



SUSTAINABILITY REPORT

2019

STRAX



SUSTAINABILITY REPORT

April 28, 2020

To our stakeholders:

I am pleased to confirm that STRAX AB reaffirms its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labour, Environment and Anti-Corruption. In this annual Communication on Progress, we describe our actions to continually improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations.

We also commit to sharing this information with our stakeholders using our primary channels of communication.

Sincerely yours,

Gudmundur Palmason
CEO

SUSTAINABILITY REPORT

STRAX's ambition is to conduct business in a sustainable manner in all areas possible. Sustainability is considered in profitability and risk analyses, business and product development, investment decisions and in our communication with stakeholders. Doing so will enable us to offer innovative products more competitively, while taking responsibility for the impact our business has on the world around us.

Not only do we work to ensure high standards of corporate responsibility internally, we also engage our external partners to collaboratively manage social and environmental risks and opportunities. A clear vision and shared values form the basis for our behavior and actions at STRAX. Read more about our sustainability management on page 60-61 in the annual report.

The past year

In 2019, we identified and implemented several initiatives to reduce the Group's environmental impact. Among other things, we have worked on; reducing the use of plastics in packaging, the coordination and optimization of transportation of goods and the launch of environmentally friendly mobile phone cases that are either biodegradable or compostable. We have also increased the employees' knowledge on how we as an organization work with environmental issues and discussed how the employees can reduce their negative environmental impact in everyday life.

During the year we formed STRAX Plus, a sustainability steering group with representatives from various functions within the organization. Through STRAX Plus, sustainability issues

have gained a more well-defined ownership and have become more established in day-to-day operations, which has improved the conditions for successful sustainability work.

Our Sustainability Report

STRAX's Sustainability Report presents an overview of what we are trying to achieve with our sustainable business strategy, how the sustainability work is conducted and our progress so far. The report's content reflects the sustainability aspects in which our business has the greatest impact on people and the environment. The sustainability report covers STRAX AB (publ), co. no. 556539-7709 and all subsidiary companies in the Group and has been prepared in accordance with the regulations in the Annual Accounts Act (6 chap. 10 §). As signatories of the 10 UN Global Compact Principles within human rights, labor, environment and anti-corruption, the sustainability report also comprises STRAX's 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.

Our Values



Honesty

We aim always to show respect by adhering to facts, by fulfilling promises and admitting failures. We nurture honest communication throughout the company.



Respect

We always show the utmost respect for our co-workers, the company, our competitors, our customers and our partners.



Frugality

We use resources wisely; effective planning and communication together with optimized processes minimize costs across all areas of the business.



Teamwork

We realize and understand that as a team we're stronger than as individuals, so we work together to achieve our common goals.

IMPACT IN OUR BUSINESS MODEL

STRAX is a market-leading global company specializing in mobile accessories with sales in more than 20 countries. Sales are made through all key channels ranging from telecom operators, wholesale and consumer electronic stores to lifestyle retailers or directly to consumers online. STRAX's brand portfolio includes both own brands and licensed brands that make up 61 and 14 percent of sales, respectively. STRAX also represents over 40 distributed brands, which account for 25 percent of sales. In addition to products, STRAX also offers value-added services and customer-specific solutions.

STRAX does not own any factories and all production is sourced from third party suppliers. 99 per cent of the production is based South East Asia. The concentration of production in one geographic area when sales are global results in environmental challenges due to transportation. The development and production of own products add further requirements on the control of materials used in the products and on third party factories' adherence to sound business practices.

With over 150 suppliers worldwide, continual improvements together with our partners regarding sustainability issues are not only crucial to ensure the rights and conditions of the workers that make our products, but also to minimize the negative impact that the manufacturing have on the environment. Employ-

ees' health and safety, risks of corruption and to ensure a good work environment are other areas that are important to STRAX. Sustainability aspects are considered throughout the value chain, which covers everything from product development and procurement to production, logistics and professional marketing support at the point of sales. More information about STRAX's business model is to be found on page 10-12 in the annual report.

SUSTAINABLE SUPPLIER NETWORKS

As a global business with an extensive supplier base, it is challenging to develop a full understanding of our suppliers' sustainability performance even with strict supply chain processes in place. We place great emphasis on establishing good relationships with our suppliers and increased control and responsibility throughout the supply chain.

