

**FLIR SYSTEMS AB**

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# ***SUSTAINABILITY REPORT***

**FOR FISCAL YEAR 2018**



The World's **Sixth Sense™**



## Our products can help to improve the environment

*"Our vision is: To innovate the World's Sixth Sense to save lives and livelihoods. Improving the way people live is therefore at the very heart of our business and it goes without saying that our vision includes working towards environmental improvements. The ability of our products to have a positive impact on the environment, for example by detecting gases that are harmful to the environment or by helping to save energy, makes it easy to be proud of what we do.*

*A lot is also going on at our site in Täby, Sweden, to reduce our climate footprint and to provide a healthy and sustainable working environment for our employees. I'm delighted to be able to present a comprehensive overview of our activities in this Sustainability Report."*

*/Rickard Lindvall,  
General Manager of FLIR SYSTEMS AB*



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Images from FLIR Systems in Täby.



## Our Business Model

**FLIR Systems AB develops and manufactures products incorporating IR sensors, as well as software and apps, for an ever-increasing number of sectors and end-uses, from consumer products to border security cameras. These products are manufactured both in our own factories in Täby and Tallinn, and in some cases, also in other countries. Production itself consists largely of advanced assembly work, but we also have a complete lens production facility in Täby where we make our own lenses. Our products are sold through a variety of different channels, from customer-specific contracts to online catalog distribution.**

FLIR Systems AB is a subsidiary of FLIR Systems Inc. which is headquartered in the USA. At the same time, Täby is one of the largest FLIR sites in terms of the number of people it employs — approximately 500 of FLIR's 4700 employees and consultants are based there.

At FLIR we develop and produce products for all three business units: Industrial, Commercial, and Government & Defense. The Instruments division, which falls under Industrial, is managed from Täby. Also based here are FLIR's largest development operation covering both product development and more research-based activities, a large production unit for final assembly of cameras, and an advanced manufacturing facility for optical elements. Customer and market-focused operations are also based in Täby, together with support functions such as export control, service and support, quality, HR, IT, and finance. The large building that facilitates all of this also needs ongoing maintenance.

Flows of goods and people enter and exit the building every day. Many travel by car, but there is a station nearby served by the Roslagsbanan railway. A new commuter station is being built in Arninge, which will make it even easier for our employees to commute.

Just under 40% (in value) of the goods transported to our production facility come from Sweden. Approximately 20% come from Asia, primarily from China. We supply products to 115 different countries from Täby. Products are shipped to customers outside Europe by air or sea.

Many of our employees have been with us a long time, but, reflecting our continued growth, we have employees of different ages. Our complex international operations require high levels of expertise, and FLIR has therefore systematically put in place skills development programs in recent years. We also have close ties with many schools, from elementary schools to universities.

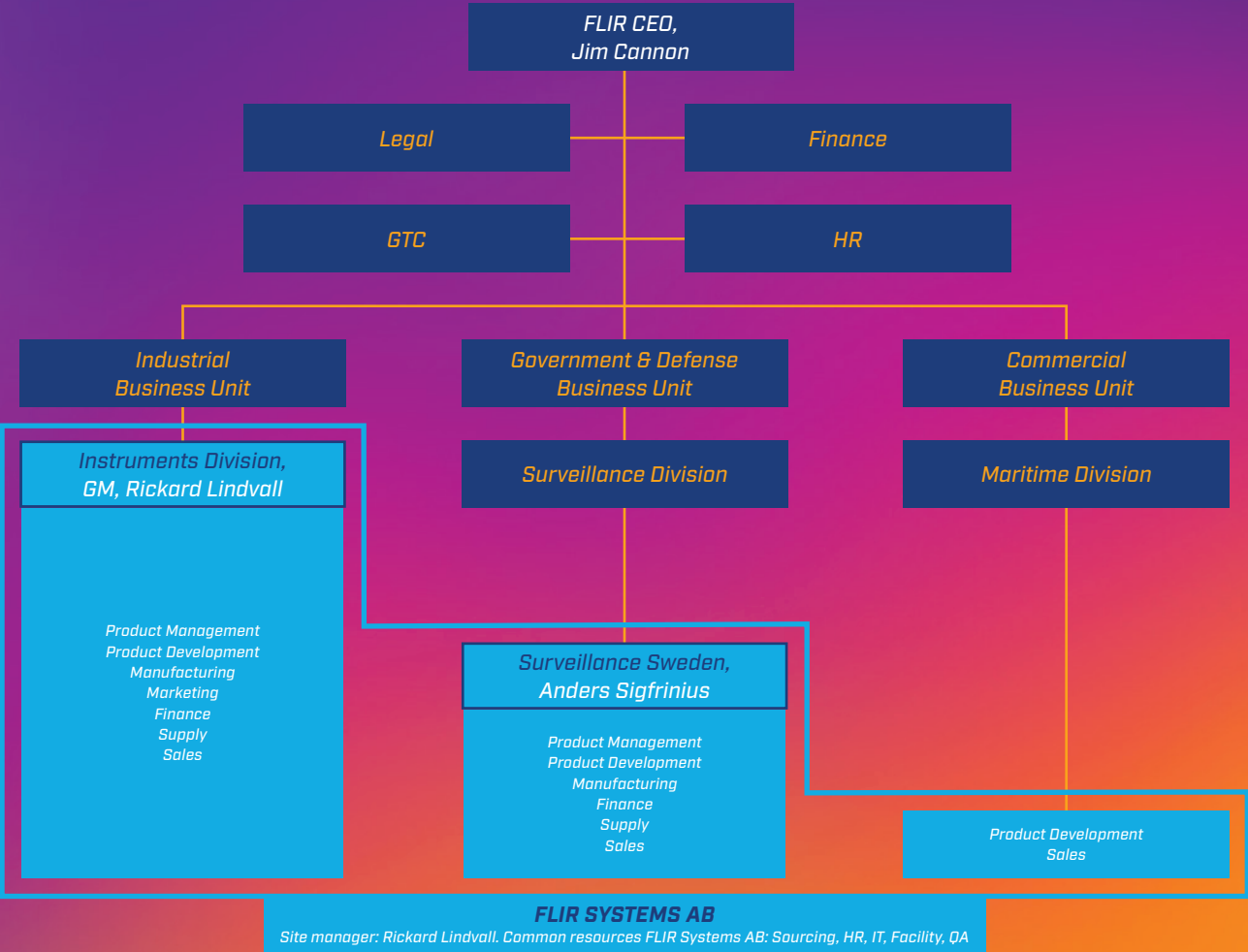
FLIR Systems AB is ISO 9001:2015 certified and also holds environmental certification under ISO 14001:2015. We design and manufacture products to meet demanding standards, such as those required by EASA (European Aviation Safety Agency), ATEX (European rules for explosive atmospheres), and our military customers. At the same time, we also have products where the challenge lies in their being supplied to the consumer market in large volumes. We are also a training company. Our Infrared Training Center (ITC) has trained several generations of certified thermographers. ■

