

SUSTAINABILITY REPORT

2019

TOWARD SUSTAINABILITY LEADERSHIP

BUFAB

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This is Bufab

Bufab is a leading supply chain partner offering full-service solutions for C-Parts sourcing, quality assurance and logistics.

Bufab's customer offering improves stability and productivity in our customers' C-Parts supply, and ensures sustainability throughout the supply chain. We offer local contact with one speaking partner, and access to our leading international supplier base, global operations and innovative solutions for sourcing and logistics. The result experienced by customers is lower total cost, improved delivery performance, stable quality and more time to focus on core business. And increasingly importantly: better control of end-to-end sustainability.

Sustainability is integrated in all aspects of Bufab's operations – from our guiding principles for conducting business to how we source an individual component, secure its quality, and deliver it to the customer's assembly line, just in time. We proactively collaborate with our suppliers in order to ensure the protection of human rights and to reduce emissions in the supply chain. Bufab strives to have a leading employer brand and works to promote well-being, with a strong focus on safety for our employees, suppliers, and others affected by the company's operations. We believe that these initiatives further strengthen the organization and form the foundation for recruitment of important competencies. We also see it as an integral part of the value we offer to customers.



About the Sustainability Report

The Sustainability Report comprises all companies in the Group unless otherwise stated. See page 49 in Bufab's 2019 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 30. See pages 12–15 and 16–18 for environmental disclosures, pages 24–28 for social issues and employees, page 25 for human rights, and page 14 for anti-corruption.

Bufab supports the UN Global Compact and its ten principles. This Sustainability Report is Bufab's Communication on Progress for 2019. The report also applies GRI 103: Management Approach 2016. The auditor's report on the statutory sustainability report can be found inside the back cover.

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



1,450

Employees

4,348

Total turnover SEK million

28

Countries

9%

EBITA Margin

13,000

Customers



We are entrepreneurs – with big hearts



We always deliver – as a team



We are a responsible partner



We are Solutionists

Sustainability is a top priority for Bufab

In 2019, we significantly strengthened our offering, processes, supplier base, and sustainability performance. We are making good progress on many key performance indicators, and further improved our EcoVadis sustainability rating. We also grew by our sales by 15 percent and took significant market share. Finally, we strengthened our presence in Asia and North America, and in new customer segments. We are well on the way to our goal of being the global leader in our industry – in business, and in sustainability.



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. That's why they turn to a C-Parts supply chain partner like Bufab.

For us, C-Parts are core business. Many of our customers are getting help from Bufab to reduce their complexity, their supplier bases, their risk, and their total cost.

They aim to get better control of their supply chain, also from a sustainability perspective.

We can secure the quality and logistics of C-Parts sourced from our globally leading supplier base, and we work systematically to improve sustainability over time.

DURING 2020 WE WILL START TO OUTLINE THE GOALS AND AMBITIONS FOR BUFAB IN THE COMING YEARS.

In 2019, we significantly strengthened our processes, tools, and our team in such key areas as purchasing, logistics, and quality. We developed and launched new solutions that help our customers improve their productivity, such as our EasyTrack™ range. We also integrated further with both customers and suppliers using new digital tools. This enables us to streamline the entire value chain, and thus achieve better precision and a higher efficiency. We are constantly improving relations with our key customers and we are well on the way to building a world-leading supplier base. These activities have been financed through the growth we have achieved supported by increased market shares in recent years.

The global markets slowed down in 2019, and uncertainty increased. As a result, our customers decreased demand, and Bufab experienced slower organic growth than earlier years. But such swings up and down are a normal part of our business, and we have long experience in handling them. Like in any business, success requires that we are fast and flexible in the face of a changing outside world. But our long-term goals and ambitions remain unchanged.

Our systematic work on sustainability throughout the company is vital for our progress. During 2019, we continued execution

of our "Leadership 2020" strategy, which meant hard work and significant investment. In many areas, we made good progress and reached our goals and ambitions. In others we need to speed up during 2020. However, we see significant progress, and are also getting positive feedback from our most important stakeholders: customers, suppliers, staff, and owners. As one example, Bufab was named "Most responsive supplier globally" by one key customer, the international energy management giant Schneider Electric.

We have also continued our systematic cooperation with EcoVadis, our third-party sustainability assessment partner. The ambition is to reach the EcoVadis Gold level. In 2019, the requirement for Gold is to exceed 95 percent of industry peers. We improved our score significantly over 2019, overall and in most areas, but fell just short of the requirement for the Gold level. Efforts continue. During 2019, we also integrated the United Nation's Sustainable Development Goals with our sustainability agenda in order to better understand how we align and contribute to the goals. We have further broken these goals down to targets and key performance indicators linked to each of our sustainability focus areas. Some of these are published for the first time in this report.

These are important steps. The aim is to help our team to focus efforts on areas to where the effect is the greatest, and to achieve transparency and commitment throughout the organization.

Looking ahead, we will take time during 2020 to outline the goals and ambitions for Bufab the coming years, as a business and in the area of sustainability. This is exciting but also a complicated thing to do, since supplying C-Parts is a very demanding sustainability challenge. We have over thirteen thousand customers and thousands of suppliers worldwide, and we manage billions of components annually with more than 150,000 different specifications. Improving sustainability in such a complex network requires systematic, long-term work across many areas. For example, this means that our sourcing strategy and global sourcing team must build strategic supplier partnerships. With those partners, we can achieve favourable business terms, good operational performance, excellent quality and at the same time take full responsibility for environmental, social and financial sustainability.

We base our sustainability efforts 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

The complexity of the task, and our global reach and scale, make the challenge a daunting one. We cannot say that we are perfect. Instead, we promise our customers and other stakeholders that sustainability is a top priority for us. And we promise that with Bufab as their supply chain partner, our customers' C-Parts supply chain will grow more sustainable every year.

In this report, you can read about our efforts in the year 2019, and about our plans for becoming the sustainability leader in our industry.