Responsibility in the supply chain

STRAX has adopted the Responsible Business Alliance (RBA)'s Code of Conduct as a guideline for standardizing the requirements and evaluation of suppliers. The code contains a set of social, environmental and ethical standards for the electronics industry. We have also implemented STRAX's Code of Conduct for Suppliers to ensure that all suppliers know what we expect of them. We expect all suppliers to continually monitor their compliance with the standards set in the STRAX Supplier Code of Conduct. Should any breach of the regulations be detected, the supplier must immediately

Material sustainability aspects in STRAX's value chain

"A value chain perspective makes it easier for STRAX to manage its sustainability impact and create the highest possible value."

Product development

In product development, close cooperation between the departments is essential to ensure product safety, product quality and product durability. The focus is also on the use of chemicals and materials, packaging solutions and recyclability.

Procurement

The procurement process entails challenges related to corruption and bribes. The focus is on ensuring that STRAX requirements are met and to develop the suppliers' ability to improve the sustainability aspects. STRAX requires that all suppliers comply with STRAX's and RBA's Code of Conduct.

Production

Throughout the production process, the environmental impact of the production techniques such as use of chemicals, carbon emissions and waste, product quality assurance as well as human rights, fair labor practices and health and safety issues are important aspects to consider.

Logistics

The logistics include challenges related to carbon emissions from transportation of products as well as waste from the packaging used in the logistics process and energy usage in warehouses.

Value-added solutions and services

It is important that STRAX's value-added solutions and services align with the company's core values and contribute to the overall quality assurance.

notify STRAX, so that we can ensure that effective and timely corrective actions are taken.

Monitoring and improving suppliers CSR performance

At STRAX, we apply a self-assessment system, that over time corrects behavior and creates a sound culture of improvement and progress for the factories. Initial audits are conducted at all new major suppliers. The self-assessment system is then monitored by regular visits to the factories and checked by audits. We have also implemented third party validation of strategic suppliers' CSR-performance to cross reference our internal controls. In 2019 a total of 2 process audits (9) were conducted. Major suppliers account for over 90 percent of Group purchases. In 2020 focus will be on conducting qms audits (quality management system).

STRAX's intention is to support safe and fair working conditions and responsible management of environmental and social issues in every part of the supply chain. In order to do so, we support the establishment of a Corporate Social Responsibility (CSR) management structure and incorporate CSR-performance as a part of our supplier evaluation criteria to further incentivize their participation in these activities.

Engaging directly with suppliers is one of the most effective ways to improve performance in the supply chain. Ways to do this include using our monitoring processes, follow-up discussions and briefings with the suppliers' managers and executives. If any evidence of non-compliance is identified, STRAX work together with the supplier to develop corrective actions and improve the process used to manage material risks.

STRAX has developed a program that encourages the suppliers to incremental improvements through the provision of best practice CSR-improvement recommendations. We aim to have all suppliers in areas with high CSR-related risks, currently South East Asia, participating in the supplier development program. At year-end 2019, 100 percent (100) of all suppliers in high-risk areas had participated in the development program.

Business ethics

Corruption and unethical behavior can occur both within the organization and indirectly through suppliers. STRAX's procurement process mainly takes place in South East Asia, a market that offers good business opportunities, but that is also exposed to material risks relating to areas such as corruption, bribery and fraud.

STRAX's Code of Conduct and Anti-Bribery Policy describe our commitment to maintain a high standard of ethics when we do business and our expectations on each employee and partner. STRAX has a zero-tolerance policy on corruption and fully support the requirements of the UK Bribery Act as well as similar legislation in all regions where we conduct business. We have implemented policies and procedures to ensure we are prepared, to the extent possible, to prevent and deter corrupt practices across our business relationships. All personnel shall be aware of their responsibilities in respect to anti-corruption and bribery and shall be empowered to act as a line of defense in the identification of any corrupt practices. STRAX's guidelines on gifts and hospitality serves as a support structure for employees to handle such corrupt activities. STRAX has set as a target that all employees should be educated on the topics of bribery and corruption by 2020. 100 percent (100) of all employees in vendor-facing positions had completed their education on the topic of bribery and corruption at year-end 2019, which corresponds to 30 percent (24) of the Group's total employees.