**FLIR SYSTEMS AB IS A MEMBER OF THE FOLLOWING ORGANIZATIONS:**

SD Association
AIA Vision Online
MIPI Alliance
Bluetooth SIG
VESA
MPEG-LA
Wi-Fi Alliance
Teknikföretagen (Association of Swedish Engineering Industries)
Svenskt Näringsliv (Confederation of Swedish Enterprise)
Swedish Quality Network, SQN
Fastighetsägarna (Swedish Property Federation)
Svenskt Monteringsforum (Swedish Assemblage Forum)
QSIP Quantum Structure Infrared Photodetectors Conference
SPIE
Sveriges exportkontrollförening (Swedish Export Control Society)
SACS—Swedish Association of Civil Security
SODF—Swedish Security and Defense Industry Association
THINGS—The Innovation Growhouse Stockholm AB
PhotonicSweden
SEK Svensk Elstandard (Swedish electricity standardization association)
Innovation Pioneers
Sveriges affärsreseförening AB (Swedish Business travel association)
Logistikföreningen PLAN (Logistics association)
Stockholms Handelskammare (Stockholm Chamber of Commerce)
GBTA Global Business Travel Association
Big Science Sweden
KTH Innovative Centre for Embedded Systems (ICES)



**FLIR Systems AB—Governance structure**





## Our Stakeholders

We comply with national and international rules and regulations

- Certification bodies
- Authorities in Sweden and other countries

- Direct customers
- Distributors
- End users
- Suppliers

We are part of a supply chain for both requirements and physical material

We rely on collaborations within the technological field

- Universities
- External partnerships (e.g. IGEday, Vetenskapens Hus)
- Industry organizations and network forums

Our employees are our most important resource

- Employees
- Prospective employees
- Trade union organizations

- FLIR Corporate
- Shareholders

We are a part of FLIR

The chart shows some of the stakeholders who have the greatest impact on FLIR Systems AB and equally those who are impacted most by our operations.

## FLIR SYSTEMS AB, PRODUCTS AND TRADEMARKS\*

PRIMARY BRANDS	PRODUCTS
FLIR	FLIR T10xx series
FLIR	FLIR T6xx series
FLIR	FLIR T5xx series
FLIR	FLIR Exx series
FLIR	FLIR Ex series
FLIR	FLIR GFxxx series
FLIR	FLIR GF7x series
FLIR	FLIR Kxx series
FLIR	FLIR Kx series
FLIR	FLIR A6xxx series
FLIR	FLIR A8xxx series
FLIR	FLIR A3xx series
FLIR	FLIR A6xx series
FLIR	FLIR Ax5 series
FLIR	FLIR Ax series
FLIR	FLIR Cx series
FLIR	FLIR TGxxx series
FLIR	FLIR ETS3xx series
FLIR	FLIR InSite
FLIR	FLIR Thermal Studio
FLIR	FLIR Tools
FLIR	FLIR Mobile SDK
FLIROne	FLIR One series
Seapilot	Seapilot
UltraFORCE	UltraFORCE 350-HD
UltraFORCE	UltraFORCE 350-EP
UltraFORCE	UltraFORCE 275-HD
Corona	Corona 350 II

PRIMARY BRANDS	PRODUCTS
Ranger	Ranger HRC (E, S, U, X)
Ranger	Ranger HRC MultiSensor (HRC MS)
Ranger	Ranger HDC (800, 1200, 350, 550)
Ranger	Ranger HDC MultiSensor (HDC MS)
Ranger	Ranger HDC MR
Ranger	Ranger HDC MR MultiSensor (HDC MR MS)
ThermaVision	ThermaVision CM
ThermaVision	ThermaVision EFD
ThermaVision	THV3000
ThermaVision	THV3000 MultiSensor (THV3000MS)
ThermaVision	ThermaVision Sentry
ThermaVision	ThermaVision DV55
ThermaVision	ThermaVision SA90
ThermaVision	ThermaVision DV55SSL
ThermaVision	ThermaVision SA90SSL
ThermaVision	ThermaVision DV55DS
ThermaVision	ThermaVision SA90DS
ThermaVision	ThermaVision DV55DSL
ThermaVision	ThermaVision SA90DSL
ThermaVision	ThermaVision VAC
ThermaSight	ThermaSight RWSS
ThermaSight	ThermaSight RWSS LR (S, T)
ThermaSight	ThermaSight LIRC
ThermaSight	ThermaSight LIRC 90400
ThermaSight	ThermaSight LIRC II
ThermaSight	ThermaSight C2-10 (C2/10)
ThermaSight	ThermaSight V4000
	BOB
	Remote

\*Trademarks and product names for products developed or manufactured by FLIR Systems AB.

