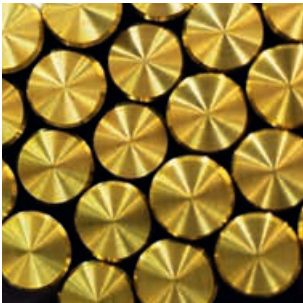


SUSTAINABILITY REPORT 2018



TOWARD SUSTAINABILITY LEADERSHIP

CONTENTS

About Bufab	1
Message from the CEO	2
Business model	4
Strategy	7
Focus areas	9
Long-term, systematic sustainability work	10
Sustainable global business	14
Responsible growth	18
People and relationships	20
Sustainability risks	24



About the Sustainability Report

This is Bufab's third 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 43 in Bufab's 2018 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 presented on page 4 and a risk description on page 24. See pages 10–11 and 14–16 for environmental disclosures, pages 20–23 for social issues and employees, page 20 for human rights, and page 11 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 2018. The report also applies 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 full-service solutions for sourcing, quality assurance and logistics for C-Parts. Bufab's customer offering aims to improve productivity in the customers' value chain for C-Parts, thus reducing their total costs and ensuring an end-to-end sustainable value chain. Bufab has a diversified customer base in many countries and sectors within the manufacturing industry.

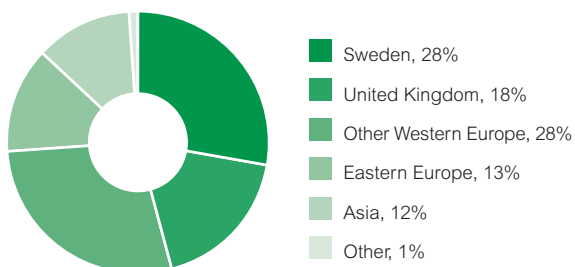
Bufab was founded in 1977 in Småland, Sweden and over time has developed into an international Group with operations in 27 countries. Bufab has approximately 1,200 employees worldwide, who work with sales, sourcing, quality and logistics. The head office is based in Värnamo.

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

Sustainability is integrated in every aspect of Bufab's operations – from our guiding principles for conducting business to how risks are assessed. Bufab strives to have a leading employer brand and works to promote well-being and security, with a strong focus on safety for its employees, suppliers and others affected by the company's operations. We believe that these initiatives further strengthen the organisation and form the foundation for recruitment of competencies.

Bufab's sustainability practices are mainly governed by the company's Code of Conduct and its policies for employees, the environment, quality and anti-corruption among others. Bufab is a signatory and active contributor to the UN Global Compact and has incorporated its principles into the internal Best Practice.

EMPLOYEES PER REGION, 2018



2018 IN BRIEF

- Strong growth and stable margins
- Increased market share
- Continued work on Leadership strategy
- Acquisition of Rudhäll Group

EXAMPLES OF SUSTAINABILITY ACTIONS IN 2018

- Anti-corruption training for all Managing Directors and Group management
- Sustainability policy for purchasing logistics services
- Continued broad training around sustainability issues within the framework of the Bufab Academy
- Roll out regional sourcing structures in the subsidiaries
- Silver medal in EcoVadis rating with a score amongst the top 7 percent of companies in our industry
- Big investments to make Best Bufab Practice even more accessible by further digitalization of processes and systems



ONE MORE STEP TOWARD SUSTAINABILITY LEADERSHIP

” **In 2018, we continued our systematic work on sustainability throughout the company.**



In 2018, Bufab had another successful year. Most importantly, we achieved solid sales growth, to a large extent driven by increased market share in almost every single market. Many of our customers are getting more help from Bufab to reduce their complexity, their supplier bases, their risk

and their total cost. They do this so they can get better control of their supply chain, also from a sustainability perspective.

That shows how central sustainability is to Bufab's business model. Our customers are experts on their core business, and generally have good control of sustainability aspects when it comes to their A and B components. But when it comes to C-Parts, they have too many suppliers, too many parts, and too much complexity to manage it well. It is not their core business. That's why they turn to a Supply Chain Partner like Bufab to manage C-Parts for them. For us, on the other hand, C-Parts are our core business. We are therefore able to secure the quality and logistics of C-Parts sourced from our supplier base, and can work with that supplier base over time to improve its sustainability.

In 2018, we continued our systematic work on sustainability throughout the company. In many areas, we made good progress. In others we need to speed up. An important step we took during the year was to select EcoVadis, a third-party assessment partner, to measure the year-to-year progress of our sustainability work, and to present the measurement externally in this report. This brings additional structure and discipline to our activities. As you can see, our scores are good, but not yet good enough. The ambition, over time, is to get to the "gold" level, meaning a performance exceeding 95% of industry peers.

Such an ambition requires systematic, long-term work across many areas. For example, this means a sourcing strategy that

achieves favorable business terms without compromising our responsibility for the environmental and social sustainability. More generally, 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 cornerstones of our sustainability efforts. We base this on the ten principles of the UN Global Compact, of which we are a signatory since 2011. The work is structured into four focus areas:

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

Our ambition is to be the leading player in our industry by 2020. That also means being the best supplier from a sustainability perspective. This is not an easy thing to do, since supplying C-Parts is a very demanding sustainability challenge. We have tens of thousands of customers and thousands of suppliers worldwide, and annually manage billions of components with more than 140,000 different specifications. So we do not say that we are perfect. Instead, we promise our customers and other stakeholders that sustainability is a top priority for Bufab. And we promise that with Bufab as their Supply Chain Partner, our customers' C-Parts supply chain will get more sustainable every year.

In this report, you can read about our efforts in the year 2018, and also about our plans for becoming the sustainability leader in our industry.

