



NCAB GROUP

Sustainability Report 2016

In brief

Sustainability achievements 2016

Our vision to be “The number 1 PCB producer wherever we are” means that we shall apply a responsible approach in everything we do; socially, environmentally and ethically. Here are some examples of what we achieved in 2016.

Supply chain

- According to plan, three factories audited for sustainability.
- Improvements in audited factories in all the focus areas in our Code of Conduct.
- Our sustainability audits focused, in-depth, on chemicals handling in the factories.
- Decided to allocate more resources for sustainability audits.

Employees

- Conducted our first employee satisfaction survey, achieving very high scores.
- Acted on and planned for further improvements based on the result of the survey.
- Focused on employee competence development, specifically sales and management.
- Continued implementing our Human Resource strategy.

Customers

- Conducted customer satisfaction survey, with high scores, especially for service orientation and effective problem solving.
- Externally verified self-declaration covering social responsibility SIS-SP 2:2015 based on ISO 26000, with excellent result.
- Continued communicating our sustainability work.
- New rail transport route - from Suzhou to Moscow. Volume carried by train increased.
- Continued developing our quality processes and performance to minimize scrap.
- Developed and released our design guidelines for more sustainable products.

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ABOUT THIS REPORT

Our sustainability achievements are linked to our business success. This report explains how. The main target groups for the report are our customers, employees and factories, it is together with them that we achieve sustainable progress. The report covers our entire global business, with the main focus on 2016. We provide information about our sustainability progress annually and last years' report was published in March 2016.

CONSTANTLY IMPROVING OUR SUSTAINABILITY REPORT

As part of our work to continue improving our sustainability communication, we carried out a follow-up survey of last year's report with our local company Managing Directors and some of our customers. Overall, the feedback was very positive. A number of areas of improvement were identified. These included a need for more concise texts and summaries, more details about improvements achieved through our sustainability audits and further highlighting the added value of our sustainability work to our customers. We have improved the 2016 report in line with the feedback.

We warmly welcome further comments on the report. If you have any suggestions for or questions on our sustainability work, please contact NCAB Group's Strategic Purchasing Manager, Anna Lothsson: anna.lothsson@ncabgroup.com.



PRINTING: **TMG STHLM 2017**
PAPER: **SCANDIA 2000**

DESIGN: **TILLS.SE**

PHOTO: **JESPER FERMGÅRD** PAGE 1, 3, 4, 10, 18, 19, **JESSICA WELANDER** PAGE 3, 14, 16, **NCAB GROUP** PAGE 15, 17, 21

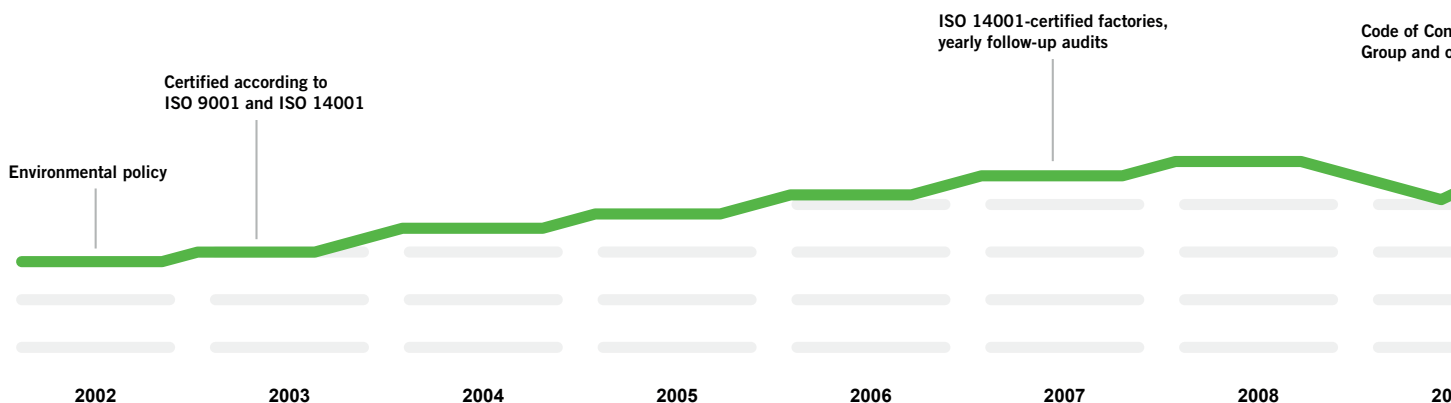




CEO's statement

Working together for a sustainable business

This is our third sustainability report, and it presents our continuing progress and work as a company at the forefront of sustainable business development. I would say the sustainability report has become our most important communication material. We frequently use it in dialogue with our customers, and internally the report creates a sense of pride.



Communicating about sustainability is key, since it is only through working together with others that we can achieve sustainable progress. It is, for example, in dialogue with our factories and customers that we make top quality products. Quality is one important perspective of a sustainable business since it reduces waste of resources. During 2016 we drew up and published design guidelines to help our customers with their design decisions. Our aim is a deeper cooperation with our customers in the design phase.

Looking back at our sustainability achievements in recent years makes me proud, especially the sustainability auditing of our factories. We are now stepping up our ambitions, and putting more resources and time into this work, which will give us even better insights into the status and possibilities to improve social, environmental and ethical conditions in the factories. We also aim to be more transparent about the improvements that are made as a result of our auditing. Therefore, in this report, we have listed some findings and improvements from this year's audits.

Sustainability commitment is deeply rooted in our culture. We have a long-term view and strong values that guide our everyday decisions. Employees who are engaged in our path forward are crucial to our success. In 2016 we conducted our first employee satisfaction survey and achieved very high scores, especially for employee engagement and leadership. We then reached one of our sustainability goals and also established that our culture is indeed instilled throughout our global organization. The employee satisfaction survey also showed strengths and improvement areas that have been addressed during the year. This work will continue during 2017.