Värnamo, March 2020

Jörgen Rosengren
President and CEO

EXAMPLES OF 2019 ACTIONS

- Impact assessment of the United Nations' Sustainable Development Goals
- Intensified quality and sustainability audits of key suppliers, according to tougher Supplier Code of Conduct
- Implementation of KPIs and targets in each sustainability focus area, e.g., sustainable energy usage
 - Electricity bought amounted to 3.5 (4.3) MWh/SEK million
 - CO₂ emission amounted to 0.60 (0.76) MT/SEK million
- Increased investment in the Bufab Academy
- Significantly improved overall EcoVadis rating



Business model – sustainability throughout value chain

Bufab offers a global, full-service solutions for C-Parts sourcing, quality assurance, and logistics.

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 the highest market demands on quality, delivery flexibility/precision, and cost efficiency. We are also committed to provide the most sustainable C-Parts supply chain possible.

Suppliers and logistics

We have built up a global network of suppliers and source a total of 150,000 unique parts, mainly from Asia and Europe. These are distributed using efficient transport consolidation through our global network of warehouses, and delivered weekly or sometimes daily to each customer, locally. As a complement to our trading activities, Bufab also manufactures particularly technically demanding C-Parts in-house at five facilities in Sweden and one in the UK.

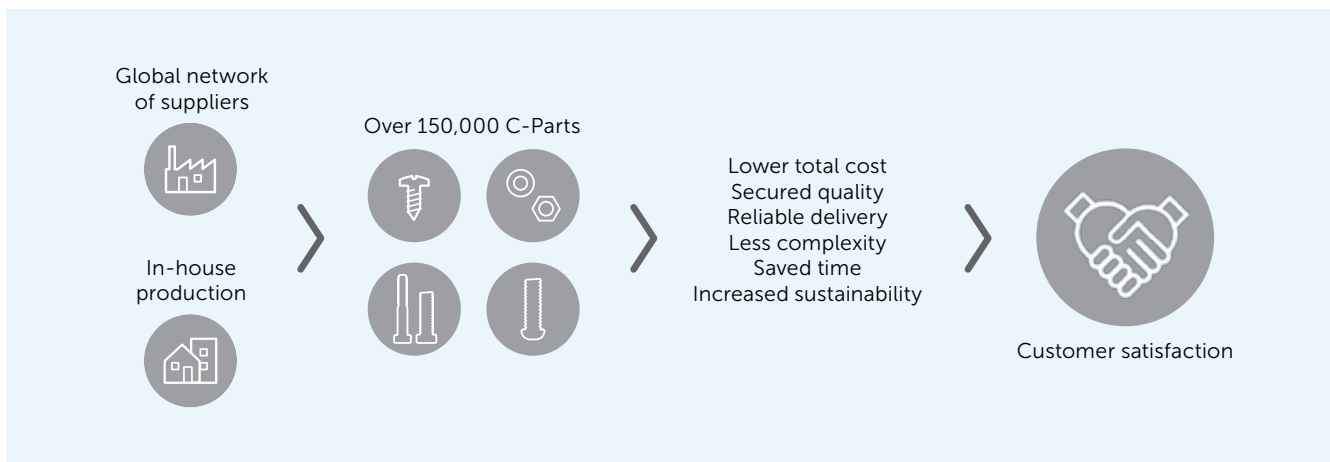
A changing market

Our customers are driven by the need to reduce cost and increase productivity through more efficient management of C-Parts, while considering the requirements of 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 every year. As consolidation of suppliers is both a key priority of our customers, but also a costly and time-consuming exercise, customers are increasingly selective in their choice of partner in our field. We believe that in the long run, a good portion of the market will consolidate to a few, large players with global reach and scale, the required expertise in sourcing, logistics and quality, and the ability to guarantee sustainability throughout the supply chain. We see this as an inspiring challenge and aim to be the leader in sustainability in our industry.

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 global network and strong expertise in C-Parts, 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 Supplier 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.



Strategy for continuous business improvement

What Bufab does is based on long-term, sustainable relationships with customers and suppliers. The strategy starts with what's most important: Quality and Customer First.

Over the past seven years, our growth strategy has enabled us to strengthen our customer relationships and develop a market-leading C-Parts management supply chain. We have also completed nine acquisitions which have strengthened our offering, our skills, and given us increased scale and reach. Three years ago, we set up our vision to be the leading player in our industry. During 2019, we took important further steps in that direction.

Quality and customer first

Our strategy starts and ends with putting quality and customer needs first. Our customers are our most important stakeholder group. We have long and close relations with them, often over decades, and we develop our customer offering to meet their evolving needs. This offering, Global Parts Productivity™, aims to improve productivity and ensure sustainability in the customer's entire C-Parts supply chain. It helps customers reduce overall costs, free up capital, achieve consistent quality, and secure stable deliveries. Customers also require us to have a safe and sustainable supply chain. That involves for instance disclosing the use of conflict minerals, having an industry-leading supplier code of conduct, and being certified according to relevant standards. Helping our customers to improve sustainability is an increasingly important part of our value proposition, and one where we believe that we are ahead of many competitors. This represents a large opportunity for Bufab as awareness and demands grow.

Digital Best Practice

To manage customer expectations in a consistent and efficient way, we have developed and launched a Digital Best Practice. This is



a globally consistent management system which can guarantee that we serve a customer or manage a supplier in the same way everywhere in Bufab. 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. The global management system is increasingly being supported by newly developed software tools, for instance to manage a tighter digital integration with customers and suppliers, and to manage our supplier, logistics, quality and customer key performance indicators. In this way, we have created a global platform for sustainable growth.

Global team of Solutionists

We take the end-to-end responsibility for our customers' handling of C-Parts. This often involves solving complex problems in very tight time and cost constraints across a global supply chain. That's why our global team of experienced professionals is so critical. We call ourselves Solutionists.