Värnamo, March 2019

Jörgen Rosengren
President and CEO



Bufab is a trading company that offers full-service solutions 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 ambition is 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. C-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 five facilities in Sweden and one in the UK.

A changing market

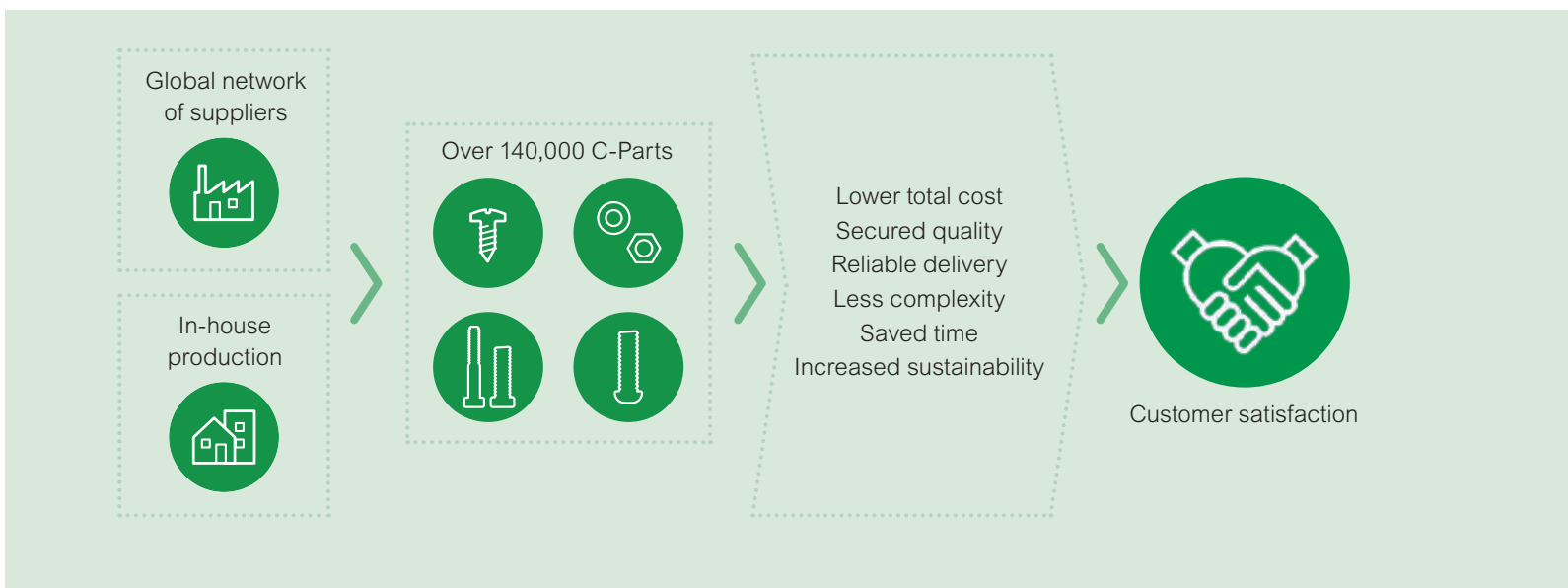
Our customers are driven by the need to reduce their costs and increase productivity through more efficient management of C-Parts that meet the market's high demands on price and quality, and on consideration for people and the environment. Bufab takes

full responsibility for our customers' handling of C-Parts, which lowers their overall cost and 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 in sustainability 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. The ability to scale operations provides a competitive advantage and possibility to set higher demands and still stay competitive. Thanks to our large network and cutting-edge expertise, we are in a better position to demand and ensure that suppliers meet our requirements for environmental consideration, health and safety, human rights and other social conditions in production contained in our Code of Conduct. We also add customer value through our local presence together with our coordinated and efficient transportation, where we can achieve higher positive environmental and social impact than if our customers conducted their own sourcing.





Customers

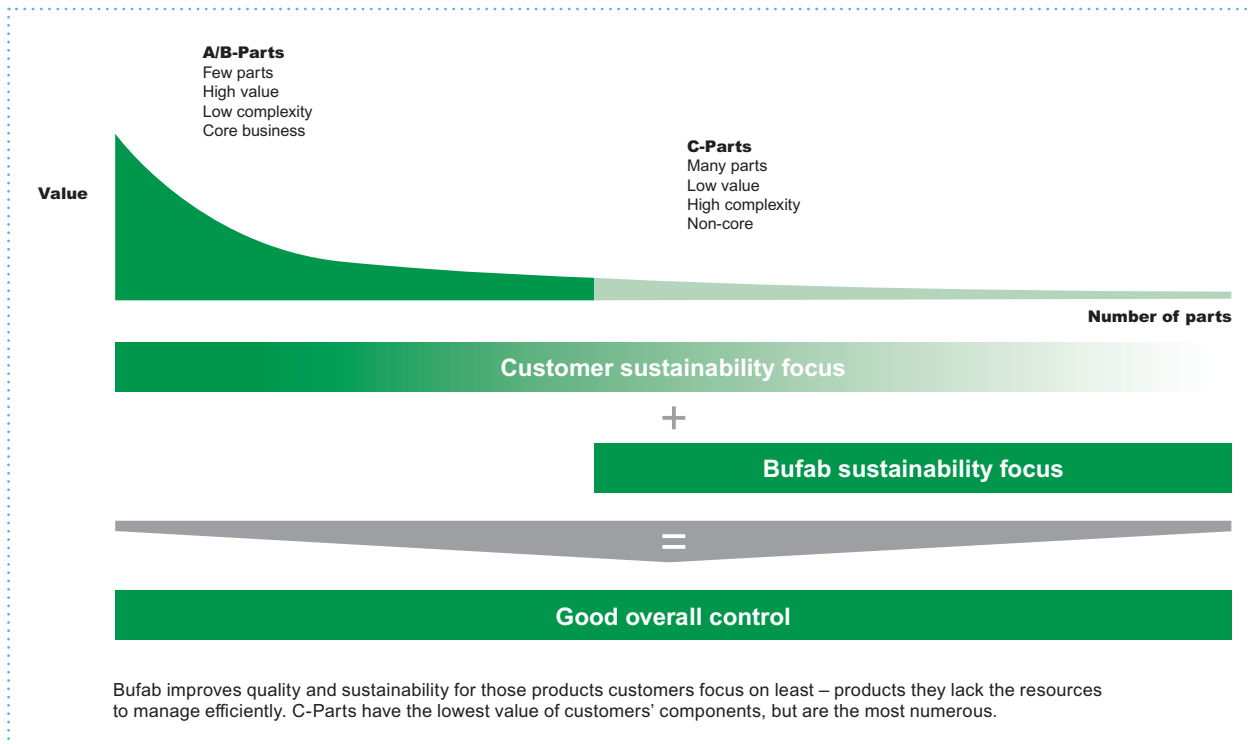
Bufab's customer base is diversified and comprises approximately 13,000 customers in a range of different industries. The customers are geographically diverse, and can be found in the Nordic region, the rest of Europe, Asia and the US. They also vary in size, which contributes to different sourcing behaviours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

