Our vision is to be “The number 1 PCB producer wherever we are”. In 2018, we continued our challenging and important sustainability journey together with our customers, factories and employees. Here are some examples of our actions and achievements during that year:
Excellence in Sustainability
Electronics Industry Awards in UK

Continued growth with profit

83 Customer Satisfaction Index

93 score for sustainability in customer satisfaction survey

Group-wide Technical Council established

119 technical and 10 sustainability seminars for customers

ISO 26000 verification audit

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ABOUT THIS REPORT
Since 2014 we annually publish a sustainability report. Our last report was published in March 2018. This is our sustainability report for 2018 and it covers our entire global business (see page 4-5). The report has been prepared in accordance with the GRI Standards: Core option. It also meets the requirements for sustainability reporting in the Swedish Annual Accounts Act. It is the board of directors who is responsible for the statutory sustainability report for the year 2018.
INTEGRATED PCB PRODUCTION
We call our production method integrated PCB production, which in practice means that we work closely with both our customers and our factories. We do not own our factories, but we “own” what is most important: the relationship and process with both customer and factory. We create optimum and flexible production conditions through our strong purchasing power and expertise in PCB production.

GLOBAL AND GROWING ORGANIZATION
The NCAB Group is a truly global organization, with offices all over the world. Our headquarters are located in Bromma, Stockholm, Sweden. Growth is a priority for us; we want to grow in a sustainable way together with our customers as we enter new markets. Growing sustainably with profit is an integral part of securing and developing our long-term business.

IN THE FRONT LINE OF TECHNOLOGY
The PCB, found at the heart of just about every piece of electronic equipment, can be a complex product, and must be adapted for any extreme situation. We seek to be at the front line of PCB technology development. We believe that the best PCB solutions can only be developed through dialogue with our customers and their customers and we actively seek cooperation already at the design phase.

OUR VALUES
We work in accordance with our company values:

- Quality First
- Strong Relationships
- Full Responsibility

NCAB Group is a leading global producer of printed circuit boards, PCBs. Our mission is to produce PCBs for demanding customers, on time with zero defects, produced sustainably at the lowest total cost.

Our business
High reliability printed circuit boards
SALES SHARE PER INDUSTRY SECTOR

- Automotive
- Medical
- Telecom
- Other

SALES SHARE PER PCB TECHNOLOGY

- Metal base
- HDI
- Flex, flex-rigid
- 2 L
- 4-8 L
- 8 L +

SHARE OF PRODUCTION

- China
- Europe
- USA
- Other Asia

EMPLOYEES / COUNTRY

- Men
- Women
- NCAB Group office

- CHINA
- DENMARK
- FINLAND
- FRANCE
- GERMANY
- HONG KONG
- ITALY
- MACEDONIA
- NORWAY
- POLAND
- RUSSIA
- SPAIN
- SWEDEN
- UK
- USA
- TOTAL

- 102
- 6
- 16
- 16
- 31
- 3
- 11
- 1
- 8
- 12
- 39
- 8
- 33
- 35
- 57
- 378

REVENUE

- 1 617 000 000
- SEK

KEY PERFORMANCE INDICATORS

- Delivery Precision
  - 95.4%
  - (Measured per order line)
- Quality Performance
  - 99.2%
  - (Measured per order line)

All data per December 31, 2018.

* Europe - UK, Macedonia, Belgium, Sweden, Germany, Italy.
** Other Asia - Israel, Taiwan.
*** Factory Management - our extensive team of 65 people who interact daily and directly with our factories.
Sustainability at the core of our business

NCAB Group is celebrating its 25th anniversary this year. We have experienced continuous growth since we started our business, and 2018 was no exception. It was another fantastic year when we continued to strengthen our position as a leading global producer of PCBs. And our success, I believe, is strongly linked to our sustainability approach. Sustainability for us is about the long-term survival of our business.

Hans Ståhl, CEO, NCAB Group, has been part of this journey as head of the company since 2004.

CEO’s statement
On June 5, NCAB Group was listed at Nasdaq Stockholm. The listing will help us to continue our growth, attract larger customers and make more acquisitions. I am proud of everyone who has contributed in our journey becoming a global company. Our employees, our values and our products shape the future of NCAB Group.

However, in a time of rapid change, we need to constantly develop our business. And the best people to set the right strategic direction are our employees. To tackle the question of how we can continue our business for another 100 years, we brought in all our employees to engage in this vital issue. During NCAB’s global conference, our employees’ genuine engagement and ideas resulted in ten strategies and activities that are now being implemented in our daily work across the markets.

Since the awareness of sustainability is growing in many countries, we are getting more questions from customers and other stakeholders about how sustainability issues are handled. We always take the opportunity to tell about our sustainable business at seminars, sales meetings, investor meetings and through digital channels.

We have a responsibility to run our business in an ethical way, and that responsibility applies also to our suppliers. We expect from them, as well as from our employees, that they respect human rights and are committed to providing healthy and safe working conditions and use resources efficiently. Four years ago, we set the goal: 100 % sustainability audited factories in 2018 – and we reached that goal this year. With our dedicated team in China regularly assessing the ability of our partner factories’ to meet our requirements, we are steering our supply chain in the right direction. But, there is a great deal that we still need to do. We will continue auditing and working closely with the factories to maintain and develop sustainable business together. In 2019, we will develop our strategy and raise our ambitions even further throughout our organisation. Going forward, we very much look forward to hearing your and other stakeholders’ ideas on how we can improve and work jointly on sustainable development, and eagerly await your feedback on our sustainability report.