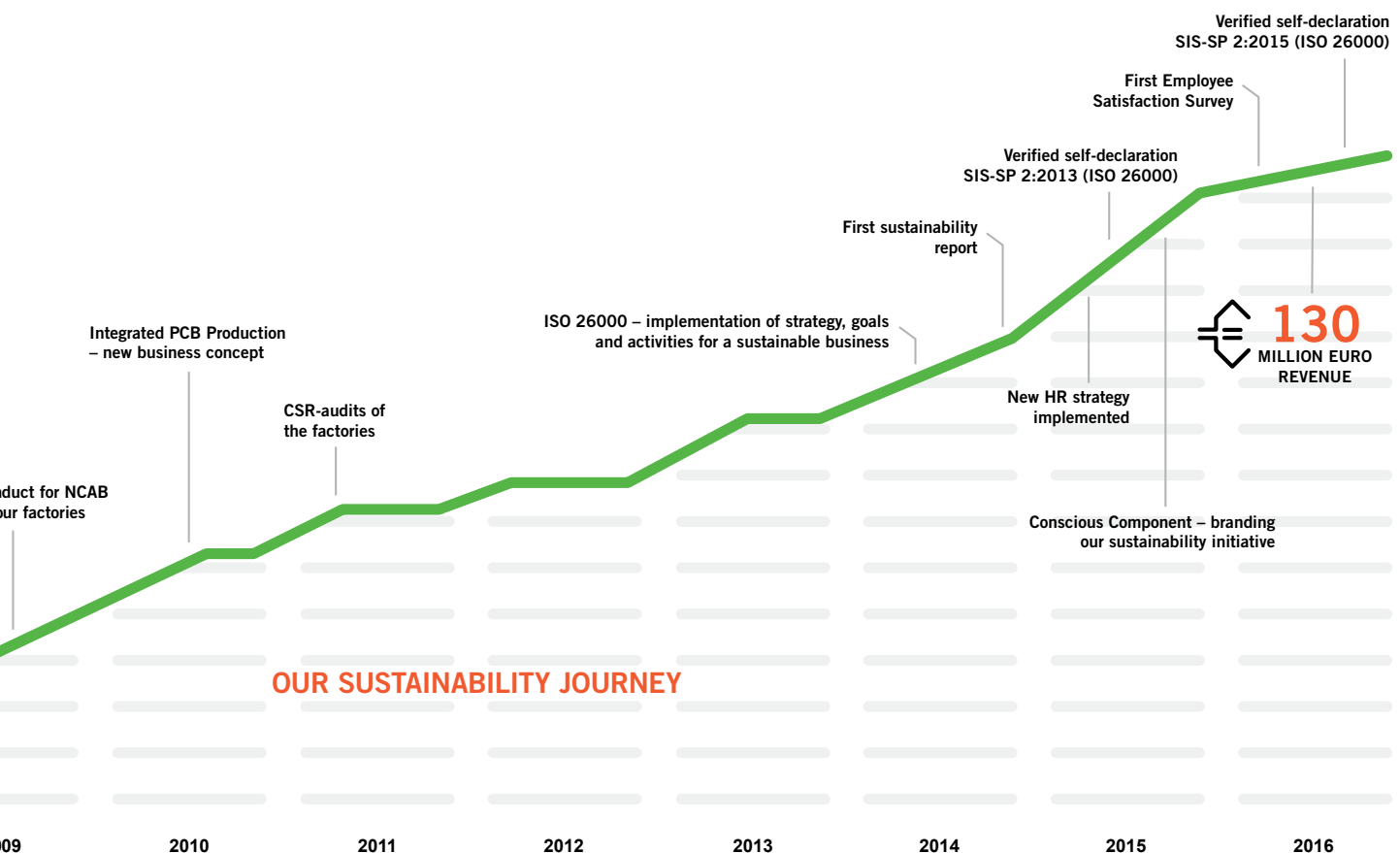
I strongly believe values and ethics are going to be increasingly important when doing business, especially when younger generations expect very high ethical standards. I discuss ethical dilemmas with all our new employees during the global introduction training, by using our ethical guidelines as a basis. We are also getting more questions from customers about how we work with business ethics. This topic is included in our sustainability audits but it is complex to audit on ethical behaviour in real life.

I think we have come a long way on our sustainability journey but need to constantly raise our ambitions further. We have been working according to our sustainability strategy for three years now and gained deeper insights in our focus areas. To specify our goals further, our challenge and focus during 2017 will be directed particularly on our environmental impact.

Once again, dialogue and cooperation is key to a successful and sustainable business. I therefore welcome your feedback and ideas for further developing our sustainability work and communication.



Hans Ståhl



Our business

What makes us the number 1 PCB producer

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 and at the lowest total cost.

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 production conditions through our strong purchasing power and expertise in PCB production.

The NCAB Group is a truly global organization, with offices all over the world. Our headquarters are located in Bromma, Sweden. Growth is crucial for us; we want to grow with our customers and we are therefore constantly entering new markets. Growing with profit is part of our sustainable business.

Our vision is to be the number 1 PCB producer wherever we are, and we work according to our company values:

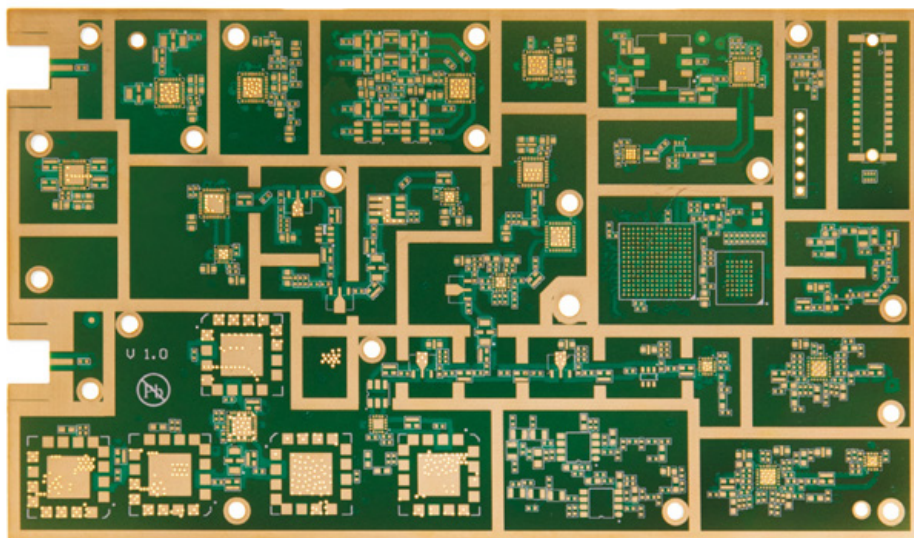
- **QUALITY FIRST**
- **STRONG RELATIONSHIPS**
- **FULL RESPONSIBILITY**

IN THE FRONTLINE OF TECHNOLOGY

The PCB, normally at the heart of all electronic equipment, can be a complex product. We seek to be at the frontline 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 in the design phase.

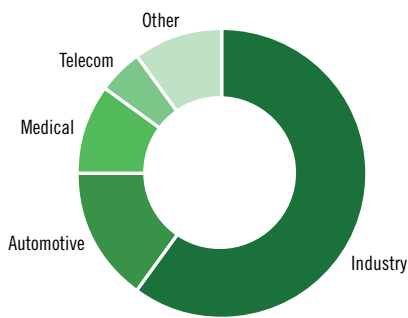
OWNERSHIP

NCAB Group is a Swedish company, with the parent company founded in 1993. The principal owners of the NCAB Group are R12 Kapital Fund with a total holding of 65 percent. The remaining shares are owned by management and key employees of NCAB.

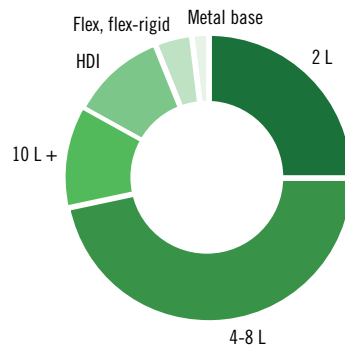


Radio Frequency PCB - 12L RF – materials: Rogers RO-4350B; surface treatment: ENIG; features: epoxy filling, blind & buried vias. Radio-frequency (RF) circuits can be found in countless wireless products from handheld devices for medical and industrial applications to advanced communications systems for base stations, radar and global positioning.