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, storage 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 a large number of suppliers from all over the world, and every part has a low value. As a result, it is often difficult for an individual customer to guarantee sustainable and ethical handling across the entire supply chain. That's where Bufab comes in.



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.

Our vision is to be the leading player in our industry. In 2018 we took further steps in that direction.

STRATEGY

Over the past six years, our growth strategy has enabled us to strengthen our customer relationships, develop a market-leading quality management system and build up an integrated quality-assurance system in the organisation. We have also completed seven acquisitions, launched our vision to be the leading player in our industry by 2020. In 2018, we took further steps in that direction.

Bufab Best Practice

Bufab Best Practice (BBP) is our Group-wide management system. The system is based on the standards ISO 9001:2015, 14001:2015 and 26000:2010, and the concept that we should learn from each other's 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 BBP.

In 2018, we continued to invest heavily in "Digital Bufab," a project that will make our processes and systems more digital. As part of that process, we developed and implemented new systems for logistics solutions and partner integration (customer and supplier EDI). We have strengthened our supplier management processes and in the first quarter of 2019, we will be implementing a new supplier management module in all of our companies. We also developed a support system for our sales process, which is scheduled for roll-out in 2019, with integrated decision support that takes commercial, technical and sustainability aspects into account when choosing a solution for our customers.

Quality and customer needs first

Due to a systematic stakeholder dialogue, we are 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 9001:2015 and ISO 14001:2015. We have also noted a growing demand for systematic working methods for occupational health and safety and are therefore actively working to implement the ISO 45001:2018 guidelines into the BBP.

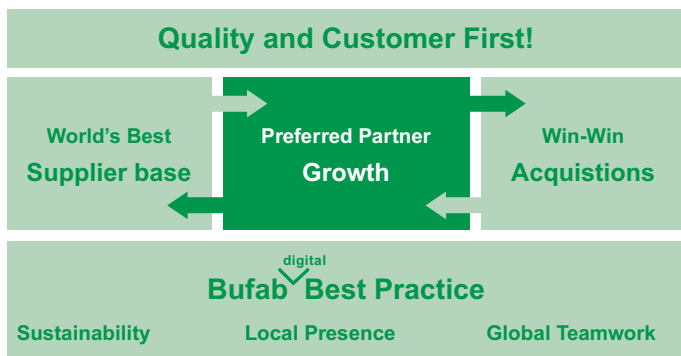
Customers are our most important stakeholder group and their requirements determine our governance and continuous improvements.

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.