Hans Ståhl

We believe in doing the right thing

Sustainability is part of what we do every day, throughout our value chain. Doing what’s right when working with suppliers, supporting our customers and managing our own work is a competitive advantage. I am proud of the progress NCAB has made across all three dimensions: economic, environmental and social responsibility. An increasing number of customers, and this year also investors, have recognised us for our sustainability achievements – improved working conditions and reduced environmental impact in factories as well as for our efforts to build in sustainability into our business model. Meanwhile, we will continue to raise the bar, keep improving our sustainability work and share our experiences. At the end of the day, not only is doing the right thing important for us, but sustainability is crucial for our business.

Christian Salamon, Chairman of the board since 2007
Value Chain

Sustainable business – a value chain approach

Our commitment to take full responsibility is important when developing and conducting our business. We create value for our stakeholders and conduct business in a responsible way throughout our value chain. With this approach we can create maximal value by identifying opportunities to drive positive change and minimize risks of any negative impact within and outside our area of operation. The following illustration shows our impact along our value chain.
In the stages from Sales and Design Support to Product Use, our influence and control is substantial.

The stage of Waste and Recycling of the end product is normally outside our direct control and influence.

**PRODUCT USE**
- Customer relations
- Delivery precision
- Information and dialogue
- Service
- Product quality
- Claims-handling
- Handling of waste and recycling

**WASTE/RECYCLING**
Handling of waste and recycling of end product.
NCAB Group’s sustainability strategy was launched in 2014 and specifies our long-term goals and focus areas. With clear priorities the strategy guides us in the right direction to gain sustainable business growth and achieve the positive changes we want to see in our industry.

STRATEGY AND STAKEHOLDER DIALOGUE

We have divided our sustainability work into three focus areas in relation to our prioritized stakeholder groups; customers, employees and factories. It illustrates how our sustainability work strengthens and adds value to these relationships. Listening to our stakeholders is crucial and their views are important when identifying the focus areas in our sustainability strategy. Our regular channels for main stakeholder dialogue are summarized in the illustration on page 11, and the results from this year’s dialogues are described later in this report.

In 2018 we were listed at Nasdaq Stockholm and we see investors as an important stakeholder group with whom we will have closer dialogue going forward.

NCAB GROUP SUSTAINABILITY STRATEGY

The Number 1 PCB producer – wherever we are
Quality First, Strong Relationships and Full Responsibility

<table>
<thead>
<tr>
<th>VISIONS</th>
<th>SUPPLY CHAIN</th>
<th>EMPLOYEES</th>
<th>CUSTOMERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>LONG-TERM GOAL</td>
<td>Take full responsibility throughout the supply chain</td>
<td>Attract, keep and develop the best people</td>
<td>Steer the sector in a green direction</td>
</tr>
</tbody>
</table>
| FOCUS AREAS | Human rights and social conditions
Environmental conditions, focus chemicals
Conflict minerals | Well being and work/life balance
Equal opportunities
Anti-corruption
Internal environmental work | Sustainable product development
Transportation / green logistics
Communicating our sustainability work |

| MEASURABLE GOALS | 100% audited and approved factories (covering environmental and social conditions)
Continuously improve sustainability performance throughout the supply chain | Top scores in employee satisfaction and engagement | Top scores in customer satisfaction including sustainability
Continuously reduce environmental footprint |

RESULT

Strong and responsible relationships with our factories, employees and customers, this to achieve sustainable business, growth and profitability for all.

Status December 2018
- = not started/sfar from reached
● = on track
● ● = completed/reached
RISK MANAGEMENT AS AN INTEGRAL PART OF STRATEGIC PLANNING

Our approach to risk management has provided NCAB with a system that allows us to identify and understand emerging and existing risks, prioritize on the basis of existing actions and the impact of the risk so that we focus on the highest risks.

The risk management process also includes activities in connection with the preparation of the annual business plan. This includes an analysis of trends, business opportunities, and risks at the local office and the Group level (SWOT). The aim here is to enable us to anticipate and rapidly respond to any changes in societal, environmental and legislative demands.

Each process owner is responsible for the ongoing evaluation, development and implementation of risk control methods and processes. NCAB’s highest sustainability risks within each focus area are presented on pages 12, 18 and 22.

ISO 26000 FOR INCREASED CREDIBILITY

Our sustainability strategy is based on ISO 26000 - Guidance on Social Responsibility, an international standard that provides guidance on how businesses may operate in a sustainable way. Read more at: www.iso.org. To demonstrate that we respect and comply with the standard ISO 26000, we issue a yearly so-social responsibility SIS-SP 2:2015 self-declaration. Our internal and external ISO audits also includes ISO 26000.

