

Sustainability Report - 2017

This statutory sustainability report covers the operations of Bona AB (556017–6488) and its sustainability efforts according to Swedish Annual Accounts Act (ÅRL chapter 6). The report covers Bona AB as well as all underlying subsidiaries.

In relation to the risks described in this report, Bona AB has not identified any additional non-financial risks that are relevant to current business operations.

This is the first year Bona AB has prepared a sustainability report according to Swedish Annual Accounts Act (ÅRL Chapter 6). Swedish Annual Accounts Act was developed based on the EU directive 2014/95/EU with minor adjustments for local preference.

100% Passion, 100% Bona

Bona has almost 100 years of experience in bringing out the best in wooden floors. We are a family-owned Swedish-based company with an international presence in more than 90 countries.

Performance is integrated into every Bona solution, developed through decades of thorough research and innovation. Sustainability is key in everything we do, including our everyday operations and R&D. We make sure that our solutions are as safe and healthy as possible with minimal environmental impact. Combining this with our unique local presence around the world, our customers can trust that they are getting only the best from Bona. We pride our self on 3 sustainability objectives that we integrate internally into our operations and externally towards the communities we operate in.



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1. Business Model

Bona (see fig. 1.1.) is a 100% family owned company comprising of 17 operating subsidiaries worldwide.

The vision Bona had set out for 2017 focused on holistic growth. We set forth a strategic plan - "Vision 2020" - which is guided by sustainability, innovation and unified customer driven focus. Our aim is to create simplistic yet effective solutions that seeks to not only capture the beauty of wooden floors, but also increase our products life-cycle in an environmentally friendly means. Bona continues to strive for market leadership within Sustainability. Our research and development teams are providing breakthroughs in new raw materials that enable us to set new standards in terms of both safety for our customers and employees, but also our focus on protecting the environment.

Bona's headquarters are situated in Malmö.

However, our presence extends globally that can be divided into 3 distinctive sales areas (including;

Europe Middle East and Asia Pacific (EMEA/APAC), North America and Latin America (NAM/LAM), and Industrial coating (Worldwide). Our customers are further divided into three distinctive customer segments; professional, consumer, and industrial manufacturing.

The parent company, Bona AB, business requires a production permit according to environmental legislation (Miljöbalken). The license applies to the production of basis polymers where chemical reactions are involved in the manufacturing process. The license also includes manufacturing of colours, products for maintenance, manufacturing of surfactants, treatment of hazardous waste and groundwater activity since the groundwater is used for cooling during the process.

1.1. Our Products

At Bona, we offer a full array of solutions which are constantly revised to meet environmental and social demands. The categories are divided up into 5 distinguished products including; finishing, fastening, floor care, sanding, and industrial coatings.



Finishing – Bona produces a number of various floor finishes that are designed for a lifetime. Products are constantly screened and improved to reduce any negative impact to our customers.



Floor care – Our floor care solutions are developed for cleaning and revitalising wooden floors which are tailored to all finished oiled and engineered surfaces.



Industrial coatings – By developing an extensive range of high quality UV-based finishes, our customers are able to have the best possible adhesion and highest level of scratch resistance.



Sanding – Our sanding tools are developed to offer the market the safest, most efficient and ergonomic system available, whilst still delivering exceptional results.

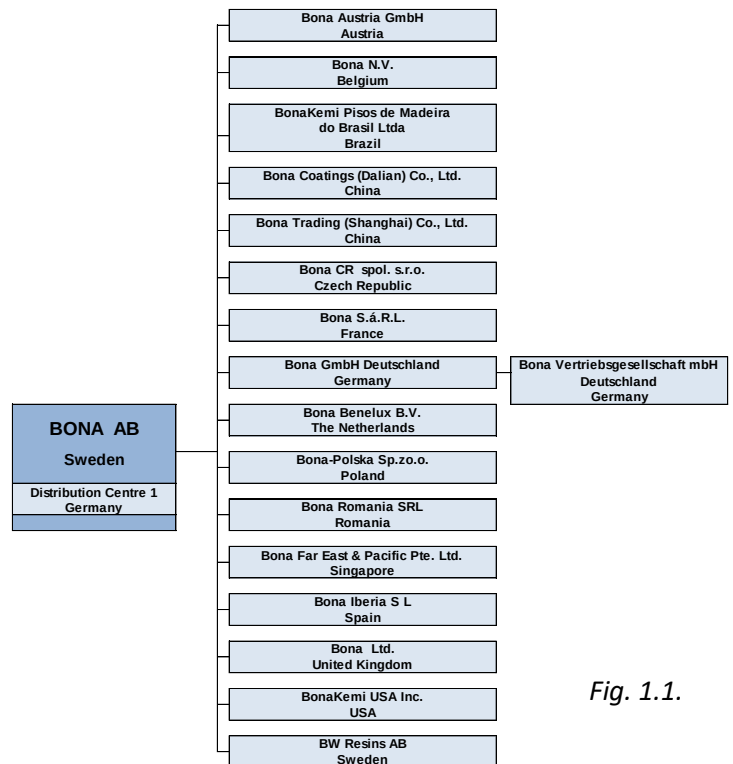


Fig. 1.1.



Fastening – this segment creates a solid base for success amongst our flooring products. We have developed stable, strong and elastic fastening products in order to provide a foundation for a truly sustainable wooden floor.