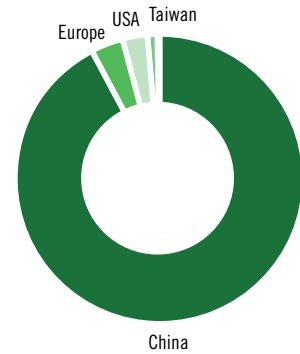
SALES SHARE PER INDUSTRY SECTOR



SALES SHARE PER PCB TECHNOLOGY



SHARE OF PRODUCTION



TOTAL

56%

MGMT TEAM

62%

BOARD

100%



44%

38%

0%

90

MILLION PCBs
DELIVERED

18

FACTORIES

56

FACTORY
MANAGEMENT*

EMPLOYEES / COUNTRY

Men

Women

NCAB Group office

85

CHINA

5

DENMARK

12

FINLAND

14

FRANCE

21

GERMANY

2

ITALY

1

MACEDONIA

7

NORWAY

10

POLAND

36

RUSSIA

7

SPAIN

29

SWEDEN

2

THAILAND

25

UK

54

USA

310

TOTAL

REVENUE

130 000 000

EURO

KEY PERFORMANCE INDICATORS

95.4%

DELIVERY PRECISION
(Measured per orderline)

99.2%

QUALITY PERFORMANCE
(Measured per orderline)

*Factory Management - our extensive team of 56 people who interact daily and directly with our factories.

Sustainability strategy

Guided by our sustainability strategy

We are committed to taking full responsibility in developing our business. Our sustainability strategy, based on ISO 26000, guides us with clear priorities.

OUR SUSTAINABILITY STRATEGY

We have divided the sustainability 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. Sustainability can only be achieved by cooperation. Our sustainability strategy is based on the standard ISO 26000 and specifies long-term goals, measurable goals and focus areas.

We developed and defined our sustainability strategy in 2014. Working according to it has given us deeper insights on our impact and possibilities to work proactively in the different areas. 2017 will see us update our goals to further define our path going forward.

SUSTAINABILITY GOVERNANCE

The sustainability strategy is governed by the NCAB Group Function team, and there is a clear division of responsibilities

between the different focus areas. We monitor our sustainability performance monthly in our management meetings and it is also a permanent item at every board meeting.

STAKEHOLDER ENGAGEMENT - KEY FOR DEVELOPMENT

Listening to our stakeholders is crucial to our business development. Their views were important when identifying our focus areas in the sustainability strategy. Our regular channels for stakeholder dialogue are customer satisfaction surveys, customer seminars, factory meetings, follow-ups and audits, employee satisfaction survey, performance and development appraisals, and they are all described later in this report.



CHRISTIAN SALAMON

Chairman of the board since 2007

– What does sustainability mean to NCAB Group?

It is a cornerstone of our strategy, just as important as manufacturing and sales. And I don't mean "csr" or "green" but sustainability in a broader sense – including sustainable financials. Sustainability is not something separate; it is a perspective in everything we do to build strong and good relationships with suppliers, employees and customers. I am very proud of what management and employees at NCAB are achieving in this area.

– How does it affect business performance?

Sustainability is intimately linked to long-term economic performance. A non-sustainable company will, by definition, not be successful. In recent years we have seen business advantages from our broader sustainability work, with more and more customers beginning to understand and value our achievements.

– Where do you see the greatest challenge?

I think it is important to be humble about what we can and what we cannot influence. We would like to cooperate more with our customers on some issues, especially concerning sustainable product development.

ISO 26000 AND VERIFIED SELF-DECLARATION ON SOCIAL RESPONSIBILITY

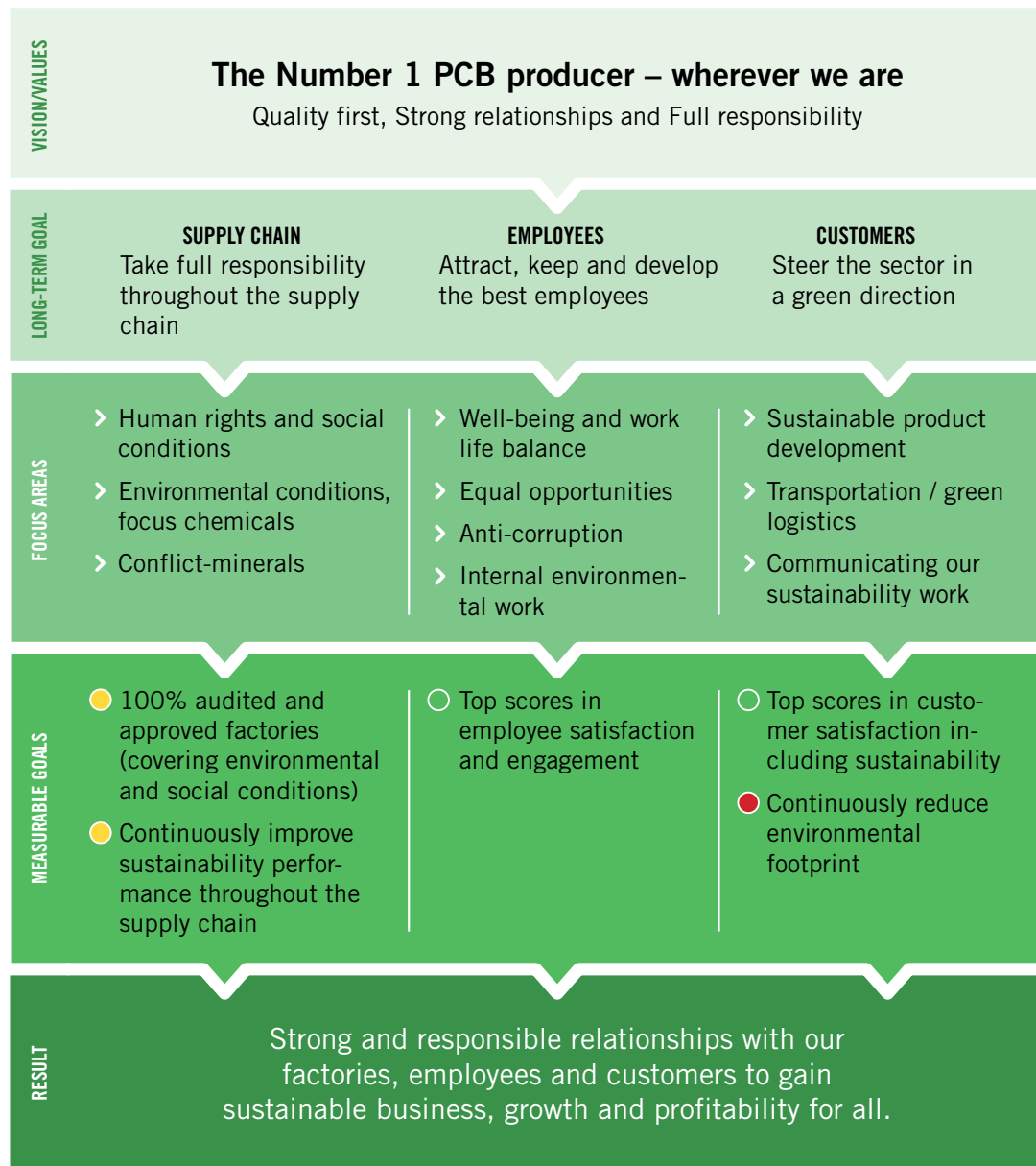
ISO 26000 - Guidance on Social Responsibility is an international standard that provides guidance on how businesses can operate in a sustainable way. The standard covers the following areas:

- › Organizational governance
- › Human rights
- › Labour practices
- › The environment
- › Business ethics
- › Customer and/or consumer issues
- › Community involvement and development

Read more: <https://www.iso.org/iso-26000-social-responsibility.html>.

To demonstrate that we respect and comply with the standard ISO 26000, we complete a yearly social responsibility SIS-SP 2:2015 self-declaration. The self-declaration was verified in April 2016 by the auditor SP (SP Technical Research Institute of Sweden). We are very proud of receiving this verification, which covers the entire NCAB Group. It underlines our systematic approach to these issues and our ambition to be at the frontline.

NCAB GROUP SUSTAINABILITY STRATEGY



Status December 2016 ● = not started/far from reached ● = on track ● = completed/reached

“ In 2016 NCAB Group received, for the second time, a verified SIS-SP 2:2015 self-declaration, which is based on ISO 26000. As far as I know, no peer in the industry has such verification. I really think this puts NCAB in the forefront and shows that they have a serious approach to working with sustainability”

Ulrika Jupiter, Auditor,
SP Technical Research Institute of Sweden



Jenny Zhang, Sustainability Manager, NCAB Group China, at waste water treatment facility at Jove Jiangmen factory.

Supply chain

Close cooperation with our factories

We do not own any factories but work in close relationship with them to continue our joint development. Our long-term goal is to take full responsibility throughout the supply chain.

LONG TERM GOAL

- Take full responsibility throughout the supply chain.

MEASURABLE GOALS

- 100% sustainability-audited and approved factories by 2018.

ACTIONS 2016

- According to plan, three factories audited for sustainability. In total, 11 factories (61%) have been audited since 2011.
- Decision on more resources for sustainability audits.

GOING FORWARD

- Implement new plan for more frequent sustainability audits and sustainability work in China.

- Continuously improve sustainability performance throughout the supply chain.

ACTIONS 2016

- Improvements in audited factories in all the focus areas in our Code of Conduct, (see table on page 12).
- Focused, in-depth, on the chemicals handling in our sustainability audits.

GOING FORWARD

- Continue conducting in-depth audits on chemicals and follow up on the improvements made.

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BEST IN CLASS FACTORIES ONLY

We work with our factories in long term partnerships. As part of NCAB Group's sourcing process, potential factories are assessed from a quality and environmental perspective, and since 2015 sustainability performance is also a part of the approval process. Our audits take place on site. In addition to this all our factories have to:

- be certified to ISO 9001 (quality management system)
- be certified to ISO 14001 (environmental management system)
- report on conflict minerals according the framework provided by CFSI (Conflict-Free Sourcing Initiative) and follow the CFSP (Conflict-Free Smelter Program)
- follow EU legislation regarding raw material content (RoHS and REACH)
- comply with local regulations regarding water quality and emissions to water
- sign and comply with our Code of Conduct, based on the UN's Universal Declaration of Human Rights, ISO 26000 and UN Global Compact

We encourage our employees and customers to visit our factories to see conditions there with their own eyes. During 2016 we had visits from 123 people from 61 different customers, and 75 of our employees (excluding our Factory Management team).

MORE RESOURCES FOR SUSTAINABILITY AUDITS

Through conducting sustainability audits we continuously improve the environmental, social and ethical performance in our supply chain. So far, we have audited 11 of our 18 main factories. Three of these audits were conducted during 2016. We have decided to step up this work. One of our employees in the China office will now dedicate 100 percent of her time to sustainability work, including sustainability auditing and improvements, starting in February 2017. This will enable us to work on sustainability issues more proactively and in close dialogue with our factories. Our plan going forward is to conduct a full sustainability audit on all of our main factories every second year, and in between, make follow-up audits that focus on the specific improvement areas identified.

DETAILED AUDIT PROCESS FOR IMPROVEMENTS

In the sustainability audit we work according to an audit template with detailed questions related to the different headings in our Code of Conduct (see page 12). 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 see a trend that factories value our in-depth audits as a means for improving their work and attracting customers, and most factories are generous and open with information. One area where it is hard to find out the real status is business ethics. We make sure policies and systems to handle any concerns

are in place, but knowing how efficient they are is difficult. From the follow-ups, we have seen that the factories have made progress in most improvement areas identified during the audits. Excessive overtime work during peak periods is however still a dilemma to which most factories have no solution yet.

EXTRA FOCUS ON CHEMICALS IN PRODUCTION

NCAB Group has a well-defined process to make sure we comply with the EU legislation RoHS, covering hazardous substances in electronic equipment, and REACH, covering chemical substances. We collect test results from our factories to verify that no chemicals used in our PCBs are banned, restricted for the specific use, or are subject to a restriction proposal according to the Candidate List of SVHC (Substances of Very High Concern).

During 2015, we identified which chemicals in the production processes that, despite being legal, are most hazardous for health and the environment. During 2016 we looked more closely at how chemicals are used and handled in production. This enabled us to then pinpoint some areas for improvement concerning personal protection equipment and training for emergency leakage.

CONFLICT MINERAL-FREE SUPPLY CHAIN

Conflict minerals have generated a lot of attention on the sustainability agenda over the last years. 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. The Democratic Republic of Congo is one of the countries where these brutal acts are known to occur. Trading in conflict minerals from such areas fund warlords and perpetuate their search for new exploitation possibilities which spreads the conflict. These minerals are therefore called conflict minerals.

Tin and gold are metals used in the production of PCBs. NCAB Group has a policy to communicate our position on a conflict-free mineral supply chain. All our main factories must provide a similar a policy. We require signed assurance from our factories that no conflict minerals are being used in the production of the PCBs, as well as declarations of the smelters used within the supply chain. We direct our factories to only work with smelters that are compliant with the Conflict-Free Sourcing Initiative (CFSI).

This year, we have continued to improve our due diligence process. We work together with our factories, training them on how to use the CFSI audit scheme to control their supply chain. This work led to one factory switching supplier after identifying that the smelter used by the supplier was not audited by the CFSI.

