

SUSTAINABILITY REPORT
2017

THE SOLUTIONIST

BUFAB

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This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

About the Sustainability Report

This is Bufab's second Sustainability Report. The first report was published on 28 April 2017. The Sustainability Report comprises all companies in the Group unless otherwise stated. See page 41 of Bufab's 2017 Annual Report for a complete list of our subsidiaries.

The Sustainability Report has been prepared in accordance with the Swedish Annual Accounts Act's sustainability reporting requirements. Bufab's business model is reported on page 4 and risks are described on page 16. See pages 8–12 for environmental disclosures, pages 14–15 for social issues and employees, pages 9–12 for human rights, and page 9 for anti-corruption.

The auditor's report on the statutory sustainability report can be found inside the back cover.

Bufab supports the UN Global Compact and its ten principles. This Sustainability Report is Bufab's Communication on Progress for 2017. The sustainability report references GRI 103: Management Approach 2016.

If you have any questions or comments about the Sustainability Report, contact Jörgen Rosengren, CEO, Bufab, +46 (0)370-69 69 00, jorgen.rosengren@bufab.com

THIS IS BUFAB

Bufab is a trading company that offers its customers a full-service solution as a Supply Chain Partner for sourcing, quality assurance and logistics for C-Parts. Bufab's customer offering, Global Parts Productivity™, aims to improve the productivity in the customers' value chain for C-parts, thus reducing their total costs. Bufab has a diversified customer base in several countries and sectors within the manufacturing industry.

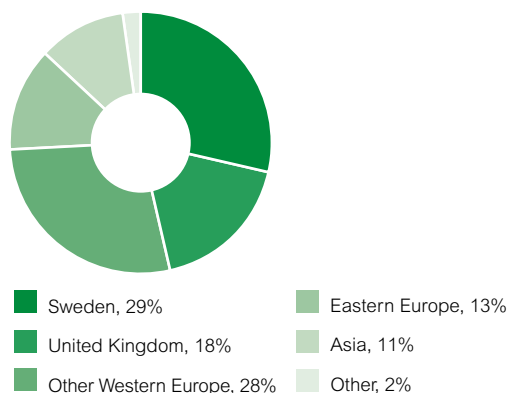
Bufab was founded in 1977 in Småland, Sweden and over time has developed into a multinational corporation with operations in 27 countries. Bufab has approximately 1,100 employees worldwide, who work with sales, sourcing, quality and logistics. The company's head office is based in Värnamo.

As a complement to its trading activities, Bufab also manufactures particularly highly technically demanding C-Parts in-house at two facilities in Sweden, and one in the UK.

Sustainability is integrated with every aspect of Bufab's operations – from how the company formulates and conducts its business, to how it assesses risk. Bufab strives to maintain health, security and safety for its employees, suppliers and others affected by the company's activities.

Bufab's sustainability practices are mainly governed by the company's Code of Conduct and policies for employees, the environment, quality and anti-corruption. Bufab has signed the UN Global Compact and incorporated its principles.

AVERAGE NUMBER OF EMPLOYEES PER REGION, 2017



2017 IN BRIEF

- Sales SEK 3,201 million (2,847)
- Operating margin (EBITA) 9.7 percent (9.7)
- Sources more than 140,000 parts
- 3,000 suppliers in our supplier base
- 13,000 customers worldwide

SELECTION OF ACTIVITIES COMPLETED IN 2017

- Developed the handling of sustainability aspects in Bufab's management system
- Increased quality and intensity in our supplier audit programme
- Improved communication with customers, suppliers and employees about sustainability
- Bufab Academy strengthened in sustainability issues

2017 was a successful year for Bufab. We implemented most of the planned activities and are now repositioning for 2018.

TOWARDS WORLD CLASS SUSTAINABILITY EFFORTS



“ **During the year, we announced our ambition to become the leading player in our industry by 2020, and we have a clear vision of how to reach that goal.** ”

2017 was a successful year for Bufab. We achieved positive sales growth, deepened our customer relationships and improved our supplier base. We strengthened our team, our organisation, and our processes and systems. We also made great progress in the sustainability area. In 2017, we submitted our first external report on Bufab's sustainability efforts that have been ongoing for many years. We also described the activities that were required to improve our sustainability performance. We implemented most of the planned activities during the year and are now repositioning for 2018.

The cornerstones of Bufab's sustainability efforts have been part of the company for many years. This includes, for example, sourcing that achieves favourable business terms without compromising our responsibility for the environment and ethics. We are working methodically to consolidate the supplier base, which provides more opportunities to focus on sustainability when working with suppliers. During the year, we recruited a Global Sourcing Director to Group Management, which will improve our performance in this area. Efficient logistics, ethically responsible relationships both within and outside the company, zero tolerance of corruption, respect for the central role of our employees, the view that everyone has equal value and the principle of freedom with responsibilities are also cornerstones of our sustainability efforts.

In 2011, we signed the UN Global Compact, and Bufab continues to incorporate the ten principles in the areas of labour, human rights, environment and anti-corruption. Since then, we have structured and improved our sustainability efforts in our four focus areas.

These are:

- Long-term, systematic sustainability efforts
- Responsible growth
- Sustainable global business
- People and relationships

During the year, we announced our ambition to become the leading player in our industry by 2020, and we have a clear vision of how to reach that goal. We need to ensure we have the best internal processes, the best supplier base and that we are the most attractive employer in our industry. This means we have substantially raised our ambition level for sustainability, which will also require real efforts from all of our employees. However, the long-term objective must not be allowed to affect our daily work. Customers and quality must always be our primary focus.

But we are also humbled by the complexity and difficulty of the area. C-Parts is a particularly demanding field in regard to these issues. Bufab has thousands of customers and suppliers worldwide, and annually manages billions of components with more than 140,000 different specifications. So we obviously have a major task ahead of us – we are not perfect. What we can guarantee, however, is that this issue is at the top of our agenda, and that we are working methodically and resolutely to achieve continuous improvements.

2017 was a memorable year for Bufab. We are now tightening our grip and aiming for the leading position in our industry by 2020!