## ENVIRONMENT:

# Products that Make a Difference

In early spring 2016, FLIR conducted a review of how its different processes impact the environment. The review was guided by material published by the Swedish Environmental Protection Agency. Taking into account the extent of the impact on the environment and the focus of Sweden's national environmental objectives, we were able to identify a group of environmental aspects that were more significant—that played a greater role—than the others, namely how our products reduce gas emissions and energy losses; and transportation, waste, business travel, handling of chemicals, and energy consumption at our premises.

## Products with positive impact

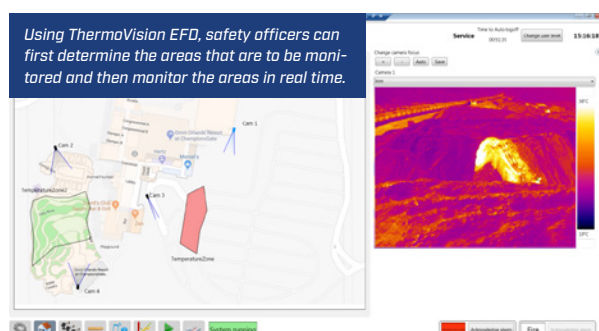
By far the greatest (positive) impact of our operations on the environment comes from the environmental improvements that our customers can make using our products, for example by detecting heat losses, energy leakage, and greenhouse gas leaks. The positive effect on the environment is considerable thanks to our cameras' ability to scan large areas and uncover more issues that can be fixed.

Looking at our own facilities at FLIR, there are a handful of areas which we can improve, but at the premises of all our customers, we can improve thousands! This positive impact on the environment is intrinsic in much of what we do, since large parts of our operations involve developing and selling our products.

## Fire detection reduces impact on the environment

The production of biofuels is increasing in Sweden. Household waste, for example, is being stored at waste management plants, before being incinerated and turned into biofuel.

During this interim storage, however, there is an inherent risk of self-combustion, as biological processes



Täby and Tallinn are both environmentally certified in accordance with ISO 14001.

are at work, which generate heat and, in the worst case scenario, can cause fire. These fires are often large and difficult to put out. Toxic gases such as dioxins and hydrocarbons are also released into the atmosphere. The fire and rescue authorities report\* 70–80 fires each year measuring between 500 and 2000 m<sup>2</sup>. A large amount of water is also used to extinguish fires, which can carry toxic chemicals with it down into the ground.

Preventing these spontaneous fires is therefore of benefit for the environment. The FLIR ThermoVision Early Fire Detection system continuously measures the temperature of stored material, raising the alarm if it starts to overheat. Our fire detection system can thus help to prevent fires that are harmful to the environment.



\*Swedish Rescue Services Agency (SRV), "Riskbedömning i samhällsutvecklingen Etapp 2: Materiella förutsättningar—energi och avfallshantering", 1997.



The FLIR GF77 was one of the first uncooled cameras on the market for detecting methane gas.



## Gas detection cameras

Our gas detection cameras (optical gas imaging, OGI) can detect — in real time — leaks of harmful gases that are hazardous to the environment such as methane, sulfur hexafluoride, carbon dioxide (CO<sub>2</sub>), carbon monoxide, and refrigerants. The cameras help our customers to significantly reduce the amounts of environmentally harmful gases that would otherwise be released into the atmosphere.

### Uncooled OGI camera for methane gas detection

Early this year, we launched the FLIR GF77, one of the first uncooled cameras on the market for detecting methane gas. The new camera works without in-built detector cooling, making it extremely reliable and keeping its price down at the same time. These two factors enable the camera to reach users who wouldn’t previously have had access to their own equipment.

## Aggressive greenhouse gas

Methane, used in the natural gas industry, is a very aggressive greenhouse gas, 25 times more potent than CO<sub>2</sub>. From a climate perspective, burning natural gas is a better alternative to burning fossil fuels like oil and coal, but leaks from production and distribution must be discovered and fixed to ensure that as little methane as possible is released into the atmosphere.

### Reducing methane emissions

The FLIR GF77 is an excellent tool for finding leaks in the natural gas industry — and equally useful in the oil industry, where any methane gas leaks also need to be controlled. Under the rules and regulations that apply in both of these industries, ongoing plant inspection is required using our more advanced, cooled OGI cameras. Now that more operations are able to invest in a camera, the plants can be checked more often, meaning that leaks can be found and fixed earlier.