Win-Win Acquisitions

Sustainability is also an important aspect when acquiring new subsidiaries. We only acquire companies that share our view of the values that are fundamental to our own approach. In addition, acquired companies can often make valuable contributions to our best practices.

Bufab's sustainable value creation

Bufab improves quality and sustainability for those products customers focus on the least – and often lack the skills and resources to manage efficiently. C-Parts have a low value per part and in total. But they're literally what holds it all together. And there are hundreds of them.



Customer's focus

Sourcing	Professional sourcing work allows most customers to find excellent global strategic partners for their high-value A and B parts. With these partners, they have long-term cooperation in many areas, e.g., product development.	However, most customers also have thousands of C-Parts and hundreds of C Suppliers in their portfolio. These are too numerous to be handled well.
Quality	Customers have tight cooperation with their most critical suppliers on quality, using integrated teams and powerful tools (e.g. 8D and SPC). This takes significant resources, but also yields excellent results.	However, customers struggle to develop the same level of meaningful quality cooperation with their very numerous C Parts suppliers.
Logistics	Today, most manufacturing companies have a high level of logistics integration with their key suppliers. Components are shipped in an efficient and environmentally correct way and arrive just in time. Forecasting and ordering is handled fast and efficiently using digital integration.	For C-Parts, however, most customers struggle. The low economic value makes efficient supply difficult, and creates an administrative burden. The result is often high logistics costs, overstock, obsolescence and, worst of all, stockouts and linedowns. The result is also excessive CO ₂ emissions from inefficient transport.
Overall sustainability focus	Customers increasingly focus on the sustainability throughout their supply chain within the framework of their CSR work.	Although they typically make good progress with A and B components and suppliers using the methods described above, they often struggle ensuring a sustainable supply of C-Parts.



C-PARTS
 Many parts
 Low value
 High complexity
 None-core

Bufab's focus

We aim to have the "World's Best Supplier Base" for C-Parts. Many of our customers need C-Parts made using the same technology. That means we can share our supplier base across many customers. We then get the volume, resources, and expertise needed to develop strategic supplier relationships.

Our suppliers have been our partners for a long time, sometimes decades. As a result, we become their strategic partner, and get excellent performance on price, quality and delivery. We can also be demanding in areas such as ethics, people management, and environment.

A customer's C supplier can be a strategic supplier for Bufab. With such a supplier, we can develop the long-term trust and cooperation necessary to secure product and process quality. We can afford to put in the preventive quality work needed in the form of supplier audits and joint processes, and can establish a tight cooperation, including tools and follow-up.

When there is a deviation, we act quickly and forcefully using our own team, for instance in our local sourcing office closest to the supplier. We also get sufficient attention from the supplier's team. The result is predictable and stable quality, and fast and complete issues resolution of deviations.

Bufab has developed efficient logistics from strong suppliers in each region to our customers. For instance, we are able to consolidate freight for many customers into full container loads. The components are then distributed through our global logistics network to our local warehouses, and from there in weekly deliveries to our customers.

Orders and deliveries are often handled electronically using EDI technologies and/or our EasyConnect™ family of supply chain technologies. As a result, customers get just-in-time deliveries of the right parts, every time, and can reduce cost and improve their own supply precision.

Bufab's sourcing, quality and logistics offering above ensures the customer has a low total cost, good delivery precision, stable quality, and is able to focus on core business. Customers also increasingly worry about the sustainability of their C-Parts supply.

Thanks to our large network and global expertise, we can ensure that suppliers meet our requirements for environmental consideration, health and safety, human rights, and other social conditions, as mandated by our Supplier Code of Conduct. Efficient transport consolidation reduces the environmental impact of C-Parts supply. In total, Bufab can typically significantly improve the supply of our customers' C-Parts supply chain.

Bufab



Systematic evaluation of sustainability performance

External evaluations by EcoVadis provides us with a clear framework for continuous improvement that encourages us to become better.

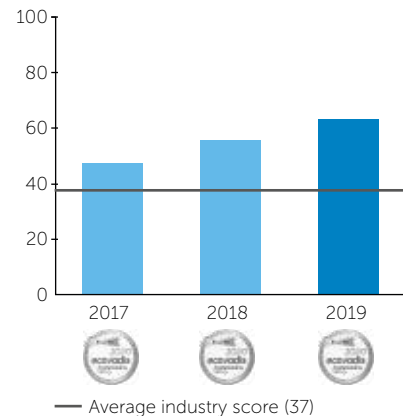
Sustainability is clearly becoming increasingly important for investors and corporate customers, and quite often it is a key buying factor. Many partners that Bufab speaks to request an independent review of sustainability management processes. In 2019, we further intensified our cooperation with EcoVadis – an independent Corporate Social Responsibility (CSR) tool used by companies worldwide. This brings additional structure and discipline to our activities.

An important goal is to have an independent ranking of Bufab's CSR results, so that we can compare them with the results of peer

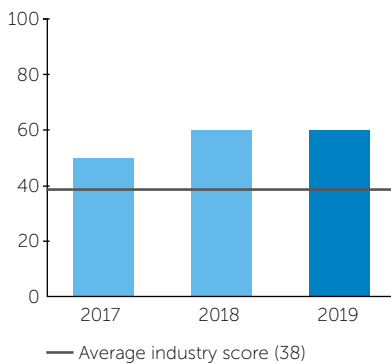
companies. Bufab has received a silver medal every year since 2014, which means that our sustainability performance has ranked among the top 30 percent of all companies in our industry. The goal for 2019 was to be one of the top 5 percent of companies, we managed to get as high as top 9 percent of all companies evaluated by EcoVadis. In our own industry we even rated top 2 percent. The goal for 2020 is to reach the gold medal.

Based on improvement actions that we got from EcoVadis, we have implemented a large number of actions during 2019. Some of them are mentioned below.