Värnamo, March 2018

Jörgen Rosengren
President and CEO

Bufab is a trading company that offers its customers a full-service solution as a Supply Chain Partner for sourcing, quality assurance and logistics for C-Parts.

BUSINESS MODEL

Our customers make stringent demands on sustainability in the supply chain, and they choose suppliers based on an overall assessment of both direct and indirect costs. Bufab's deliveries are to meet market demands in terms of quality and responsible production – the costs of any defects in C-Part quality and delivery precision can be substantial.

Suppliers

We have built up a global network of suppliers and source a total of 140,000 unique parts, mainly from Asia and Europe, that are stored in our own warehouses in some 30 different locations all over the world for fast and reliable delivery. Parts equivalent to approximately 45 percent of the purchase value are sourced in Asia, 10 percent in Sweden and the remaining 45 percent from the rest of Europe. As a complement to its trading activities, Bufab also manufactures particularly technically demanding C-Parts in-house at two facilities in Sweden, and one in the UK.

Customers

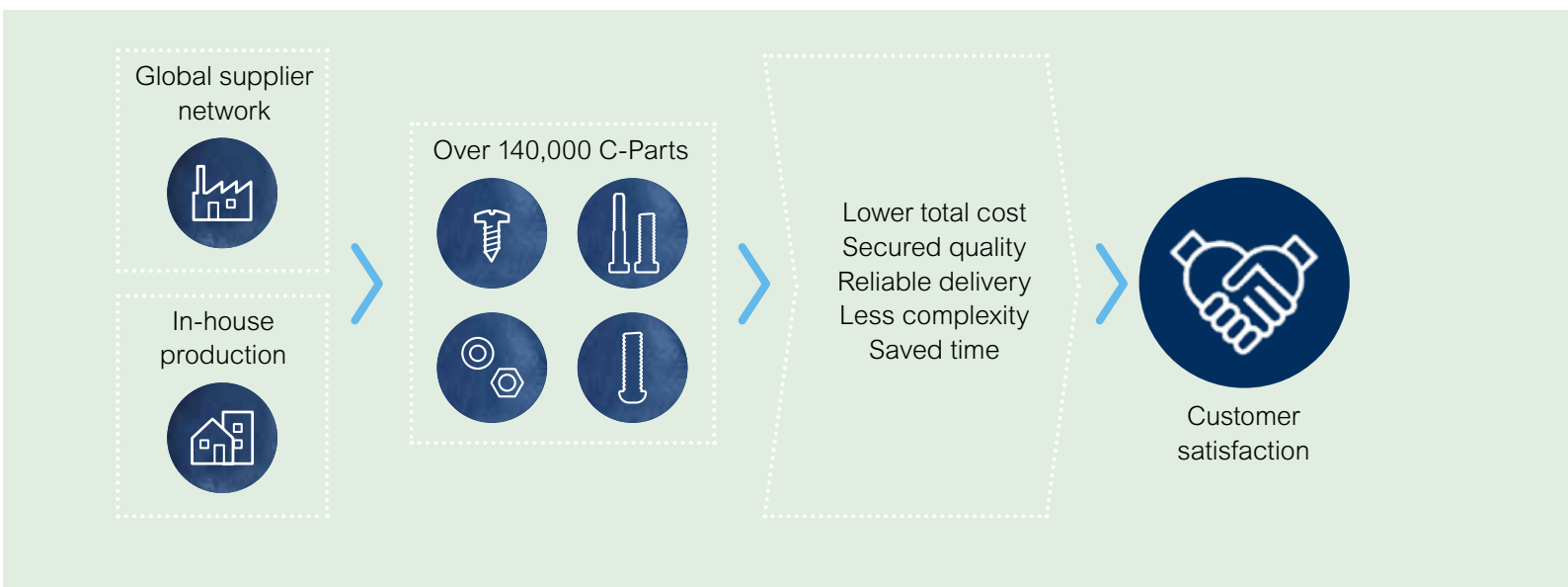
Bufab's customer base is diversified and comprises approximately 13,000 customers in a range of different industries. These customers are also geographically diverse, and can be found in the Nordic region, the rest of Europe, Asia and the US. Bufab's customers vary in size, which also contributes to different sourcing behaviours and needs. We therefore offer flexible solutions at local level, and global solutions to national and international customers.

A changing market

Our customers are driven by the need to reduce their costs and increase productivity through more efficient management of C-parts that meet the market's high demands on price and quality, and on consideration for people and the environment. Bufab takes total responsibility for our customers' handling of C-Parts, and lowers their overall cost. That gives them time and energy to focus on their core business. Demands on suppliers of C-Parts are increasing and only those who can deliver at top global level will survive the current consolidation phase in the market. We see these increasing demands as a challenge and are aiming to be the market leader by 2020.

Non-financial value creation

Because sourcing, quality assurance and logistics of C-Parts are the actual core of Bufab's business model, we are in a better position to manage the sustainability issues related to C-Parts than our customers. Through coordination and more efficient transportation, we can often achieve a lower environmental impact than if our customers conducted their own sourcing. We are also in a better position to demand that our suppliers follow our Code of Conduct and comply with our requirements for environmental consideration, health and safety, human rights and other social conditions in production.





