



SUSTAINABILITY
REPORT

2018

STRAX



“THE SUM OF OUR ACTIONS IS WHAT MAKES STRAX A VIBRANT COMPANY IN WHICH CHANGE IS PERCEIVED AS AN OPPORTUNITY AND EVERYONE IS COMMITTED TO A CONTINUOUS IMPROVEMENT PROCESS.”

- GUDMUNDUR PALMASON, CEO



SUSTAINABILITY REPORT

In the role as a global supplier of mobile accessories, STRAX is committed to protect and improve the environment, health and wellbeing of employees, customers, suppliers and the communities where we operate.

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, but 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. They are the expression of our corporate culture, which align with sustainable business principles.

A year has passed since we published our first Sustainability Report. It's been an educative

process that has helped us evolve our sustainability work further by setting clear targets and measuring progress. We are proud of what we have achieved so far, while realizing we still have a long way to go. One of the highlights of 2018 has been the progress made in designing and developing greener packaging.

STRAX's Sustainability Report offers an overview of what we are trying to achieve with our sustainable business strategy, and the progress to date. The focus is on what matters the most, therefore, the content reflects the sustainability aspects where our business has the most impact on people and the environment. As a signatory to the UN Global Compact, STRAX is aligned with its ten principles concerning human rights, labor issues, environment and anti-corruption. This report is our Communication on Progress.

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.

BUSINESS MODEL AND SUSTAINABILITY CONTEXT

STRAX is a market-leading global company specializing in mobile accessories. We have built a House of Brands to complement our value-added customer-specific solutions and services. These include tailored professional marketing support, a product intelligence tool, customizable E-Com solutions and logistic solutions. STRAX’s brand portfolio includes proprietary brands: XQISIT, Urbanista and THOR and licensed brands: adidas and bugatti. In addition, we represents over 40 major mobile accessory brands. We sell into all key channels ranging from telecom operators, mass merchants and consumer electronics to lifestyle retailers and direct to consumers online.

STRAX was founded in Miami and Hong Kong in 1995 and has since grown across the world. Today, Today, STRAX has over 190 employees in 13 countries with its operational HQ and logistics center based in Germany.

STRAX proprietary brands develop, produce, package and sell mobile accessories. 61 per cent of sales come from proprietary brands, 14 per cent from licensed brands and 25 per cent from partner brands.

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 proprietary products add further requirements on the control of materials used in the products and on third party factories’ adherence to sound business practices.

At STRAX, we strive to optimize the business model and value chain by developing and promoting sustainable products and services. 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. Our sustainability work is focused on the most significant economic, environmental and social aspects across our value chain in order to reduce the negative impact on people and the environment.

Material sustainability aspects in STRAX’s value chain

Product development

Product safety, product quality, durability, use of chemicals and materials, packaging solutions and recyclability are important sustainability aspects in STRAX’s product development.

Procurement

The procurement process entails challenges related to corruption and briberies.

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.

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. 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. They are the company's binding guidelines, providing specific instructions on forming relationships with customers, colleagues, suppliers and other partners.

Principles and practices

STRAX's framework for sustainability respectfully complies with 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 Multi-national Enterprises. Since 2017, STRAX is a signatory to the UN Global Compact, aligned 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.

Sustainability management policies are regularly revised, as well as internal standards and processes, to ensure their conformance with international standards and customer requirements.

The Code of Conduct leads the way

STRAX's Code of Conduct is the Group's overarching sustainability policy document 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.

Business ethics

For STRAX, business ethics means more than complying with regulations. As a value-driven organization we believe that adopting a wider ethical approach into our company culture is crucially important. It helps us earn the trust of everyone affected by our operations, enhance our reputation and succeed in business.



Regulatory compliance

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 purpose.

Whether in areas of corporate governance, fiduciary duty, employee responsibilities, consumer protection, partnership management, or environmental standards, we take our responsibilities seriously; in most cases, legal compliances act as a starting point only, our own policies tend to be more strict than legal compliance requirements.

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

Anti-corruption and bribery

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 has a zero-tolerance policy on corruption. 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. We fully support the requirements of the UK Bribery Act as well as similar legislation in all regions in which we do 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. This also includes monitoring and preventing potential corruption and bribery and to deal with such practices appropriately if they are discovered.

All staff 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 per cent (100) of all employees in Vendor-facing positions had completed their education on the topic of bribery and corruption at year-end 2018, which corresponds to 24 per cent (18) of the Group's employees.

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.

Organization

Sustainability and ethics are emphasized throughout STRAX's corporate governance, starting with the Board of Directors, the CEO and the Group Management Team. The Group Management Team has the ultimate responsibility for the implementation and monitoring of STRAX's sustainability work, as well as its subdivisions' compliance with the STRAX Code of Conduct. Management is also responsible for maintaining adequate documentation to demonstrate compliance by partners.