SUSTAINABLE DEVELOPMENT AND GOVERNANCE

Working in a responsible and sustainable way is a responsibility shouldered by all our employees. However, the sustainability strategy is governed by the NCAB Group management team, and there is a clear division of responsibilities between the different focus areas. We monitor our sustainability performance monthly at our management meetings and it is also a permanent subject for discussion at board meetings.

For the second consecutive year, we have also strengthened our resources for sustainability work, focusing on factory auditing and development, as well as employee education and training. The insights from our work and experiences so far, and our stakeholders’ perspectives will be used when updating our strategy and goals in 2019.

NCAB AND THE GLOBAL GOALS FOR SUSTAINABLE DEVELOPMENT

In 2015, world leaders agreed to 17 goals for a better world by 2030. These goals have the potential to end poverty, fight inequality, promote peace and justice and stop climate change. In order to meet the goals, everyone needs to contribute.

The Global Goals document, and its targets, will serve as an important guide as we work on further building our Sustainability Strategy. We will then look more closely into its significance for us and how we can develop our business in line with the direction the world needs to go: to build a better future for everyone.

WE INVITE YOU TO GIVE FEEDBACK

Our ambition is that our sustainability report provides our stakeholders with the information they need about the way we conduct our business. We warmly welcome any feedback you may have on the report and our sustainability work. Please contact NCAB Group’s Sustainability Manager, Anna Loftsson: anna.loftsson@ncabgroup.com.

The Global Goals for Sustainable Development. www.globalgoals.org

Illustration of our regular channels for main stakeholder dialogue.
Supply chain

Together for sustainable production

We do not own any factories, but we carefully choose our long-term partners and work closely with them to maintain and develop sustainable business.

LONG TERM GOAL
▷ Take full responsibility throughout the supply chain.

MEASURABLE GOAL
▷ 100 % sustainability-audited and approved factories. Continuously improve sustainability performance throughout the supply chain.

OUR STRENGTHS
▷ Clear demands, strong relationships, close dialogue and cooperation, detailed sustainability audits.

GREATEST RISKS
▷ Toxic chemicals, health and safety risks and overtime work.

GOING FORWARD
▷ Continue our sustainability audit programme, focus on the environment, and health and safety working conditions.
OUR SUPPLY CHAIN IN BRIEF
The factories which we cooperate with are listed in our Preferred Supplier List (PSL). We divide them into Main, Spot and Special Project factories. 86% of our total spend is on the 22 main factories located in China (17), in Europe (3), and in the USA (2). The 22 main factories (production partners) include 29 NCAB approved manufacturing sites. Our sustainability work is focused on the main factories in China where we have the highest risks, but also greatest impact.

SOURCING THE BEST FACTORIES
We work with our factories in long-term partnerships and we place high demands on them. As part of NCAB Group’s sourcing process, potential factories are audited on site for quality and sustainability performance. In 2018, and also last year, one potential factory was stopped in the sourcing process due to not complying with the law with regard to insurance payments. In total, 3 new main factories were approved this year.

OUR AUDIT PLAN
Apart from the audits in the sourcing process we conduct sustainability audits to continuously improve our partners environmental, social and ethical performance. In 2018, we expanded our sustainability team in China with one more colleague, making it possible to work even more proactively and in closer dialogue with our factories. Our plan is to conduct a full sustainability audit of all of our main factories every second year, and in between, make follow-up audits that focus on the specific improvement areas identified. In 2018 we conducted 18 full audits in total (whereof 6 in potential factories, i.e those undergoing the NCAB approval process), and 9 follow-up audits. We will continue auditing our main factories according to this plan.

OUR AUDIT WAY
We make a point of having the audits conducted by our local employees. It helps us to get the true picture since they can read original documents and talk with factory employees in their language. Our local employees also have a feel for body language and culture. 2018 saw us hold more interviews with factory employees and factory management, enabling us to go into more details. We have also focused more on risk-management in the sustainability audit process; what are the greatest risks in the manufacturing process and what needs to be done to minimize the risks?

When conducting sustainability audits, we work according to an audit template with detailed questions within the areas of Management Systems, Human Rights, Labour and Working conditions, Health and Safety, Environment, and Business Ethics. Interviews with people at different levels in the organization, document checks and visits to both factory and dormitory are important parts of the audit. We summarize our findings in a report, agree with factories on corrective actions, and follow up to verify that the required improvements have been implemented. Read more about our audit process on page 15.

WE REACHED OUR GOAL – 100 % SUSTAINABILITY AUDITED FACTORIES
We focus our sustainability audits in our main factories in China. As at the end of 2018 we had 17 main factories (production partners) in China, which included 24 manufacturing sites. 2018 saw us reach our goal of 100 % sustainability audited manufacturing sites by the end of that year. We now have a clear picture of the status in our main factories and we are proud of what we have achieved so far, but there is still work to be done. The experiences and knowledge we gained from our auditing work in the past few years have enabled us to define the direction and focus areas for the coming years of sustainable development together with our factories.

MAJOR CHALLENGES REMAIN
The fact that there are a great many different local regulations in China poses a challenge to those conducting the audits. We need to make sure that we are updated on these regulations to ask the right questions. Another challenge is overtime work, an area where most factories still lack solutions. However, we always check that workers get contracts signed in time and are paid for their overtime.