Alongside the Supplier Code of Conduct, STRAX has an Anti-Bribery Contract with factories and other contractors in Asia with heavy penalties for any bribery or inappropriate influence on STRAX employees or representatives. STRAX has amended employee contracts for all Asian employees, giving STRAX the right to terminate employment immediately, and without notice period, should any bribes have been accepted. STRAX aim for all suppliers to comply with the requirements regarding anti-corruption and bribery with no serious deviations. In 2019, 100 percent (100) of suppliers complied with the requirements without serious deviations.

PRODUCT RESPONSIBILITY

STRAX is dedicated to providing customers with products that exceed their expectations regarding quality and safety as well as the environmental impact caused by producing and using them. Therefore continuous progress is a crucial part of the product development process. STRAX continuously work on providing information that supports customers and consumers to make sustainable product choices.

Quality management system

STRAX develops products in strict compliance with internationally recognized safety and legal requirements. Regulations setting mandatory safety and reliability standards for products on certain geographical markets are defined during the product development stages. Among other things, STRAX's products are labeled with CE marking, which means that they meet the EU's basic health, environmental and safety requirements. Another example is FCC labeling, which means that the electromagnetic interference caused by the product is below the limits approved by the US independent organization Federal Communications Commission.

STRAX has assembled a Product Safety and Compliance Team which continually monitors product safety issues within the supply chain and reports directly to the Management Team. Together they have developed robust procedures to detect and prevent non-compliant products from shipping to customers. The foundation of these procedures is based upon a quality management system and supplier partnership mechanisms that ensure adherence to strict standards throughout the supply chain.

STRAX ensures the traceability along all instances leading up to the design approval process, which enables us to track products and components to individual suppliers, ensuring supplier accountability. This system also enables us to trace components that fail to achieve our requirements, and therefore may affect safety, back to their source. Following this, root cause analyses takes place and solutions are implemented.

For product safety certifications, STRAX engage external experts to identify continual improvement areas and corrective actions. We also cross-check the final results with our internal testing facilities and have established

protocols for product recalls in place should the need arise.

Materials and chemicals

In order to ensure that none of STRAX's products contain any harmful, restricted or unnecessary chemicals, we adhere to strict legal compliance across a range of legislative environments around the world, including but are not limited to, the EU RoHS (guidelines to restrict the use of harmful substances in electric/electronic products) and the EU REACH (European Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals), and we have a multi-layered approach to ensure that our suppliers do as well.

Conflict minerals and cobalt management

STRAX supports the efforts of human rights organizations to end violence and atrocities in Central Africa. It has been widely reported that the major driver of this violence is the natural abundance of the minerals tin, tungsten, tantalum and gold, now referred to as conflict minerals. In 2016, Amnesty International also shed light on human rights abuses, including child labor, linked to cobalt mining in the Democratic Republic of Congo.

The issues of conflict minerals are important to STRAX and we undertake due diligence to ensure that no conflict minerals are used in our products. STRAX requires that all new suppliers confirm that materials we purchase do not contain conflict minerals and the suppliers are notified periodically to update this assurance. In addition, we require of our existing suppliers who use any of the four metals listed above to ensure that they are using approved smelters, as informed by the Conflict Free Sourcing Initiative. Suppliers shall exercise due diligence regarding the source and chain of custody of conflict minerals and make their due diligence measures available to STRAX upon request.

STRAX Cobalt and Conflict Minerals Declaration also ensure that all suppliers recognize and align their supply chain policies with the Responsible Cobalt Initiative (RCI). STRAX also includes cobalt in the requirements of the supplier evaluation. At year-end 2019, 100 per cent (100) of all suppliers had completed a self-assessment, ensuring all procurements, purchases and use of cobalt adheres to the RCI's recommendations.

OUR PEOPLE

STRAX maintains a strong commitment to high standards in order to deliver a fair, respectful and safe workplace where employees can fulfill their potential. The ability to attract, develop and retain competent and committed employees at all levels is key to continued successful growth.