## PREDICTED ENVIRONMENTAL BENEFITS

### REDUCTION IN EMISSIONS BY USING OPTICAL GAS IMAGING (OGI), PER YEAR

<b>Leaks found per year and per camera</b>	<b>70</b>
Emissions per leak*	400 g/h
Duration of emissions [% of year]	80%
Leaks that have been fixed	75%
Methane content in leaks fixed	65%
CO <sub>2</sub> equivalent for methane (multiplied by)	25
Total number of leaks fixed	206 035 200 kg/year
<b>Total methane gas leaks fixed as CO<sub>2</sub> equivalent (kg)</b>	<b>3 348 072 tonnes</b>

#### Comparison

Methane gas emissions in Sweden as CO <sub>2</sub> equivalent (kg), 2015**	4 872 000 tonnes
Proportion of methane gas emissions fixed per year compared with Sweden’s total methane gas emissions	68.7 %
Sweden’s total emissions of CO <sub>2</sub> equivalent (all gases)	52 900 000 tonnes

\*Comment: Large leaks make the biggest contribution. User Report, 2018

\*\*Swedish Environmental Protection Agency, National Inventory Report Sweden 2017

### ENERGY SAVINGS BY USING ELECTRICAL OR BUILDING INSPECTION CAMERAS, PER YEAR

<b>Number of issues found per year and per camera</b>	<b>15</b>
Average power lost per issue	100 W
Duration of issue [% of year]	25%
<b>Total energy lost from all issues found per year</b>	<b>492 750 000 kWh</b>
Percentage of issues fixed	50%
<b>Total energy savings from issues fixed</b>	<b>246 375 000 kWh/year</b>

#### Comparison

Energy consumption for average house per year***	25 000 kWh/year
Number of houses per year that could be heated using energy saved	9855

\*\*\*www.energidrivaren.se



# Materials and Substances

## Materials in our products

The materials in our products are specified to comply with the ever-increasing rules and regulations concerning substances that are hazardous to the environment or to health. The ability of suppliers to meet our specifications is assessed at various points in our collaboration with them. We also test what is in certain components using external testing laboratories, based on a risk calculation.

## REACH and other rules concerning hazardous substances

Our products are complex in terms of the materials they contain. They incorporate electronic and mechanical parts, and are often supplied together with accessories such as cases, chargers, and cables, which are made of materials covered by different rules and regulations. The most important of these are RoHS for electronic products, REACH, which applies to all products, and California Proposition 65. All of these rules are updated periodically. New substances are added to the European REACH Directive twice a year, for example. This often includes substances that are not relevant for us; lead, though, was recently added to the list.

We have several different ways of managing the requirements arising from these various rules and regulations. In some cases we test materials in the lab, for example for softeners in plastics and rubber materials, which are listed under all three regulations. We also ask our suppliers what their procedures are in this area, and impose requirements on transparency and processes. We also engage in dialog with other

FLIR subsidiaries and local authorities, such as the Swedish Chemicals Agency.

## Waste

Different types of waste are monitored in cooperation with our recycling contractor. In 2018 we generated 50 560 kg of combustible waste, 2063 kg of chemical waste, and 2293 kg of electronic waste.

## Aim to replace hazardous chemicals

Our customers expect high performance from the products we manufacture. Some of our products, for example, must be able to withstand extreme weather conditions, and the adhesives we use must not leave any coating on our lenses. The level of quality required for our products in turn places requirements on the materials we use in production. Paints, lubricants, adhesives, and cleaning fluids, for example, are supplied to our site in Täby, and our aim is to find the best chemicals for the job, while at the same time having as little impact as possible on both the environment and people.

Christian Gustafsson is responsible for our chemicals register. This is a database describing all our chemicals and how they are to be handled. Health and safety data sheets can also be found here, which provide clear instructions on what to do in the event of an accident.

In addition to the regulations that apply to us, we also follow our own Environmental Policy which sets out our intention to avoid hazardous chemicals and to replace them as soon as an equivalent product becomes available. Having control over our chemicals enables us to carry out follow-up work.

**"I always ask developers if they looked at other alternatives when they suggest unsuitable chemicals. If they didn't, they'll be sent back to the drawing board!"**

**/Christian Gustafsson,  
Chemicals Manager**





# Energy and Emissions



**"I think that having the ability to charge your car at work can sway your decision to choose an electric car or hybrid."**

**/Lars Sveijer, Product Architect**

## Charging points

In 2016, FLIR installed its first six charging stations for charging electric cars and plug-in hybrids. The number of electric cars among employees increased quite quickly, and charging station availability became insufficient last year despite a sharing scheme.

Lars Sveijer, who has a hybrid himself, took on the job together with our facilities department to manage the construction of another 16 stations to provide access to a charging point to everyone who needed this. Being able to charge your car during the daytime means that our employees can also drive home from work in an environmentally friendly way.

FLIR also offers employees a "salary sacrifice car" as a benefit, and this can also help more of our employees to switch to greener cars.

## Transportation

We deliver our cameras by air freight. This means around 20 000 000 km flown or 3500 tonnes of CO<sub>2</sub> every year. We also receive the delivery of materials to our own factory from all over the world. Our operations are not restricted to Täby. FLIR is represented in many different countries, where our colleagues carry out valuable sales work. Many of our management meetings are held outside Sweden, and there is considerable value in meeting people face-to-face. When we are making preparations for production in Tallinn we need to be on site; we visit suppliers to encourage cooperation and foster trust, which is needed in the relationship.

FLIR is aiming to reduce the amount of business travel, and has installed special telepresence rooms for video conferences with a view to improving communication between its different units around the world.

## Energy for our premises

The facilities department is working systematically to reduce energy consumption in our premises. The building is normally heated and cooled using geothermal energy. On really cold days, we need to top up with oil, and when we do it is fossil-free bio oil that we use. However, only 45% of total consumption is managed by the facilities team (heating and ventilation). The rest of our energy consumption is managed by us all: our

computers, lighting, and electricity consumption in our production plant. Our electricity consumption accounts each year for 50 tonnes of CO<sub>2</sub>, and our oil consumption accounts for 18 tonnes of CO<sub>2</sub>.