RISK CHEMICALS IN PRODUCTION
We have mapped and identified which chemicals in our production processes are most hazardous for health and the environment. In our sustainability audits, we look closely at how chemicals are stored in the factories, and used and handled in production. Common improvement areas that we address concern personal protection equipment and training for emergency leakage. In 2018 we also improved the factories’ handling of chemicals and reduced the amount of chemicals stored inside the factories.

CONFLICT-FREE MINERALS SUPPLY CHAIN
Certain minerals (tin, tantalum, tungsten and gold) that are used in electronics have been linked to systematic violence and human rights abuses in certain conflict areas. Tin and gold are metals used in the production of PCBs. We require our factories to only work with smelters that are compliant with the Responsible Minerals Initiative (RMI) and we work together with our factories, training them in how to use the RMI audit scheme to control their supply chain. NCAB Group is keeping a close eye on EU legislation concerning conflict minerals, to ensure that our approach is in line with both US and EU regulations.
NCAB has conducted sustainability audits in China since 2011. Today, Jenny Zhang and Alen Liang, in NCAB’s local Sustainability Team, devote their time to improving working conditions and environmental performance in the Chinese factories.

WHAT ARE THE SUCCESS-FACTORS WHEN CONDUCTING AUDITS?
An important component of a successful audit is open-mindedness, and having the right attitude, skills and knowledge to be able to make real changes in the factories. Cultural awareness and sensitivity is important, as well as a good understanding and knowledge of local laws and regulations, ISO standards, OHSAS 18001, relevant industry information and international conventions. To make real changes you must have a dialogue with factory management as well as factory workers. You must be able to analyse the severity of the issues. It is better to focus on the main issues, even if these take more time to solve, than to do “quick-fixes” that have less impact.

WHAT DO FACTORIES OFTEN NEED TO IMPROVE AFTER YOUR AUDITS?
We often find that factories don’t have complete management systems in place to handle sustainability issues. For example, factories often lack sufficient management manuals, targets, and measures to achieve goals and follow-up procedures. Risk assessments for social accountability, health and safety, and environment are also often improvement areas as well as procedures and equipment within health and safety. Many factories don’t have good illuminated evacuation signs or emergency lights and fail to ensure that workers use the people
protection equipment. We must also often assess how factories transport, store and use chemicals at the production line and warehouse.

**WHAT ARE THE BIGGEST CHALLENGES YOU MEET IN YOUR WORK?**

Overtime work is always a challenge and how factories calculate overtime payment and comply with insurance payments.

Sustainability issues are often complex, and it takes time before you see any results from the work. Therefore, it can sometimes be difficult to get the top management's attention and support. Our strategy is to not only present our findings on paper, but also guide the management on site, showing where improvements must be made and what value it can create for business. Some of the factories are mature and high-performing, and for others this is quite a new area.

**WHAT IS THE GREATEST VALUE IN CONDUCTING SUSTAINABILITY AUDITS?**

The greatest value is that we are protecting people's lives and the planet. Through our auditing process, we can identify risks in the supply chain, and minimise or mitigate them.

For example, if factories have good fire systems in place, they can keep people safe even if in a worst case scenario. And if factories handle hazardous waste, including waste water responsibly, they avoid environmental pollution.

More workers also get better knowledge about their responsibility and rights after we've done the audits.

It creates pride among our colleagues and it also builds trust with our customers.

**WHAT SUSTAINABILITY TRENDS CAN YOU SEE IN CHINA TODAY?**

The Chinese government is focusing more on environmental protection issues. Companies have realized it is a compulsory requirement to comply with regulations covering the handling of environmental issues including waste water, air emission and solid waste etc. The government is also putting greater focus on safe production, and companies are paying more attention to reducing accidents/incidents.

As a result, more companies realize that sustainability work is important, including social accountability, health and safety, and environmental protection. But there is still a long way to go before you can let companies work with sustainability on their own, without pressure from the state or customers.

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**THE WAY NCAB CONDUCTS AUDITS**

Normally it takes two days, with two persons, to do the full sustainability audit at a factory, and one day, with two persons, to do the follow-up audit. The audit template consists of six parts: Management System, Human Rights, Labour and Working Conditions, Health and Safety, Environment, and Business Ethics.

Here is our audit process, in brief:

1. The purpose of the opening meeting is to explain the aim of the audit, agenda, process and how reporting is done. The meeting is attended by factory management and sustainability representatives.
2. Reviewing documents and records covering policies, management systems, training plans and attendee lists, time sheets, payrolls, insurances, accidents/incidents reports, list of regulations etc.
3. In the factory tour we check the fire protection systems and equipment, emergency exits, personal protection equipment, hazardous chemical handling, hazardous waste handling, waste water/air handling, the canteen, dormitory etc.
4. During employee interviews we focus on obtaining a more in-depth picture of how the factory's sustainability work is implemented.
5. In the closing meeting we sum up the findings and ensure that the factory gets a clear picture of what they are expected to improve and why, and the steps they need to take after the audit.
6. After that an audit report is provided to the factory including results and findings for each of the six areas. The factory is given time to review the report and respond with corrective actions plan.
7. Finally, a follow-up on site is done to review the implementation and the result of the corrective measures.
Key findings and improvements 2018