ECOVADIS OVERALL SCORE



ENVIRONMENT



Examples of implemented actions based on EcoVadis proposed improvement areas during 2019

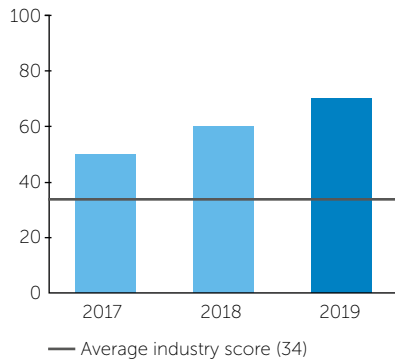
Adopted targets in our Environment policy on improving percentage of renewable energy used and decreasing scope 1 and scope 2 emissions.

See more on page 14.

Started measuring our fossil fuel energy use in 2019. Enabling us to calculate scope 1 (greenhouse gas) emissions.

Introduction of reporting results of our key performance indicators on environmental issues in our sustainability report. Adopted targets on waste in our environment policy.

SUSTAINABLE PROCUREMENT



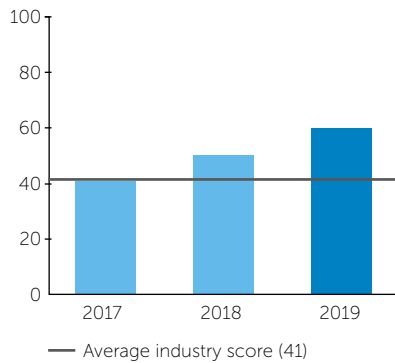
Examples of implemented actions based on Ecovadis proposed improvement areas during 2019

Adoption of conflict minerals in our new policy; Sustainable Procurement policy. See more on page 18.

To improve on this matter we continue to expand the demands on the suppliers. We have expanded our demands on our customers and logistics partners to improve further on sustainable sourcing.

By implementing a dedicated new policy on sustainable procurement we aim to have a more comprehensive commitment and systematic control on our sustainable procurement practices.

LABOR AND HUMAN RIGHTS



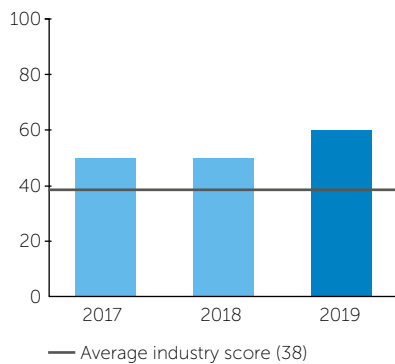
Examples of implemented actions based on Ecovadis proposed improvement areas during 2019

Implemented targets in our Human Resources policy. See more on page 26.

Additional key performance indicators developed on human rights including; gender and age diversity, employee safety/injuries and sick leave.

Measure the injury rate throughout all companies and have adopted a target on this topic in our Human Resources policy to systematically improve.

ETHICS



Examples of implemented actions based on Ecovadis proposed improvement areas during 2019

Started public reporting on number of whistleblowing incidents.

Changed procedures so that third party agents are required to formally accept adherence to our policies.

Performed annual risk assessment on corruption and bribery risks and published main results in this report.

Focus for strategic sustainability efforts

Bufab's sustainability focus are interconnected to our values and to our core business and expertise and we put our efforts where we can make the most significant positive contributions to society.

Material sustainability issues

To be as efficient as possible in our sustainability efforts, we must focus on the right issues. In order to identify where our operations have the greatest impact and what 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 2019, the materiality analysis was reviewed and reconfirmed.

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

Sustainable development goals

Based on our material issues, we have analyzed our positive and negative impact on the UN Sustainable Development Goals and determined the most relevant SDGs related to our business. The analysis is conducted in accordance with the GRI and UN Global Compact report "Business Reporting on SDGs: Analysis of Goals and Targets".



Long-term, systematic sustainability work

Bufab's sustainability agenda is governed by our Code of Conduct and our policies. We support the UN Global Compact and follows its principles. Our aim is to gradually transfer all subsidiaries our Best Practice management system. Supported by ISO 9001, 14001 and 26000, we will also incorporate ISO 45001 during 2020.

Read more on page 12.

Sustainable Global Business

Bufab's largest impact on sustainability is in relation to our global network of 3,000 suppliers. Suppliers are assessed, chosen, and developed using Bufab's global supplier process.

Read more on page 16.



People and relationships

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

Our approximately 1,450 employees are independent, systematic problem solvers that play a crucial role in our sustainability efforts and we believe that greater diversity will strengthen Bufab.

Read more on page 24.

Responsible growth

Bufab has the ambition to grow in a responsible way that benefits our stakeholders: owners, 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 20.

Long-term, systematic sustainability work

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

As a global company our sustainability performance is driven by our local subsidiaries. In 2019, our larger subsidiaries developed local sustainability plans to drive performance and engage all our staff.



In order to reach our ambition to create the world's most sustainable C-Parts supply chain, we increased the pace of our sustainability work during 2019. For instance, we have seen positive results from our investments in "Digital Bufab," a project to digitalize our processes and systems. We have implemented a new supplier management module in all our companies, which takes commercial, technical, and sustainability aspects into account when choosing a solution for our customers. During 2019, Bufab has also developed new targets and KPIs, reinforcing the long-term, systematic sustainability work.

Bufab's Best Practice

Bufab's Best Practice 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 Practices, problem-solving,

and smart ways of working across the Group. This helps us to develop the operations and meet the market's growing demands. This is a continuous process where development is an integrated part. Like in most companies, Bufab's work with Health and Safety has been based on local laws and regulations, during 2020 we intend to adopt the framework and principles within ISO 45001:2018 to set global minimum requirements in our Best Practice ensuring a safe and healthy work environment for all of our employees.

With Best Practice, we have created a platform for sustainable growth and a world-class supplier base, which are the prerequisites for achieving our vision. 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 2020 we will adapt the management system so that our subsidiaries can use it to become certified according to ISO 14001:2015. Our

subsidiaries will then be able to certify their operations according to ISO 14001:2015 and ISO 9001:2015.