## EXTRACT FROM OUR ENVIRONMENTAL POLICY

FLIR Systems AB is committed to protecting the local and global environment. To minimize environmental impacts from our activities and products, including prevention of pollution, we shall:

- Comply with applicable legal requirements and other requirements which relate to the company's environmental aspects;
- Work with reduction of greenhouse gas emissions and energy leakage globally by having an attractive and easily available product offering to our customers;
- Be committed to ensure that protection of the environment is embedded in company culture and in strategy work.

## HUMAN RESOURCES:

# A Healthy Working Environment

As a company, we have a duty to ensure that our employees do not suffer ill-health or accidents. However, it is not just the physical working environment that affects the working climate. That's why we have set up many initiatives and activities with a view to providing a workplace where there is room to grow and which offers development opportunities and a positive corporate culture.

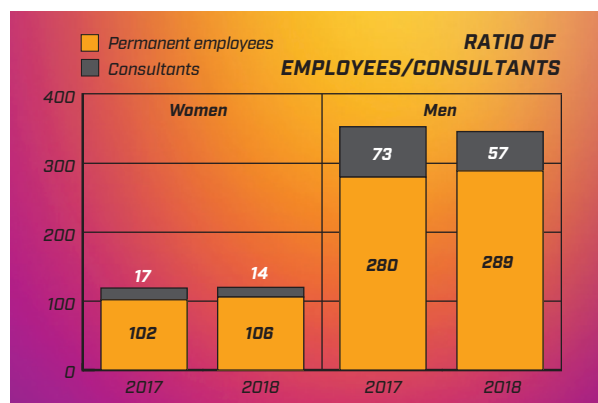
## Flirometer

Every year since 2005 we've conducted a confidential staff survey to monitor what employees think of their working conditions and their ability to do a good job. Our 'Ethical Principles' set out how we should interact with one another, customers, suppliers, and others. Our employees should re-familiarize themselves with our ethical principles once a year.

## BE FLIR

A big push was made in 2018 to implement our core values: BE Ready, BE Ambitious, BE Bold, and BE Brave. It's of great strategic importance that our work is based on clear values, not least because employees want to be able to identify with the company's values, not just with its products or services.

"For me, working based on our BE FLIR values is of strategic importance; employees want to identify themselves with FLIR's values, not only with its products or services. It is my personal belief that a value-based culture will not only appeal to potential new hires but also to the people already working for FLIR," says Paulina Linde, HR Business Partner and one of our BE FLIR ambassadors.



## EXTRACT FROM OUR EQUAL TREATMENT POLICY

For FLIR, equal treatment means that each and every employee is of equal value and should be treated fairly, irrespective of gender or cultural differences.

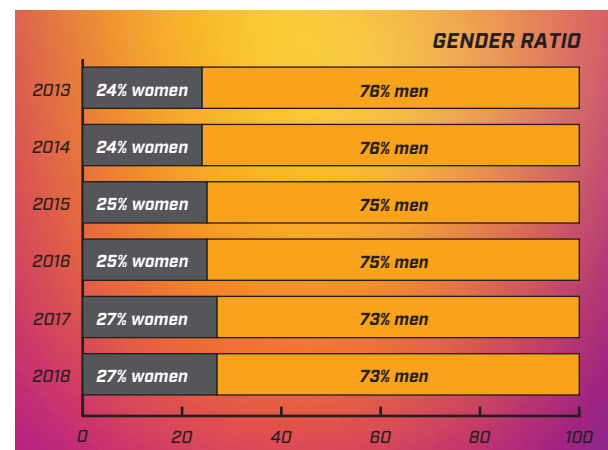
By making use of and drawing on the different characteristics and experiences that men or women may have, we can create a stronger company and a workplace where everyone, irrespective of background, is provided with the best possible environment in which to be able to use their skills and talent.

## Same opportunities for everyone

In our Equal Treatment Policy we have outlined our approach to equal treatment. We cooperate with local trade union organizations and labor protection representatives on an ongoing basis to ensure compliance with our ambitious goals. One objective is to increase the proportion of women in departments primarily staffed by men, and vice versa.

For FLIR it's important to show appreciation for individual efforts that contribute to achieving established company goals. Our objective is for all employees to feel that the salary FLIR pays for the work done is in line with the market norm.

The company is subject to collective agreements, and all permanent appointments are full time unless an employee chooses to reduce their working hours.







## A sustainable workplace —for both body and soul

At FLIR, we have an active sports club which, in addition to traditional sports such as floorball and skiing, also offers classes in yoga, core strength, and functional training. Our ambition is for there to be an activity to suit everyone, no matter how fit they are. So our gym and sports hall are well used!

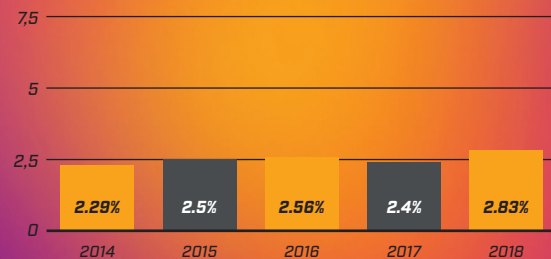
“I was chatting to some colleagues and realized that there were many of us who were out of shape and who wanted to get fitter. Floorball seemed a fun way to get us to start training again so I set up the ‘Floorball for the out of shape’ group. We now play every Tuesday and we’re all a bit fitter than we were when we started,” explains Björn Jacobsen.

But good health is not just about exercise. To feel good, there needs to be a balance between physical activity, diet, sleep, and, not least, time for relaxation. Finding this balance can sometimes be hard on your own, when there never seems to be enough time.