Auditing is a well-established work method for both NCAB and the factories. Our audit focus on six areas: Management Systems, Human Rights, Labour and Working conditions, Health and Safety, Environment, and Business Ethics. Below are some examples of what improvements our audit findings have contributed to in our factories audited during 2017 and 2018:

MANAGEMENT SYSTEMS
Areas of assessment:
Improvements:
- Policies for sustainability including social accountability, health and safety, and the environment have been set up
- Goals and targets for sustainability established, as well as actions to achieve these goals
- Improved risk-management systems
- Training programs introduced for all employees
- Improved law compliance process
- Greater awareness among factories of SA8000 and RBA (Responsible Business Alliance, former EICC) standards by external training

LABOUR AND WORKING CONDITIONS
Areas of assessment:
Improvements:
- Procedures in place to make sure no child labour or forced labour occur in the supply chain
- Possess comprehensive procedures for young employees including regulated work time, no night shifts, no work with harmful processes to prevent negative effects on the health of young personnel and improve safety
- Procedures in place to calculate correct times and salary for overtime work
- Procedure now clearly stipulates that employment contracts must be signed within one month from the first day of employment and salaries accordingly paid to comply with the local law
- Amended employment contract to secure that overtime work, medical insurance and pensions are correctly calculated and paid as required by law and from the start of their employment
- A factory sourcing approval process was put on hold due to unpaid factory worker insurances. No contract was signed until the factory paid the insurances

HUMAN RIGHTS
Areas of assessment:
Improvements:
- Lower risk of discrimination and abuse
- Improved process and knowledge for better follow-up of conflict-free minerals in supply chain
HEALTH AND SAFETY
Areas of assessment:

Improvements:
- Improved risk assessments and related actions included in the audit process in order to minimize risks in the storage and in the production process
- Procedures in place regarding handling hazardous chemical and hazardous waste. Ability to manage all necessary calibrations for special equipment with qualified training implemented to avoid health and safety accidents/incidents
- Improved accident/incident handling processes and follow up actions to avoid similar injuries happening again
- Improved routines covering Personal Protective Equipment (PPE) including PPE configuration, control of expiry dates etc.
- Improved chemical management, including storage in warehouse and production areas
- Improved fire protection systems and emergency plans, as well as better control of fire protection equipment
- Increased training in the high-performance factories
- More dialogue with factory top management, drawing attention to the importance of sustainability issues
- Broadened knowledge about health and safety risks and labour rights among factory workers

ENVIRONMENT
Areas of assessment:

Improvements:
- Better control that the factory has a waste water discharge permit and compliance control in place
- Factories have identified and are following environmental requirements, including ROHS, REACH and customer requests

BUSINESS ETHICS
Areas of assessment:

Improvements:
- Procedures and training to avoid bribery and corruption
- Systems for confidential reporting
Employees

Unique culture and high engagement

As a knowledge based company, it is our employees who make us successful and are our greatest competitive advantage. Our high engagement rate indicates that our people like what we offer – a unique culture and a stimulating global environment, as well as considerable possibilities for continuous learning and development.

LONG TERM GOAL
➢ Attract, keep and develop the best people.

MEASURABLE GOAL
➢ Top scores in employee satisfaction and engagement.

OUR STRENGTHS
➢ Our culture, global working environment, continuous learning and development, and high employee engagement.

GREATEST RISKS
➢ Failure to attract and recruit the right people and technical competence in a competitive market.

GOING FORWARD
➢ Strengthen our employer branding.
➢ Empowering every individual and maintaining a continuous learning culture.
SHARING OUR VALUES AND ETHICS
Having employees from all over the world is a great asset, and for us it is crucial that everyone is guided by the same values and goals. Our Code of Conduct provides guidance on how we should act in relation to our colleagues and business partners. It includes zero tolerance towards harassment and discrimination, and any form of illegal or unethical business behaviour.

Our new employees participate in the NCAB Group Global Introduction, where the main focus is on team building, our values and company culture. Business ethics and anti-corruption are other important topics with discussions there led by our CEO. As a global operator, we are aware of the risk of corruption in countries and industries, and within our value chain, but always stand by our Code of Conduct. This Code is our guiding document, wherever we may come from, or wherever we do business.

We encourage our employees to change job positions within NCAB Group cross-border as one way of broadening cultural and intellectual exchange.

EXCELLENT SCORES IN THE EMPLOYEE ENGAGEMENT SURVEY
The 2017 employee engagement survey returned excellent scores. Indexes for engagement, leadership and team efficiency stood out well above the benchmark (see table). The response frequency was also high, 97%, another sign of our employee’s engagement. The results show that our goals, culture and values are instilled in our everyday work.

Our goal going forward is to keep up the high scores. The next employee engagement survey will be conducted in March 2019.

FINDING THE RIGHT PEOPLE
We work hard to recruit people with strong technical skills, but it is a challenge, and if we fail it could mean a risk in the long run.

To attract the right people and competence in a competitive market, our approach has focused increasingly on hiring people with the right attitude, meaning people who fit into the NCAB Way – our values, culture and leadership style – and then train them to obtain the right skills. We will therefore focus more on recruitment via referrals and encourage our employees to recommend people who fit into the NCAB Way.