1.2. Our People

At the back bone of our product, we have competent and motivated employees. Our employees are what makes everything possible at Bona and we do our best to always provide an environmentally friendly place to work without ever sacrificing safety. Over the fiscal year of 2017, Bona had a total of 570 Full-Time Employees (FTE) found across our global operations.

1.3. Our Sustainability achievements

A History in Sustainability

At Bona, we have had a long history of actively reducing our environmental impact through sustainable initiatives and ongoing screening of our operations and product. We are proud of the milestones we continually pass and look forward to the many new initiatives we will provide to our customers.

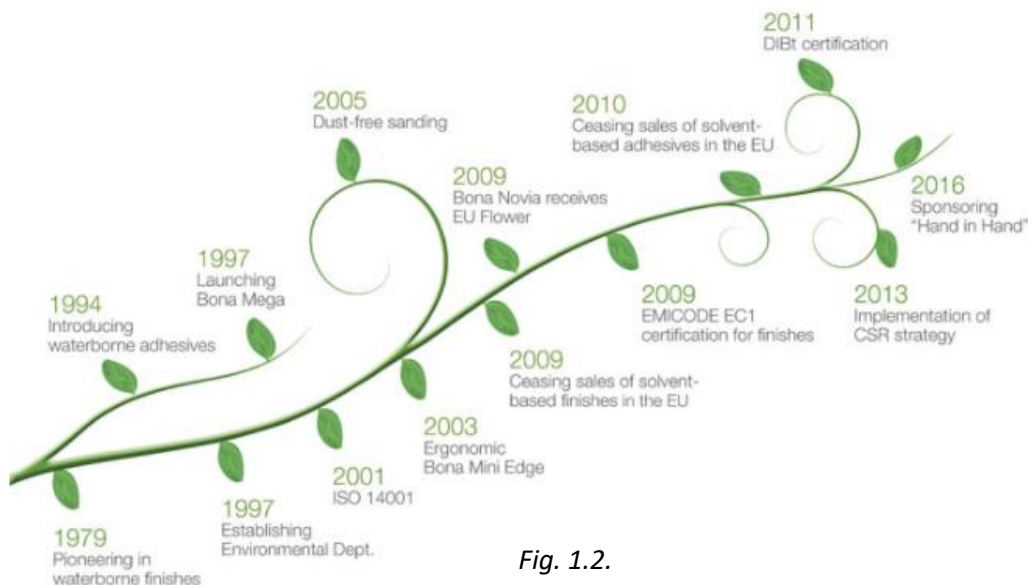


Fig. 1.2.

Presently, we offer the market waterborne finishes that have drastically reduced the emission of solvents. A particular health case is N-Metyl-Pyrrolidone (NMP). This solvent was previously almost always in waterborne finishes. Concerned about the implication NMP may have on our customers and craftsmen, we have reformulated our products to offer NMP-free finishes as the first supplier on the market, whilst also improving product quality.

Hand in hand

The people at Bona are proud to be a part of Hand in Hand, an initiative to reduce poverty through sustainable job creation in developing countries. Hand in Hand is an NGO (Non-Governmental Organization) and their mission is to reduce poverty and child labour through sustainable job creation that raises family income.



HAND IN HAND

They do so through social and economic empowerment of some of the poorest and most marginalised people and focus particularly on women.

Since January 2016, Bona has supported Hand in Hand's Village Uplift Program in India where they have implemented a number of self-help activities in the small village of Koneripatti Agraharam. After two years, Hand in Hand plans to leave the village and the villagers shall continue and sustain the business and activities that have started.

Plant a tree

Since 2008 Bona has sent a Christmas money gift to the project "Plant a tree" through Vi Agroforestry. Their mission is: Through agroforestry and support to farmers' organisations contribute to poverty reduction, the right to food, increased incomes, increased biodiversity and climate adaption. For the tenth year Bona support this project and by now we have contributed to quite a number of trees somewhere in Kenya, Uganda, Tanzania or Rwanda.



StepOn

In addition, Bona has eagerly participated in the STEPS (Sustainable Plastics and Transition Pathways) initiative headed by Lund University. STEPS is a Mistra (The Swedish Foundation for Strategic Environmental Research) funded project where the objective is to develop plastics based on bio-raw materials in one form or another. In an unprecedented short time of only ten months, the project has generated a possible consumer product in the form of a floor finish prototype based on fructose. The floor finish prototype is called "StepOn" and was made possible by a successful combination of academic and industrial competences, not to mention a lot of enthusiasm. To show the potential of the product, a public demonstration was made at Lund University earlier this year.



2. Policy

2.1. Policy on Sustainability

Rooted in the core of our operations, sustainability is voiced through mandatory policies that are applied throughout all of Bona's subsidiaries worldwide. Bona's policies can all be found in a single document where sustainability is present on a multitude of levels. Our Safety, Health and Environment (SHE) policy communicates our commitment in continually striving towards a sustainable business. Our aim is to communicate our environmental practices and impacts with our most important stakeholders in the hope to lower our impacts, be more transparent, and build trust.

Moreover, our research and development policy provides the guidelines for Bona to deliver products that last a lifetime. Specifically, we believe that the future belongs to products which combine low health risk and low environmental impact in conjunction with financial advantages. Our product innovations are inspired through these values and play a large part in our strategic decisions.