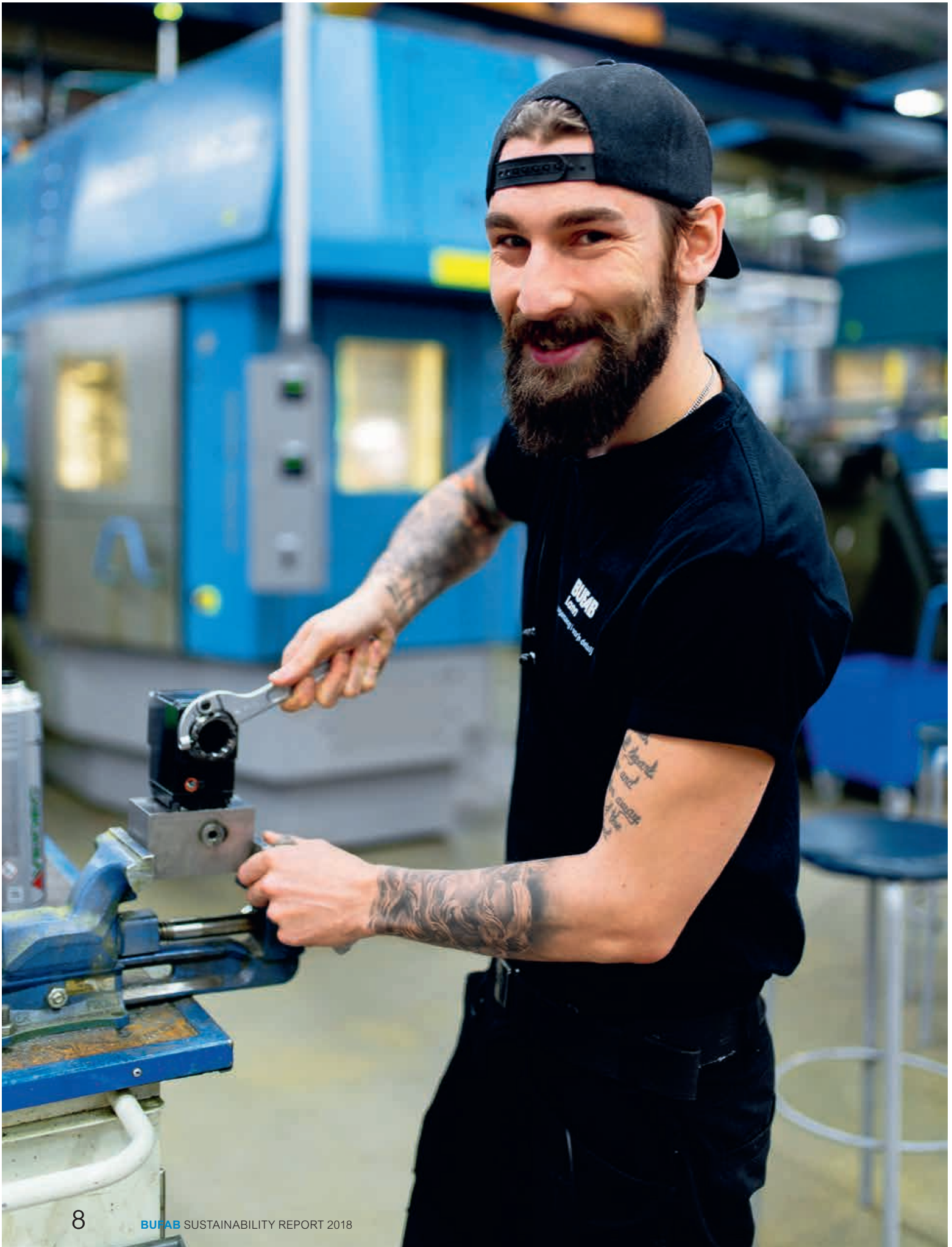
We are "the Solutionists". That means that we take total responsibility for our customers' handling of C-Parts – small components at the bottom of the value chain. In doing so, we are also taking a global responsibility – by coordinating sourcing and transportation.

Helping our customers to improve sustainability in the supply chain of C-Parts is an increasingly important part of our value proposition. Furthermore, we can see that most of our competitors have not come as far in their sustainability efforts, which represents a competitive advantage for Bufab as awareness and demands grow.

STRATEGY



Bufabs strategy to reach market leadership 2020 is based on three focus areas: to develop a world-leading supplier base, become a priority partner for customers and continue with value-adding acquisitions.



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 WORK

Bufab's sustainability agenda is governed by our Code of Conduct and our policies for employees, the environment, quality and anti-corruption. We also have a Code of Conduct for our suppliers. Bufab is a participant of the UN Global Compact and follows its principles. Bufab's aim is that all subsidiaries will gradually transfer to the Bufab Best Practice (BBP) management system. Supported by ISO 9001, 14001 and 26000, we will create an industry-leading Best Practice for sustainability governance.

Read more on page 10.

SUSTAINABLE GLOBAL BUSINESS

Bufab's largest impact on sustainability is in relation to our global network of 3,000 suppliers. Suppliers are chosen, assessed and developed using Bufab's global supplier process. Bufab promotes environmental responsibility by encouraging our suppliers, contractors and customers to adopt international environmental principles.

Read more on page 14.

PEOPLE AND RELATIONSHIPS

By providing clear values and a strong leadership, we want to be the most attractive employer in the C-Parts industry.

The Bufab Academy offers a toolkit to develop the skills we need to meet the rising demands in the market. Our approximately 1,200 employees are independent, systematic problem solvers who can play an active role in our environmental efforts and we believe that greater diversity will strengthen Bufab.

Read more on page 20.

RESPONSIBLE GROWTH

Bufab has the ambition to grow. Growth is important to offer favourable returns to our owners, which are an important 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 18.



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 WORK

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, economic performance and market presence were added to the list, two key areas for our continued growth. In 2018, our materiality analysis was audited for the first time and confirmed that our previous materiality aspects are still the most important areas for us to work with.

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 integrating ISO 26000:2010 and gradually increasing the scope for sustainability aspects, the sustainability governance structure is strengthened in our material areas at subsidiary level. In 2017, it was decided that all subsidiaries will use BBP and we are working actively to implement this in all subsidiaries. At the same time, BBP is a flexible management system that accounts for local conditions and may therefore, if necessary, be complemented with local instructions. However, implementation will not be immediate in newly acquired companies. Our overall policies on the other hand – including endorsement of the Global Compact – apply to all companies in the Group.

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 the implementation of a comprehensive audit programme based on BBP in which the Group's 23 largest companies participated. All auditors audited a site in a new region in order to maintain an objective and impartial mindset. This approach provided a fresh pair of eyes and received very positive feedback. The results helped to further develop the operations, raise awareness and became a starting point for local and regional improvement programmes. This is a key step in continuously developing the operations and optimising the systematised working method. Through this, we are taking advantage of our

opportunities to make a difference and build a stronger Bufab, ready to meet the future.

Our aim is to comply with the ISO 14001:2015 standard globally. By applying ISO 9001:2015, ISO 14001:2015 and being guided by ISO 26000:2010, 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. At present, 29 of Bufab's subsidiaries have achieved local accreditation for their quality management according to ISO 9001:2015 and 13 companies have certified its systematic environmental performance according to ISO 14001:2015, as well as one IATF 16949 certification.