In 2016, the EU proposed a law for reporting on conflict minerals, that has another approach and scope compared to the American legislation, the Dodd Frank Act. NCAB Group is following the development of the EU legal act closely, to ensure that our approach covers both US and EU regulations.

“ I have worked part time with sustainability audits for four years. As from February 2017, I will be starting full time, focusing on further developing our approach to sustainability in our China office and to work more closely with our factories. I see it as an inspiring challenge!”

Jenny Zhang, Sustainability Manager,
NCAB Group China

Key findings and improvements 2016

Here we have listed some examples of what we have found in our sustainability audits during 2016 and what improvements the findings have contributed to:

	BEFORE AUDIT SOME FACTORIES...	IMPROVEMENT AFTER AUDIT FACTORIES...
Management System	...had some documentation for sustainability, but not a whole system.	...set up a complete management system that included sustainability policies, goals and actions.
Human Rights	... had no systematic approach to working against discrimination.	...developed a policy on anti-discrimination and educated the employees in the subject.
Labour and Working Conditions	...were unaware of the rules that young workers are not allowed to work night shifts.	...stopped allowing young workers to work at night.
Health and Safety	...were short of personal protective equipment such as ear plugs.	...started providing full personal protective equipment as a preventive health measure for the operators.
	...did not have a hazardous chemical list and no procedures for hazardous chemical handling.	...listed their hazardous chemicals and set up clear routines and procedures for hazardous chemical handling.
	...did not conduct regular maintenance of fire safety at the factory.	...initiated a procedure to regularly check fire-fighting equipment, emergency lights, emergency exits etc. to keep them in good condition, plus evacuation drills for both day and night shifts.
	...in the factory dormitory, operators working day shift and night shifts shared the same room.	...arranged separate rooms for operators working day shift and night shift to help them sleep better.
	...did not train food service employees to help prevent transmission of communicable disease.	...added this type of training to be part of their training plan.
	...stored acidic chemicals and alkaline chemicals in the same cabinet.	...started storing acidic and alkaline chemicals in separate cabinets to minimize the risks for operators.
Environment	...had no idea of ground contamination.	...will examine legislation governing ground contamination and comply with it.
Business Ethics	...had no system or procedure in place to control business ethics, like anti-corruption.	... have started to set up a system for business ethics including whistle blower function etc.

Successful cooperation on sustainability

Shengyi Electronics was audited by NCAB Group in June 2016. We talked to Mr Delmar He, Account Manager at Shengyi, about his impression and standpoint on sustainability audits.

– Can you tell us briefly about Shengyi Electronics?

Shengyi is a leading PCB manufacturing in China. We have 3,000 employees working in two facilities. We started working with NCAB Group in 2013.

– Are you used to having sustainability audits?

We have sustainability audits a couple of times per year. We have many large international customers, and if you want to be one of their suppliers you have to work actively with sustainability issues.

– How was the NCAB Group's sustainability audit conducted?

Before the audit, we received the audit plan and a questionnaire to fill in. The audit took one whole day and included a visit to the production site and interviews with management and operators; covering many detailed questions.

– What were the main results?

We passed most questions successfully. We are certified according to OHSAS 18001 and ISO 14001, which structures our work with many important issues. Our improvement areas were mainly related to policies and systems for follow-up on business ethics. We have already acted on some of the findings and plan to implement the remaining corrective actions in the near future. We will be re-audited by NCAB Group in the beginning of 2017 to report on our improvements.

– What was the greatest value of the sustainability audit?

It was very thorough and gave us helpful suggestions to develop our sustainability work. Every customer and audit is different and on each occasion they usually find something that we can improve.

– What do you consider the greatest challenges with these kinds of audits?

I see no big challenge. To have a successful long-term business relationship you need to work actively with these issues!



Mr Delmar He, Account Manager, at Shengyi Electronics.



Amythyst Jade Cuff, Georgina Pellow and Emma Cosentino, Key Account Managers from NCAB Group UK, attending the NCAB Group Global Conference in Spain 2016.

Employees

Engagement and competence development in focus

For us to remain a top-tier performing company, it is essential that everyone who works at NCAB Group is motivated and engaged. Our long-term goal is to attract, keep and develop the best employees. We want to offer a stimulating and challenging work environment, respecting and including every individual.

LONG TERM GOAL

- Attract, keep and develop the best people.

MEASURABLE GOALS

- Top scores in employee satisfaction and engagement.

ACTIONS 2016

- Conducted our first employee satisfaction survey. Result: Engagement Index: 86 (benchmark 77). Team Efficiency Index: 78 (72). Leadership Index: 81 (73)
- Improvements based on the result of the survey.
- Focused on employee competence development, specifically sales and management.
- Continued implementing our Human Resource strategy.

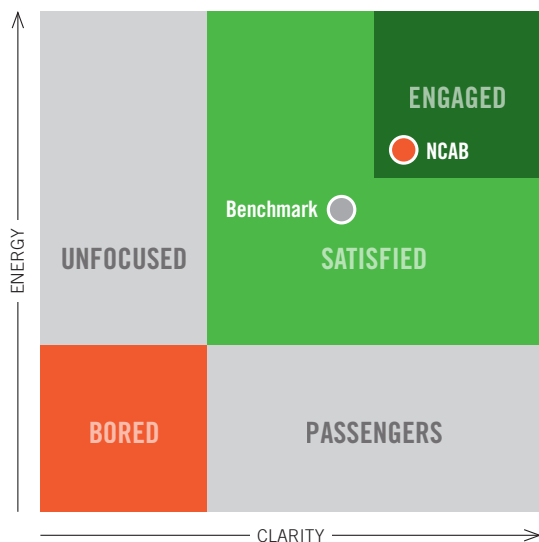
GOING FORWARD

- Follow the improvement plans based on the survey result. Targets 2017: Engagement Index: 87. Team Efficiency Index: 80. Leadership Index: 82
- Continue working with activities for an inclusive culture.
- Implement an Human Resource-system to keep track of competence levels, training and development.

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TOP SCORE ON EMPLOYEE ENGAGEMENT INDEX

This year, we conducted an employee satisfaction survey for the first time. One important index for us is the Employee Engagement Index (see illustration) since this is related to our goal to offer a stimulating and challenging work environment. NCAB Group's result on the Employee Engagement Index was 86 (out of 100), compared to the average of 77 among companies that have used the survey. This confirms our gut feeling – NCAB Group is a great place to work at and whose employees are highly committed and engaged!



91% of our employees participated in the survey (benchmark 81%).
Score 86 on Employees Engagement Index (EI), (benchmark 77).

The Employee Engagement Index measures “Clarity” and “Energy” in the workplace. These are indicators of how clear the assignments are to our employees and whether they enjoy

their work and have the energy to walk the extra mile at work. We consider these parameters central to motivated employees, satisfied customers and a successful business. NCAB stands out as one of the highest performing companies in both clarity and energy at work, compared to the benchmark figures showing the average score for the other 150 organizations using the same survey.

After the survey each of our companies ran a workshop, focusing on their result and the most important improvement areas. The survey result will now form the baseline for our goals to further improve our workplace performance and satisfaction.