That’s why FLIR started working with lifestyle coach Petra Bergsten, to help our employees personally and to boost ‘organizational health’, in other words, the working environment and working climate we have at the company.

Our goal is to keep absence due to illness at a low level (below 3%), and we have been successful in doing so for several years.

### SICK LEAVE



## ETHICAL PRINCIPLES —CODE OF CONDUCT

- **Honesty:** We will be truthful in all our endeavors with one another and with our customers, communities, suppliers, and shareholders.
- **Integrity:** We will say what we mean, deliver what we promise, and stand for what is right.
- **Respect:** We will treat one another with dignity and fairness, appreciating the diversity of our workforce and the uniqueness of each employee.
- **Trust:** We will build confidence through teamwork and open communication.
- **Responsibility:** We will encourage our employees to speak up—without fear of retribution—and report concerns in the workplace, including violations of laws, regulations, and company policies, and to seek clarification and guidance whenever there is doubt.
- **Citizenship:** We will obey all the applicable laws and regulations of all countries and jurisdictions in which we are present and/or do business.

# HUMAN RESOURCES:

## Our Employees

### Skilled employees —today and tomorrow

In order to achieve our goals and fulfill our vision as a company, our employees need the knowledge and skills to be able to do a good job—now and in the future. Our Competence Policy states that our objective is to have each and every employee working to increase their skill set so as to manage their current and future tasks.

All employees have individual goals, which are set and reviewed with the manager once a year—a good opportunity to also discuss competence development.

### Talent Pulse

In our Instruments division, a recurrent process was also introduced in 2018 to look at the way in which we train and professionally develop our employees. A forum called Talent Pulse was launched and is now held once a month, attended by the management team of the Instruments division and HR business partners.

The aim of the meeting is to review how we train our employees to ensure that the right skills are in place for our business needs, as well as succession planning for our key positions. The Talent Pulse forum also reviews the individual action plans created for employees who need training.

### Further training at FLIR

For the company to evolve, it is necessary to find employees who are prepared to take on a job with more responsibility and demands. It's important to both retain and professionally develop these individuals, and that's why we have established two different further training resources: FLIR University and Babson College.

### The right person in the right place

Finding the right employees for our roles is no easy task. We therefore train our managers in recruitment and interviewing techniques to help them do the best job possible. We also have long-standing collaborations with external recruitment partners who help us in some of our recruitment drives. We are also proactive in making FLIR known as an attractive employer.

### EXTRACT FROM OUR COMPETENCE POLICY

**All employees** will have personal competence development goals which are linked to the strategic competence objectives of the business as well as to the demands of the employees' current position.

**Our goal** is for all employees to have access to individual competence training needed to carry out their work—and further professional development as permitted by, and as supports, the development of the business.

**The responsibility** for competence development is shared between employees and managers.

### Sweden needs more engineers—of both genders

Sweden is experiencing a shortage of engineers. Against this background, we have chosen to support a number of activities and initiatives aimed at increasing young peoples' interest in science and technology. The hope is that these initiatives will increase the number of engineering students in the long term.

We also want to see more girls training to be engineers, so we sponsor and take part in Womengineers' IGEday initiative (Introduce a Girl to Engineering Day). On IGEday, technology companies across Sweden open up their doors to girls so that they can see what it's like to be an engineer for a day.

### OUR EXTERNAL INITIATIVES

INITIATIVE/ ORGANIZATION	COLLABORATING SINCE...	STAKEHOLDERS
IGEday/Womengineer	2015	Schools, employees
Vetenskapsens Hus, science education center	2017	Employees, schools
Kodlyftet, coding competition	2018	Täby municipality, schools in Täby, employees
Tekniksprånget, engineering "taster" scheme	2016	Schools, employees
First Lego League	2014	Vallarp School, employees
IK Frej, sports club	2015	Täby municipality, employees
Täby artificial snow track	2018	Täby municipality, employees
Bellmanstafetten, relay race	2017	Employees



"We organize IGEday because we are convinced that a tech industry with gender equality is a good thing for Sweden. Many of the participating girls do not know any engineers and have a limited understanding of the profession. During IGEday they can try the profession for real—learning by doing. This year, we had the opportunity to offer 3000 workplace visits throughout the country—which would not have been possible without our partners!"

*/Isabella Broman,  
Womengineer*



On IGEday, girls get a chance to see what it's like to work as an engineer, for example by testing user-friendly industrial design and learning about the importance of good technical descriptions.



# HUMAN RIGHTS: Our Suppliers

All our suppliers are reviewed before we embark on any business relationship. They must also sign and comply with our FLIR Supplier Code of Conduct, which is based on the Fair Labor Association Workplace Code of Conduct and the Electronic Industry Citizenship Coalition Code of Conduct, before we start working together. This is to ensure as far as is possible that suppliers provide their employees with decent and humane working conditions.

## Proximity to suppliers

Our suppliers are primarily located in Europe, North America, and Asia, and we review their operations on a regular basis. We hold business review meetings with our strategic suppliers once a quarter.

As part of our ISO 14001 certification, our suppliers' environmental management processes are also checked under an ISO audit. This is to ensure that they comply with the ambition of the ISO 14001 standard for ongoing improvement work in relation to environmental management.