ONBOARDING – AN IMPORTANT PLATFORM
All employees participate in a local onboarding program, irrespective of their role or their country, to create the same foundation for all new employees. In addition, our new employees participate in a two-day NCAB Group Global Introduction meeting, where the main focus is on networking, our values and the NCAB Way of doing business, to create an understanding of how the various parts in the organisation contribute to the whole – a sense of identity.

LEARNING AND DEVELOPMENT – AN EVOLVING PROCESS
People are more mobile today than in past years, which means we need strategies to attract, retain and develop new, skilled people. For us, it means that learning and development has to be a constantly evolving process.

Training programmes are provided on a global level by and with our own skilled people, tailored to our company’s wants and needs, which enables meeting and sharing knowledge with colleagues from different markets and countries. In 2018, we hosted 23 different training occasions in USA, Europe and China, and in total 309 employees attended. Areas of training were sales, customer support, leadership, and technical expertise.

PERSONAL DEVELOPMENT APPRAISALS
Our Personal Development Appraisals (PDA), containing an Individual Development Plan (IDP), are critical strategic tools that contribute to increased commitment and motivated employees. Every manager holds yearly PDA meetings and follow-ups with his/her employees to discuss goals, motivation, work-life balance, leadership, development and our company values.

GENDER BALANCE
The tech industry in general faces challenges in attracting and promoting women – and while the gender balance at NCAB Group is fairly equal, there is a distinct imbalance when it comes to Key Account Managers, Managing Directors, the Management Team and on our board.

During 2017, the first two women were elected to our board. We believe it is crucial to make women in these positions visible to serve as a source of inspiration for other women. In 2018, the number of female Key Account Managers fell from 35% to 32% (19 to 18 KAMs). Statistics showing our gender and age balance can be found on page 5.
One hundred years from now

Celebrating our 25th anniversary, we are proud of what we have done so far, but how can we make sure we will celebrate 125 years? In order to meet future demands, we are committed to constantly developing our business.

Each year, we gather the whole company - all our 14 local businesses - for the annual NCAB Group Global Conference. At the 2018 Global Conference, the theme was “The NCAB Story”. We share and learn from our experiences and our journey so far, and with the focus set on the future. In a giant workshop a total of 240 employees from all 14 local businesses participated to come up with new ideas how NCAB can keep and develop its role as a sustainable company in the next 100 years. The event resulted in ten future strategies or activities that are now being implemented in the organisation.

The Global Conference is a great investment in relationship building, inspiration and reaffirming our company culture and values. It provides a massive motivational boost, and unites us as a global, but at the same time family-like, company.
Employees

Give back day

In 2018 all employees were given one working day to spend on any non-profit activity of their choice – a Give Back Day.

We know that giving makes people happier, so we think that this day will not only create joy and wellbeing, but also inspire us and others around us to start or continue to give back to the society and the people around us. Employees had the opportunity to support local charities, organisations, schools and events, or any other kind of voluntary work. Stories, experiences and photos are shared on our Intranet.

Chandrika and team USA Central, organized a blood donation drive for the office, also inviting neighbours to participate.

All USA offices supported a charity program, collecting unwrapped toys to donate to families in need for Christmas.

Hans, CEO, spent his day together with our IT specialist, Mikael, who is a volunteer at the Swedish Sea Rescue Society. Mikael is a captain on one of the rescue boats.

Sharon, Amythyst, Ryan and Emily, UK, helped painting the premises at a locally based wildlife rescue centre.

Roberta and Rudy, USA West, donated blood.

We know that giving makes people happier, so we think that this day will not only create joy and wellbeing, but also inspire us and others around us to start or continue to give back to the society and the people around us.

NCAB Poland supports Polish Humanitarian Action (PAH) and the program Pajacyk (Puppet), which funds hot meals for children from poor families. Our colleagues helped arrange a graffiti workshop at one of the children’s centres.

Frida, Group Function HR, volunteered for an event run by a non-profit organization, that focuses on strengthening integration and stable wellbeing between newly arrived and established people in Sweden.

NCAB Poland supports Polish Humanitarian Action (PAH) and the program Pajacyk (Puppet), which funds hot meals for children from poor families. Our colleagues helped arrange a graffiti workshop at one of the children’s centres.

Amanda and team USA Texas, supported a needy single father and his children during the Christmas holidays.

Peter, Group Function IT, Sweden, visited two homes for the elderly, helped to serve lunch, taking time to talk to the elderly and helped them with IT-related questions.
Together for sustainable products

Quality first is one of our three company values and it guides our everyday decisions. Working together with both customers and factories, we produce high quality PCBs in a sustainable way. In the product development phase, we engage with our customers to develop a sustainable design, and then select the best factory for each project.

**LONG TERM GOAL**

➤ Steer the sector in a green direction.

**MEASURABLE GOAL**

➤ Top scores in customer satisfaction including sustainability.
➤ Continuously reduce our environmental footprint.

**OUR STRENGTHS**

➤ Systematic work with sustainability and quality issues, close relationships and dialogue with customers and factories, PCB technology and manufacturing knowledge and experience.