Objectives

Having a coherent sustainability policy will assist our employees to make swift and logical decisions whilst minimizing Bona's impact on the environment. Although our minimum requirements are always kept above local authority's regulatory demands, we endeavour to push the boundaries for improvement in all aspects of our business areas despite any economic restraints.



Application & Effect

During 2017, policy documents have been revised and the management system has been integrated into activities that ensure compliance with policies. Objectives and action plans are drawn up on an ongoing basis to develop and improve business operations with increased attention to long term and sustainable business growth. In particular, the ISO 14001 management system for environmental impacts has been integrated within Bona's operations for well over a decade.

Since implementing ISO 14001 in 2001, Bona has produced outstanding achievements. In fact, we have halved our energy consumption since 2010 by screening and improving our heating, insulation, and factory lighting. Bona has constantly updated ISO 14001 and currently all production facilities apply the 2015 version.

Bona's transportation has also seen vast improvements over the past few years including the reduction of CO2 emission on transportation between Sweden and Germany by 70%. New projects within the US are also seeing positive results with the implementation of the Environmental Protection Agency's (EPA) Smart Way program. The program is designed to assist companies advancing their sustainability awareness within transport.

2.2. Policy on Human Rights

An integral part of Bona's work on human rights begins by creating documentation that states our values and guidelines. Although separate to Bona's policy, our Code of Conduct connects our mission and core values with our daily operations. Many of our sustainability policies are echoed within our Code of Conduct.

The Code of Conduct is founded on the ten principles of the UN Global Compact, the core conventions of the International Labour Organization (ILO), and the OECD Guidelines for Multinational Enterprises. This demonstrates our commitment towards upholding international values towards human rights on a global scale.

Objectives

Amongst other sustainability objectives found within our Code of Conduct, an emphasis on a fair and decent workplace is a central theme we encourage throughout Bona. Overall the aim of this code is to spread values of human decency in all aspects of business. This includes our strong stance against any form of child or forced labour. We at Bona will continue to do our best to screen human rights violations that can be connected to our operations and take immediate action if our code of conduct is breached.

Application & Effect

It is the responsibility of all employees to understand and comply with the principles expressed in Bona's Code of Conduct, as applicable to their individual job tasks. It is the responsibility of all managers to ensure that their employees are aware of Bona's Code of Conduct

The officer responsible for Bona's Code of Conduct is the Senior Vice President, Human Resources. Every employee has the right, without fear of retaliation, to report any suspected case of non-compliance with the Code to the nearest supervisor or the appropriate Group compliance officers. Non-compliance with the Code will result in prompt disciplinary action, including the possibility of dismissal.

2.3. Social & Employee Policy Including Equality

Bona's social policies and obligations are not only vital for the long-term survival of our business but also the core values Bona's brand name was built on. The Bona Code of Conduct specifically encourages engaging with the community.



Internally, Bona's human resource policy discloses key principles regarding education and training that are available for our employees. The importance of personal development amongst those who work at Bona is critical for the future success of our business model.

But most importantly, Bona's code of conduct voices our strong belief in equal employment opportunities. This enforces that no person shall discriminate against any current or potential employee based on gender, race, religion, age, nationality, sexual orientation, disability, political opinion, or any other personal trait or belief.

Objectives

Through Bona's human resources policy, we aim to communicate our support for a work environment that encourages education and training. In all circumstances, we try our best to give our employees the needed tools for healthy and prompt personal development.

Additionally, a Whistle blowing policy is in place, which allows employees to speak up about suspicions or irregularities that are not aligned to Bona's values, business ethics or the law. The policy allows employees to report serious suspicions of financial crimes, harassment claims, environmental crimes, acts of discrimination, and other irregularities without fear of reprisals. The whistle blowing system is outsourced to a third party to assure complete anonymity, and therefore we refrain to communicate publicly any incidents from 2017.

Application & Effect

Our Code of Conduct represents our values for all countries we operate in. All of our new employees are exposed to Bona's our code of conduct and expected to read and understand the meaning of treating all human beings with respect and decency. For implementation purposes, Bona has now set out a plan to implement E-learning. E-learning is an online tool for our employees to familiarize, learn, and accept our social policies. Our goal is to have our employees participate in E-learning on a three-year basis

2.4. Policy on Anti-corruption

Bona's gift and entertainment policy was developed to address corruption and bribery in the workplace. We understand that gifts and entertainment have long been a traditional custom in the business world to build goodwill and strengthen ties with other business partners. Corruption and bribery has devastating effects on local communities and can end up leading to long term damage to Bona's brand image.

Objectives

By implementing the gift and entertainment policy throughout our operations, we aim to support our employees with clear and understandable guidelines that will clarify which gifts and offering are deemed as unacceptable. Not only do we hope to protect our employees from criminal conviction but also protect the communities we operate within against unfair and unethical business practices.

Application & Effect

Apart from applying the gifts and entertainment policy globally throughout our operations, we also have the expectation that our business partners, suppliers and customers adhere to the same values. Once again, E-learning will assist Bona in delivering our values whilst also helping us to measure how many of our employees and received the online training.

