



COMMUNICATION ON
PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

UN GLOBAL COMPACT

Communication On Progress



VERISEC



FOREWORD



20 September 2019

Dear All,

For our fourth update report I am pleased to confirm that Verisec AB continues to support the ten principles of the Global Compact with respect to human rights, labour, environment and anti-corruption.

In this Communication on Progress we present some of our actions to continually improve the integration of the Global Compact and its principles.

By the very nature of our business we support public accountability and transparency. Therefore we commit to reporting our progress annually according to the Global Compact COP policy.

Sincerely,



Johan Henrikson
CEO Verisec AB

INTRODUCTION

Sustainable and responsible business is important for Verisec to be able to create long-term value for the company and our stakeholders. Sustainable business according to our definition means integrating financial responsibility, social responsibility and environmental responsibility in all aspects of our business.

Verisec has been a member of the UN Global Compact for many years and the ten principles of UN Global Compact and its underlying conventions and declarations are always present in the company's business.

Verisec's mission is to manage digital trust by delivering innovative solutions for digital identities. An app on your mobile device for login, instead of a token you rarely have in your pocket, or a lot of passwords that are easily forgotten, is one example of how we operate in the area we call digital identities.

Verisec's goal is to work to secure identity management for businesses, organizations and individuals. The average internet user has 92 online accounts, and it is likely to have over 200 by 2020. During the same time, the number of hacking attacks has increased. The World Economic Forum's 2018 Global Risks Report listed cybersecurity as the third biggest global risk, topped only by environmental threats.

Social sustainability is at the core of Verisec business. By providing secure digital identities we provide a secure means for people across the globe to interact across digital channels while maintaining a high degree of privacy and personal integrity protection. Thereby we contribute to important social structures

and building new ecosystems. Using our technology we also enable increased welfare at reduced cost by allowing both local and central government to offer digital services (e.g. eHealth initiatives). Digitalization can also reduce corruption by automating processes. Identity and security related to these are core components to achieve these benefits.

User-centric digital identities can be good not just for the users, but for society. The need for interoperability and a seamless user experience offers opportunities for the public and private sectors and civil society to work together. Therefore, Verisec took an active role in arranging the conference e-legitimationsdagarna in Stockholm, together with the Swedish Agency for Digital Government, DIGG, and the other eID providers in Sweden. For two days, more than 500 delegates from the public and private sector had a chance to hear 50 speakers, among them two Swedish ministers, EU's Director General for the EU-commission along with high level officials and experts.

The ten basic principles of UN Global Compact are important elements in the daily work of Verisec. We have policies regarding health and safety, business ethics, communications, bribery and rehabilitation for employees. We continuously try to locate main offices in proximity to public transportation to minimize impact on environment. All employees have a health insurance, despite the fact that Sweden has subsidized healthcare. All employees are also encouraged to use the health care contributions in the form of wellness grants that the company is providing. Verisec has also achieved a number of improvements to minimize the company's carbon footprint.

HUMAN RIGHTS

PRINCIPLE 1: Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence.

PRINCIPLE 2: Make sure that they are not complicit in human rights abuse.

There are still 1.1 billion people globally without no formal identity at all. It is an issue set for the world to address by 2030 through Sustainable Development Goal (UN General Assembly, Global Indicator Framework for the Sustainable Development Goals and Targets of the 2030 Agenda for Sustainable Development).

According to the World Economic Forum insight report "Identity in a Digital World" from 2018, technology can play a pivotal role in providing access to healthcare and education and bringing financial and social inclusion to families and new generations worldwide.

However, a poorly designed digital identity can be worse than no identity at all. We need to safeguard against the possibility of making the lives of the most vulnerable people on the planet even more vulnerable.

The report emphasizes one of five elements of designing user-centric digital identities – to be inclusive. "It should be easy for individuals of any socioeconomic or demographic segment to enrol in identity systems of their choice. To avoid excluding or marginalizing anyone, identity systems would consider and design for differences in abilities, age, digital literacy, access to technology and use-cases. Engagement with individuals during design can ensure that an identity will meet their needs and be accessible."

Therefore, from last year, Verisec has started to organize Usability testing in our R&D office in Belgrade (Serbia). We have organized three Usability testing sessions with individuals of different age, gender, education, culture, nationality and among the people with special needs. All their comments were recorded and has been considered carefully in order to improve the next step of the development and design of our nationally (Sweden) approved electronic identity- Freja eID app. Usability testing will be part of our continued work in maintaining an inclusive identity.

We are also proud to announce that in the study conducted by Stelacon on behalf of the Swedish National Post and Telecom Agency (PTS) to evaluate accessibility in various e-credentials that Freja eID got the highest marks from users with special needs among other eID apps in Sweden.

Verisec has offices in seven countries



LABOUR

PRINCIPLE 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

PRINCIPLE 4: The elimination of all forms of forced and compulsory labour.

PRINCIPLE 5: The effective abolition of child labour.

PRINCIPLE 6: The elimination of discrimination in respect of employment and occupation.

