our plan is to introduce "Smarter" to all co-workers globally. We started during Q4 2018 to introduce e-learning in Laholm and local HR is now developing the local Smarter platform with training programs/modules for co-workers at that site.

The plan is also to continue developing specific modules in the program "Ways of Leading" for all line managers, that will help them develop their leadership skills. The planning also involves carrying out annual mandatory trainings through the portal, as well as importing previous e-learning to create a complete training platform.

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

# EMPLOYEES

## 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
1001	270	1271

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

	Men	Women	Total
Full-time	997	256	1253
Part-time	4	14	18

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

	Men	Women	Total
Australia	7	1	8
China	144	62	206
Ecuador	102	9	111
France	4	2	6
Germany	5	1	6
India	6	3	9
Italy	245	7	252
Lithuania	205	97	302
Norway	3	1	4
Poland	2	1	3
South Korea	1	0	1
Spain	3	3	6
Sweden	217	55	272
Thailand	2	5	7
UK	5	2	7
USA	50	21	71
<b>Total</b>	<b>1001</b>	<b>270</b>	<b>1271</b>

# SOCIAL RESPONSIBILITY

## Risk assessment and Health & Safety

The LTA for the Group is high vs general industry benchmark. During the year we have got an increase in the numbers and additional activities at the European site have been put in place during 2018 to reduce the number of accidents. We are expecting to curb the negative trend during 2019.

All facilities record an LTA and this year the mean value for all sites was 20,0. This is a high number vs general industry benchmark and additional efforts to reduce the LTA has been put in place at the European sites. We are expecting to curb the negative trend during 2019.

## 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 2018 (2017 values in brackets)

	LTA	Occurrence Index	Sick Leave Rate, %
Laholm, Sweden	29.3 (19.7)	48.0 (36.6)	5.6 (5.7)
Longarone, Italy	31.1 (29.7)	31.1 (32.1)	4.6 (4.9)
Siauliai, Lithuania	29.1 (23.1)	31.5 (34.7)	8.1 (8.5)
DeSoto, USA	5.2 (0.0)	20.8 (8.5)	1.6 (1.4)
Kunshan, China	3.0 (5.5)	8.9 (13.8)	1.0 (1.6)
Zhangjiagang, China	9.4 (5.1)	12.6 (15.4)	0.9 (0.4)
Duran, Ecuador	9.7 (6.0)	12.9 (9.0)	1.7 (1.2)
Diab Group	20.0 (14.3)	26.3 (22.8)	3.9 (3.7)



**SAFETY  
FIRST**

**ZERO  
ACCIDENTS**

# CASE STORIES

## **Laholm's largest industry becomes 100% fossil free with Adven**

Diab AB has signed an agreement for the supply of hot water and heat with energy company Adven AB. By switching to biofuel, Diab's production facility in Laholm will be 100% fossil free by 2019.

The production plant in Laholm, which today uses fossil natural gas as its energy source, will have changed entirely to biofuel by Q2 2019. This energy transformation is expected to reduce the company's carbon footprint by 6000 tCO<sub>2</sub>e annually.

"-With our product you will be able to manufacture the energy-efficient cars, boats and aircraft of the future. However, when we evaluated our own climate impact, it became clear that a large part of our carbon footprint could be linked to the energy use in our factories. With the new energy solution in Laholm, we are taking a big step forward in our effort to deliver products for a future sustainable society", says Per Hökfelt, Group VP Sustainability EHSQ.

A biofuel plant will be established next to Diab's production facility in Laholm, installed and operated by Adven. In addition to the biofuel boiler system, a heat pump plant will be installed, making it possible to use 20-30 % of the waste heat generated in the production plant, heat that can be reused in the factory.

Diab has chosen a full-service solution from Adven, which means that Diab can focus on its core business, while Adven manages the operation of the energy facility. Knowledge of and experience in industrial heating was a decisive factor when Diab chose supplier and partner for the extensive energy conversion faced by the factory.

"- Our production operates for almost 24 hours a day and we are therefore highly dependent on our energy solution being reliable. We therefore see it as a great advantage that Adven, with its long experience in industrial heating, can handle all operations and be the partner that helps us to continue developing both how we use and reuse energy", says Anna Bjelm, VP Operation Sweden/Lithuania Diab AB.

For Diab's part, it was important that the energy conversion was not only climate-friendly but also cost-effective. Wood chips cost less per kilowatt hour than natural gas, and by installing the heat pump some of the heat that today is released into the nearby river Lagan, can be utilized.

"- Diab is one of the industrial enterprises that lead the way, daring to make a true difference to both the environment and the finances by converting to 100 percent renewable energy. The project in Laholm is something we are really looking forward to working with and developing over time, together with Diab", says Andreas Lanneström, Sales Manager for Adven Industrial Solutions in Sweden. "-We are building infrastructure to increase energy efficiency and the use of renewable energy. This project with Diab is a good example of the possibilities we see in the Swedish market", says Ilkka Niiranen, CEO Adven Sweden.