3. Materiality

The following section covers which topics are most material to Bona. Although, many important topic areas exist within Bona's operations we have narrowed down all topics to a number that we can focus on, report and improve. The process we used to determine what aspects were most material, occurred through a number

of discussions, workshops, and analyses. First, a competitor analysis was conducted to be able to benchmark common risks and innovations within our industry. Second, a future analysis using the UN sustainable global goals as a benchmark on what society wants to achieve. Third, Bona's stakeholder analysis which included ongoing dialogue over the 2017 period to prioritise all the data. Lastly, an internal workshop to finalise the priority of all material topics and risks. This has resulted in the prioritization of 11 focus areas (see fig. 3.2.)

3.1. Our Stakeholders

During this process in developing Bona's first sustainability report, an integral part was not only having the ability to be transparent with what we are doing, but also build better understandings of how we can improve for the future. By identifying our most important stakeholders (see fig. 3.1.) we could better understand what sustainability risks and opportunities for greater shared value were most material to Bona. Our stakeholder analysis looked both internally towards our employees, owners and management, and also externally including our customers, local suppliers, networks, local communities, media and many more.

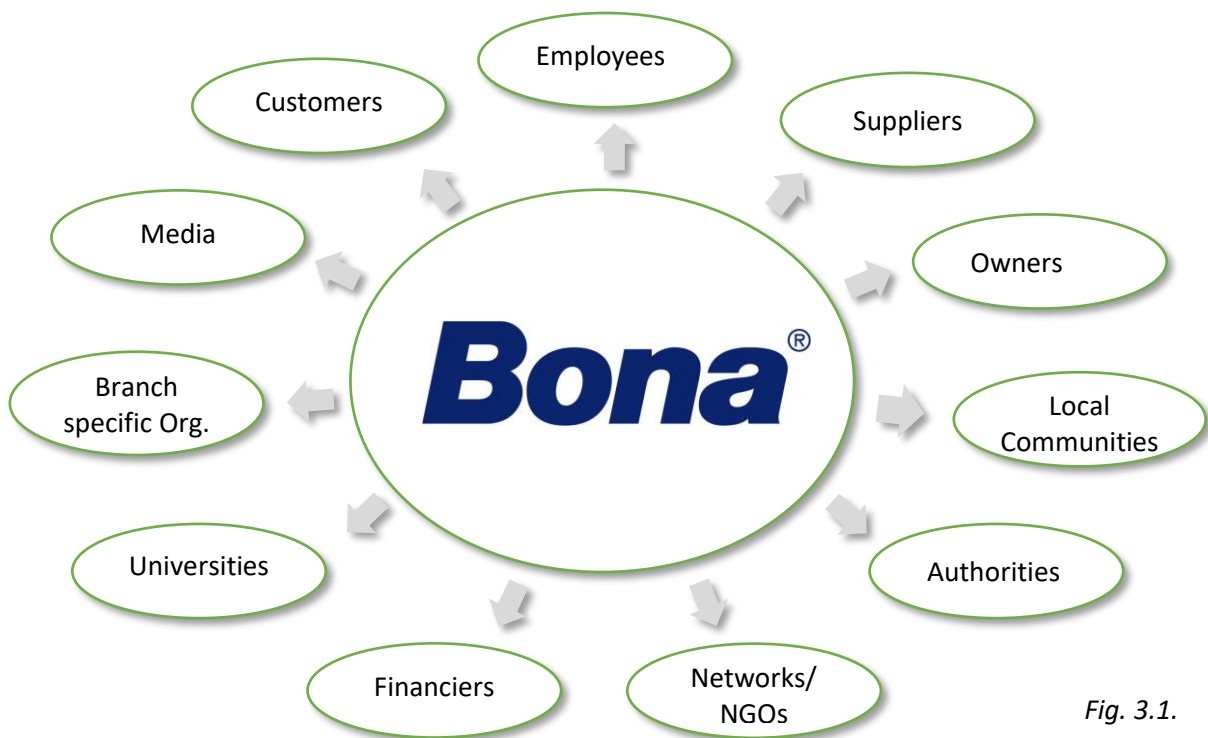


Fig. 3.1.

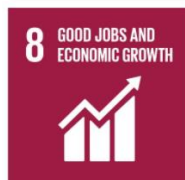
After identifying which stakeholders were most impacted by our operations, we then made a concrete dialogue plan that laid out what actions are to be initiated and who should be responsible. The main objective was to see what material topics were important to them in relation to our operations and what we could do to improve our relations. At Bona we strive to be the best corporate citizen and through Stakeholder dialogue we hope to raise issues where we can improve. The following table illustrates a small sample of stakeholders we have identified as a high priority in regard to our sustainability work. Of course, many more stakeholders are identified as important and we have taken the correct means to create a dialogue, including frequency and who is responsible to build and continue our relationships

Stakeholder	Category	Dialogue method
Authorities	Environmental, emergency, work & safety, government	Email, telephone and onsite visits, online weekly for regulation updates
Customers	Retail businesses, country distributors, floor parquet industry	Questionnaires, discussing future products range (sustainability is included), distributor conference (regional), (global), customer conference (global), Yearly Interface Magazine
Employees	Current	Appraisal, on a regular basis we have a company update meeting, every other year - a employer survey (2016)
Financial	Owners	Shareholders meeting, board meeting, conversational
Media	Social, Local traditional media	Facebook, LinkedIn, Instagram, Pinterest, press releases, phone contact
Suppliers	Sanding products, chemical material, Packaging	Telephone, physical, email, questionnaires, discussing future products range (sustainability is included)

Table. 3.1.