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 Manag-

Activities 2018	Results
• Perform audits of subsidiaries to ensure that BBP has been implemented according to plan.	Implemented
• Roll out regional sourcing structures in the subsidiaries.	Implemented
• Continuous monitoring of our performance indicators.	Implemented
• Information about Bufab's anti-corruption efforts to employees, customers and suppliers.	Ongoing, will continue in 2019
• Anti-corruption training for all Managing Directors and Group management.	Implemented
• Renewed external audit of sustainability efforts.	Implemented (EcoVadis)

Planned activities 2019

- Intensified use of digital analysis service for sustainability performance (EcoVadis)
- Creation of local sustainability plans in all large subsidiaries
- Implementation of external performance indicators
- Continued information about Bufab's sustainability efforts, including anti-corruption to employees, customers and suppliers.

ing Directors. Each year, the Managing Directors submit a report on compliance with the policies in their subsidiary's operations. Policy compliance is also an integrated part in the internal and external audit programs connected to the ISO certificates and BBP.

Bufab's policies include an anti-corruption policy, environmental policy, HR policy, quality policy and a whistle-blower policy. To support implementation and compliance, if necessary policies are complemented by a policy handbook.

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 Multinational 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 26000:2010 – Guidance on social responsibility.

Bufab encourages all its business partners to make continuous improvements in areas covered by the Code of Conduct. The Code of Conduct consists of business principles, principles of 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 business system, which is available to all employees. Bufab's approach to ethical business is described in the company's Code of Conduct and anti-corruption policy. In 2018, all key management employees underwent anti-corruption training. In turn, the same information has been communicated to employees in all subsidiaries, as well as to customers and suppliers.

Within the framework of Bufab Best Practice, we have a systematic procedure for assessing and evaluating risk, which also covers the risk of corruption.



ECOVADIS

Sustainability is clearly becoming increasingly important for investors and corporate customers, and quite often is a key buying factor. Many partners that Bufab speaks to request an independent review of sustainability management processes. In 2018, to further improve and systematise Bufab's sustainability efforts, we intensified our work with EcoVadis – an independent Corporate Social Responsibility (CSR) tool used by companies worldwide. In 2019 we will deepen our cooperation with EcoVadis even further.

Another important goal with EcoVadis is the rating of Bufab's CSR results and being able to compare them with the results of peer companies. Bufab has received a silver medal every year since 2014, which means that our sustainability performance has ranked among the top 30 percent of all companies in our industry. The goal is to be one of the top 5 percent of companies, which would earn us a gold medal. In the 2018 global rating, Bufab was one of the top 7 percent of companies in our industry.

” External evaluations by EcoVadis’s analysts provide us with a clear framework for continuous improvements that encourages us to become even better.”

Pim Kamminga, CSR Developer, Bufab

BUFAB'S VALUES

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.



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

SUSTAINABLE GLOBAL BUSINESS

We want to develop a world-class supplier base by 2020. To do so, we are striving to consolidate our sourcing to the suppliers that conform to our ambitious price, 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.

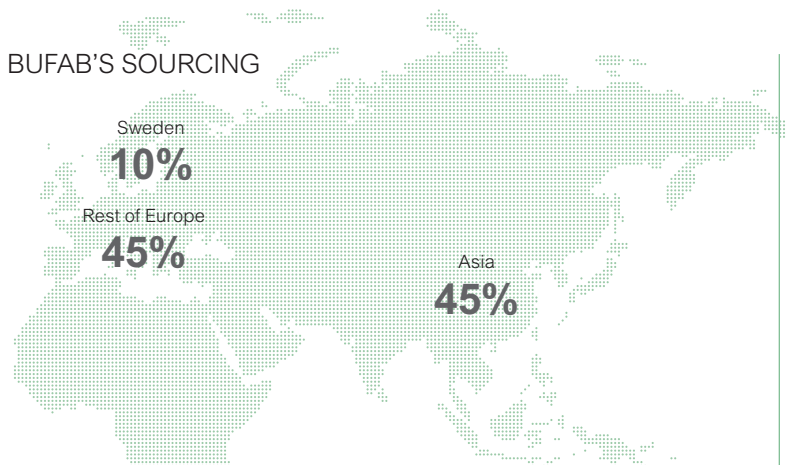
Bufab's greatest impact on sustainability is through our global network of 3,000 suppliers. The suppliers are selected, assessed and developed using Bufab's global supplier process, driven by our global sourcing organisation. The suppliers are regularly sorted into categories, of which the highest is 'Preferred Suppliers,' comprising those suppliers who meet our stringent requirements in a wide range of areas, including sustainability. We continuously assess our suppliers in all categories and in 2018, we raised our demands in all categories and assessed many of our suppliers again. This led to a slight decline in the percentage of transactions with "Preferred Suppliers" 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.

Our global supplier management organisation works continuously to build and improve the necessary infrastructure, centred around our Supplier Management database. This includes several important tools, such as supplier self-assessment tools, capability audit tools and scorecards. We also work with nudging as a tool to benefit both business and our ability to increase our positive impact. We use a range of incentive models to further reward the selection of suppliers who perform well in our assessments.

During the spring, we recruited a global Sourcing Director to Group management, is to build the world's best commercial and sustainable supplier base by 2020. She reviewed our global practices and organisation, and initiated an ambitious recruitment programme that will conclude in the first six months of 2019. She also introduced several important improvements in our processes and tools, aimed at strengthening the organisation and building up stronger supplier relationships. Despite our continued efforts with



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.