Living our values

At the heart of our behavior and actions are four core values: Honesty, Respect, Frugality and Teamwork. We want our people to always show respect by adhering to facts, fulfilling promises and admitting to failures. We also want them to show the outmost respect for co-workers, the company, competitors, customers and partners. Resources shall be used wisely across all areas of the business, with effective planning, communication and optimized processes that reduce costs. We are stronger as a team than as individuals, so we shall all work together to achieve our common goals.

Health and safety management

Ensuring safety awareness, positive attitudes and continual improvement in safety performance requires the commitment and active involvement of all partners, managers, employees and regular contractors at all levels.

In order to make analyzes and plans of action, STRAX is measuring employee satisfaction by using a Employee Satisfaction Index (ESI). The target is set to achieve an ESI-score of at least 85 percent by 2020. The latest survey on employee satisfaction was conducted in 2017. The survey was addressed in Asia with an overall ESI score of 78 percent. Due to organizational changes no survey was conducted in 2018 or 2019. STRAX is planning to survey employee satisfaction for the entire Group in 2020.

STRAX works actively and preemptively to improve the company's employee attendance through initiatives such as preventive health-care, which STRAX strives to offer to all the Group's employees.

Diversity and equality

At STRAX we are committed to ensure the fair and equal treatment of everyone in our organization. Workplace diversity contributes to the variation and exchange of ideas, which is critical to STRAX's innovation process and contributes to a healthy management environment. STRAX has a zero-tolerance policy for all forms of discrimination and harassment. We are committed to provide an inclusive and welcoming environment for all members of our employees, clients, volunteers, subcontractors, vendors, and clients.

STRAX regard gender equality as an essential part of human resource management. While recognizing that differences between people must be acknowledged and reasonably accommodated, employment practices must ensure that differences do not lead to discrimination in the workplace. The gender division in the Group is 44 percent (45) women and 56 percent (55) men. 32 percent (34) of managers were women during the year. STRAX aim to continuously improve the proportion of women in management positions. The target is that both men and women will represent at least 40 percent of management positions by year 2020.

ENVIRONMENTAL RESPONSIBILITY

STRAX work systematically to prevent, minimize and remedy the adverse environmental impacts of our business activities. As a part of STRAX's continuous improvement process for environmental management, we are further analyzing our environmental impact to better understand how we can play a larger and more constructive role in contributing to a healthier global environment.

Reducing our climate footprint

At STRAX, we recognize the impacts of global warming and work to be part of the solution.

We are only in the beginning of our work. As a first step we have identified five focus areas:

- Reduce emissions caused by transportation of goods
- Avoid emissions caused by business travels
- Engage suppliers to reduce their manufacturing energy usage and CO2-emissions
- Reduce the environmental impact of our products at the research and design stage
- The use of more environmentally friendly and recyclable materials in packaging

Once we get a bit further in our work, we will start measuring our baseline carbon footprint and setting short and long-term reduction targets.

Reduce transport emissions

With a global network of suppliers and distributors, a significant part of STRAX's value chain's negative impact on the environment stems from the transportation of goods in the form of carbon emissions. Reducing our climate footprint caused by transportation of goods is therefore a priority. In this work, optimization of transportation and reduced proportion of transport by air is central.

To ensure efficient transports, STRAX has a screening process with requirements regarding transportation optimization and efficiency when choosing what carriers to use. During

the year, we have reviewed and adjusted packaging design and the use of material together with our suppliers, in order to optimize transportation of goods. STRAX also operate a bonded warehouse in Asia, which has enabled improved coordination of transportations as well as provided cost-effective solutions.

At year-end 2019, 85 percent (99) of transports were by air. The target is that transportation by air should not exceed 70 percent by year 2020. We recognize that we are up for a challenge and that we still have a long way to go, but at the same time, we are confident that our ongoing efforts to reduce our CO2-footprint will yield results in the future.

STRAX is also committed to reduce emissions from business travel by prioritizing alternative technology options such as video conference and virtual offices. STRAX travel policy expresses the company's guidelines and principles that must be considered by all employees during business travels.

Working for a circular economy

In the context of the rapidly decreasing amount of global resources, STRAX strives to understand and optimize our role in contributing to a circular economy.