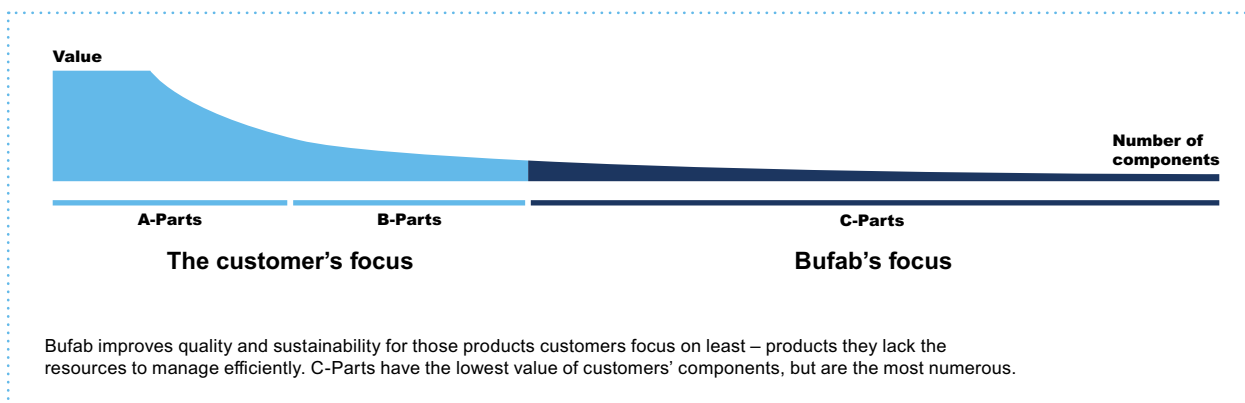
C-Parts are components such as fasteners in metal or plastic (screws, bolts, nuts, rivets, cotters, washers, etc.), other small metal, rubber or plastic parts, such as wires, springs and electronic fasteners.

WHAT ARE C-PARTS?

In the manufacturing industry, the components used in manufacturing operations are classified as A-Parts, B-Parts and C-Parts. C-Parts often represent a large share of all part numbers in a list of materials. C-Parts typically have a low unit cost, wide product variation, large volumes and many suppliers in the segment.

C-Parts are unique in that only a small part of the total cost of the component is derived from the purchase price, often as little as 20 percent. The remaining 80 percent of the total costs are indirect costs, in the form of costs for logistics, sourcing and quality assurance.

Sustainability can be a particularly challenging issue for C-Parts. There are many parts, with unique specifications and quality requirements, they are ordered from many suppliers from all over the world, and every part has a low value. As a result, it is often difficult for our customers to guarantee sustainable and ethical handling across the entire supply chain. This is where Bufab comes in. As customers gradually increase demands on themselves and their suppliers, it will become even more important for them to have a responsible partner for the supply of C-Parts.



In 2017, we raised our ambition level and launched our vision to be the leading player in the industry.

STRATEGY

Over the past five years, we have successfully implemented an extensive programme as part of our growth strategy. We have strengthened our customer relationships, developed a market-leading quality management system and built up a global quality-assurance organisation. We have also completed six acquisitions. In 2017, we raised our ambition level and launched our vision to be the leading player in the industry.

Bufab Best Practice

Bufab Best Practice (BBP) is our Group-wide management system. The system is based on ISO 9001, and on the concept that we should learn from each others' experiences by sharing best practice, problem-solving and smart ways of working across the Group. This helps us to develop the operations and meet the market's growing demands. With BBP, we have created a platform for sustainable growth and a world-class supplier base, which are the prerequisites for achieving our vision.

Sustainability is also an important aspect when acquiring new subsidiaries. We only acquire subsidiaries with a similar view of the values that are fundamental to our own approach. In addition, acquired companies can often make valuable contributions to Bufab Best Practice.

In 2018, we will be investing heavily in "Digital Bufab," a project that will make our processes and systems more digital.

Quality and customer needs first

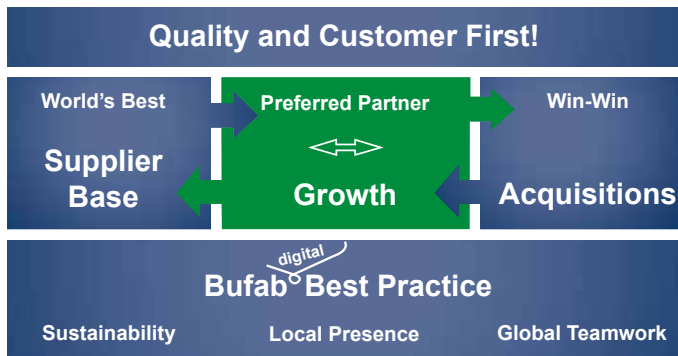
Due to a systematic stakeholder dialogue, we are well aware of what our customers are looking for. Customers expect good service, products that do what they promise and on-time delivery. They also require us to have a safe and sustainable supply chain, that we disclose the use of conflict minerals, use a Supplier Code of Conduct and that we are certified according to ISO 9001 and ISO 14001. Customers are our most important stakeholder group and their requirements determine our governance and continuous improvements.

Bufab's customer offering, Global Parts Productivity™, aims to improve productivity in the customer value chain for C-Parts. We help our customers reduce their overall costs, free up capital, achieve consistent quality and stable deliveries.

We promise our customers that we are credible, committed, fast and flexible, and that we are "The Solutionist." This means that we take total responsibility for our customers' handling of C-Parts – small components at the bottom of the value chain. In doing so, we also take a global responsibility – by coordinating sourcing and transportation, we are in a better position to negotiate and can increase demands on sustainability in the supply chain.

Helping our customers to improve sustainability in the C-Parts chain is an increasingly important part of our value proposition. Many of our competitors are weak in the sustainability area – small competitors often lack the resources, and not all major competitors have taken the issue seriously. Bufab sees an opening here.

STRATEGY



THE BUFAB EMPLOYEE: THE SOLUTIONIST

Bufab's employees do not see problems, we see solutions. Our reliability forms the basis for the long-term, trusting customer relationships that the company's 40-year growth is founded on. Quality is always our first priority. Our Swedish heritage stands for honesty, transparency and strong ethics.

We are dedicated – the goal is to be our customers' long-term partner. We take pride in finding the best solution for our customers. Our partnerships are based on good relations all around the world. Our customers know that we deliver with passion and care.

Bufab comes from the entrepreneurial heart of Sweden. We believe in being close and flexible.

Bufab has identified four focus areas for the company's sustainability. The focus areas give us different perspectives on how we can achieve our vision.

FOCUS AREAS FOR STRATEGIC SUSTAINABILITY EFFORTS

LONG-TERM, SYSTEMATIC SUSTAINABILITY EFFORTS

To achieve our ambition to be the industry leader by 2020 we must also have the industry's leading internal processes. Under the focus area: Long-term, systematic sustainability efforts, we have gathered our Code of Conduct, policies and continuous efforts to refine our internal processes for sustainability efforts. Bufab has signed the UN Global Compact and incorporated its principles.