ENVIRONMENT



SUSTAINABLE PROCUREMENT



Legend:
█ Average industry score
█ Bufab score

EcoVadis material issues assessment score.

consolidation in 2018, we are not satisfied with the rate of progress. If we want to meet our 2020 objectives, these efforts will have to accelerate as we move forward.

Supply chain sustainability

Adopting and following our Supplier Code of Conduct has been a requirement for all major and new suppliers since 2016. The Code of Conduct also helps us to assess possible suppliers. The proportion of sourcing from suppliers that have signed our Supplier Code of Conduct is therefore continuously growing.

With greater know-how throughout the supply process 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 relationships can reduce risk in the supply chain – closer relationships benefit both price and lead times, which impact profit, efficiency and customer satisfaction. During supplier audits, we gather information about a supplier’s capacity and abilities in our supplier management system, and can thereby filter suppliers and reduce the level of risk in our production. For a minor percentage of our sourcing, we have a “designated” supplier instead, meaning that our customer has selected and assessed the supplier and is also responsible for sustainability aspects in the supplier relationship.

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 and with a geographic spread is also significant from a risk perspective.

Supplier audits

An important part of Bufab’s sustainability efforts is to perform audits of our suppliers. Our auditing program governs these efforts. The audit is conducted by in-house auditors in collaboration with external partners. A supplier audit examines conditions for 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. The basis of our Code of Conduct derives from the principles of the UN Declaration on Human Rights, the ILO’s fundamental conventions on human rights at work, the Rio Declaration and the UN Convention against Corruption. Our auditors also inspect capacity and productivity. If they identify instances of non-compliance, the supplier is responsible for creating an action plan that gets reviewed. This process is better than disqualifying suppliers. But we also encourage extra audits initiated by customers or internal stakeholders.

Despite a continued major focus on auditing in 2018, the number of audits performed was not high enough to achieve our ambitions for 2020. We have therefore revised the plan and added more resources, and this will be a priority area in 2019.

Activities 2018

• Continued consolidation of our best suppliers, commercially and from a sustainability perspective	Ongoing, will continue in 2019
• Monitoring suppliers in relation to conflict minerals	Implemented
• Continued increased quality and intensity in our supplier audit programme for supplier audits	Ongoing, will continue in 2019
• Implementation of the Bufab Supplier Management Process, including deeper partnership with key suppliers	Ongoing, will continue in 2019
• Implementation of an improved supplier database	Ongoing, will continue in 2019
• Sustainability policy for purchasing logistics services	Implemented

Planned activities 2019

• Continued consolidation of our best suppliers, commercially and from a sustainability perspective
• Full implementation of the “Bufab Supplier Management Process”
– Systematic management of the supplier base
– Increased quality and intensity of audits
– Enhanced support for efforts to ensure the exclusion of conflict minerals
– Deepened partnerships with key suppliers
• Significant investment in expanding sourcing organisation worldwide, including Asian sourcing offices

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 conducted a risk assessment and identified around 250 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 2019, we plan to launch 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.

Transport

Bufab helps to minimise environmental impact by consolidating the transport of C-Parts from suppliers to customers, compared with customers that purchase their own C-Parts. High fill rates and strategically controlled deliveries reduces transport emissions significantly.

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.

Express deliveries by air, and sometimes even truck, are used if there is a risk of delays, or for last-minute orders. But we always endeavour to reduce the negative environmental impact of our transport by minimising the use of air and express freight using a high degree of filling.

Despite the efforts to minimise transports, transportation emission is one of Bufabs material aspects. As a result of this, in 2017, we introduced logistics and measurement tools for these factors that were used in 2018. This led to better decision-making and monitoring, but we are still not satisfied and subsequently tightened our policy framework in 2018 in this area. We also have a continuous work to develop our reporting framework and indicators in this area. Our goal is to develop a true and fair account of the emissions through the use of standardized approaches and principles. This work will continue during 2019.

Passenger transport accounts for a minor percentage of our carbon dioxide emissions from transport. Nonetheless, this is an area in which we try to take advantage of video conferencing/Skype wherever possible to further minimise our passenger transport.

Quality assurance

Being a supplier to demanding customers all over the world requires a comprehensive quality management programme. At Bufab, quality is fully integrated with the Bufab Best Practice management system which is based on the ISO 9001:2015 quality management system standard. As a part of our work for continuous improvements we have implemented a process for so-called Red Flags. This process helps us identify and correct potential deviation at an early stage that otherwise would risk creating negative consequences to our customers. Identified Red Flags are reported to top management on an ongoing basis, which also ensures that analysis and measures are sufficient to prevent repetition. The measures taken often mean that we update our Best Practice in order to implement the measures throughout the Group.

**SPYRIDON THOMAS,
GLOBAL CATEGORY & PROTEX PROGRAM
DIRECTOR, SCHNEIDER ELECTRIC**

Schneider Electric is one of the leading brands in energy management and automation. Bufab is a strategic supplier for Schneider Electric supplying Fastener's and other fabricated components in all regions and in more than 80 manufacturing plants. Beyond the supply of the products Bufab is providing supply chain & logistic solutions.

Why is sustainability important for Schneider Electric?

Schneider Electric has launched its sustainability approach in 2002 by creating a dedicated department for the Group, signing up to the 10 Principles of the Global Compact as well as aligns to the United Nations 17 Sustainable Development Goals. Schneider is committed to accomplish this through our core business and five sustainability megatrends: Climate, Circular Economy, Ethics, Health & Safety and Development.

Why do you use EcoVadis as a sustainability requirement towards your suppliers?