In 2017 STRAX established a number of sustainability targets as well as Sustainability Performance Indicators (SPIs) for monitoring and develop the sustainability work. In 2018, the focus has been on finalizing this process and measure progress on selected SPIs. We have come a long way but recognize that there is still a lot to be done. We continuously work to develop our business in a more sustainable way and minimize our negative social, environmental and economic impact. The targets will be updated in pace with the continuing work.

DEVELOPING SUSTAINABLE SUPPLIER NETWORKS

Some of the most significant risks and opportunities within STRAX's value chain can be found among the upstream suppliers. With over 150 suppliers globally, continual improvements together with our manufacturing partners on sustainability issues are not only crucial to ensure the rights and conditions of the workers that make our products, but also to minimize the adverse environmental impacts of the production.

At STRAX we expect our suppliers to operate ethically correct and in accordance with internationally recognized standards on human rights, labor rights, environment and anti-corruption, adhere to the STRAX Code of Conduct and to uphold the ethical standards that are integral to our Code of Conduct.

Sustainability management in the supply chain

As a global business with an extensive supplier base, developing a full understanding of the suppliers' sustainability performance is a challenge, even with strict supply chain processes in place.

STRAX has adopted the Responsible Business Alliance (RBA)'s Code of Conduct as a guideline for standardizing the approach with suppliers regarding social, environmental and ethical responsibility.

STRAX has also implemented STRAX Code of Conduct for Suppliers to ensure that all suppliers know what we expect of them. 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 2018, 100 per cent (98) of suppliers complied with the requirements without serious deviations.

Monitoring compliance

STRAX expects all suppliers to continually monitor their compliance with the standards set in the STRAX Supplier Code of Conduct and to promptly rectify any failures to do so. Should any breach of the regulations be detected, the supplier must immediately notify STRAX, so that we can ensure that effective and timely corrective actions are taken.

At STRAX, we believe in a self-assessment system, that over time corrects behavior and creates a sound culture of improvement, for the factories. Initial audits are conducted at all new major suppliers. The self-assessment system is then monitored through our regular presence in the factories and checked through audits. We also implement third party validation of strategic suppliers' CSR-performance to cross reference our internal findings.

In 2018 a total of nine audits were conducted. Major suppliers are defined by accounting for +90 per cent of Group purchasing.

Improving performance and building capability

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 suppliers' managers and executives. If any evidence of non-compliance is identified, STRAX work with the supplier to develop corrective actions and improve the process the supplier uses to manage key risks.

STRAX has developed a program that encourages the suppliers' incremental improve-

ment through the provision of best practice CSR-improvement recommendations. We aim for all suppliers in areas with high CSR-related risks, currently South East Asia, to participa-

te. At year-end 2018, 100 per cent (98) of all suppliers in high-risk areas had participated in the supplier development program.

PRODUCT RESPONSIBILITY

STRAX is dedicated to providing customers with safe products that exceed their expectations regarding quality and safety as well as the environmental impact caused by producing and using them. All STRAX products meet their respective regional and safety requirements.

Quality management system

STRAX develops products in strict compliance with internationally recognized safety and legal requirements. Regulations setting mandatory safety and reliability standards for certain products are defined during the product development stages for the purpose of preventing or reducing the risk of injury or harm to the consumer. These include, but are not limited to, CE, FCC and other recognized regulatory bodies.

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 deter, 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 mechanism that ensures adherence to strict standards throughout the supply chain. Procedures have been established for product design and performance as well as raw material selection and regulatory requirements. 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 non-standard components that may have safety implications back to their source and thereafter implement root cause analysis and respective solutions.

For product safety certifications, STRAX engage external experts to identify continual improvement areas and corrective actions.

We also cross-check final results with our internal testing facilities; additionally, we have a protocol for product recalls should the need arise.

Materials and substances

STRAX strive to conserve resources and reduce environmental footprint caused by our products through the use of recyclable plastics and packaging materials, as well as ensuring the recyclability of the products where reasonably possible.

In 2018 STRAX invested in developing more sustainable and consumer friendly packaging. By changing plastics used in the packaging construction to biodegradable plastics or paper and create designs that require less plastics, the packaging becomes more sustainable and has less impact on the environment.

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 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 have a multi-layered approach to ensure that our suppliers do as well.

At STRAX, continuous progress is a crucial part of the product development process. We continuously work on providing information that helps buyers and customers make sustainable product choices.