Read more on pages 8–9.

A SUSTAINABLE GLOBAL BUSINESS

To create a sustainable global business, we strive to consolidate our supplier base, reduce our environmental impact and continuously improve the quality of our products. This is also part of our work to achieve our vision of a world-class supplier base by 2020.

Read more on pages 10–12.

RESPONSIBLE GROWTH

Bufab has an ambitious growth target. Growth is important for generating high returns for our owners, who are a key stakeholder group. However, responsible growth also benefits our other stakeholders: our employees, society at large and our suppliers. And most importantly, we achieve responsible growth for Bufab by improving sustainability in our customers' sourcing, logistics and quality assurance of C-Parts.

Read more on page 13.

PEOPLE AND RELATIONSHIPS

With clear values and strong leadership, we want to be the most attractive employer in the C-Parts industry. The Bufab Academy is our toolkit for developing our employees to meet the market's growing demands. Our approximately 1,100 employees are independent and systematic problem-solvers who engage in our environmental efforts and believe in greater diversity for a stronger Bufab.

Read more on pages 14–15.



With our Bufab Best Practice management system, Code of Conduct and policies, we are striving to create the best internal processes in our industry by 2020.

LONG-TERM, SYSTEMATIC SUSTAINABILITY EFFORTS

Material sustainability issues

To be as efficient as possible in our sustainability efforts, we have to focus on the right issues. In order to identify where our operations have the greatest impact and the factors that are significant for the company and its continued success, we performed a materiality analysis in 2016 that resulted in six material sustainability areas. The assessment was conducted in collaboration with Bufab's key stakeholders, using both qualitative and quantitative review methods and a benchmark of information needs. In 2017, we added economic performance and market presence to the list, two key areas for our continued growth.

Our material sustainability issues are:

- Anti-corruption
- Procurement practices
- Supplier sustainability assessments
- Emissions from transport activities
- Training and education
- Diversity and non-discrimination
- Economic performance
- Market presence

Bufab Best Practice

Our Bufab Best Practice (BBP) management system provides the platform for our internal processes. By raising the status of sustainability aspects, we will improve sustainability governance in our material areas at subsidiary level as we move forward. Since 2017, BBP has been mandatory for all subsidiaries except those recently acquired. If required, the management system can be updated with local instructions. Our aim is that all subsidiaries will make use of Bufab Best Practice. However, implementation will not be immediate in newly acquired companies, for obvious reasons. Our overall policies on the other hand – including endorsement of the Global Compact – apply to all companies in the Group.

Work with BBP is conducted by comparing a desired situation with the current situation. Non-compliances are identified, analysed and adjusted. In 2017, all subsidiaries performed a self-assessment in relation to BBP. The results led to a number of improvement projects, of which a reorganisation of Bufab's sourcing organisation is one of the largest. The sourcing departments will now be divided into a strategic section and an operational section, which was completed in the large subsidiaries during the year and will be rolled out in more companies during 2018.

The Best Practice Board, comprising Bufab's CEO and some members of Group management, meets regularly and reviews the BBP status and action plans. During the year, the Best Practice Board focused on strengthening the Bufab Academy in the area of sustainability, improving procedures related to sustainability in supplier audits, refining the selection of suppliers, and strengthening the governance and identification of performance

indicators for Bufab's material sustainability issues. The work was based on a gap analysis of our governance and monitoring of the material issues that was performed by an external party. By formulating targets for, and measuring, assessing and prioritising, our work in relation to these material issues, we can reduce our negative impact and take advantage of our opportunities for making a positive impact. Through this governance for greater sustainability, we are building a stronger Bufab, ready to meet the future.

Our aim is to comply with the ISO 14001 standard globally. By applying ISO 9001, ISO 14001 and being guided by ISO 26000, we will create a leading Best Practice for sustainability governance in the supply chain for C-Parts. Using systematic sustainability governance, we can establish procedures for continuous improvements and achieve the requirements of external audits. Today, 18 of Bufab's subsidiaries have locally certified quality management systems in accordance with ISO 9001, while seven companies have environmental management systems in accordance with ISO 14001.

Planned activities 2017

Results

• Develop the handling of sustainability aspects in BBP under the leadership of the Best Practice Board	Implemented
• Produce performance indicators for sustainability efforts	Implemented
• Implement BBP according to plan	Implemented
• Renewed external audit of sustainability efforts	Not implemented
• Publication of Bufab's first Sustainability Report	Implemented

Planned activities 2018

• Perform audits of subsidiaries to ensure that BBP has been implemented according to plan.
• Roll out regional sourcing structures in the subsidiaries.
• Continuous monitoring of our performance indicators.
• Information about Bufab's anti-corruption efforts to employees, customers and suppliers.
• Anti-corruption training for all Managing Directors and Group management.

Governing documents for sustainability

Bufab's sustainability efforts are based on our Code of Conduct and Group-wide policies. Bufab's policies apply to all companies in the Group and compliance is regulated in the instructions for all Managing Directors. Each year, the Managing Directors submit a report on compliance with the policies in their subsidiary's operations.

Bufab's policies include an anti-corruption policy, environmental policy, HR policy, quality policy and a whistleblower policy. To support implementation and compliance, all of our policies are accompanied by a policy manual.

Bufab's Code of Conduct

A key part of our sustainability efforts is to establish and maintain suitable processes for identifying suppliers that conform to the requirements of our Code of Conduct and policies. Bufab's Code of Conduct is based on the ILO Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multi-national Enterprises and the Universal Declaration of Human Rights. The Code of Conduct is available at www.bufab.com.

Bufab has signed the UN Global Compact and incorporated ISO 26000 – Guidance on social responsibility.

Bufab encourages all its business partners to make continuous improvements in areas covered by the Code of Conduct, which include business principles, principles on human rights and social justice, including freedom of association and collective agreements where applicable, principles related to the environment, such as the precautionary principle, quality and regulatory compliance.