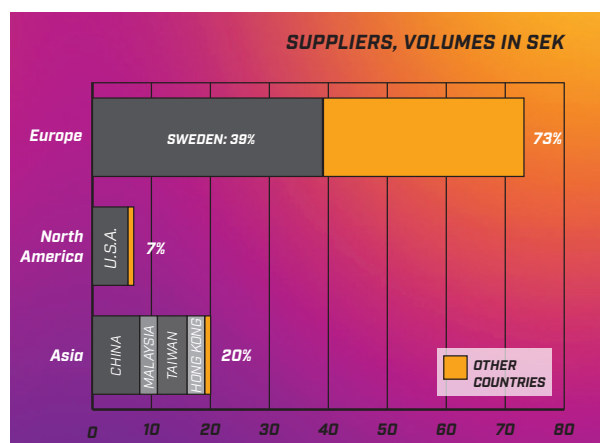
At our office in Taipei, Taiwan, sourcing colleagues work in close proximity to our Asian suppliers. Having colleagues present locally makes it easier to deal with any cultural differences or language barriers. It also helps us to monitor suppliers' compliance with our Supplier Code of Conduct, as well as with the applicable laws.

## EXTRACT FROM THE FLIR SUPPLIER CODE OF CONDUCT

Suppliers are expected to maintain fundamental labor and human rights standards as described below. These standards embody those embraced by the Fair Labor Association Workplace Code of Conduct and the Electronic Industry Citizenship Coalition Code of Conduct. All references to local law include regulations implemented in accordance with applicable local law:

**The FLIR Supplier Code of Conduct also outlines the requirements we place on our suppliers, in the following areas among others:**

- **Labor:** No forced labor, no child labor, no harassment or abuse, hours of work, non-discrimination, freedom of association and collective bargaining, wages and benefits, overtime compensation
- **Health and Safety:** Environmental permits and reporting, pollution prevention and resource reduction, hazardous substances, wastewater and solid waste, air emissions, product content restrictions, security requirements, physical security, access controls, personnel security



## ETHICSPPOINT

FLIR has set up an online reporting system where employees and FLIR partners can get guidance and advice about our Code of Ethical Business Conduct in a confidential manner, or can report certain types of misconduct or noncompliance. The interactive online system is called EthicsPoint. Read more at [www.flir.ethicspoint.com](http://www.flir.ethicspoint.com).



# Higher levels of certainty mean lower risk

**Production in the Surveillance unit has embarked on a robust improvement initiative with its roots in The FLIR Method (TFM) and based on the lean approach. By mapping all elements of production work and then removing any elements that are unnecessary, the aim is to use resources in the best way possible.**

"I would say that the whole point of the lean initiative is to increase the level of certainty in production. This also allows us to plan, manage, reduce waste, and deliver on time," says Petra Wahlgren, head of production for S&C, Surveillance Systems Sweden.

## Unnecessary elements are removed

The lean initiative in Surveillance production started in October with a 'value stream mapping', in other words, a map of all parts of the process through to a finished HRC system. Taking the map as the starting point, it was possible to identify "waste" which didn't bring any value to the process but merely consumed resources. Our customers don't want to pay for these unnecessary elements; therefore, this initiative maximizes the customer value of our products.

Eliminating unnecessary parts of the process also means that employees can use their resources better and focus instead on the activities that create value, as well as on making other improvements. A high degree of certainty also enables production planning, so as to avoid unplanned overtime and material shortages.

The project has so far been run by a production working group with the assistance of lean consultant, Jennifer Pamminger. A number of concrete changes have already been made. Lenses that were previously quality-controlled by both the optics center and during production now arrive at production having already passed their final inspection; the layout of the adhesive room has been optimized, and the area for inspecting ESD components has been defined more clearly.

## Opportunity to change the way we work

"The improvements you notice first are always the physical changes," says Jennifer, "but the most important changes and those that can really have a lasting impact are those that you can't see, such as employees' commitment to their work, customer satisfaction, and relationships with resellers." Lean is part of The FLIR Method, the method for changing work processes which is used across FLIR.

Among other things, production that has been optimally adjusted reduces the risk of capital being tied up in unnecessary stock storage, unsatisfied customers due to noncompliance with delivery times, as well as unplanned overtime.

"Perhaps most important of all, the risk of having dissatisfied employees is reduced because what we are doing now gives them the opportunity to impact and enhance the way that they work. And without our skilled employees there can be no production at all," concludes Petra.



In October 2018, Petra Wahlgren started the Lean initiative in Surveillance production. The project has been run since then by a production working group with the assistance of Lean consultant, Jennifer Pamminger.

The image shows Jennifer Pamminger (left) and Petra Wahlgren (right).

## Our Anti-corruption Procedures

### FLIR's legal department outlines our anti-corruption work:

FLIR Systems, Inc. and its affiliates ("FLIR") conducts business all over the world. As such, FLIR is subject to legal requirements in various jurisdictions. FLIR is committed to acting with integrity and conducting business according to the highest levels of ethical conduct and compliance with laws. Our products are offered to both government and commercial customers, and are selected based on quality, functionality, operability, and price. We do not seek any improper influences while conducting our business, and expect the same standards from partners operating on our behalf. FLIR has established certain policies and procedures to ensure these compliance standards are maintained both internally as well as with our partners.

As a company headquartered in the United States, FLIR is obligated to remain compliant with the US Foreign Corrupt Practices Act (FCPA). In addition to the FCPA, FLIR's operations require compliance with the UK Bribery Act as well as other local anti-corruption laws and statutes (together, "Anti-Corruption Laws"). All of our employees are expected to abide by Anti-Corruption Laws. By conducting business with FLIR, our partners are also required to be familiar with, and adhere to, the requirements of the FCPA as well as any other applicable Anti-Corruption Laws.