STRAX is continually investigating how we can better use the principles of a circular economy to deliver value to our customers. For STRAX, this means making high quality products that last longer, are made of environmentally friendly materials, and can be easily recycled. In this way, we hope to not only benefit the environment, but also achieve cost benefits for us at STRAX and to offer our customers an environmentally friendly product design and better end-of-life management.

Our current approach includes the use of biodegradable plastics in products, the use of recycled material in packaging and to ensure recyclability of products in line with WEEE regulations. By replacing the plastics used

in packaging with biodegradable plastics or paper and creating new design solutions containing less plastics, the packaging becomes more sustainable and has less negative impact on the environment.

In 2019, our work continued by identifying and implementing several initiatives to reduce plastics used in packaging and transportations. We also launched new environmentally friendly mobile phone cases that are either biodegradable or compostable.

Engaging our suppliers

In order to reduce the CO₂-emissions throughout our value chain, it is crucial to engage our suppliers and to work collaboratively.

STRAX seeks to reduce the energy consumption in manufacturing by requiring that supplier use energy efficient devices which comply with extended internationally efficiency standards. In order for STRAX to measure and follow up on CO₂ emissions, the suppliers are required to provide information about energy consumption, production technologies and logistics. For information involving energy consumption, the suppliers' must be based on the ETSI-TS standard, while for CO₂-effects, they must be based on internationally recognized standards, in particular the standard of the GHG Protocol and recommendations of the ITU-T SG5. Regarding assembly, suppliers shall provide STRAX with all necessary information about the materials from which the items delivered are assembled, as well as about the packaging.

URBANISTA AGAINST VIOLENCE AND MENTAL ILLNESS

STRAX's wholly owned subsidiary Urbanista is a lifestyle brand focused on audio products. The products are inspired by cities and freedom, with urban lifestyles in mind and are available online as well as in about 20,000 stores spread over 80 countries.

Urbanista x Non Violence Project

In 2019, Urbanista initiated several significant collaborations, such as the launch of special edition headphones for the Non-Violence Project an organization that takes a stand for peace both locally and globally. The goal of the project is to show the next generation that conflicts can be resolved without violence and that we can all make a difference. For each sold pair of the special edition headphones, Urbanista donates a portion of the proceeds to the Non-Violence Project global education work for peace.

Tim Bergling Foundation

Urbanista was also one of the main sponsors of the charity concert organized by the "Tim Bergling Foundation" in memory of the artist Avicii on December 5, 2019. The purpose of the sold-out concert was to highlight mental health issues and suicidal tendencies, with the participation of artists such as David Guetta, Rita Ora and Kygo. In addition to sponsoring the charity concert, Urbanista contributed to the foundation by donating a portion of Urbanista's sales.

DETROIT NON-VIOLENCE

"Brains no bullets" is illustrated in glossy black along with icon of the famous knotted gun sculpture that serves as this generations most iconic representation of peace.

The foundation was created by Klas and Anki Bergling and their family after the death of their son Tim Bergling, also known as Avicii. The foundation is devoted to recognize suicide as a global health emergency and removing the stigma attached to the discussion of mental health issues.



SUSTAINABILITY TARGETS

STRAX is working toward a number of sustainability targets focused on monitoring the areas where our operations have the greatest impact on people and the environment.