Anti-corruption

A prerequisite for sound business with both customers and suppliers is our zero tolerance of corruption. An important part of Bufab's anti-corruption efforts is our transparent business system, which is available to all employees. Transactions that do not feel sound are questioned. Bufab's approach to ethical business is described in the company's Code of Conduct and anti-corruption policy. They have been communicated to the employees in all subsidiaries, and to customers and suppliers.

Within the framework of Bufab Best Practice, we have a systematic procedure for assessing and evaluating risk. All subsidiaries have evaluated their operations in regard to corruption, but no material risks have been identified.

JIM SUNDGREN,
PURCHASE MANAGER, AXELENT AB



Axelent AB offers a complete safety concept for machinery, construction, warehousing and cabling. They are one of the leading brands in the market for wire mesh partitions for industrial and warehouse environments. Axelent is based in Hillerstorp, which is also where all product development, production, storage and packaging takes place. Axelent has sales offices in more than 50 countries and sells its products all over the world. Bufab delivers fasteners and customer-specific, drawing board products to Axelent.

Why is sustainability important for Axelent?

Jim Sundgren, Purchase Manager at Axelent: Axelent aims to act and deliver products and services that are ethically, environmentally and socially sound. This is important for us as well as our customers.

What sustainability requirements do you impose on your suppliers?

Jim: We expect our suppliers to deliver products that are manufactured under good working and manufacturing conditions. It is important that our suppliers contribute to sustainable development in terms of the environment, climate, health and living conditions. Their products should also be as environmentally friendly as – or more than – similar products on the market.

How well does Bufab live up to your requirements?

Jim: Bufab meets our requirements very clearly in terms of sustainability. They offer a high-quality, sustainable supply chain without compromising on ethical, environmental or social aspects. Bufab also has a clear vision of how they want to work with sustainability issues to become a leading supplier and a future leader of their industry.

As a global trading company with a large number of suppliers and customers, we are in an ideal position to make a difference from a sustainability perspective.

A SUSTAINABLE GLOBAL BUSINESS

We want to develop a world-class supplier base by 2020. To do so, we consolidate our sourcing to the suppliers that conform to our high quality and sustainability standards. We are also endeavouring to reduce our climate impact from transport, ensure that our components do not contain conflict minerals and continuously improve our quality.

Bufab's greatest impact on sustainability is through our global network of 3,000 suppliers. The suppliers are selected, evaluated and developed using Bufab's global supplier process, driven by our global sourcing department, and our sourcing offices in China, India, Taiwan, the UK, Poland and Sweden.

Some of our largest suppliers in terms of sales are in the highest supplier category, Preferred Supplier. The others belong to the Approved Supplier category. The proportion of suppliers in the highest category increased during the year, but we need to achieve more. Efforts to identify and qualify more suppliers as Preferred Suppliers will continue in 2018.

Some close supplier relationships, with suppliers from whom Bufab makes continuous purchases, develop into a partnership. The aim of partnerships is to achieve higher productivity and

quality, but also to create opportunities for focusing on the suppliers' sustainability aspects.

We have established a global organisation for supplier governance and developed and established the necessary infrastructure in the form of a Supplier Management Module (SMM). SSM is a supplier database with tools for self-assessment, capability audits and scorecards. Continued consolidation using SMM is a priority area for 2018.

During the year, we recruited a Supply Chain Development Manager. In spring 2018, a Global Sourcing Director will also become a new member of Group management.

Supply chain sustainability

Our Supplier Code of Conduct has been signed by all major suppliers, and all significant new suppliers, since 2016. Despite the amount of work remaining, the proportion of sourcing from suppliers that have signed our Code of Conduct is therefore continuously growing.

BUFAB'S SOURCING



SUPPLIER CATEGORIES

We classify our suppliers into the following categories:

- **Preferred:** Has signed both a sourcing agreement and Bufab's Supplier Code of Conduct. This group also includes our strategic partners.
- **Approved:** Has signed Bufab's Supplier Code of Conduct.
- **Potential:** Suppliers that are yet to undergo our approval process.
- **Blocked:** Suppliers we do not work with, or that are being phased out.

With know-how and larger sourcing volumes, Bufab can control C-Parts suppliers from a sustainability perspective more easily than our customers. In efforts to develop our supplier relationships, we prioritise our largest suppliers where we see that this work has the greatest impact. Suppliers that do not initially conform to our requirements are rejected.

Adopting a long-term approach and having good relations can reduce the risk in the supply chain – closer relationships benefit both price and lead times, which influence profit, efficiency and customer satisfaction. During supplier audits, we obtain information about a supplier’s production capacity in our supplier management system, and thereby can discover new suppliers and reduce the risk level in our production. For certain sourcing, we have instead a “designated” supplier, which entails that our customer has chosen and evaluated the supplier and is also responsible for sustainability aspects in the supplier relationship. Five percent of our suppliers are designated suppliers.

The fact that Bufab has a broad customer base and good relationships with both large and small customers across a range of industries and market segments is also significant from a risk perspective. Today, no single customer accounts for more than 5 percent of Bufab’s sales.

Supplier audits

An important part of Bufab’s sustainability efforts is to perform audits of our suppliers. Bufab has quality engineers employed who, during a supplier audit, examine conditions in areas including employees and sustainability, training, health and safety, accident reporting, work with safety inspections, child labour, environmental issues, waste and emissions, control of conflict minerals and compliance with REACH and RoHS. During an audit, we also check production capacity.

The main principle is our own audit plan, followed by audits initiated by customers or internal stakeholders.

During the year, we substantially increased the number of general supplier audits that were performed, which include sustainability. We also performed three in-depth sustainability audits of suppliers in China and Taiwan. If we identify instances of non-compliance, the supplier is responsible for creating an action plan that we later follow up. We are convinced that this process is better than disqualifying suppliers.

Conflict minerals

Conflict minerals include tin, tantalum, tungsten and gold, which are extracted in the Democratic Republic of Congo and other surrounding countries. The trading of minerals extracted in these countries can be used to finance armed groups in conflict zones and violations of human rights.