3.2. UN's 17 global goals

Through Agenda 2030, the UN's 193-member countries have committed to 17 global goals to eliminate extreme poverty, reduce inequalities, solve the climate crisis and promote peace and justice. The goals are expected to be achieved by 2030 and aim to achieve long-term sustainable development by including economic, environmental and social aspects. Each country is responsible for implementing and following up the goals, but in order to achieve the goals, all relevant actors in society must work together.



In 2017, work was begun to identify the goals and sub-goals for which our business has the greatest impact. The analysis has been based on our key focus areas, identified risks and opportunities. All goals are equally important, but this year Bona has chosen to focus on four goals in particular to effectively and credibly ensure our contribution to goal achievement. Work on setting internal goals and integrating the goals in the business will continue in 2018. After considerable discussion, the four goals we believe are most current and connected to our operations include global goals: 3 (Good health and wellbeing), 8 (decent work and economic growth), 11 (sustainable cities and communities), and 12 (sustainable consumption and production). We now try our best to innovate new ways of conducting operational activities to make sure these goals are met in 2030.

3.3. Materiality & Significant risks

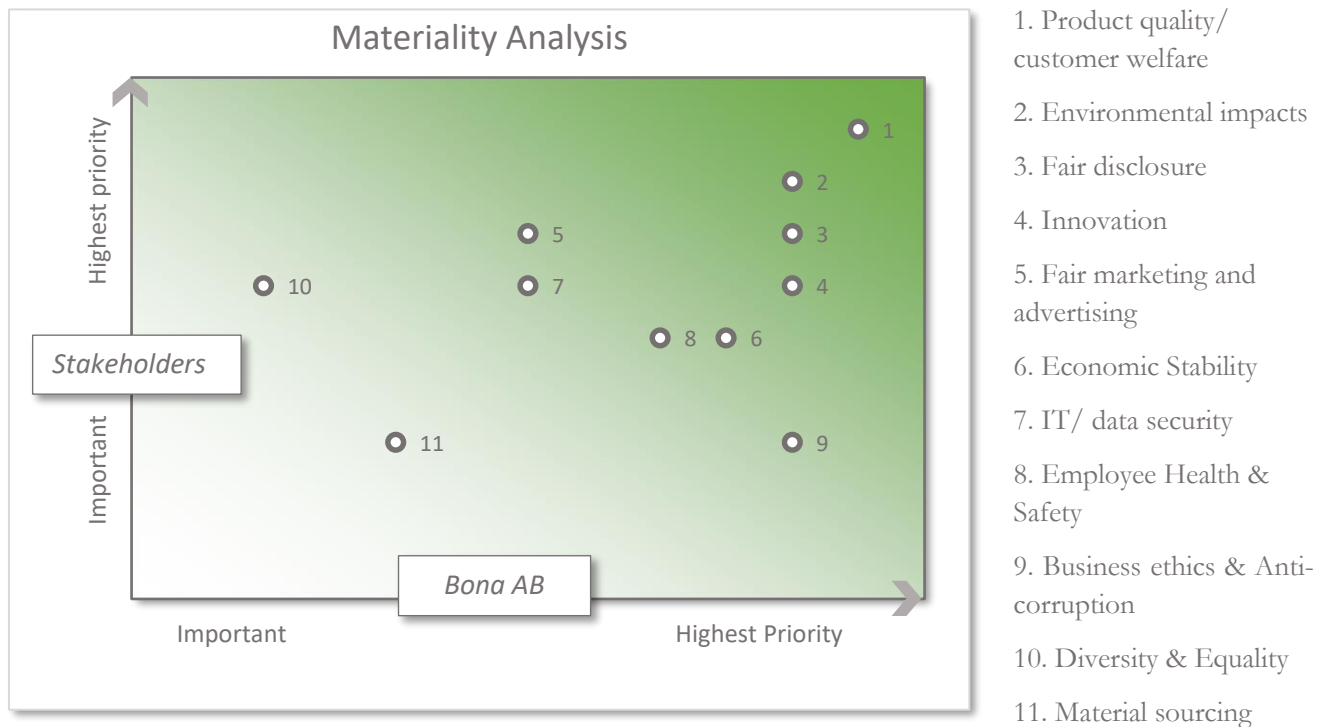


Fig. 3.2.

3.3.1. Product quality/customer welfare



Considering the quality and safety of our product goes hand in hand with the welfare of our customer, it has been no surprise we regard this topic the most relevant area that has an impact on our sustainability agenda. The risk of producing products that has dangerous implication on our customers would be disastrous on both society and our business. We have therefore taken the required measures to make sure we issue the safest product to the market.

We have identified certain risks amongst our products including health issues related to the chemical content and implemented certain measures to reduce this risk. Amongst many of our environmentally friendly innovations, it's worth mentioning our focus on providing our craftsmen, with increased indoor air quality. Additionally, some risks are not always found in our finishes but also the machinery we sell in our sanding product segment. These risks include health issues from both excessive vibration and dust particles that reduce the quality of the air. To decrease the amount of dust particles, dust containment systems have been a focus area for Bona over 2017. Subsequently, Bona has created a dust extraction vacuum (Bona dust care single) which reduces dust particles to well below the Swedish threshold (TVL +2mg/m³) to just +0.1mg/m³.