STRATEGY FOR EMPLOYEE LIFE CYCLE

NCAB Group is a rapidly growing organization. In 2015 we hired a global Human Resource Manager and during 2016 we continued implementing our Human Resource strategy. This gives us a structured and uniformed approach towards working with the employee life cycle to attract, keep, and develop our employees, in line with our vision, goals and values. Some actions during 2016 saw us:

- > establish a more systematic approach to competence development across the group.
- > hire Human Resource Managers for our Factory Management team in China, and for our US operations.
- > prepare for a new Human Resource-system, which will be launched in 2017.
- > start to use a structured follow up approach with employees that for any reason resign from NCAB Group.
- > prepare for measurable goals based on the result in the employee satisfaction survey.

For us, human resources is about continuous development using the excellent tools we now have in place.

How would you describe NCAB Group as a workplace?



NCAB GROUP UK
STEVE SHIPWAY

Technical Manager

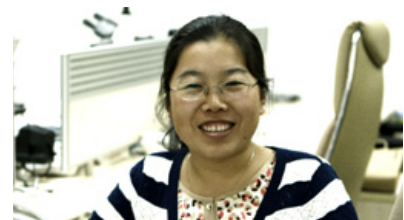
“NCAB Group is a very welcoming workplace, there is always someone with whom you can discuss any issues. We all share the desire to provide the best possible solutions to the customer.”



NCAB GROUP FRANCE
VERONIQUE SIMONET

Key Account Manager

“After five years at NCAB, I am still very enthusiastic about bringing my skills and energy into play in the company. NCAB Group has real values and I have a lot of colleagues who share my view wherever they may be. Together we form a trusting environment that makes it easy to work whole heartedly and sustainably.”



NCAB GROUP CHINA
TINA HAN

Production Quality Engineer

“I feel proud to work at NCAB Group. We are in the forefront of technology, we receive highly professional training and learn new knowledge continually. Together we create profitable business.”

GUIDED BY VALUES

We do not believe in too many written rules. We know that decision-making is faster and better in an organization where sound core values form the backbone to everything that is done. Good leadership and global interaction are key elements to instil our values in all our companies.

Each year, we gather the whole company at the NCAB Group Global Conference. This year, the event took place just outside Barcelona, Spain. Since 2016 was an Olympic year, the theme of the teambuilding events and business competition cases was the Olympics. The NCAB Group Global Conference is a great investment in relationship building, inspiration and reaffirming our company culture and values.

New employees participate in the NCAB Group Global Introduction, where the main focus is on team building, our values and business ethics. We know that the best way to learn is to learn from your colleagues through sharing and meeting, therefore these training sessions are held in high regard by NCAB Group.

FOCUS ON COMPETENCE DEVELOPMENT

Most competence development happens in daily work. We work in close dialogue with our colleagues, customers and factories to be at the frontline of quality and technology. This makes for an inspiring workplace with great opportunities to

develop competence on the job.

At NCAB Group, we also have a systematic approach to employee competence development. In our yearly Performance and Development Appraisal we follow up on work-life balance issues and set and follow up on the individual development plans for all employees. Our main focus areas with regard to continuous employee development are:

- **Sales and Customer support:** Our Managing Directors have undergone a Train the Trainer Program on sales. The Managing Directors then provide this training for the Key Account Managers and the Customer Support staff in their companies.
- **Management:** We have carried out several activities targeted at making our managers even better. We started with a 360 review which was followed by a management programme comprising training modules in:
 - Leading a value based organization
 - Motivating, inspiring and giving feedback
 - Driving performance through sales and entrepreneurship
- **Technician:** Our competence development programme for technicians, launched in 2015, has been put on hold during 2016 due to time restraints, but we plan to get back to this in 2017.



NCAB colleagues from around the world meet at the NCAB Group Global Conference 2016. The theme of the team-building events and business competition cases was the Olympics.

“What I found particularly interesting in the training were the themes focusing on encouraging employee initiative, as well as guidance in giving and receiving constructive feedback. Our success depends on how well we collaborate with each other, especially as we continue to grow.”

Heinie von Michaelis, Managing Director,
NCAB Group Germany



“There were many valuable topics in the training. For example the importance of presence in your body language, what living the values means in practical terms for leadership and the importance of daily feedback.”

Kim Fagerström, Managing Director,
NCAB Group Finland

ATTRACTING AND RECRUITING IN HIGH COMPETITION

We always aim to attract and retain the right people. We perform very well in retaining and developing our talent, keeping employee turnover low globally. However, operating in a specialized industry with today's positive economic development, is challenging in terms of recruiting. Today, we hire for attitude and train for skills to a much larger extent. Rather than looking for the perfect profile with a long experience in the field, we are looking for employees with the right academic background and a positive mind-set and attitude.

DIVERSITY AND INCLUSIVE CULTURE

At NCAB Group, our view on diversity in the workplace boils down to competence and the fact that it is all that matters. As a

global organization, having employees from all over the world is a great asset. Where you come from, how you look or what age or sex you are should never matter. Our Code of Conduct and our guidelines on business ethics provide guidance on how we should act in relation to our colleagues and business partners. In the employee satisfaction survey 93 percent responded that they feel respected by their colleagues, which is higher than the benchmark 89. However, we want to improve this figure further.

The tech industry in general faces challenges in attracting and promoting women – and while the gender balance at NCAB is fairly equal, there is a distinct imbalance when it comes to Key Account Managers, Managing Directors and on our board. Finding ways to attract more female Key Account Managers will be in focus during 2017.

	TOTAL NUMBER	GENDER DIVISION		AGE		
		WOMEN	MEN	UNDER 30	30-50	OVER 50
All employees	310	137	173	48	204	58
Managing Directors	15	0	15	0	10	5
Management Team	8	3	5	0	5	3
Board	5	0	5	0	1	4



Michal Kopcewicz, Managing Director NCAB Group Poland and Carol Ouchakoff, Managing Director NCAB Group France together with customers and colleagues during a Production Insight Trip in China.

Customers

High goals for quality and reduced environmental impact

We cooperate closely with our factories on environmental and quality issues, to constantly improve our performance. We strive towards zero defects and to steer the sector in a green direction. These are high ambitions and we want to involve our customers more in sustainable product development.

LONG TERM GOAL

- Steer the sector in a green direction.

MEASURABLE GOALS

- Top scores in customer satisfaction including sustainability.

ACTIONS 2016

- Conducted customer satisfaction survey.
Result: Customer Satisfaction Index: 82 (benchmark 70).
- Externally verified self-declaration covering social responsibility SIS-SP 2:2015 which is based on ISO 26000, with excellent result.
- Continued communicating our sustainability work to our customers.

GOING FORWARD

- Customer Satisfaction Index – target 2017: 83
- Act on the improvement areas from the survey, such as prototype offer, and propose more solutions to develop the customer's business.
- Keep on communicating about our sustainability work through seminars and other channels.

- Continuously reduce environmental footprint.