	Sustainability target	Results of 2018
Supply chain	<p>100 % of suppliers are to comply with the requirements of STRAX's Supplier Code of Conduct regarding anti-corruption and bribery with no serious deviations</p> <p>All suppliers in high-risk areas (currently South East Asia) are to participate in STRAX's supplier development program.</p>	<p>100 % (100) of suppliers complied with the requirements without serious deviations in 2019.</p> <p>At year-end 2019, 100 % (100) of all suppliers in high-risk areas had participated in STRAX's supplier development program.</p>
Business Ethics	<p>100 % of all employees should be educated on the topics of bribery and corruption by year 2020.</p>	<p>30% (24) of all employees had been educated on the topic of bribery and corruption at year-end 2019, with 100% (100) of employees in vendor-facing positions.</p>
Social Conditions	<p>The target is that both men and women will represent at least 40 % of management positions by year 2020.</p> <p>The Group's employee satisfaction score (ESI) should be at least 85 % by year 2020.</p>	<p>At year-end 2019, the gender division in the Group was 44% (45) women and 56% (55) men. 32% (34) of managers were women during 2019.</p> <p>STRAX conducted a survey on employee satisfaction in Asia during 2017 with an overall ESI score of 78 per cent. Due to organizational changes no survey was conducted in 2018 or 2019. STRAX is planning to survey employee satisfaction for the entire Group in 2020.</p>
Carbon Management	<p>Transportation by air should not exceed 70 % by year 2020.</p>	<p>85 % (99) of transports were by air in 2019.</p>
Product responsibility	<p>All suppliers shall recognize and align their supply chain policies with the Responsible Cobalt Initiative (RCI).</p> <p>All products shall meet internationally recognized safety and legal requirements for the markets they are sold in.</p>	<p>At year-end 2019, 100 % (100) of all suppliers had completed a self-assessment ensuring any sourcing, purchasing or use of Cobalt adheres to the RCI.</p> <p>In 2019 100 % (100) of STRAX products complied with all local and international regulatory safety standards.</p>

SUSTAINABILITY GOVERNANCE

At STRAX we are committed to ensure that everything we do, and all decisions that we make, are governed by the principles of ethics, integrity and respect for people and care for the environment. We take our responsibility seriously whether in areas of corporate governance, employee responsibilities, consumer protection, partnership management, or environmental standards. In doing so we hope to earn the trust and respect of our customers and society in the process. Our vision, values, and Code of Conduct reflect our entrepreneurial, social and environmental responsibility.

Organization

Sustainability and ethics are emphasized throughout STRAX's corporate governance, starting with the Board of Directors and the Group Management Team. The Board of Directors has the ultimate responsibility for the Group's sustainability work. The Group Management Team has the responsibility of monitoring of STRAX's efforts, while operational responsibility and implementation falls under the team STRAX Plus who coordinate the work. The Group Management Team is also responsible for the establishing and implementation of STRAX's Code of Conduct, guidelines and policies. All team heads are obligated to ensure that their coworkers know the Code of Conduct and perform their work in line with it.

Policies and guidelines for STRAX's sustainability management, as well as internal standards and processes, are regularly revised to ensure their conformance with international standards and customer requirements.

Principles and practices

STRAX is committed to comply with the laws and regulations in each country in which we operate. The products are designed and tested to meet the appropriate standards for product safety, electromagnetic and wireless connectivity, ergonomics and other regulatory compulsory requirements, when used for their intended purposes. In most cases, legal compliances act as a starting point only, our own policies tend to be more strict than legal compliance requirements.

STRAX's framework for sustainability is based on widely recognized international standards including the Universal Declaration of Human Rights, ILO International Labor Standards, the Rio Declaration on Environment and Development, the UN's Convention Against Corruption and OECD Guidelines for Multinational Enterprises. Since 2017, STRAX is a signatory to the UN Global Compact and has aligned the sustainability work with its ten principles concerning human rights, labor issues, environment and anti-corruption. STRAX is also in full compliance with the Responsible Business Alliance (RBA)'s Code of Conduct which includes a set of social, environmental and ethical standards for the electronics industry.

STRAX's quality management system and supplier partnership mechanism ensure adherence to our strict standards throughout the supply chain. The entire business, including the STRAX's logistics center, is ISO-9001 certified. The management systems ensure that the operations are conducted in accordance with established procedures and act as support for employees in their daily work.

The Code of Conduct leads the way

STRAX's Code of Conduct is the Group's overarching sustainability policy and declares what is expected from every person working for and with the organization. It also underlines our responsibilities to customers, colleagues, suppliers and other partners.

The STRAX Code of Conduct is based on the company's core values and the ten principals provided by the UN Global Compact as well as the other international conventions STRAX complies with.

The STRAX Code of Conduct obliges all employees to uphold high ethical standards in their conduct towards each other and when representing the company. It also aims to ensure a safe working environment, an equal and fair treatment of all employees, a strict quality management and focus on the end-user in product development, as well as to prevent, minimize and remedy the business' adverse environmental impacts. The Code of Conduct is complemented by STRAX's Anti-Bribery Policy, Code of Conduct for Suppliers, rules of corporate governance and other relevant policies.