The Best Practice Board, comprising Bufab's CEO and selected senior executives, meets quarterly to review the Best Practice management system. The purpose is to ensure the system's continuing effectiveness and alignment with the strategic direction of the organization. During 2019, the Best Practice Board updated several sustainability-related policies, and approved new targets and KPIs. The board also established the internal audit plan, and ensured its completion.

By using a systematic sustainability governance, we can establish procedures for continuous improvement and meet the requirements of external stakeholders. Bufab's Best Practice includes the minimum requirements that all companies must adhere to. These requirements are in line with ISO 9001:2015 and ISO 26000:2010. At present, 29 of Bufab's subsidiaries have

achieved local accreditation for their quality management according to ISO 9001:2015 and 11 subsidiaries have certified its systematic environmental performance according to ISO 14001:2015, as well as 3 IATF 16949 certifications and one OHSAS 18001.

Governance

Bufab’s sustainability efforts are based on our top-down governance and bottom-up governance approach. The foundation is our Code of Conduct and Group-wide policies that apply to all companies in the Group. Compliance is regulated in the instructions for all managing directors. Bufab’s policies include an anti-corruption policy, environmental policy, HR policy, quality policy and a whistle-blower policy. To support implementation and compliance, some policies are complemented by a policy handbook. Policy compliance is also an integrated part in the internal and external audit programs

connected to the ISO certificates and Best Practice. The Board of Directors receive and look into any reports of serious policy violations.

TOP DOWN GOVERNANCE:

- Board of Directors updates and approves policies annually
- Best Practice Board meets quarterly to evaluate the effectiveness of the Best Practice and decide about revises of the framework
- Subsidiary Managing Directors are governed by formal instructions, which are updated annually

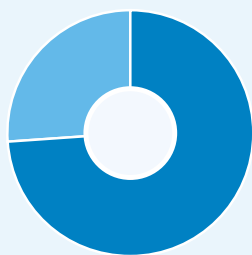
BOTTOM-UP GOVERNANCE:

- All sister companies conduct an annual self-assessment and report the result and corrective actions
- Internal audit programs
- External audit programs

Bufab Supplier 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 Supplier Code of Conduct and policies. We encourage all our business partners to make continuous improvements. Bufab’s Supplier 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. It 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 Supplier Code of Conduct is available at www.bufab.com.

LOCAL COMPANIES THAT HAVE PERFORMED LOCAL SUSTAINABILITY ACTIONS



- Actions
- No actions

Companies responsible for 74% of our net sales have engaged in CSR initiatives.

Examples of local activities 2019

- **Bufab Denmark**
– Actively planning trips by car to customers to minimise environmental impact
- **Apex**
– Comprehensive work to recycle oil in production
- **Bufab Poland**
– Sponsorship of local sports events
- **Bufab Sweden**
– Monitoring and reducing (50 percent from last year) air freight
- **Bufab Ireland**
– Corporate sponsor for Northern Ireland Hospice in ‘Proud Partner’ programme
- **Bumax**
– Making significant reductions in material used and hazardous waste produced
- **HT BENDIX**
– From Jan 2020 Energy contracts for 100 percent wind energy
- **Bufab Ningbo**
– To improve the physical fitness and health of employees, organize employee sports events
- **Bufab Taiwan**
– Leveraging and improving global freight activities to minimize environmental footprint
- **Bufab Shanghai**
– A Bufab team participates in Volunteering programs approved by the local JiaDing approval office

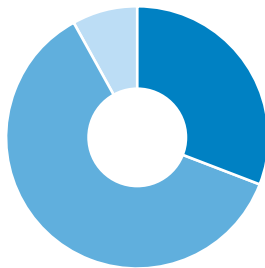
Anti-corruption

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, our sales, purchasing and financial reporting processes are global and fully transparent, we consider this a strong tool to detect deviating patterns at an early stage. Bufab’s approach to ethical business is described in the company’s Code of Conduct and anti-corruption policy that has been in place since 2013.

Within the framework of Best Practice, we have a systematic procedure for identifying and evaluating risk on country level, which also covers the risk of corruption. The analysis within Best Practice is based on the corruption index of transparency.org. We divide our risk assessment in four quadrants as shown in the pie chart.

Even though Bufab operates on a global level, less than 10 percent of our revenue is located in countries with a higher than average chance of corruption. These countries are considered high risk countries according to global corruption risk indexes. We have performed our yearly risk assessment in order to focus our corruption prevention activities where they are most effective and necessary.

COUNTRY LEVEL IMPACT ASSESSMENT



- High impact/High probability, 0%
- High impact/Low probability, 31%
- Low impact/Low probability, 61%
- Low impact/High probability, 8%



Targets

- » We strive to produce and/or procure 100 percent of our energy from carbon-neutral sources by 2030
- » We strive to achieve a material recycling rate above 90 percent by 2030, and to reduce waste to landfill to 0 percent by the same year
- » Reduce total waste by 20 percent 2030

Activities 2019

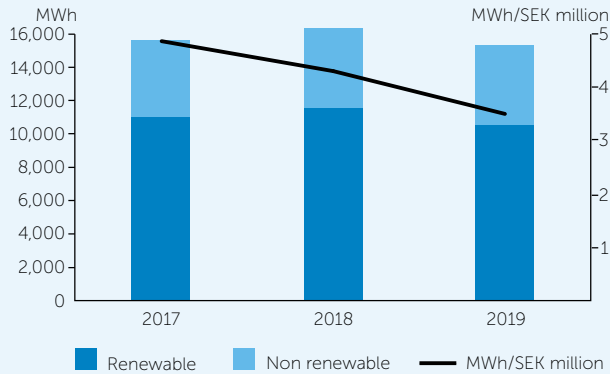
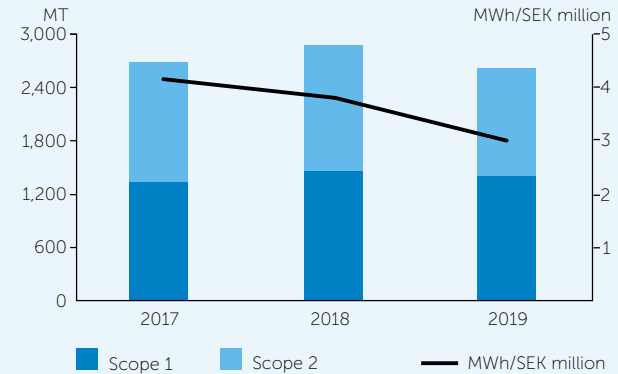
Result