Bona mitigates health risk through continually investing in health and safety R&D. We strive for market leadership in all areas and will constantly screen our products for qualities that are unsafe for our customers. In the case of any health incidents, Bona provides immediate services that are needed to remedy the situation. We also provide our customers and craftsmen the right training in how to handle our products to prevent any possible accidents.

KPI- Our products and inventions shall offer our customers to be more successful as new innovative products and processes are introduced to the market.

Goals- The cost of claims shall not exceed 0,20 % of sales. The actual number for 2017 was 0,14.

3.3.2. Environmental impacts



Bearing in mind environmental impacts are present throughout all our operations and products, we strive to continuously deliver products whilst reducing our environmental impact. Bona's innovative and systematic approach gives us the possibility to make improvements year after year.

From a product perspective, our environmental work is the driver for our innovative product range. We have built an impressive portfolio that has a focus on environmentally improved products. A common challenge we face within our products range is the emission of VOCs (Volatile Organic Compounds) into the atmosphere. VOCs contribute to the formation of smog. This occurs when floor finishes are drying and the solvents evaporate. Quite understandably, regions we operate in have introduced legislations with focus on reducing VOC content. Therefore, Bona offers products not only with low-VOC that meet legal requirements with a hefty margin, but we also continue to innovate our products to reduce the amount of solvents in the content of our product range.

From an operative perspective, we have screened our production process and assessed where we have negative impacts. Some of those areas include; GHG gases that we emit during production and transportation, fire risk in our plants, non-reusable equipment after breakdowns and of course waste.

Currently within Sweden, USA and Germany, Bona has implemented the ISO 14001 environmental management system into operations, to constantly help mitigate our environmental risk. In addition, the aforementioned SHE management system gives Bona the extra advantage to be environmental leaders in our sector. We believe by screening our entire value chain we actively reduce environmental risks and impacts (see fig. 3.3).

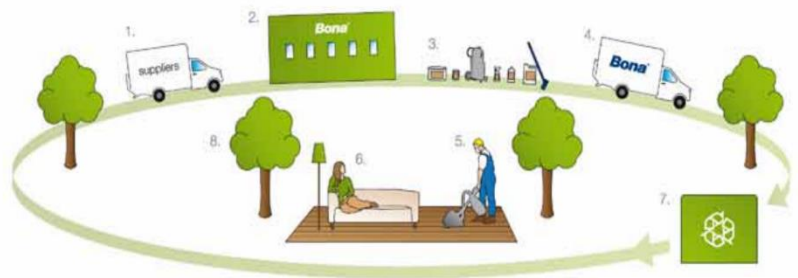


Fig. 3.3.

KPI- Waste per produced ton, MW hour / produced ton (energy)

Goals- Decrease waste by 10% by 2020 vs 2015, Decrease energy consumption with 5% by 2020 vs 2015. Regarding energy and waste last year's results are in line with our targets for 2020.

3.3.3. Fair disclosure and labelling



Correct labelling is imperative to not only build trust amongst our stakeholders but also highlights an area of ethical business. Correct disclosure of the ingredients in our products must be communicated with diligence. Failure to comply with international regulation on labelling can result in fines, legal complications and in the worst case - health injuries. Furthermore, administrative errors that mismatch information found on the product compared with the website can also be seen as irresponsible behaviour.

To mitigate these risks, we conduct external analyses within our industry, not to mention regular updates on our websites in different regions. We have also implemented an Intelligent Authoring (IA) computer program for the classification on Safety Data Sheets (SDS). We aim to centralise all SDS and products contents on our global website before 2020.

KPI to be decided during 2018.

3.3.4. Innovation



Innovation is at the heart of Bona's vision, and without it we stand to lose our position as market leader. Through innovation we can constantly improve our products to meet our customers' needs and most importantly continue to improve our environmental impacts. With sustainability as core driver for innovation we are always able to incorporate truly sustainable perspectives in all corners of our products, projects and working environments.

Ongoing projects in our research & development department are committed to developing new projects in all product lines. We aim to meet our goals to innovate at least 1 product per year within all product lines. In fact, through our continuous R&D efforts, we attract more customers towards a product range that has a strong focus on health, safety and environmentally sound products, without sacrificing performance. To ensure R&D efforts are never compromised, Bona's research and development policy has an exceptional importance on strategic decisions.

Our mission in research development is to continuously provide Bona with innovative and successful solutions. In this respect, we are able to develop new technologies to open new market opportunities, consequently increasing financial value to our company whilst minimizing competitive risk.

KPI- Major inventions per product line ready for the market.

Goals- At least one per year and product line. This has been fulfilled 2017.

3.3.5. Fair marketing and advertising



In this day and age, fair communications about our product is of great importance to Bona's brand image. Being a market leader, it is imperative to communicate fairly through our advertising without leading our customers astray. The repercussions of unfair and unethical advertising will no doubt hurt Bona's reputation for the long term. We strive for honesty and transparency with our products and build trust through our research & development efforts.