All suppliers who have signed our Code of Conduct guarantee that the components they deliver to us do not contain minerals from conflict zones. Upon request, the suppliers must be able to identify and report the use of tin, tantalum, tungsten and gold in their products.

Bufab has conducted a risk assessment and identified around 100 suppliers who deliver components containing minerals that could have been extracted in conflict zones. To control this, Bufab uses the Conflict Mineral Reporting Template developed by the Responsible Mining Initiative. Reporting obligations apply to most of the relevant suppliers. In 2018, we will be launching a new system to ensure that all relevant suppliers submit regular reports of their use of tin, tantalum, tungsten and gold.

If a supplier is suspected of using minerals from a conflict zone, we block the supplier and initiate an investigation. If our suspicions are confirmed, the supplier will be phased out in accordance with the applicable procedures.

Planned activities 2017	Results
<ul style="list-style-type: none"> Continued consolidation of our best suppliers, commercially and from a sustainability perspective 	Implemented, will continue in 2018
<ul style="list-style-type: none"> Establish deeper partnerships with suppliers 	Partly implemented, will continue in 2018
<ul style="list-style-type: none"> Increased quality and intensity in our supplier audit programme 	Implemented, will continue in 2018

Planned activities 2018
<ul style="list-style-type: none"> Continued consolidation of our best suppliers, commercially and from a sustainability perspective
<ul style="list-style-type: none"> Monitoring suppliers in relation to conflict minerals
<ul style="list-style-type: none"> Continued increased quality and intensity in our supplier audit programme
<ul style="list-style-type: none"> Implementation of the Bufab Supplier Management Process, including deeper partnership with key suppliers
<ul style="list-style-type: none"> Implementation of an improved supplier database
<ul style="list-style-type: none"> Sustainability policy for purchasing logistics services

Transport

The environmental impact of Bufab’s operations is decreasing as consolidated transport produces lower emissions and a less negative environmental impact than if customers sourced their own C-Parts. High fill rates guarantee the lowest-possible level of carbon dioxide emissions from transport.

Deliveries from suppliers and regional warehouses mainly take place by boat or truck, while deliveries to customers take place by truck due to the short distances. In 2017, we introduced Group-wide measurement and monitoring of the carbon dioxide equivalents generated in the logistics chain. From 2018, we will begin measuring changes in order to take the appropriate measures.

Express deliveries by air, and sometimes even truck, are used if there is a risk of delays, or for last-minute orders. We also began to monitor these at Group-wide level in 2017. Bufab strives to reduce express deliveries by continuously refining its product-flow planning.

In 2018, Bufab will develop a sustainability policy for purchasing logistics services, which will enable a categorisation of transport firms.

Passenger transport accounts for a minor percentage of our carbon dioxide emissions from transport. Wherever possible, we try to use video conferencing/Skype to minimise our passenger transport.

Quality assurance

Comprehensive quality efforts are required as a supplier to demanding customers worldwide. Quality in Bufab is fully integrated with our Bufab Best Practice management system, and is based on the quality management system ISO 9001:2015. We have a process to identify, handle and follow-up quality deviations. When a quality deviation has been rectified and investigated, the case is presented for analysis for internal learning and then to Bufab Best Practice.

GWÉNAËLLE LEOPOLD,
LEAD SUPPLIER AUDITOR, BUFAB



How do you perform a sustainability audit?

Gwénaëlle: Before the audit, the supplier sends us documentation to help us determine the supplier’s level of maturity in these issues. During the actual audit, we spend one day on-site with the supplier and go through everything, from the office and manufacturing to storage and canteens. It is important to remain vigilant and look behind all closed doors. You might find some surprises! We take photos to document what we have seen and to share our vision with all of Bufab’s employees.

What are the most common instances of non-compliance?

Gwénaëlle: In Europe, the most frequent area for improvement is waste management. The other requirements are usually covered by legislation. In Asia, we still come across factories with poor working conditions. In these cases, we demand that the supplier improves their workplace conditions or the employees’ safety.

How do you follow-up the identified instances of non-compliance?

Gwénaëlle: We share our audit report with the supplier and our lead buyer. Then the supplier sends us an action plan. It is vital that the supplier wants to improve their operations! One month later, we hold a follow-up meeting via e-mail or Skype, where the supplier can present evidence of the completed improvements. After another few months, we perform a follow-up revision to ensure that the measures have been implemented. The follow-up audits are performed by our Supplier Quality Engineers, who have completed sustainability training.

We grow both organically and through acquisitions. Growth generate returns for our owners. But responsible growth is also important for increasing sustainability and our contribution to other stakeholders: employees, society at large, suppliers and customers.

RESPONSIBLE GROWTH

With Bufab Best Practice, we have created a platform for sustainable growth. It forms the basis of our work for responsible growth, both for acquisitions, our own production and in collaborations with our suppliers. Bufab aims to grow 10 percent annually, both organically and through acquisitions. Growth is important for generating high returns for our owners, who are a key stakeholder group. However, responsible growth also benefits our other stakeholders. Our employees benefit through salary, pension and other benefits, as well as opportunities for personal development offered by an employer that encourages personal freedom and responsibility. Communities in the countries where we operate benefit from the growth for example through direct and indirect tax revenue. Our suppliers, which are chosen for their ability to contribute to responsible growth can grow on their own. And finally, and perhaps most importantly, our customers improve sustainability in sourcing, logistics and quality assurance of C-Parts.

Acquisitions

When we acquire a company, we devote a great deal of time and energy to evaluating the company's supplier base and sustainability efforts to ensure they conform to our requirements. If we identify instances of non-compliance in the acquisition process in relation to corruption, environmental impact or lack of supply

chain control, we do not acquire the company. This has happened before, and will happen again.

We encourage our new subsidiaries to connect to our Bufab Best Practice management system, but only on their own initiative.

Suppliers

Our operations create jobs both within Bufab, and for our suppliers. Our large purchasing volumes make it possible for us to impose demands on our suppliers in regard to the social and economic conditions for their employees. We want everyone working in Bufab's supply chain to be treated fairly and have a safe and healthy workplace, and we work hard to ensure this happens. Bufab's Supplier Code of Conduct is an important tool for this work.