FLIR has established compliance policies to assist our employees and partners adhere to Anti-Corruption Laws. Applicable policies include FLIR's Code of Ethical Business Conduct, the Gifts, Entertainment and Hospitality Policy, the Global Anti-Corruption Compliance Policy, the Third Party Engagement Policy, and the Travel Hosting Guidelines Policy. In addition, FLIR undertakes a review of our partners to determine the capabilities of such partner to properly represent FLIR in accordance with our standards and requirements. Part of these efforts involves a diligence review of our partners in advance of any business relationship. FLIR also undertakes periodic diligence updates of our partners throughout the term of the relationship.

### EXTRACT FROM THE GLOBAL ANTI-CORRUPTION COMPLIANCE POLICY

**FLIR will conduct its operations so as to comply with the US Foreign Corrupt Practices Act (FCPA), the UK Bribery Act, and all other applicable anti-corruption legislation.**

This Policy applies to all our contact with customers, cooperation partners, marketing representatives, consultants, and anyone else you come into contact with while working for FLIR, anywhere in the world.

FLIR also undertakes to provide its best assurances that its sales representatives, resellers, distributors, agents, consultants, third parties, and other cooperation partners and suppliers meet the same high legal and ethical standards as FLIR in their business relationships. Third parties working under contract for FLIR (including all our cooperation partners and suppliers) are expected to follow the principles of this Policy.





# *“Broader risk management program”*

**“We are a very complicated business. We operate in over 90 locations which we have built up over a number of years with many different acquisitions. This creates a complex footprint. It builds fantastic products, but the sheer number of offices we have does make it harder for management to oversee from the insurance perspective, and to support. FLIR is a small large company—but that is what makes it really interesting.**

I am the VP for Internal Audit for FLIR globally, with responsibility for providing assurance that FLIR is managing its various business, financial, and compliance risks effectively. We are developing a broader risk management program, where we identify our key risk factors. The program reports to the FLIR board, which has obligations to manage key business risks—this means not only the identification of key risks but also testing if what we say is what we do.

## *Annual audit plan*

We have an annual audit plan that is approved by the board—in very much the same way you have your internal audits in Sweden. At each audit we look into various risks, and anticorruption is one

of the key risks. The legal department has done a great deal to improve our compliance, and Internal Audit has been undertaking some specific audits measuring our compliance with these requirements. BE BRAVE is one of FLIR’s four core values: We do the right thing, even when it’s hard and when no one is watching, to the benefit of our customers, employees, and shareholders. We pride ourselves on Integrity. Being ethical in our daily decision-making is imperative and there is nothing more important—not usually, but always.

## *It is about cooperation*

Anticorruption: It is about working collaboratively with the business and law department.

We in Internal Audits do not operate in isolation. The key point is to reach out. We report quarterly to the audit committee.

As we operate in global locations we have third parties that operate on our behalf. We often have to demonstrate that we have the right framework in place, that we have a review process which shows that suitable controls are in place.”

*/Iain Fulton,  
VP Internal Audit*



## *SUMMARY OF EICC CODE OF CONDUCT*

The Electronic Industry Citizenship Coalition Code of Conduct establishes standards to ensure that working conditions in the electronics industry supply chain are safe, that workers are treated with respect and dignity, and that business operations are environmentally responsible and conducted ethically.

## *EXTRACT FROM THE FLA WORK- PLACE CODE OF CONDUCT*

The Fair Labor Association Workplace Code of Conduct defines labor standards that aim to achieve decent and humane working conditions. The Code’s standards are based on International Labor Organization standards and internationally accepted good labor practices.

**BE  
BRAVE**

We do the right thing, even when it's hard and when no one is watching, to the benefit of our customers, employees, and shareholders. We pride ourselves on Integrity.

# GRI Index

FLIR Systems AB reports its sustainability work in accordance with the GRI (Global Reporting Index) Standard, Core option. The sustainability report accompanies our financial report, which is presented each year for the reporting period January to December. The starting point for the report is to provide a comprehensive overview of FLIR Systems AB's activities and

to describe how the company addresses sustainability issues over the year. The table below shows the disclosures made. All reported GRI Standard modules relate to Version 2016. The report has been subjected to a limited assurance review by the project's steering group.

## GRI REFERENCE

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102-48	Restatements of information	N/A
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102-51	Date of most recent report	June 2017
102-52	Reporting cycle	January–December
102-53	Contact point for questions regarding the report	Cecilia Trajmar, Johan Zeno
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Beehive photographed using a  
FLIR T1040 thermal camera.  
Photo: *Gustav Olsnäs*

## ***About the Sustainability Report***

Sweden's Annual Accounts Act has been updated and, as of 2018, larger companies in Sweden are required to produce a sustainability report containing non-financial information on issues concerning the environment, human resources, social relationships and conditions, respect for human rights, and anticorruption practices.

This requirement is based on EU Directive 2014/95/EU. FLIR Systems AB is regarded as a larger company in this respect, and must therefore produce a report every year. We have chosen to publish the sustainability report as a separate document. Many activities are under way in all the areas listed, sometimes a little overshadowed by other initiatives in the company; however, we are delighted and proud to have this opportunity to showcase what we are doing.

## ***FLIR makes a difference***

At FLIR Systems AB we develop IR technology and thermal cameras that improve—and even save—people's lives. By far the greatest (positive) impact of our operations on the environment comes from the environmental improvements that are made possible by our products. Our cameras can be used, for example, to detect heat losses and energy leakage, or to detect leaks of greenhouse gases.

And at our own site in Täby we strive to be sustainable in environmental terms and to provide a sustainable workplace for our employees.

Read more at [flir.com](https://flir.com).



The World's **Sixth Sense™**