ACTIONS 2016

- Focused in depth on the chemical handling in our sustainability audits, resulting in improvements.
- New rail transport route - from Suzhou to Moscow. Volume carried by train increased.
- Continued developing our quality processes and performance to minimize scrap.
- Developed and released our design guidelines.

GOING FORWARD

- Attract more end-customers to our seminars to inspire and support in sustainable product development.
- Communicate the environmental impacts of different transportation alternatives to enable our customers to make informed choices.
- Inform our customers about the sustainability and environmental value of cooperating at the design phase.

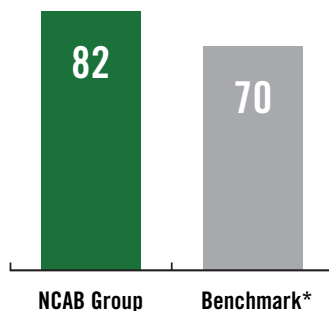
Status December 2016 ● = not started/far from reached ● = on track ● = completed/reached

CUSTOMERS VALUE OUR COOPERATION, SERVICE AND PROBLEM SOLVING

We work in close dialogue with our customers to understand their specific needs and, hence, we work for common improvements. We measure customer satisfaction on an annual basis and we use local languages throughout our survey. This year we opted to have the survey run by a new supplier, thus the results cannot be directly compared to previous years. Our Customer Satisfaction Index returned 82 out of 100 (benchmark 70*). We score high for cooperation, service orientation and effective problem solving. Important areas for improvement are more attractive prototype offers and to propose more solutions to develop the customer's business. In 2016 we worked on improving our lead times for prototypes. Every local company analyzed their possibilities of improvement, and we will use the conclusions to update our prototype handling process during 2017. We will be including other activities related to the results in the customer survey in our improvement plan for 2017.

We believe our sustainability performance strengthens our business. In the customer survey, we ask if customers consider us to be a company that actively deals with environmental and social issues. In 2016 we received a positive share of 81 percent, (81 percent of the respondents answered 4 or 5 on a scale of 1-5), which compared to previous years is a big improvement. We are keen to increase our customers' knowledge about what we do, through integrating our sustainability achievements more into our customer dialogues.

CUSTOMER SATISFACTION INDEX 2016



DESIGNING PCBs TOGETHER WITH OUR CUSTOMERS

A sustainable approach to product development starts with the design of the PCB. In 2016 we updated our design guidelines to make it easier for our customers to design products based upon general, moderate and advanced manufacturing capabilities. Our technical experts are also at hand to discuss such capabilities with customers so that we can, from the very start get the product design optimized for volume manufacturing. This activity will continue throughout 2017 as we look to develop more design guidelines for the more advanced technologies on offer from NCAB Group.

Designing within capability boundaries means we reduce the risk of processing errors and thus quality problems, which in turn reduces total cost. Optimized design also reduces the environmental footprint; less scrap means less wasted material and less energy, water and chemicals used in the supply chain as part of any 'recovery' process.

We raise awareness of our design support in dialogue with our customers and through our customer seminars. During

2016 we conducted 131 design seminars globally. Our ambition is to attract more end customers to our seminars, since it is the customer/end customer who owns the design decisions.



A sustainable approach to product development starts with the design of the PCB. NCAB technical experts support our customers in the design phase.

CLOSE QUALITY COOPERATION WITH OUR FACTORIES

NCAB Group 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 sourcing, evaluating and selecting potential factories (read more on page 11). Once approved, the factory is included within our "preferred supplier list". Once we have established that it is capable of providing reliable performance both in terms of quality and sustained yield, the specific factory is documented as having NCAB approved capability. Evaluating capability in this way helps us to choose the factory best suited to the requirements of each specific customer product. And it also feeds into our design guideline activity. All of our main factories are evaluated on a regular basis through:

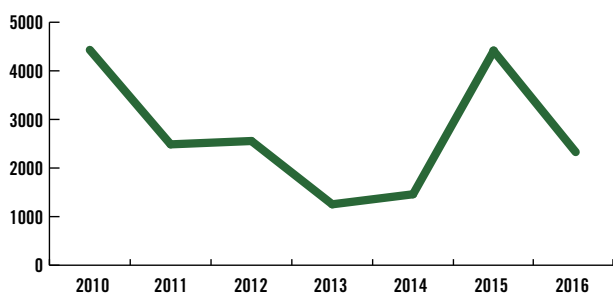
- Daily evaluation of KPI data
- Monthly performance review meetings
- Monthly review of service-driven feedback from each local company
- Monthly reported figures for quality performance, delivery performance, service levels, factory development and improvement areas
- On site process-specific audits
- Annual quality and environmental audits

In 2016, we improved our environmental and quality audit template. It now gives a more concise view of the production processes, as well as facilitates comparison with the result from the previous audit. This in turn makes it easier to track improvements.

Every local company has personnel responsible for technical and quality issues. Our Group Function, in Europe and China, also provides support in many areas. In 2016 we implemented a new routine with factory-based QC inspectors on hand to support new product introduction based activities. This is a transition away from just simple visual inspection, but rather a more comprehensive evaluation of the product. It includes verification against all specifications and overseeing some of the qualification and reliability testing before release. We have also seen the effect of the new factory management structure that we implemented in 2015. Clearer division of responsibility has resulted in both a more balanced workload and better quality control.

*Average among other companies using the survey

QUALITY STATISTICS - DEFECTIVE PARTS PER MILLION (PPM) PRODUCED



Our end of year calculations for 2015 DPPM (defective part per million), as previously reported, were incorrect as they failed to include a number of claims received towards the end of December. The final PPM figure was 4475 - significantly influenced by a single claim. This year's reporting has been adjusted to ensure that we include all accepted claims.

Looking at the 2016 figures, we can report that the combination of proactive and reactive quality work has resulted in a reduction in the DPPM measure, with a final end of year figure of 2353. Whilst this is an improvement upon the previous year, it remains higher than our target of 1000. Our analysis shows that three specific events accounted for almost 40% of all rejected PCB's in 2016, with two of these events relating to one process; that of soldermask, and the final event being due an engineering error.

EFFICIENT COMPLAINTS PROCESS

Our mission statement is to strive towards zero defects. We constantly work to improve the physical product and minimize the time it takes for us to respond to any customer complaint.

The vast majority of our factories are located near our China office, which helps to facilitate communication and rapid reaction to issues that arise.



REDUCING CO₂ EMISSIONS IS A CHALLENGE

The major part of our CO₂ emissions from our transportation activities comes from the transport of our products from Hong Kong to our warehouses in Europe and the USA. Every month, more than a hundred flights and four to five ship departures carry our products on these routes. Although air freight is more expensive than sea cargo rates, around 80-85 percent of our shipments from Hong Kong are by air, since short lead times are crucial for most of our customers. In 2015, we offered a new transport route, by rail, from Hong Kong to Moscow. In 2016, we added one more rail route, from Suzhou to Moscow, and freight volumes carried by train have increased.