**GREATEST RISKS**

➤ Environmental impact through transportation.

**GOING FORWARD**

➤ Continued quality work in the factory, and cooperation with customers for optimized design of the PCB to reduce the environmental impact through reduced waste and resource use in production.

➤ Examine and assess transport flows and more actively offer different transportation alternative for reduced environmental impact.
A SUCCESSFUL YEAR
2018 has been a successful year. We have seen our business grow and have at the same time successfully worked to both reduce factory lead times and improve delivery performance, on more complex products, whilst factories have continued to see their loading rates increase. We have improved in an increasingly challenging supply chain. And despite the challenges we experienced, the scores from this year’s customer survey are at the same high level as last year. We are especially proud that more customers are recognizing our sustainability work.

AN IMPORTANT PARTNER FOR OUR CUSTOMERS
Our customer survey for 2018 shows that our greatest strength is our technical expertise. The survey also revealed that our customers feel that NCAB Group is an important partner and our products offer a high level of quality. These are new areas that we are proud to see have improved since the last survey. Areas that received lower scores in the survey are related to our prototype offer.

THE ELECTRONICS INDUSTRY AWARDS IN UK
NCAB Group UK won the category Environmental Leadership in The Electronics Industry Awards 2018, where the industry itself votes for those companies that have been outstanding in each category. Criteria of this category is “Honouring sustainability, environmental achievement and leadership within the electronics industry.” In addition to being proud, we hope this award contributes to raising awareness and providing inspiration for sustainable development within the electronic industry.

CUSTOMER SATISFACTION INDEX

SUSTAINABLE PRODUCT DEVELOPMENT
A sustainable approach to product development starts with the design of the PCB. To reduce time to market and avoid pitfalls later in the production process that could contribute to reduced yields and the need for recovery actions, it is important to ensure that the design is as robust as possible, without compromising any level of functionality or building in any unnecessary complexity, at the design stage. Doing it right the first time round not only relates to quality, it is a mindset that helps us to reduce our environmental impact. We know that improved product quality means less scrap, less waste, less energy and smaller volumes of chemicals used in production. In addition, creating a functioning, optimum solution from the start will lower the total costs for everyone involved in the project.

RIGHT PRODUCT IN RIGHT FACTORY
NCAB always works directly with the factories that produce our PCBs and we see them as long-term partners. We have a well-defined process for identifying, evaluating and selecting potential factories. Once approved, the factory is included within our Preferred Supplier List (PSL) with an added level of control until we are confident that the performance during the probationary period has met expectations. We evaluate each factory’s capability and approve the areas where we are convinced the factory will be able deliver excellence, irrespective of what the factory itself claims it can produce and deliver. This enables each of the NCAB offices to select the factory best suited to the technical and commercial requirements of each specific customer product.

DESIGN GUIDELINES AND SUPPORT
We have developed guidelines to make it easier for our customers to design products adapted to the factories’ manufacturing capabilities, and our technical experts are always available to work with our customers, review the product from a design for manufacture perspective and offer the best solutions. The guidelines are appreciated by our customers and we will continue to develop more design guidelines for specific technologies. We also need to raise more awareness of our design support, especially among end customers who own the design decisions. We highlight this in our customer seminars. During the year we also launched some new technical videos which aim at explaining some of the technical aspects behind the most frequently asked questions from our customers – these complement the design guidelines and are published on our website.

> https://www.ncabgroup.com/pcb-design-guidelines/
> https://www.ncabgroup.com/faq/

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* Average among other companies using the survey.
** No benchmark for Sustainability work, as this is a specific NCAB question.
CONSTANT QUALITY IMPROVEMENTS
We continuously work to improve our processes and enhance on site factory management and production control. In 2018 we improved our work routines and collaborated even more closely with our factories. When our quality engineers work together with factory employees and continuously monitor activities, this improves our ability to prevent quality issues from arising during production.

All our main factories are evaluated through:

- Daily analysis of KPI data, analysis of physical products and laboratory analysis, daily on-site follow up relating to any issues identified, constant engineering activity evaluation and constant progressing of the NCAB order book at the factory.
- Monthly performance review meetings (quality, logistics and engineering) and reporting figures for quality performance, delivery performance and service level attributes, factory development and improvement areas, and process audits.
- Annual full factory audit, capability evaluation, factory positioning review.
- Biennial sustainability audit

The amount of defective parts per million produced PCBs decreased from a final figure of 2111 in 2017 to 958 in 2018. These figures reflect our efforts to work even more proactively and in close collaboration with our factories and customers.

The vast majority of our factories are located within a reasonable commute from our China office, which helps to facilitate effective communication and rapid reaction to any issues that arise. Every local NCAB company also has personnel responsible for technical and quality issues, thus enabling us to ensure that we maintain both the needs and voice of the customer front and centre when dealing with any issues that may cause disruption to the customer.

QUALITY STATISTICS - DEFECTIVE PARTS PER MILLION (PPM) PRODUCED

Through continued proactive and reactive quality work, number of defective parts per million produced PCBs decreased from 2111 to 958.