Conflict minerals 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. We undertake due diligence to ensure that conflict minerals are not 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 that 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 on the source and chain of custody of conflict minerals and make their due diligence measures available to STRAX upon request. Since 2017 STRAX includes cobalt in the requirements. A policy has been implemented to ensure that all suppliers, both upstream and downstream, recognize and align their supply chain policies with the Responsible Cobalt Initiative (RCI). At year-end 2018, 100 per cent (97) of all suppliers had completed a self-assessment, ensuring any sourcing, purchasing or use of Cobalt adheres to the RCI.

OUR PEOPLE

STRAX strives to provide a workplace where employees can fulfill their potential in an open and inspirational working environment. The ability to attract, develop and retain competent and committed employees at all levels is key to continued successful growth.

Living our values

STRAX maintains a strong commitment to high standards in order to deliver a fair, diverse, respectful and safe workplace for all employees.

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.

STRAX's Code of Conduct outlines the behaviors expected from every single person working for and with STRAX. The principles outlined in the Code of Conduct are the foundation of how we do business and set the values we want everyone who works for or with us to respect. Together, these elements ensure that we protect our reputation, our people and our assets. All employees are educated in the company's Code of Conduct and informed

of their personal responsibility to ensure that they act according to it.

Health and safety management

STRAX is committed to high standards of health and safety management which is a fundamental part of the sustainability agenda. 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.

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.

In order to make analyzes and plans of action STRAX is measuring employee satisfaction through an employee survey. The target is to have an Employee Satisfaction Index (ESI) score of at least 85 per cent 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 per cent. Due to the organizational changes brought about by the optimization phase STRAX is currently in, no survey was conducted in 2018. STRAX is planning to survey employee satisfaction for the entire Group in 2019.

Diversity and equality

At STRAX we are committed to ensure the fair and equal treatment of everyone across all our business. Workplace diversity contributes to

the divergence 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 45 per cent (42) women and 55 per cent (58) men. 34 per cent (29) 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 per cent of management positions by year 2020.



ENVIRONMENTAL RESPONSIBILITY

Environmental management is an important part of the culture at STRAX. We work systematically to prevent, minimize and remedy adverse environmental impacts of our business activities through a proactive approach and responsible management of its environmental aspects. As 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 CO²-footprint

There is clear evidence that global temperatures are rising quickly. There is also a very strong consensus among scientists and policymakers that carbon dioxide emissions from fossil fuels together with other greenhouse gases have a direct impact on the climate. At STRAX, we recognize the impacts of global warming and work to be part of the solution. Carbon management is relatively new at STRAX. We have five initiatives that we are currently focusing on:

- Optimize transport emissions by shifting from air to ocean transport modes as much as possible
- Avoid travel emissions by prioritizing alternative technology options such as video conferencing and virtual office use
- Supplier engagement to reduce manufacturing energy usage and CO²-emissions
- Reduce the environmental impacts of our products at the research and design stage
- Use less carbon-intensive materials, such as recycled materials, in the packaging

We are in the process of measuring our baseline carbon footprint and setting short and long-term reduction targets.

Engaging our suppliers

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

STRAX seeks to reduce manufacturing energy usage by requiring that supplier use energy efficient devices which comply with extended

internationally efficiency standards. Furthermore, suppliers are obliged to provide STRAX with important information about energy consumption, production technology and logistics in order for STRAX to be able to determine and measure the CO²-costs.

For information involving energy consumption, the measures taken by 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.

Optimize transport emissions

Transports are STRAX's largest source of greenhouse gas emissions. An efficient and CO²-minimizing flow of goods is one of the most important factors to reduce our negative impact on the environment.

To ensure efficient transports, STRAX has a screening process with requirements regarding transportation optimization and efficiency when choosing what carriers to use. By optimizing the transports, and prioritizing transports by sea or train over those by air, we are working to lessen the company's impact on the environment.

Starting in 2019, STRAX will operate a bonded warehouse in Asia, which will enable improved co-ordination of transportations as well as provide cost-effective solutions.

The target is that transportation by air should not exceed 70 per cent by year 2020. At year-end 2018, 99 per cent of transports were by air, which is an increase from previous year with 15 percentage points. The increase is related to growth in sales for protection brands. 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 pay off in the future.

STRAX is also committed to reduce emissions from business travel by prioritizing alternative technology options such as video conference

and virtual office use. In 2018 STRAX implemented a new stricter travel policy in order to further reduce the impact of business travel.

Circular economy

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

A circular economy aims to mirror the natural world's regenerative system by ensuring resources can be continually recycled and environmental impacts are minimized. 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.