» Perform audits of subsidiaries to ensure that the Bufab Best Practice has been implemented according to plan	✓
» Creation of local sustainability plans in large subsidiaries	✓
» Continuous monitoring of our performance indicators and implementation of external performance indicators	✓
» Information about Bufab’s anti-corruption efforts to employees, customers and suppliers	✓
» Intensified use of third party (digital) service platform for sustainability performance evaluation (Ecovadis)	✓

Planned activities 2020

- » Further develop the Best Practice framework to reach minimum requirements of certification for ISO 14001
- » Integrate KPIs in reporting practices and improvement plans for subsidiaries
- » Integrate Health and Safety practices based on ISO 45001:2018 in the Best Bufab Practice during 2020

ELECTRICITY BOUGHT

CO₂ EMISSIONS

Measuring of the numbers involved companies accounting for 96 percent in 2017, 99% in 2018 and 98 percent in 2019.

We increased our efforts in measuring our electricity consumption as we aim to source all our electricity from carbon neutral sources by 2030. Electricity plays an important role in reducing our scope 2 emissions and is therefore monitored closely. In order to reduce our scope 1 emissions, we monitor how much other non-renewable fuels we burn and focus on how we can replace those with renewable alternatives by 2030.

Bumax reduces it's environmental impact

Bumax is a world-leading manufacturer of premium stainless-steel screws and one of Bufab largest production companies. Thanks to an ambitious and long-term sustainability project that started already in 2011 Bumax has managed to reduce its energy consumption by half.

In addition to significantly reducing carbon dioxide emissions and streamlining production, Bumax has also managed to save SEK 1.2 million annually in energy costs.

This has been achieved through investments in roof insulation, new energy-efficient wood-glass windows and insulated skylights, as well as large industrial doors with better insulation. A positive side effect is a more even indoor temperature and a better working environment.

Other measures taken are optimization of the ventilation system and a lower temperature in the warehouse. 100% of the electricity that Bumax consumes is renewable hydro-

power. Electricity consumption has decreased by about 55 percent during the same period thanks to investments in low-energy lamps and lamps with motion sensors.

“It is a great undertaking for a manufacturing company to save so much energy in a large factory premises without sacrificing production, convenience, heating and more. We will continue our work for better energy efficiency and more sustainable operations in 2020 and the coming years. Lower energy consumption results in lower production costs, which is good not only for the environment but also for our competitiveness”

Patrik Lundström Törnquist
CEO, Bumax

Sustainable global business

As a global company with a substantial number of parts and suppliers and customers all over the world, we are in an ideal position to contribute to a sustainable development.



We were also named Most Responsive Supplier Globally by Schneider Electric, out of their more than 50,000 suppliers and recognized partners.

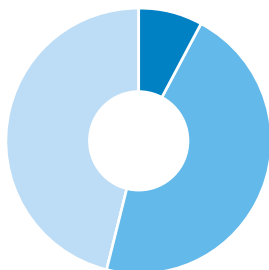
We want to develop a world-class supplier base by 2020. To do so, we are striving to consolidate our sourcing to the suppliers that conform to our ambitious quality, price, and sustainability standards. We are also endeavouring to reduce our climate impact from transport, ensure that our components do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

and continuously improve our quality. During 2019 we have further reinforced our list of preferred suppliers and focused on on-site visits to numerous suppliers. We were also named Most Responsive Supplier Globally by Schneider Electric, out of their more than 50,000 suppliers and recognized partners.

productivity and quality, but also to create opportunities for focusing on the suppliers' sustainability aspects. In addition to our trading activities, we also manufacture particularly technically demanding C-Parts in-house at five Swedish facilities and one in the UK.

Our global supplier management organization 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 invested significant time, money and resources during 2019 in the development and deployment of these tools and are seeing good results as a consequence.

BUFAB'S SOURCING



- Sweden, 8%
- Rest of Europe, 46%
- Asia, 46%

Global presence

One of Bufab's largest 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 organization, which has grown rapidly during 2019. For instance, we opened a new sourcing office in Ningbo, China, during 2019. It will provide services of sourcing, supplier quality development, and logistic solutions in China to all sister companies within the Bufab Group.

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

Supply chain sustainability

Adopting and following our Supplier Code of Conduct has been a requirement for all Approved, Preferred and new suppliers since 2016. The Code of Conduct also helps us to assess potential suppliers. It happens, however, that suppliers cannot or do not

SUPPLIER CLASSIFICATION

We classify our suppliers into the following categories:

- **Preferred:** Have undergone on-site audits and 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.

SUPPLIER CATEGORIES

Assembly	Rivets
Bolt	Rubber components
Branded parts	Screws
Casting	Service supplier
Consumables	Sheet metal
Creative component solution	Special forging (non-fasteners)
Customers	Stainless fasteners
Electronics	Surface treatment
Fabrics	Threaded studs and rods
Hardware	Tools
Hydraulic	Trader
Machined parts	Washer
Nut	Wire parts
Packaging	Wood
Plastic components	
Raw material	

want to sign the Code of Conduct. With such suppliers, we try to work out a solution. If we are not able to, the supplier is phased out.