From a legal perspective, we have identified the risk of false advertising. Monetary fines and reclamations put pressure on financial resources not to mention the timely process which management teams will have to relocate their time. To handle this risk, Bona's Communication policy is derived on 4 central principles. These include:

Open - To maintain internal and external credibility, it is important that our information is objective and honest.

Up-to-date - Facts must be communicated as quickly as possible. Communicating in a quick and informed manner in both planned and unexpected situations helps build up trust.

Adapted to our target groups - Adapting our information to the right target groups means we must make our communication effective, clear and motivating.

Available - All information must be available to our target groups.

Additionally, it is important that we screen external marketing consultants with diligence and demand they work in alignment with our ethical values.

KPI-Yearly update on copy rights, inform and make sure that policies and guidelines are followed.

Goals- Zero complaints. We have had no complaints during 2017.

3.3.6. Economic stability

It is no secret Bona's success is built on a long-term vision. Sustainability is key in everything we do, therefore, the successful integration of environmental and social values into our business model, ensure economic stability and long-term growth. We pride ourselves on long term commitment to our customers rather than short term financial gains.

Like any business we must also analyse our external environment for economic stability. In times of economic downturn, our industry is vulnerable to financial strain. Therefore, a monthly analysis of our financial progression is made. Accordingly, we continually observe the economic situation in countries we operate within.

KPI- taken from annual report.

Four-year summary	2017	2016	2015	2014
Net Sales (KSEK)	2 322 789	2 218 200	2 021 437	1 641 876
Result after financial items (KSEK)	227 561	265 884	215 751	181 223
Operating profit (%)	10,70%	10,90%	11,40%	10,60%
Return on total capital employed (%)	14,60%	18,30%	17,00%	17,50%
Total capital employed (KSEK)	1 628 059	1 624 200	1 380 811	1 251 978
Equity ratio (%)	67,00%	62,50%	62,60%	59,70%
Average of number employees	570	540	514	486

3.3.7. IT and data security

IT and data collection technologies have developed at lightning speed, and so to have the risks that accompany them. Glitches and faults within our IT systems can easily lead to inefficient and counter-productive decisions. Inadequate IT systems and support can lead to costly interruptions within our daily business activities. We actively work with Bona's IT policy as a strategic tool to minimise our IT and data risk. The policy keeps a strict focus on making sure Bona's IT systems; support business growth, is high in quality, functions in a secure way, has high availability, is cost-efficient, and supports mobility.

Like many other companies, Bona will be affected by the EU General Data Protection Regulation, (GDPR Directive 96/46/EC) which will enter into force in May 2018. The regulatory framework will attempt to harmonize data integrity laws within Europe and will involve considerable changes for Companies which process personal data. Subsequently, we are in the initial planning stage of a project aimed at ensuring that we handle the information of individual individuals responsibly. Through controlled handling of personal information, we aim to minimize the risk on our customer and employee privacy being exposed. Thus, Bona will contribute to a more socially sustainable society, where the value of privacy is a central argument in building trust amongst our stakeholders. This is done by implementing a policy according to GDPR, this will be done during the beginning of 2018.

KPI- During 2017 no goals have been set up but will be analysed during 2018.

3.3.8. Employee health, safety and wellbeing



Our Employees' wellbeing is paramount for the long-term success of Bona. If Bona does not invest in the health of our personal, we risk not only inefficient and unproductive workers but we may also lose our best employees to the market. We hope to give our employees incentives through health programmes that encourages health and wellness. Although not mandatory, Bona's employees have the opportunity for free medical check-ups and are offered health insurance. We believe that by investing in our employees they will invest in Bona.

Due to the environments where our operators work in, working condition improvements and safety are always in focus for our research and development team. The Bona employees main work risk is the exposure of chemicals in the production. Bona have for a long time worked actively to prevent risks by closed production systems to reduce the exposure for the employees.

We will progressively aim to keep sick leave below 3% per year.

KPI- Sick leave, number of accident.

Goals- Sick leave below 3%, zero accidents. During 2017 we have measured this at our major sites. The outcome for Sweden was 2,2%, for Germany 5,3 and for US 4,1%.

3.3.9. Business Ethics and Anti-corruption

Every time a customer buys a Bona product or use our services and support, they are experiencing our brand values – Performance, sustainability and trust. Therefore, these values are resonated throughout our whole value-chain from supplier, to operations, and to the customer. Business ethics is more than just slogans, it means applying due diligence on our operations and then shining the torch on our suppliers. Bona's Supply chain policy communicates our objectives to constantly improve ethical and environmental aspects in cooperation with our suppliers.

As our gift and entertainment policy describes, Bona has zero tolerance for corruption. Unfortunately, we are aware that this problem exists on a global scale and we have to be pro-active in encouraging correct procedures to reduce the risk of our business being exposed to such malpractices. A large risk resides inside markets, Bona operates within, that are outside of Europe where corruption and bribery appears to be more common. We ask our business partners to uphold the same standards that are presented in our Code of conduct. Bona's aforementioned E-learning online tool, soon to be implemented, will conveniently educate our employees on ethical procedures that Bona lives-by.

KPI- Education every 3 year to all employees. Incidents of conflict /year

Goals - 100% employees every 3 year. Zero conflicts /year. The outcome for 2017 was 50% respectively zero.