STRAX are continually investigating how we can better use the principles of circular economy to deliver value to our customers. Our current approach includes the use of biodegradable plastics in products, as well as the use of recycled material in packaging and to ensure recyclability in line with WEEE regulations. Globally, only nine per cent of all plastics are recycled. In the contrary to non-sustainable plastics, oxo-biodegradable plastics allow the plastics that are not being recycled to degrade in natural environments without harming the natural habitats of wildness such as plants and animals. STRAX most recent investment revolves around packaging. By designing packaging that requires less plastics and replacing plastics with biodegradable plastics or paper, the packaging becomes more sustainable and has less negative impact on the environment.

SUPPORTING OUR COMMUNITIES

As a global business it is essential to understand the social challenges in our surroundings and the crucial role businesses play in society. AT STRAX, we are dedicated to taking responsibility towards a sustainable social development in the communities in which we operate. In 2018, we supported two non-profit organizations in Asia and one in Kenya to contribute towards children's and young adults' right to education, development and an independent life.



From One to Another

STRAX supports the non-profit organization From One to Another who works to provide financial support and support for education for girls in Kenya. The organization's strategy is to contribute to sustainable communities around these girls by creating centers that will provide support, advice and education to the girls' mothers.

STRAX donation during 2018 has enabled 25 girls to go to high school for one year. Twice a year STRAX gets a personal update letter from the girls they are sponsoring.

Captivating International

STRAX supports the Annual Captivating Charity Auction – an event run in partnership with the Shenzhen Charity Federation. The Shenzhen Charity Federation; SHAMTSE; and LOVEQTRA (The Seng Girls Home), funds raised from this year's event will be used to impact the lives of up to 1,000 girls and many of their families in remote locations of Western China. With a focus on solutions such as greenhouses, animal husbandry, health education, vocational school scholarships, and programs helping girls get into their first genuine and safe job.



Sunshine Academy

STRAX partners with a Chinese non-profit organization, Sunshine Academy, on a number of vocational programs. Sunshine Academy is dedicated to love and educate Chinese orphans instilling dignity and life skills to enable an independent life. Sunshine Academy students have a variety of special needs which means they will need support throughout their growing up years as well as their adult life.

Through one of STRAX core manufacturing partners we support a vocational initiative to help Sunshine Academy students build life skills in the work place allowing them to become as self-sufficient as possible and give them opportunities to have a meaningful life.

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 our 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, human rights and fair 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.

STRAX complies with the EU directives; RoHS, REACH and WEEE, and strive to reduce the products' environmental footprint through the use of recyclable plastics and packaging materials as well as ensuring the recyclability of the products when reasonably possible. 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 & cobalt materials are not used in our products.

Risks related to business ethics

With employees in 13 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 in 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 in the company's Code of Conduct and informed of their personal responsibility to ensure that they act according to it.

Environmental risks in the transportation of goods

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.

By optimizing the transports, and prioritizing transports by sea or train over those by air, STRAX is working to lessen the company's impact on the environment.

SUSTAINABILITY TARGETS

In 2017 STRAX established a number of sustainability targets as well as Sustainability Performance Indicators (SPIs) for monitoring the areas of product compliance, responsible suppliers, carbon management, employees and social conditions. In 2018, the focus has been on finalizing this process and measure progress on selected SPIs.

	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 % (98) of suppliers complied with the requirements without serious deviations in 2018.</p> <p>At year-end 2018, 100 % (89) 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>24 % (18) of all employees had been educated on the topic of bribery and corruption at year-end 2018, 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 2018, the gender division in the Group was 45 % (42) women and 55 % (58) men. 34 % (29) of managers were women during 2018.</p> <p>STRAX conducted a survey on employee satisfaction in Asia during 2017 with an overall ESI score of 78 per cent. Due to the organizational changes brought about by the optimization phase STRAX is in, no survey was conducted during 2018. STRAX is planning to survey employee satisfaction for the entire Group in 2019.</p>
Carbon Management	<p>Transportation by air should not exceed 70 % by year 2020.</p> <p>Reduce emissions from business travel by prioritizing alternative technology options (video conference, virtual office use).</p>	<p>99 % (84) of transports were by air in 2018. The increase is related to growth in sales for protection brands.</p> <p>In 2018 STRAX implemented a new stricter travel policy in order to further reduce the impact of business travel.</p>
Product responsibility	<p>All suppliers shall recognize and align their supply chain policies in line 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 2018, 100 % (97) of all suppliers had completed a self-assessment ensuring any sourcing, purchasing or use of Cobalt adheres to the RCI.</p> <p>In 2018 100 % (100) of STRAX products complied with all local and international regulatory safety standards.</p>

AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of the shareholders in STRAX AB, corporate identity number 555539-7709

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2018 on pages 47-57 and that it has been prepared in accordance with the Annual Accounts Act.

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.

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