The agreement between Diab AB and Adven was signed in January 2018 and the plant will be completed during Q2 2019. The contract is valid for a fifteen-year period.





# CASE STORIES

## **Battery-powered ferries with their own charging solution**

The renowned Norwegian boat builders Brødrene Aa have built two lightweight ferries of carbon-fiber sandwich composite materials for sustainable sightseeing in the vulnerable Norwegian fjords and are currently constructing a third. Unlike the first hybrid ship, the second catamaran Future of the Fjords is powered by batteries only and the third one, the Legacy of the Fjords, will also be all-electric. In order to charge the vessels in an efficient way, Brødrene Aa had to invent their own Power Dock.

## **Light weight required by battery-powered engines**

In order to reduce energy consumption and allow the Future of the Fjords to travel the 18 nautical miles between Flåm and Gudvangen on battery power only, Brødrene Aa had to make it as light as possible. The vessel is powered by two 450 kW electric motors. The battery capacity is 1,900 kWh, requiring the possibility to charge 2.4 MW power when at quay. That is why both the hulls and the superstructure of this state-of-the-art catamaran were constructed using lightweight carbon-fiber sandwich composite materials, resulting in a weight reduction of approximately 50 percent compared to traditional materials. In addition, the solution has offered 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 Nærøyfjord, while giving ample space for passengers who want to enjoy the view.

## **A power issue**

Aurland Energi, which delivers 1.2 MW to charge the first hybrid sister ship Vision of the Fjords, was not able to supply enough power from the network for quick charging. After many rejected suggestions, Technical Manager

Anstein Aa came up with the idea of building a battery pack into a floating dock. Made using 1000m<sup>2</sup> of Divinycell H100, a glass fiber sandwich composite with core from Diab, it's 40 meters long and five meters wide with a height of approximately three meters. It features a battery pack of 2.4 MWh and a 40 m<sup>3</sup> diesel tank, as well as a 20m<sup>3</sup> tank into which waste water can be emptied. The solution, currently called Power Dock, is ideal for smaller quays with limited space where it can quickly be put into place without much preparation work.

## **A third ferry**

The next vessel in the fleet, the Legacy of the Fjords, will also be used for passenger traffic, sightseeing and conferences. Technically, it is quite similar to Future of the Fjords with the same specifications and suppliers. Where "Legacy of the Fjords" wants its base is not settled but they are in discussion to operate in the urban area of the Norwegian capital, Oslo. They are in dialogue with Oslo harbor to agree to build a departure hall where they can get the charging. In addition, the interior will be re-designed to better accommodate conference needs.

## **Fruitful cooperation**

Diab has been working with Brødrene Aa since 1974 and together they have developed several fast-going ships in Divinycell FRP and CRP reinforced panels. As an early champion of carbon-fiber sandwich constructions, Brødrene Aa appreciates the reduced weight and the increased strength of the material. Compared to fiberglass sandwich and aluminum, carbon fiber provides four times the rigidity of fiberglass reinforcement, as well as two to three times the tensile strength.

[www.braa.no](http://www.braa.no)