We have looked at ways of reducing the impact of air freight by increasing volume efficiency and choosing direct flights with no layovers. These measures are not reflected in the statistics, since the emission data that we get is an estimate based on average transport figures. We use DHL Global Forwarding and UPS for our overseas freight; they have ambitious targets to reduce their CO₂ emissions. Our goal has been to map and actively reduce our impact further, but we realize the possibilities in this direction are quite limited.

We will continue to offer different transportation alternatives, and further improve communicating the environmental impacts of these alternatives to enable our customers to make informed choices.

OUR CO₂e EMISSIONS

EMISSION	2015		2016	
	t* CO ₂ e	kg CO ₂ e/kg GOODS	t* CO ₂ e	kg CO ₂ e/kg GOODS
Air	6 700	5.28	8 500	5.84
Sea	38	0.13	72	0.18
Train	48	0.83	60	0.83

2016 covers almost all destinations (more than 2015). The main reason for higher CO₂e per kilo goods is lower utilization in the freighters. *t - tonne

USING METALS IN A RESPONSIBLE WAY

A rapid increase in consumption of electronics has led to certain metals becoming scarcer and causing a global rise in their value. In order to avoid using more metals than necessary, NCAB Group produces high quality PCBs that can have a very long life cycle and also strives to reduce scrap throughout the production process. We also take care of electronic waste, according to the local waste laws where we operate, so that it may be recycled. Some of our companies and factories may even be able to sell the cleaner waste from which the metals can be retrieved.

Customers

A unique selling point

Communication is key to success. Two of our employees tell how they work to inspire and seek cooperation for sustainable business.

NCAB GROUP POLAND

MICHAŁ KOPCEWICZ

Managing Director

"For me, our label 'Conscious Component' illustrates that we at NCAB Group think about the future, and generations to come. It adds a dimension to our competitiveness; we're not only front-runners in quality and customer adaptability, we work continuously for social and environmental sustainability too. Today, this is a selling point that truly is quite unique for NCAB in the Polish market, and we use it in our market communication.

In Poland, sustainability is an important factor mostly for the big customers. Among the small and medium sized companies, NCAB's sustainability efforts are so far creating awareness. Several companies have told us that they use our work as a blueprint for how they could also start working with sustainability."



NCAB GROUP FINLAND

VEERA KÖPSI

Customer Support/Marketing Coordinator

"FIBS is a Finnish knowledge sharing network within sustainability. NCAB Group Finland joined it in 2016 to build relationships with other companies interested in sustainability. After an introductory meeting, where we established that NCAB was at the forefront, we published an article for the FIBS magazine about our supply chain management in our Chinese factories.

In February 2017, we are hosting a seminar on sustainability as part of business concept. Sustainability is a growing trend among Finnish companies and we are proud to inspire others with all the things we do. The network is a good platform for discussing common challenges and sharing best practices."



GRI content index

Our sustainability report is in accordance with GRI's (Global Reporting Initiative's) guidelines for sustainability reporting, fourth generation (G4), option Core. Below you find the GRI content index that helps you navigate in the report. The report is not externally assured by third party. You will find more information about GRI on www.globalreporting.org.

INDICATOR	DESCRIPTION	PAGE/COMMENT
STRATEGY AND ANALYSIS		
G4-1	Provide a statement from the most senior decision-maker of the organization	4-5
ORGANIZATIONAL PROFILE		
G4-3	Name of the organization	Front page
G4-4	Primary brands, products, and services	6-7
G4-5	Location of the organization's headquarters	6, Back page
G4-6	Number and name of countries where the organization has significant operations	7
G4-7	Ownership and legal form	6
G4-8	Markets served	7
G4-9	The scale of the organization	7
G4-10	Employees by employment contract and gender	Normally offer permanent employment contracts
G4-11	Employees covered by collective bargaining agreements	0 %
G4-12	The organization's supply chain	7, 10-11
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	7, established NCAB Group Italy (Dec 2016)
G4-14	Report whether and how the precautionary approach or principle is addressed by the organization	11
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	4-5, 8-9, 11, 22
G4-16	Memberships of associations	IPC, local trade organizations
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4-17	Entities included in the organization's consolidated financial statements and whether any of these are not included this sustainability report.	2
G4-18	Process for defining the report content and the aspect boundaries	8-9
G4-19	The material aspects identified in the process for defining report content	9, 23
G4-20	The aspect boundary within the organization	See reference page for each aspect
G4-21	The aspect boundary outside the organization	See reference page for each aspect
G4-22	The effect of any restatements of information provided in previous reports, and the reasons for such restatements	20, revised quality statistics figure (DPPM) Y2015
G4-23	Significant changes from previous reporting periods	No major changes
STAKEHOLDER ENGAGEMENT		
G4-24	Stakeholder groups engaged by the organization	8
G4-25	The basis for identification and selection of stakeholders	8
G4-26	The organization's approach to stakeholder engagement	8
G4-27	Key topics and concerns that have been raised through stakeholder engagement	9, 14-15, 18-19, 21

INDICATOR	DESCRIPTION	PAGE/COMMENT
REPORT PROFILE		
G4-28	Reporting period	2
G4-29	Date of most recent previous report	2
G4-30	Reporting cycle	2
G4-31	Contact point	2
G4-32	The 'in accordance' option the organization has chosen	22
G4-33	The organization's policy and current practice with regard to seeking external assurance for the report	22
GOVERNANCE		
G4-34	The governance structure of the organization	6-7, 17
ETHICS AND INTEGRITY		
G4-56	The organization's values, principles, standards and norms	6, 16-17
ENVIRONMENTAL		
Emissions to air		DMA 8-9, 20
EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	20
EN18	Greenhouse gas (GHG) emissions intensity	20
Products and services		DMA 8, 10-12, 18-20
EN27	Extent of impact mitigation of environmental impacts of products and services	10-13, 18-20
Transport		DMA 8, 20
EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	20
Supplier environmental assessment		DMA 8, 10-12
EN32	Percentage of new suppliers that were screened using environmental criteria	10-11
EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken	10-12, 18-20
LABOR PRACTICES AND DECENT WORK		
Training and education		DMA 8-9, 14-17
LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	16 100%
Diversity and equal opportunity		DMA 8-9, 17
LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	17
Supplier assessment for labor practices		DMA 8-9, 10-12
LA14	Percentage of new suppliers that were screened using labor practices criteria	10-11
LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	11-12
HUMAN RIGHTS		
Supplier human rights assessment		DMA 7, 10-12
HR10	Percentage of new suppliers that were screened using human rights criteria	10-11
HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken	10-12
SOCIETY		
Anti-corruption		DMA 8-9, 16
SO4	Communication and training on anti-corruption policies and procedures	16
SO5	Confirmed incidents of corruption and actions taken	No incidents
SO9	Percentage of new suppliers that were screened using criteria for impacts on society.	10-11
PRODUCT RESPONSIBILITY		
Product and service labeling		DMA 8-9, 18-19
PR5	Results of surveys measuring customer satisfaction	18-19



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