Customers

Responsible growth for Bufab often occurs when we take over a larger share of C-Parts handling from a customer. As part of this work, low-standard suppliers are often replaced by better alternatives, inefficient logistics by efficient logistics, in addition it is also improvements in both delivery precision and quality. The overall productivity of our customers increases. At the same time, customers acquire better control over their total sustainability performance. The latter is an increasingly important reason for why customers choose to grow with Bufab.

Communication

We believe it is important to be clear about what we expect from our suppliers, acquisition candidates and employees. With our sustainability report, website, customer presentations and internal communication, we are spreading knowledge about our sustainability efforts and the values they create.

Economic value generated and distributed

In recent years, Bufab's growth has led to an increase in the creation of economic value for its stakeholders – suppliers, employees and shareholders.

SEK million	2017	2016	2012
Revenue – net sales	3,201	2,847	2,034
Other revenue	32	32	27
Total value generated	3,233	2,879	2,061
Operating expenses	-2,342	-2,071	-1,543
Salaries and remuneration to employees, excl. social security contributions	-407	-367	-257
Social security contributions and pensions	-137	-126	-93
Costs, banks	-26	-21	-87
Dividends	-76	-65	0
Tax	-65	-88	-21
Total value distributed	-3,053	-2,738	-2,001
Economic value retained	180	141	60

Planned activities 2017

Planned activities 2017	Results
• Raised growth ambitions	Implemented
• Integration of completed acquisitions	Ongoing
• Improved communication to customers, suppliers and employees about sustainability	Implemented

Planned activities 2018

- Continued focus on growth
- Integration of completed acquisitions

With clear values and strong leadership, Bufab wants to be the most attractive employer in the C-Parts industry.

PEOPLE AND RELATIONSHIPS

Corporate culture and recruitment

With our approximately 1,100 employees and 37 subsidiaries worldwide, Bufab possesses valuable entrepreneurial capital. Our subsidiaries and their management teams are highly independent and take a large degree of individual responsibility. For acquisitions, we have a long-term commitment to implementation of the newly acquired company to nurture the entrepreneurship we have acquired.

When we recruit new employees, we look for committed and flexible team-players irrespective of position. They should be able to handle, and appreciate a large degree of freedom with responsibility. We have an open attitude towards our employees, as well as to new methods and solutions. Freedom requires the ability to prioritise, but as we work close to management, support and guidance is always at hand.

Bufab can offer major development opportunities, both globally and locally, and we prefer to recruit internally. People who are driven by an opportunity to make a difference enjoy working for us. To follow-up the performance and expectations of our employees, all employees have an annual performance review with their line manager.

Interviews with Bufab’s employees show that many would appreciate greater workplace diversity, in terms of age, gender and cultural background. This is something we are working on, for example, in our leadership training courses.

Local involvement is important for us because it creates deeper relationships with the local community. Accordingly, we often employ people who come from, or have long been active, in the region where the subsidiary is based. Most local employees have extensive networks, which promotes Bufab’s local development. Bufab’s local management teams and key employees comprise a total of 71 (71) people, of whom only 45 percent (48) are from Sweden. A total of 21 nationalities are represented in the Group.

GENDER DISTRIBUTION IN GOVERNANCE BODIES

■ Men ■ Women

BOARD OF DIRECTORS



GROUP MANAGEMENT



MANAGEMENT AND KEY EMPLOYEES



The Bufab Academy

The Bufab Academy was launched in 2014 and provides training in sales, leadership, purchasing and technology. It plays a key role in our endeavour to become the most attractive employer in our industry and creates the right conditions for a developing workplace. Within the framework of the Bufab Academy, our employees completed a total of 3,342 (2,608) training hours in 2017. During the year, we also strengthened the Bufab Academy by adding sustainability elements to several training courses.

Our induction programme is an important feature of the Bufab Academy. This induction programme is for all employees who, as part of their work, will require knowledge about the entire Group, such as salespeople, strategic purchasers and others. In 2017, sustainability and anti-corruption were integrated with the induction programme, thereby providing our new employees with knowledge about sustainability and Bufab’s related focus areas. A total of 45 (22) employees completed the induction programme during the year.

Planned activities 2017

Results

• Launch of performance indicators for HR monitoring and governance	Partly implemented
• Bufab Academy strengthened in sustainability issues	Implemented
• Work to formulate and communicate Bufab’s core values	Implemented
• Special sustainability training for Group management and all of the subsidiary Managing Directors	Implemented
• Focus on sustainability at the Managing Directors’ Conference	Implemented
• Renewed information about the process for whistleblowing	Implemented

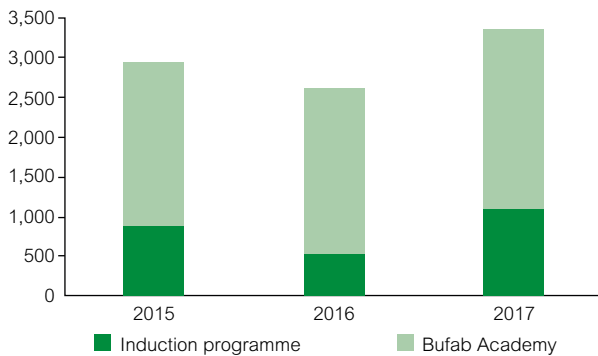
Planned activities 2018

- Continued broad training around sustainability issues within the framework of the Bufab Academy
- Anti-corruption training course
- Active efforts to influence diversity issues and other HR performance indicators
- Development of new concepts for broad training

Through Bufab Academy, Managing Directors of all of our sister companies have also gained access to a toolkit to support their operational leadership and during the year, all regional managers and Managing Directors were offered training in sustainability. The topic was also presented at Bufab's Managing Directors' Conference in spring 2017.

Advanced sustainability training is also offered to selected employee groups. All of Bufab's supplier auditors undergo an ambitious training course in social sustainability, and our warehouse employees undergo comprehensive safety training when they commence their employment.