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 prioritize our largest suppliers where we see that this work has the greatest impact. During 2019 we have further increased the number of preferred suppliers thanks to a systematic effort. New potential suppliers that do not conform to our requirements, for instance regarding the Code of Conduct, 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.

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

Supplier audits was a prioritized area during 2019 in Bufab's sustainability efforts. We adopted a new, stricter auditing tool and set

out on the strenuous work to audit our supplier base according to these new standards. We have a global auditing program which governs these efforts. It involves a single, global standard, and an ambitious training program for the auditors involved. The audits are in most cases conducted by Bufab experts, but in some cases, we collaborate with accredited external partners. Besides quality aspects, 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 and if the suppliers cannot reach the requirements they will be phased out. We also encourage extra audits initiated by customers or internal stakeholders.

The supplier audits are a vital part of our integrated work with our preferred suppliers and help us ensure that our suppliers share

our values. By the end of 2020 we aim to have performed renewed audits according to our newer, stricter standards that cover the majority of our component supply.

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 operation. In certain cases, we have a designated supplier instead, meaning that our customer has assessed and selected the supplier and is also responsible for sustainability aspects in the supplier relationship.

Minerals from conflict areas

Minerals from conflict areas 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 do not contain minerals from conflict zones that, directly or indirectly, finance or benefit armed groups in the DRC or adjoining countries. Upon request, the suppliers must be able to identify and report the source of tin, tantalum, tungsten, and gold in their products. We handle this

through a third-party system that increases the transparency further in our supply chain.

Through our risk assessment we have identified about 250 suppliers who deliver components containing minerals that could have been extracted in conflict zones. Most of these suppliers have provided their Conflict Mineral Reporting Template, developed by the Responsible Mining Initiative. In 2019, a new policy and platform was launched to ensure that all suppliers are screened for conflict minerals, and that relevant suppliers submit regular reports (CMRT) of their use and source of tin, tantalum, tungsten and gold. The suppliers' reports are validated by Bufab to ensure that all reported smelters are conformant within the Responsible Minerals Assurance Process. Any uncertainties in the reports will be closely followed up by Bufab and our external partner together with the supplier to clarify, and if necessary, replace the source of minerals. All reports are consolidated into a Bufab CMRT which is made available upon request. The CMRT is updated annually.

Transport

Bufab helps to minimize 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 reduce transport emissions significantly.

Deliveries from suppliers and regional warehouses mainly take place by boat or truck, while short distance deliveries to customers take place by truck. Express deliveries by air, and sometimes 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 minimizing the use of air and express freight using a high degree of filling. 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 minimize our passenger transport.

Transportation emission is one of Bufab's material aspects. As a result of this, Bufab uses logistics and measurement tools in order to improve decision-making and monitoring. We are also continuously working to develop our reporting framework. During 2019 we determined targets and indicators, and we will now focus on integrating the system towards all suppliers. Our goal is to develop a true and fair account of the emissions through the use of standardized approaches and principles.

Quality assurance

Being a supplier to demanding customers all over the world requires a comprehensive quality management program. At Bufab,

quality assurance is fully integrated with the Best Practice management system which is based on ISO 9001:2015. It includes important preventive activities such as risk assessment of new parts and finding the most suitable supplier for each part, as well as part approval process and customized quality inspection. As a part of our work for continuous improvements we have implemented a process for so-called Red Flags. This process helps us manage issues at an early stage to minimize any negative consequences for our customers. Identified Red Flags are reported to top management on an ongoing basis and ensures that analysis and corrective measures are sufficient to prevent recurrence. The measures taken often mean that we update our Best Practice in order to implement the improvements throughout the Group.

Targets

- » 100 percent of our suppliers evaluated and screened on conflict minerals
- » All our approved supplier signed Supplier Code of Conduct
- » For each approved (A,B,C) supplier there is a capability survey performed

Activities 2019

Results

» Continued consolidation of our best suppliers, commercially and from a sustainability perspective	Ongoing and a part of our continues C-part consolidation process
» Significant investment in expanding sourcing organisation worldwide, including Asian sourcing offices	✓
» Continued increased quality and intensity in our supplier audit programme for supplier audits	✓
» Implementation of an improved supplier database	✓
» 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	Ongoing

Planned activities 2020

- » 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
- » Continuous quality audits
- » Deepened partnerships with key suppliers
- » C-part consolidation for new customers and acquisitions



Integration of Bufab's Best Practice

Montrose was acquired by Bufab in 2016. Since then, I have been responsible for operations in the Bufab UK/Ireland business. We have gradually become more integrated in Bufab's management system Best Practice through the strategy for acquired companies "pull integration". It has been a successful process as it hasn't placed any unnecessary burden on the team. Instead we have been able to adopt parts and processes of the management system when the time has been right.

Consequently, Best Practice has not only helped us develop the working practice, it has also contributed to the development of the culture and significantly increased productivity. As an example, we can now more comprehensively evaluate our suppliers, and track our freight footprint through the adoption the Bufab Freight Agreement.


Best Practice provides the pillars to the daily methods of work that allows all sister companies to benefit from each other's knowledge and expertise. By having Best Practice, it means that we stay ahead of the market and as such we continually develop our processes. It's simply put a way of working that evolves with the people and investments.

This year, we will continue the integration with global Bufab. We are looking forward to continuing our journey with Bufab in 2020 and beyond.

Scott Wheeler
Business Unit Operations Manager
Bufab UK/Ireland

Responsible growth

We grow both organically and through acquisitions in a responsible way, generating returns for our owners and increasing our contribution to other stakeholders: employees, society, suppliers, and customers.



Due to Bufab's global customers and supplier network, we make positive contributions in every country in which we operate.