COLLABORATION AND KNOWLEDGE SHARING
We believe collaboration, knowledge-sharing and proactivity are key factors when developing our quality work. In 2018, we focused on finding ways of improving our method of working across the Group to enable us to better handle customer requests and resolve any issues even more efficiently. This to ensure that the end result takes us closer to delivering our mission statement of defect-free PCBs for demanding customers, on time, produced sustainably and at the lowest total cost.

We established a company wide technical group with representatives from sales and technology in the light of two key objectives - The first, to ensure that NCAB is well placed so that we are capable of meeting the technical needs and expectations of the customer and the market. The second objective is to ensure that the ‘tools’ we have and our ways of working are as effective as they need to be in order to properly service and support our customers. We continued our commitment to personnel development in 2018 and provided more training in all disciplines.

We also provided possibilities for our teams to visit other NCAB offices to learn more about sales and quality from colleagues, thus helping to develop best practices.

A RESPONSIBLE APPROACH TO WASTE AND RECYCLING
We at NCAB Group believe that even though we may not be the design authority or own the finished product, to minimize waste we have to take full responsibility, regarding our part of the product life cycle. With regard to the start of the life cycle we do what we can to ensure that our circuit boards last.

Through a quality first mentality we engage with customers and help them design products that utilize advanced capabilities, that are not unnecessarily complex. This helps to ensure that waste is minimized, within the factories, and during its working life time. Whilst the boards are being processed we report monthly yields against factory targets and whenever we identify out of control events we investigate with the same diligence as we would an investigation into a non-conformity.

We also look after electronic waste, according to the local waste laws, so that it may be recycled.

DEMAND FOR SHORT LEAD TIMES – A CLIMATE CHALLENGE
The major part of our CO2 emissions from our transportation activities comes from the transport of our products from Hong Kong to Europe and the USA. The partners we work with
the transportation side have ambitious targets to reduce their CO2 emissions. However, around 80% of our shipments from Hong Kong are by air. Sea and rail transport are both cheaper and result in lower emissions, but due to our customers’ demands for short lead times, they mainly choose the air alternative. What we can do is to further improve communicating the environmental impact of the different alternatives to enable them to make informed choices. In 2018, we saw a slight increase of goods transported by rail.

Next year we will start to look into ways of improving our logistics process and its efficiency, so as to be able to offer product specific transportation alternatives and logistics solutions to our customers.

**CREATING AWARENESS OF SUSTAINABLE DEVELOPMENT**

To create awareness, dialogue and cooperation for a sustainable development, we communicate this topic through many different channels. In 2018 year we published two videos, one about how and why we run our business in a sustainable way and one focusing on our sustainability audits.

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<th>2016</th>
<th>2017</th>
<th>2018</th>
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<tr>
<td>EMISSION</td>
<td>t* CO2e</td>
<td>kg CO2e/kg GOODS</td>
</tr>
<tr>
<td>Air</td>
<td>8 500</td>
<td>5.84</td>
</tr>
<tr>
<td>Sea</td>
<td>72</td>
<td>0.18</td>
</tr>
<tr>
<td>Rail</td>
<td>60</td>
<td>0.83</td>
</tr>
<tr>
<td>Total</td>
<td>8 632</td>
<td>4.48</td>
</tr>
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</table>

Emissions from our transportation activities from Hong Kong to our warehouses in Europe and the USA. *t - tonne. **Uncertain result due to uncertainties in the emission data.

**OUR CO2e EMISSIONS**

We also hosted 119 technical seminars, 10 sustainability seminars, had 106 customer from 72 companies and 126 colleagues visiting our factories. We communicated through newsletters, social media channels and updated our website with more information on sustainable business and in our communication participating at fairs.
GRI content index

Below you find the GRI content index that helps you navigate in the report. More information about GRI on www.globalreporting.org.

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** At the Annual General Meeting on March 14, 2018, it was decided that the parent company NCAB Holding AB would change its name to NCAB Group AB (publ).

** NCAB Group AB (publ), org.no: 556733-0161, was listed on Nasdaq Stockholm on 5 June 2018. The number of shareholders in NCAB as of December 31, 2018 was 1,103 according to Euroclear Sweden AB. NCAB’s ten largest owners held shares corresponding to 64.3% of both votes and capital in the company. Foreign ownership amounted to approximately 16.3% as of December 31, 2018.
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**Auditor's report on the statutory sustainability report**

To the general meeting of the shareholders in NCAB Group AB (publ), corporate identity number 556733-0161.

**ENGAGEMENT AND RESPONSIBILITY**

It is the board of directors who is responsible for the statutory sustainability report for the year 2018 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.

**OPINION**

A statutory sustainability report has been prepared.

Stockholm, 3 April 2019

ÖHLINGNS PRICEWATERHOUSECOOPERS AB
Ola Salemyr
Authorised Public Accountant
In our labs, we evaluate PCB samples as part of our factory approval process, to ensure the technical capability levels in each factory. We also examine possibly defective PCBs that have been returned to us, a task integral to our customer quality complaints handling process. Its aim is to ensure the defects and root causes are found, and the right corrective actions are implemented.

Luísa Lindstrand, Senior Quality Engineer, and Kenneth Jonsson, Technical Manager, NCAB Group Sweden, in the NCAB lab, located at the office in Sweden.