TRAINING, HOURS



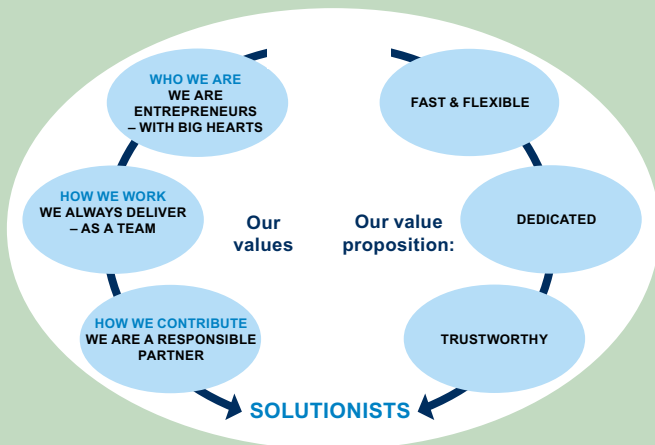
Whistleblower function

It is important that all employees feel they are able to report any suspected irregularities that arise at Bufab. Bufab's whistleblower function, which has been available to all employees since 2016, offers anonymity through a third-party process. The number of suspected irregularities reported via the whistleblower function has increased in recent years, something that we see as positive. Suspected irregularities are investigated by either a third party or by Bufab. If the investigation is carried out by Bufab, the investigation is closely monitored by a third party. Action is taken based on the conclusions of the investigation.

In 2017, all employees who completed Bufab's induction or leadership programme were informed about the whistleblower function and the third-party process. In addition, all regional managers were informed about the function and tasked with spreading the information in their own organisations.

BUFAB'S VALUES

Our values serve as a compass for our behaviour towards each other and our business partners, but also towards society at large. Drawing up our values is important to be able to grow while maintaining our corporate culture. Our values play a key role in our efforts to introduce new employees and newly acquired companies. The values hold a natural place in our induction training as well as the leadership training courses we offer all line managers with HR responsibility.



We are entrepreneurs – with big hearts

To succeed in business, you have to have a big heart – and that is exactly what we have. Despite our size, we have succeeded in keeping the feeling of a family business. We work together and treat each other with respect. We are responsive to the needs of our customers and find creative solutions for them. Our passion is finding solutions – we are entrepreneurs.

We always deliver – as a team

We provide professional, cost-efficient, sustainable business and manage our customers' resources as responsibly as if they were our own. We believe in personal initiative to drive the business forward, and teamwork for success. Always considering what is best for our customer.

We are a responsible partner

We want to help our customers with their C-Parts requirements, which involves taking complete responsibility for sourcing, logistics and quality. Our goal of becoming a market leader means that we want to create added value for customers, suppliers and employees and to always guarantee quality, a customer focus and sustainability. We are a responsible player.

Bufab's objective is to identify risks, prevent risks from occurring and limit any damage arising from these risks. This applies to sustainability risks, operational risks and financial risks. Bufab's risk management is based on Bufab Best Practice, read more on pages 6 and 8.

SUSTAINABILITY RISKS AND RISK MANAGEMENT

	Risk description	Risk management
SUPPLIER BASE (Social aspects, environment and human rights)	<p>Suppliers' sustainability efforts Bufab has a Supplier Code of Conduct. If Bufab's suppliers do not comply with the Code of Conduct, the suppliers' employees and the surrounding environment may be adversely impacted. The most common instances of non-compliance in our supplier audits are related to health and safety, and waste management. The risk of human rights violations, and of forced and child labour, is not considered material.</p> <p>Conflict minerals There is a risk that some components provided by Bufab may contain minerals extracted in a conflict zone. Trade in conflict minerals is used to finance armed conflicts.</p>	<p>Suppliers' sustainability efforts Bufab performs continuous audits of new and existing suppliers to ensure they conform to the requirements of our Code of Conduct. We also endeavour to consolidate our supplier base and increase the proportion of Preferred Suppliers. Read more on page 10–12.</p> <p>Conflict minerals Bufab requests that suppliers using tin, tantalum, tungsten and gold in their products submit reports using the Conflict Mineral Reporting Template. The use of minerals and their extraction is continuously monitored. Read more on page 11.</p>
ENVIRONMENT	<p>Transport Our freight transport, mainly from Asia, contributes to carbon dioxide emissions with a negative environmental impact.</p> <p>In-house production Three of Bufab's subsidiaries conduct in-house production. At the end of 2016, the manufacturing companies were licensable under the Swedish Environmental Code.</p>	<p>Transport Bufab endeavours to work with fewer and larger transport suppliers. Wherever possible, we use maritime transport and our goal is to increase the fill rate of our deliveries to the highest degree possible. Read more on page 12.</p> <p>In-house production The manufacturing companies continuously monitor energy consumption, emissions and transport in accordance with their environmental permit. Bufab Lann and Bumax are certified according to the ISO 14001, ISO 9001 and ISO/TS 16949 standards. APEX is certified according to the ISO 9001 standard.</p>
EMPLOYEES	<p>Our employees networks and relationships with customers and suppliers are a prerequisite for Bufab's continued success. If we lost several key employees, Bufab's relationships and financial position could be affected.</p>	<p>It is important that we can develop and motivate our employees in order to benefit from their expertise and relationships. With the Bufab Academy and other competency development programmes, we create the conditions for an attractive and developing workplace. Read more on pages 14–15.</p>
ANTI-CORRUPTION	<p>Bufab has more than 3,000 suppliers and over 13,000 customers. The inherent risk of corruption may be higher in some business relationships, particularly in vulnerable markets. This risk is not considered material. Corruption cases could impact Bufab's reputation and financial position, and lead to legal consequences.</p>	<p>Bufab's business relationships must be sound and transparent. To raise competency in this area, our induction programme includes an anti-corruption training course. Bufab has conducted an anti-corruption risk assessment of all subsidiaries. Read more on page 9.</p>

AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of the shareholders in Bufab AB (publ),
corporate identity number 556685-6240

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2017 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

Värnamo, 21 March 2018
Öhrlings PricewaterhouseCoopers AB

Fredrik Göransson
Authorised Public Accountant

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