Schneider Electric expects that their strategic suppliers will equally embark on the sustainability journey. EcoVadis is providing an easy to use CSR scorecard reducing risk, foster transparency & drive innovation among our strategic suppliers with the incentive to continually improve.

How well does Bufab live up to your requirements?

Bufab is integrated from the Offer Creation process up to the End of Life of a product range being in a true partnership which is evolving not only in terms of growth but also in terms of sustainability with their commitment towards corporate social responsibility. Bufab is also offering the ability to undertake the supply chain execution for tail spend which is one major advantage supporting us in our efforts to massively reduce our supply base and simplify the interactions with the plants.



We grow both organically and through acquisitions. Growth generates 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' sustainability will be improved in sourcing, logistics and quality assurance of C-Parts.

Good business practices

Due to Bufab's global customers and supplier network, the company makes a positive contribution in every country in which it operates, and supports development by ensuring good business

practices and fair competition. This is an integral part of Bufab Best Practice and it is a matter of course for us to ensure regulatory compliance in all countries in which we operate.

Paying taxes in the countries where we operate is about more than complying with the law. It is about showing that our business provides governments with an opportunity to generate revenues, support economic growth and enhance social development. Our tax strategy is integrated in our CEO-instructions and transfer pricing documents and supports our global strategy. This together with our audit program makes sure that we comply with the tax laws wherever we operate and that enough value stays within the country.

We do not have any operations in tax havens, instead we add local economic value. We continually strive for an open dialogue with governments. This can be challenging in regions where we have small operations, but in order to ensure compliance without stressing our organization, we use external consultants when necessary.

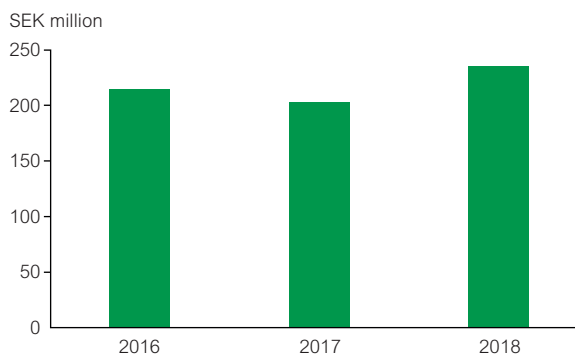
This approach helps us to comply with the rules and regulations in the countries in which we operate. And in turn contributes to share prosperity and generate social value wherever we operate.

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	2018	2017	2016
Revenue – net sales	3,786	3,201	2,847
Other revenue	50	32	32
Total value generated	3,836	3,233	2,879
Operating expenses	-2,776	-2,342	-2,071
Salaries and remuneration to employees, excl. social security contributions	-491	-407	-367
Social security contributions and pensions	-160	-137	-126
Costs, banks	-29	-26	-21
Dividends	-85	-76	-65
Tax	-74	-65	-88
Total value distributed	-3,615	-3,053	-2,738
Economic value retained	221	180	141

TAX AND PAYMENT TO GOVERNMENT



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, or acquire it only if we can guarantee that the non-compliance can be permanently addressed.

We encourage our new subsidiaries to connect to our Bufab Best Practice management system.

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, which improves 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.

Activities 2018

• Continued focus on growth	Ongoing, will continue in 2019
• Integration of completed acquisitions	Implemented

Results

Planned activities 2019

- Continued focus on sustainable growth
- Examine structures for mutual reporting on VAT and sickness absence rates in all jurisdictions



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

PEOPLE AND RELATIONSHIPS

Through the integration of ISO 26000:2010 in Bufab Best Practice (BBP) we ensure consistency with relevant declarations and conventions by the United Nations and its constituents. This forms the structure in our management system regarding human and labour rights as well as corruption, fair competition and consumer concerns.

As an example, ISO 26000 core subject 'Labour practices' is strongly based on ILO conventions. The same counts for the Human Rights issue 'Fundamental principles and rights at work'. Other examples of ILO Conventions and recommendations (in total around 70) that are included within ISO 26000 are:

- Human Resources Development Convention
- Occupational Health and Safety Guidelines
- Forced Labour Convention
- Freedom of Association
- Minimum Wage Recommendation
- Worst Forms of Child Labour Recommendation
- Indigenous and Tribal Peoples Convention
- Code of Practice on HIV/AIDS

No human rights violations have been reported during 2018.

Corporate culture and recruitment

With our approximately 1,200 employees and 41 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 respon-

GENDER DISTRIBUTION IN GOVERNANCE BODIES

■ Men ■ Women

BOARD OF DIRECTORS



GROUP MANAGEMENT



MANAGEMENT AND KEY EMPLOYEES



sibility. 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. As part of this process, it's a policy in Bufab that all employees should have an annual performance review with their line manager to monitor their expectations and performance.

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.

Planned activities 2019

- Development of new strategy and action plan for the Bufab Academy
- Development of resource and competency plans, including succession management, for all regions and global functions
- Implementation of central performance indicators in HR

Planned activities 2018	Results
• Continued broad training around sustainability issues within the framework of the Bufab Academy	Implemented
• Anti-corruption training course	Implemented
• Active efforts to influence diversity issues and other HR performance indicators	Ongoing, will continue in 2019
• Development of new concepts for broad training	Not implemented
• Continued broad training around sustainability issues within the framework of the Bufab Academy	Implemented



**THE BUFAB EMPLOYEE:
THE SOLUTIONIST**

At Bufab we 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 – our 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.

NAOMI ZHU
SALES MANAGER, CHINA

Naomi is a valued employee who has been working for Bufab Group for the past 7 years. She advanced to sales manager at our Shanghai office in 2017 and supports three teams of co-workers with a focus on C-Parts management.

