



2013-02-21

Ban Ki-Moon
Secretary-General
United Nations
New York, NY 10017
USA

To our stakeholders:

I am pleased to confirm that the Bufab Group continues its support of the Ten Principles of the United Nations Global Compact in the areas of Human Rights, Labor, Environment and Anti-Corruption. In this annual Communication of Progress we describe our actions to continuously improve the integration of the Global Compact and its principles into our business strategy, culture and daily operations. We also commit to share this information with our stakeholders using our primary channels of communication.

I would like to highlight two projects started in 2012 which will improve Bufab's adherence to the Global Compact and its principles. The first project is our ambition to harmonize processes across all Bufab Group companies. Bufab operates in more than 25 countries around the world and historically our subsidiaries have operated rather independently. We are now in the process of creating more common ways of working in all companies, and as an integral part of this development we are bringing all our subsidiaries up to the same level when it comes to the Global Compact principles.

The second project deals with our suppliers. Bufab works with a large number of external suppliers, primarily in Europe and Asia. An important priority in 2012 has been to update and improve our Supplier Management System, including all procedures and documents. This includes a new way of classifying our suppliers, in which we will differentiate the requirements we apply to different classes of suppliers. A key document has been the updated Supplier Manual which explains how suppliers can live up to the requirements of the Bufab Group. In this way Bufab can influence the adherence to the Global Compact principles beyond the boundaries of our own global organization.

Both of these initiatives mentioned are long term projects launched in 2012 and its efforts will continue in 2013 and beyond.

Sincerely,

A handwritten signature in blue ink, appearing to read 'J.R.', with a flourish at the end.

Jörgen Rosengren
CEO, Bufab Group

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Human Rights Principles

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Assessment, Policy and Goals

Bufab adheres to the Universal Declaration of Human Rights. We have established our Core Values and our Code of Conduct. Both these documents support the two Human Rights Principles and form the foundation of how the Bufab Group and its global subsidiaries operate.

Implementation

The implementation of our Core Values and our Code of Conduct at all our global subsidiaries is an ongoing process that was launched in 2012 and will be accelerated during 2013.

Measurement of outcomes

Through the harmonization process launched in 2012, including our Core Values and Code of Conduct, the Human Rights Principles have become more visible on management's agenda at all our global subsidiaries.

Labor Principles

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to

collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labor;

Principle 5: the effective abolition of child labor; and

Principle 6: the elimination of discrimination in respect of employment and occupation

Assessment, Policy and Goals

There is a strong focus within Bufab to ensure the best possible work environment and conditions for our employees. Furthermore, as part of our Supplier Manual and our newly update Supplier Management processes, we also put requirements on our large number of suppliers to live up to the four Labor Principles, e.g. we have a zero tolerance for child labor at our suppliers.

Implementation

We continuously audit our suppliers and suggest corrective actions where errors have been detected, alternative block suppliers that don't live up to our requirements.

Measurement of outcomes

A large number of supplier audits have been conducted during 2012. We have also developed a new way of working with Supplier Management, including a new structure for supplier classification. This new way of working will be implemented during 2013 and will enhance our ability to impose our requirements on our suppliers, i.e. reward good behavior at suppliers and punish bad behavior.

Environmental Principles

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies

Assessment, Policy and Goals

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Bufab has a high focus on taking all necessary and possible actions to protect the environment. Bufab impacts the environment in three basic ways: in the manufacturing and surface treatment operations of our suppliers, in our own manufacturing operations and through our transportations.

Implementation

Our updated supplier management processes have enabled us to put increasing requirements on our suppliers and how they work for environmental protection, e.g. we have banned all surface treatment using the poisonous Chrome-6 in favor of the more environmental friendly Chrome-3. At two our own manufacturing plants we have, during 2012, undertaken substantial investments with more environmental friendly operations as an important outcome. We have also invested in a global study on how we could reduce our overall transportations by improving our flow of goods.

Measurement of outcomes

During 2013 we expect to see the first effects of our reduced overall transportations.

Anti-Corruption Principles

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery

Assessment, Policy and Goals

Bufab has a strict zero tolerance policy against all forms of corruption as part of our Core Values and our Code of Conduct.

Implementation

The implementation of our Core Values and our Code of Conduct at all our global subsidiaries is an ongoing process that was launched in 2012 and will be accelerated during 2013.

Measurement of outcomes

Through the harmonization process launched in 2012, including our Core Values and Code of Conduct we have strongly emphasized our zero tolerance for corruption at all our global subsidiaries.