# 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?**

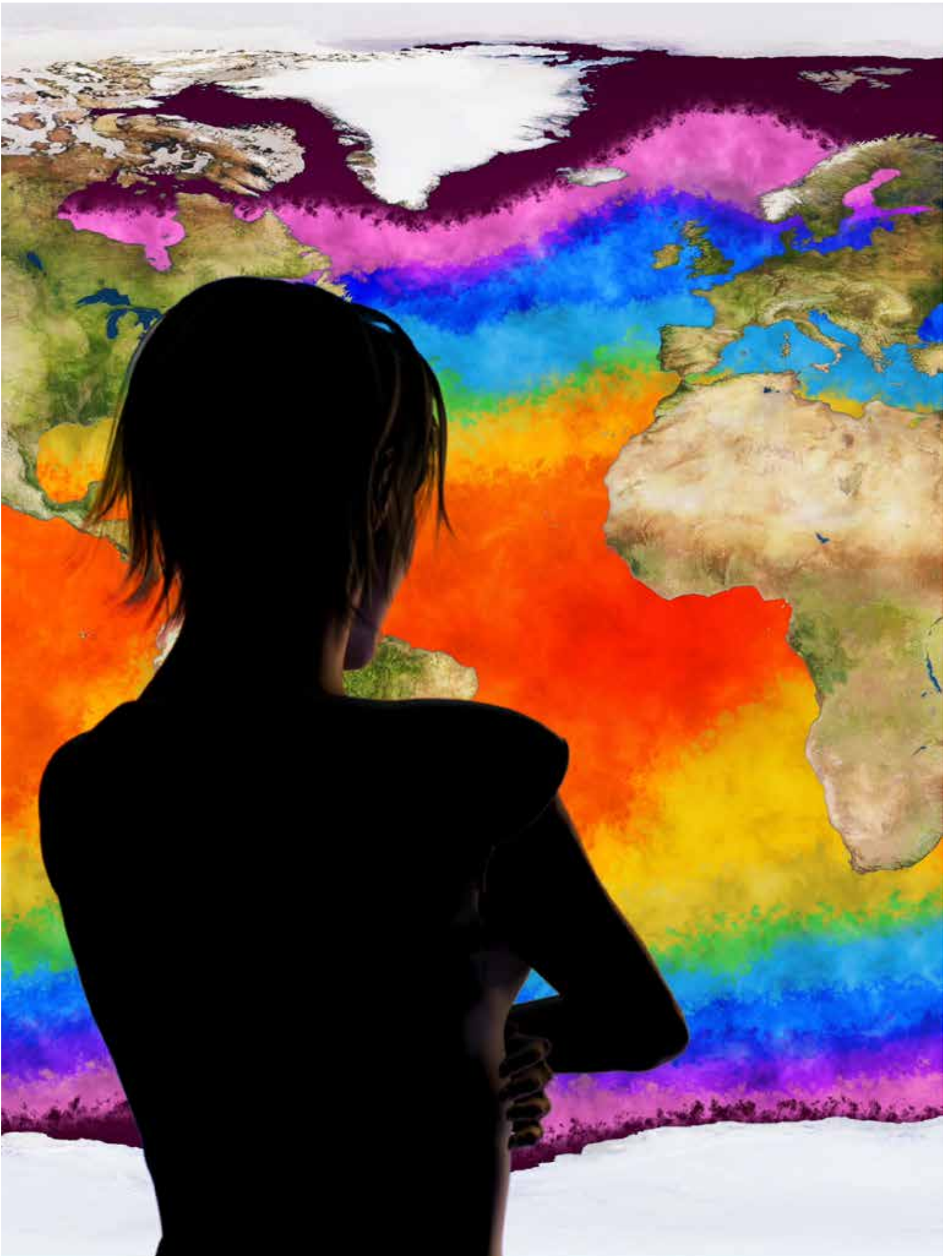
The UN Global Compact is the world's largest corporate sustainability initiative with over 9,900 participants in 160 countries. It was launched by Kofi Annan in 1999. Its aim is to transform the world, creating a sustainable and inclusive global economy that delivers lasting benefits to all people, communities 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 11, 2019.

Diab Group's sustainability reporting refers to calendar year 2018. 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	12 - 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	44 - 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	18 - One Diab, 44 - Financial Responsibility, Ratos ´ website	
GRI 102	General Disclosures	102-08	Information on employees and other workers	53 - Employees	
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	6 - Core Sustainability	
GRI 102	General Disclosures	102-12	External initiatives	Website	
GRI 102	General Disclosures	102-13	Membership of associations	<b>Sweden:</b> IKEM, Svenskt Näringsliv, Unionen. Sv.Ing., Ledarna, IF Metall. <b>Italy:</b> Industrial Associa- tion (Chemical & Plastics). <b>Ecuador:</b> Cámara de Comercio Guayaquil. <b>USA:</b> Global Society of plastic Professionals, National Marine Mfg Association.	

# GRI CONTENT INDEX

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 2018	
GRI 102	General Disclosures	102-51	Date of most recent report	The Sustainability Report Issued February 12, 2018	
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 Group VP 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	46 - Zero Corruption	
GRI 205	Anti-corruption	205-2	Communication and training about anti-corruption policies and procedures	46 - 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 <sub>2</sub> e: 18,042
GRI 305	Emissions	305-2	Energy indirect (Scope 2) GHG emissions	38 - Environmental Responsibility	Location-Based, tCO <sub>2</sub> e: 13,224
GRI 305	Emissions	305-3	Other indirect (Scope 3) GHG emissions	38 - Environmental Responsibility	Location-Based, tCO <sub>2</sub> e: 56,972
GRI 305	Emissions	305-4	GHG emissions intensity	38 - Environmental Responsibility	Total Location-Based, tCO <sub>2</sub> 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	53 - Employees and 23 - Strategy & Governance	Partly legal prohibitions
GRI 406	Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	50 - 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 today *
GRI 408	Child Labor	408-1	Operations and suppliers at significant risk for incidents of child labor	50 - Social Responsibility	
GRI 409	Forced or Compulsory Labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	50 - Social Responsibility	
GRI 412	Human Rights Assessment	412-1	Operations that have been subject to human rights reviews or impact assessments	50 - Social Responsibility	
GRI 414	Supplier Social Assessment	414-1	New suppliers that were screened using social criteria	50 - 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