Tell us about your role and why you chose to work at Bufab

I have been working in the C-Parts management for the past 13 years. It is a very interesting industry that offers a challenging environment where you need to be clever and quick on your feet, but also sociable and seamless. Bufab is a great company to work for because they offer a work environment with room for creative thinking and great potential to contribute and grow within your role. For me, the most appealing aspect is the freedom to look at what you have and independently coordinate and find the necessary resources to act. Bufab has a very open platform with opportunities for everyone to contribute. I am confident I will be working at Bufab for the foreseeable future.

How does Bufab work with sustainability to ensure continuous improvements?

A lot has happened since I first joined Bufab. Today we have our Bufab Best Practice, our internal sustainability framework, internal audits and workshops addressing sustainability

issues. I really like Bufab's workshops for managers where sustainability issues are an integrated part of the training. This is especially important for the Chinese-based part of the business as our market is still developing its understanding of issues related to sustainability. The Bufab Best Practice is also an important tool for me that I use on a daily basis to manage our operations.

What differentiates Bufab from its competitors?

Many of our global competitors try to position themselves as sustainable. But Bufab have gone further than others to integrate sustainability into our core business.

We find that some of our customers are still struggling to understand the value of being more sustainable. I understand their perspective, as a business it can be tempting to opt for the cheapest alternative. But I think we have to adopt a more long-term way of thinking than our competitors. Our customers need a solution that fits their demands, which short-term solutions often fail to deliver. Additionally, the market is changing rapidly, and we are seeing that customers who left us are choosing coming back. I think that is largely due to Bufab's business model and our focus on helping customers meet the market's quality and sustainability requirements.



Bufab's local management teams and key employees comprise a total of 79 people (71), of whom only 41 percent (45) are from Sweden. A total of 24 nationalities are represented in this group.

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 3,384 (3,342) training hours in 2018. During the year, we continued to strengthen the Bufab Academy with sustainability elements in several training courses.

Our introduction programme is an important feature of the Bufab Academy. This introduction 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. A total of 44 employees (45) completed the introduction programme during the year.

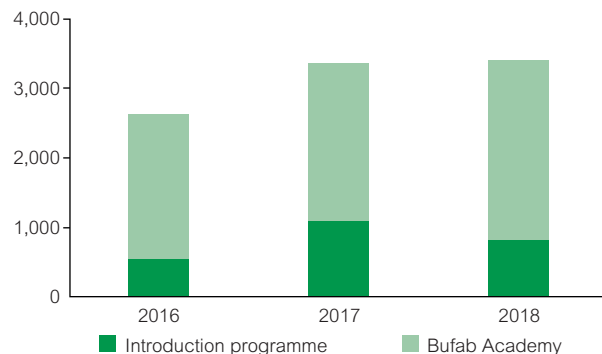
Through Bufab Academy, Managing Directors of all our subsidiaries have also gained access to a toolkit to support their operational leadership and during the year, all regional managers and Managing Directors were offered training in sustainability. This was also a recurring topic at Bufab's Managing Directors' Conference in 2018, with an extra focus on social sustainability.

All of Bufab's supplier auditors undergo an ambitious training course in social sustainability, and it is our policy to provide employees with adequate safety training when they commence their employment.

Employees as a resource

As an international Group, we are strongly focused on targets and achievements related to roles and functions, and we invest heavily in the development of our employees in order to motivate, inspire and spur them to continuously improve in their roles. We

TRAINING, HOURS



encourage and create opportunities for exchanging experience through various forms of networking, cooperation, audits, internal exchanges and employments. We also apply a systematised working method through Bufab Best Practice and strive to increase diversity across the entire Group. We believe that this is the key to both employee satisfaction and a well-functioning company.

Whistle-blower function

It is important that all employees feel they are able to report any suspected irregularities that arise at Bufab. Bufab's whistle-blower 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 whistle-blower function is at a low, relatively stable level. We continue our efforts through various channels to increase the reporting frequency, in order to avoid incidents going unreported. 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.

All employees who undergo Bufab's introduction or leadership programmes are informed about the whistle-blower 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. To further actualise the topic, it was also highlighted at the Managing Directors' Conference in 2018.

LABOR AND HUMAN RIGHTS



ETHICS



■ Average industry score
— Bufab score

EcoVadis material issues assessment score.

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 page 7 and 10.

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.</p> <p>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 because of our controlled supply chains.</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. Additionally, BBP creates transparency and structure to counteract human rights abuses. Read more on pages 14–16.</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 16.</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 Six of Bufab's subsidiaries conduct in-house production. At the end of 2018, 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 16.</p> <p>In-house production The manufacturing companies continuously monitor energy consumption and emissions. Bufab Lann and Bumax are certified according to the ISO 14001:2015, ISO 9001:2015 and IATF 16949:2016 standards. APEX is certified according to the ISO 9001:2015 standard. Rudhäll AB is certified according to the ISO 9001 and ISO 14001 standard. Evjo is certified according to ISO 14001 and IATF 16949 (comparable to 9001, automotive industry) standards. Hallborn is certified according to ISO 9001 standards.</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 stimulating workplace. Read more on pages 20–23.</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 introduction programme includes an anti-corruption training course. Bufab has conducted an anti-corruption risk assessment of all subsidiaries. Read more on page 11.</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 2018 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 Auditor's report on 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, 20 March 2019
Öhrlings PricewaterhouseCoopers AB

Fredrik Göransson
Authorised Public Accountant



BUFAB

Box 2266
SE-331 02 Värnamo, Sweden.
Visiting address: Stenfalksvägen 1, Värnamo, Sweden
Tel. +46 370 69 69 00
www.bufab.com