Reporting concerns

Employees and partners are encouraged and expected to report incidents of non-compliance with the STRAX Code of Conduct. Reported information will only be processed to the extent reasonably necessary for the investigation. There will be no retaliation or other negative consequences for individual reporting on such incidents. The STRAX Code of Conduct have instructions for employees on how to raise their concerns within the organization. In 2019, no reported deviations from the STRAX Code of Conduct were received.

Group-wide sustainability policy documents

- STRAX Code of Conduct
- STRAX Supplier Code of Conduct
- STRAX Anti-Bribery Policy
- STRAX Cobalt and Conflict Minerals Declaration
- STRAX Travel Policy

SUSTAINABILITY RISKS

Stakeholders have ever increasing demands on companies' accountability. The active work with issues concerning the environment, social conditions, human rights and corruption is an integrated part of STRAX's operations. Should STRAX's efforts in these areas prove insufficient, sales and market shares could be negatively affected.

Risk

Risk management

Risks in the supply chain

Some of the more significant sustainability risks and opportunities are found in STRAX's supply chain. The risks include, but are not limited to, corruption and bribes, violence of human rights and unfair labor practices, health and safety, and environmental damage. Should STRAX's suppliers break international rules and legislation, or if they should deviate from established standards, STRAX's would risk facing economic damages, negative publicity and legal ramifications.

STRAX expect all suppliers to operate ethically correct and in accordance with internationally recognized standards on human rights, labor rights, environment, anti-corruption and bribery. Principles and values are communicated through STRAX's Supplier Code of Conduct, which applies to all STRAX's suppliers and subcontractors. STRAX support the establishment of a CSR management structure and incorporate CSR performance as a part of the supplier evaluation criteria to further incentivize their participation in CSR activities.

Product-related risks

STRAX's ability to offer products that meet stakeholders' expectations regarding quality, safety, use of materials and chemicals, as well as comply with all regional and country-level statutory standards is crucial to maintain customer trust. If STRAX fail to meet customer expectations this could entail a risk of reduced sales and a negative impact on the STRAX brand.

STRAX complies with the EU directives RoHS and WEE as well as the REACH Regulation, which states requirements for companies to take responsibility for products and their impact on society. STRAX strives to reduce the products' environmental footprint through the use of recyclable packaging materials and by ensuring the recyclability of the products when reasonably possible. To reduce the carbon emissions caused by transportation of goods, STRAX is working to optimize the transports and prioritize transports by sea or train over those by air. Product safety issues within the supply chain are continually monitored and STRAX has developed robust procedures to deter, detect, and prevent non-compliant products from shipping to customers. STRAX also undertake due diligence to ensure that conflict minerals and cobalt are not used in our products.

Risks related to business ethics

With employees in 12 countries and over 150 suppliers around the world, STRAX is, to a varying degree, exposed to the risk of corruption. Unethical behavior would entail legal ramifications and harm the company's reputation.

STRAX has a zero-tolerance policy on corruption. All STRAX's employees are educated on the company's Code of Conduct and made aware of their responsibilities in respect to anti-corruption and bribery. STRAX's guidelines on gifts and hospitality serves as a support structure.

Risks related to social conditions

Skilled and engaged employees are instrumental to the company's ability to develop according to the long-term strategic plan and to reach the established targets. If STRAX were to fail in providing an attractive working environment it would have a direct negative impact on the company's ability to attract and retain skilled employees.

STRAX maintains a strong commitment to high standards in order to deliver a fair, diverse, respectful and safe workplace for all employees. STRAX's Code of Conduct establishes the organization's stance on these topics. All STRAX's employees are educated on the company's Code of Conduct and informed of their personal responsibility to ensure that they act according to it.

AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of the shareholders in Strax AB (publ), corporate identity number 556539-7709

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2019 on pages 50-62 and that it has been prepared in accordance with Årsredovisningslagen.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted

in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinions

A statutory sustainability report has been prepared.

Stockholm, 28 April 2020
PricewaterhouseCoopers AB

Niklas Renström

Authorized Public Accountant

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