3.3.10. Diversity and inclusion

Bona is well ahead of diversity and inclusion issues. The culture at Bona is to always build teams that offer diversity, in fact our management team is made up of 55% men and 45% women. Despite this we see diversity as social risk in communities we operate in. It is not always easy to find the right skills for our operations, yet we will continue to abide by our code of conduct guidelines to give equal employment opportunities and shall, under no circumstances, discriminate against any current or potential employee. Anti-discrimination is applied on the basis of gender, race, religion, age, nationality, sexual orientation, disability, political opinion, or any other personal trait or belief.

To mitigate risk of discrimination, Bona actively works across borders and integrates the multitude of cultures that are present within our global subsidiaries. Furthermore, Bona supports the right of each employee to be represented by trade unions or other representatives for the purpose of collective bargaining. Our goal is to always be 100% focused on diversity and inclusion without exceptions.

KPI- Employees who have had an annual appraisal, Employees who have got a job description, Complaints of discrimination addressed by respective manager.

Goals- All employees should have an annual appraisal. All employees should have a job description, All complaints addressed to by respective manager. The outcome for 2017 was for appraisals 98%, job descriptions 95% and for complaints addressed by respective manager 100%.

3.3.11. Materials sourcing



The large bulk of our business comes from sourced materials. Not only within our finishes but also components. If difficulties in obtaining the required materials increases, Bona faces the risk to deliver products on time and at cost. Consequently, our B2B customers may choose to delay the order or Bona may have to split delivery costs to satisfy our customer. This may lead to a loss in customer confidence and even lose substantial orders to our competitors.

In order to reduce the risk of this scenario taking place, Bona reviews products and component supplies with the aid of strategic tools such as the “Kraljic matrix”. This process is known to identify profit impact verses supply risk in our organisation and helps us formulate strategies against supply disruption.

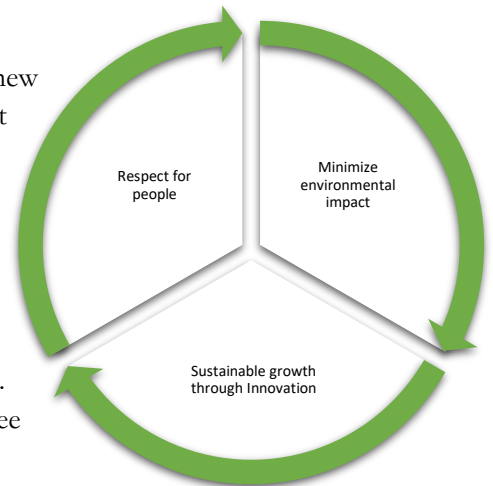
We also rely on building strong relationships with our suppliers, and continually evaluate each supplier so they are able to meet our supply demands. Furthermore, in recent years Bona conducted a Business Interruption Analysis (BIA) to safeguard operations against supply risk. We actively address material supply within ongoing weekly planning meetings.

KPI- to be defined

Goal- to be defined during 2018.

4. Final Word on Sustainability at Bona

The purpose of this report is to provide Bona's stakeholders new perspectives on how we offer shared value to not only our company but also for the citizens that reside in our community. We have disclosed which social, economic and environmental issues are material to Bona and whilst providing a means to how we address each of the most current issues. First and foremost, we believe it is our responsibility to create and maintain a sound economic business that connects to our sustainability objectives – respect for people, minimize environmental impact, and create sustainable growth through sustainable innovations. We strive to make decisions that can deliver the best outcome for all three legs of sustainable development (economic, environmental and social).



Moreover, we place the health and safety of our employees a top priority considering they are the back bone of our business. Our economic stability goes hand in hand with the wellbeing of our immediate community. Our employees are the essence of what Bona's brand name represents and we continue to identify our shortcomings and make continual improvement. Once again, we acknowledge the EU's directive about the importance of having a company that has a zero tolerance for corruption and bribery. We at Bona shall constantly review our policy, regarding anti-corruption, and make the necessary changes to avoid negative impacts that are connected to our business.

We understand that the decisions we make today may have a large impact on our future generations therefore it is imperative to make every decision a sustainable decision. We will continuously strive to reduce our negative impacts on the environmental through not only open dialogue with our stakeholders but also measuring the action that we implement. Considering this is the first Sustainability report Bona has published, we understand it is an evolving process that will no doubt be a key to the long-term success of Bona. We uphold the core principles that stand behind the most effective sustainability reports. That is to say, if disclosures bring transparency, transparency brings scrutiny, therefore scrutiny can make change for the better.

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Malmö 2018-03-14

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Bertil Edner
Styrelsens Ordförande

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Britt-Marie Forsberg

.....
Kerstin Lindell
Verkställande Direktör

The auditor's report on the statutory sustainability report

To the general meeting of Bona AB, corporate, identity number 556017-6488

Engagement and responsibility

The Board of Directors is responsible for that the statutory sustainability report for 2017 has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

My examination of the statutory sustainability report has been conducted in accordance with FAR's auditing standard RevR 12 *The auditor's report on the statutory sustainability report*. This means that my examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. I believe that the examination has provided me with sufficient basis for my opinions.

Opinion

A statutory sustainability report has been prepared.

Malmö March 14, 2018

Johan Thuresson
Authorized Account
Ernst & Young AB