Verisec complies with the relevant laws relating to employment and employment conditions in each country we operate in. We recognize that labour standards and conditions may vary from country to country. We ensure that our employees have satisfactory wages, working conditions and that there is no exploitation of labour.

No person shall be employed who is below the minimum legal age for employment. We place high demands on suppliers that we are in business with continuously, to not take part of or in any way support, any form of child labour.

Verisec offer equal employment opportunities to all. The persons recruited are selected on merits and are not discriminated because of gender, race, origin, religion, sexual orientation, disability or age. To us, diversity is positive.

All employees shall have a written contract, be informed about and fully understand their employment conditions and rights. The contract shall as minimum contain: working hours, notice period, wages and frequency of payment.

A normal working week is 40 hours, unless otherwise regulated in national legislation. Employees have the right to yearly holidays and parental leave.

All employees shall be free to form and to join, or not to join, trade unions or similar employee representative organisations.

Verisec has a policy regarding the working environment and is responsible for work not to endanger the health or safety of employees and that the workplace safety in general is good. For example, in order for an employee to get appropriate training to drive a truck in our plant, his supervisor needs to have a truck driver license. The supervisor's supervisor, in this case our CEO, also needs to possess a license of the same sort.

Steps to correct and prevent physical accidents and injuries as well as psychosocial illnesses are being taken to limit hazards in the working environment. There are various initiatives in our different offices, depending on local needs and requests from our employees. Some of the measures we take to prevent physical and psychosocial illnesses in the work space are giving our employees the possibility to exercise during business hours, and benefit from a wellness grant. Workplace design provisions are also applied in all locations based on local regulations. Where such regulation is not available Swedish norms form the basis of workplace design.

Verisec offer equal employment opportunities to all

ENVIRONMENT

PRINCIPLE 7: Businesses should support a precautionary approach to environmental challenges;

PRINCIPLE 8: Undertake initiatives to promote greater environmental responsibility; and

PRINCIPLE 9: Encourage the development and diffusion of environmentally friendly technologies.

Our business is to help other companies implement digitization. This means that our products and services reduce or eliminate paper-based processes and physical transport. Letters and other documentation can, with our technology, be replaced by digital communication. Physical communication can be replaced by digital contacts and our technology makes it possible for people to work from home /remotely with less travelling as a result.

We only use printing shops that are environmentally certified, and always select paper that is FCS-marked and Rainforest Alliance Certified.

Verisec has invested in a system for remote meetings between our offices so that we can cut down on travel.

We offer employees to work from home as a step to reduce travelling and also the impact on the environment. Verisec strive to minimize environmental impact in all parts of the business. The move to a refurbished plant in Upplands Väsby was a part of our efforts to streamline our processes and minimize the number of transports. To manufacture a login token in China, transporting it several thousand miles and then

manage and distribute it in Sweden, of course means leaving an environmental footprint. Verisec's effort to develop security solutions that use the mobile phone as the login device, are to be seen as part of a reduced climate impact. We believe that the mobile phone of the future will be the entity that most people use to securely connect to various services on the Internet and in line with this, the number of physical devices will be reduced.

Our plant in Upplands Väsby is an important link. We have begun to reduce energy use in our distribution facility. We invested in a more energy efficient heating/cooling system, and we changed our electricity supplier so that we are now consuming environmentally friendly sourced hydropower. We signed a new lease agreement for the fourth floor in the same building as our current office in Belgrade. Part of the agreement with the landlord was installation of ventilation systems on both floors for cleaning the air and improving the working environment for our colleagues.

Recycling is also a natural part in all of our offices across the world. Sorting paper, metals, foods and plastics is part of this ongoing project. We collect huge amounts of plastic bottle caps in our Serbian office to support the Bottle Caps for Handicapped humanitarian initiative. We are also committed to the EU WEEE initiative to minimize the impact of electronic waste. All our electronic equipment is being collected, reused and/or disposed off in accordance with EU regulations by approved suppliers.

We strongly encourage our employees to drive hybrid cars, and six out of seven leasing cars within the company are hybrid.

ANTI-CORRUPTION

PRINCIPLE 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Verisec has a policy on business ethics. Corruption does not only create problems for the individual company, but also prevents communities from developing, especially in poor parts of the world.

All forms of corruption, including but not limited to extortion, bribery, facilitation payments, nepotism, fraud, terrorism financing and money laundering, are forbidden. Digital payments and transactions – part of our core business, increase the traceability and thus prevent money laundering and other related forms of corruption.

No one shall offer, ask for, give or accept, directly or indirectly, a personal payment, gift or benefit in exchange for favourable treatment intended to influence a business transaction or to obtain a personal or business advantage.

Verisec has a policy that states that the principles relevant to business ethics is an integrated part of the business



About Verisec

Verisec AB (publ) is a company on the cutting edge of digital security, creating solutions that make systems secure and easily accessible. The company provides a wide range of products and services within its two areas of business: Digital Identity and Information Security.

Verisec has global distribution and operations in Stockholm, London, Belgrade, Madrid, Mexico City, Dubai and Frankfurt. Verisec is listed on Nasdaq First North Premier Growth Market in Stockholm.

www.verisec.com

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