With Bufab Best Practice, we have created a platform for sustainable growth. It forms the basis of our work for responsible growth, 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 good financial results. These generate returns for our owners, a key stakeholder group. But strong financial results are also necessary to create room for investment. The large efforts we have made in the past five years to increase the sustainability of our supply chain would not have been possible without growth. Responsible growth also benefits our other stakeholders. Our employees benefit through salary, provisions for pension, and other benefits, as well as through opportunities for personal development offered by an employer that encourages personal freedom and responsibility. Communities in the countries where we operate benefit through direct and indirect tax revenue. Our suppliers, chosen

for their ability to contribute to responsible growth, can in their turn grow and invest a virtuous circle. Finally, Bufab's growth means that a larger portion of our customers' C Part supply chain is handled in a sustainable fashion.

Good business practices

Due to Bufab's global customers and supplier network, we make positive contributions in every country in which we operate. We support development by ensuring good business practices and fair competition and of course ensure regulatory compliance in all countries in which we operate. This is an integral part of Bufab's Best Practice

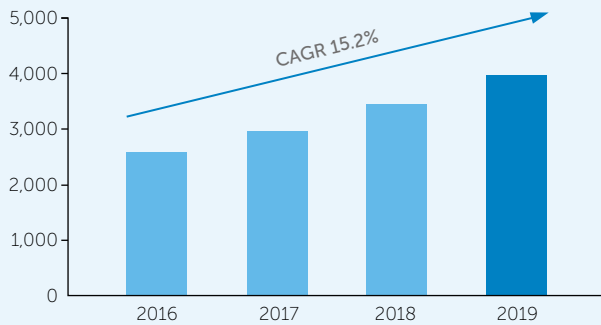
Paying taxes in the countries where we operate is about more than complying with the law. It is about contributing to economic growth in each country, and helping enhance social development. Our tax strategy is a part of our global strategy and is integrated in our CEO instructions and transfer pricing documents. This together with our

audit program makes sure that we comply with the tax laws wherever we operate and that a fair proportion of the value generated stays within each country.

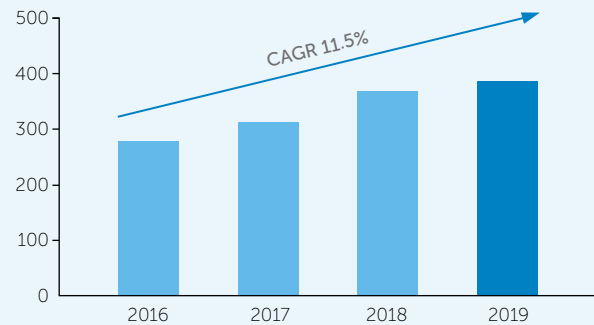
We do not have any operations in tax havens, instead we add local economic value. We continually strive for an open dialogue with governments. In countries where our operations are too small to build up the required expertise, we rely on, external consultants, such as certified auditors.

This approach helps us to comply with local rules and regulations, but also to contribute to economic and societal growth and prosperity in the countries where we operate.

NET SALES, SEK MILLION



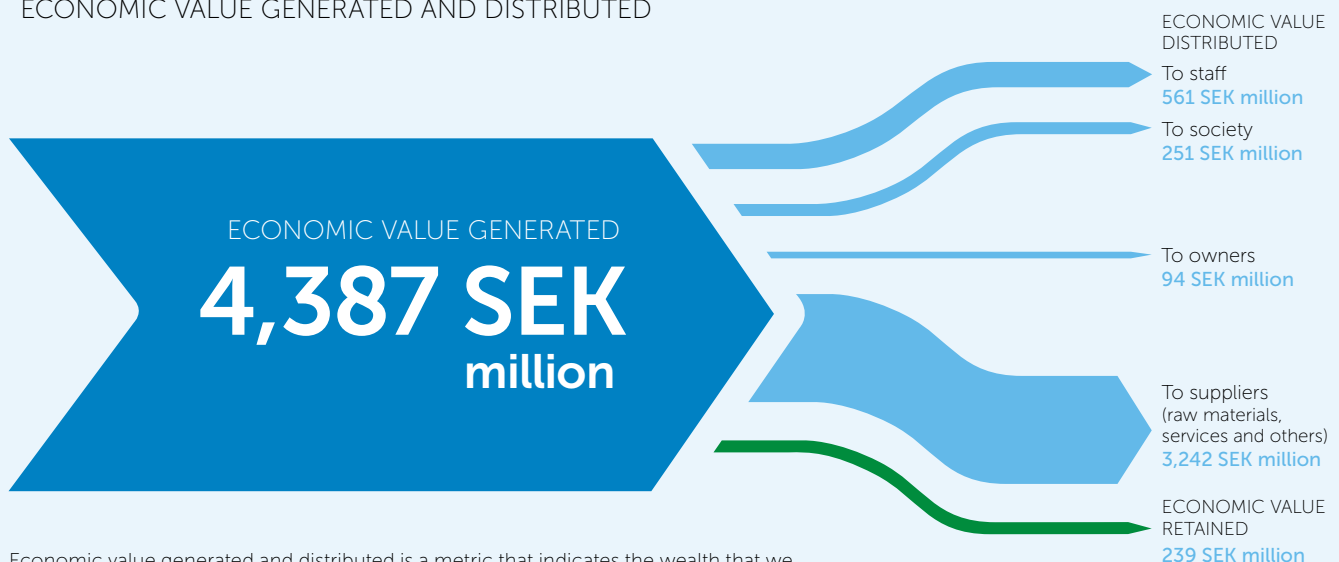
EBITA, SEK MILLION



Bufab has the ambition to grow in a responsible way that benefits our stakeholders: owners, our employees, society at large, and our suppliers. And most importantly, we achieved responsible growth of 15 per-

cent on average the last 4 years for Bufab by improving sustainability in our customers' sourcing, logistics, and quality assurance of C-Parts.

ECONOMIC VALUE GENERATED AND DISTRIBUTED



Economic value generated and distributed is a metric that indicates the wealth that we create through our operations and the subsequent allocation of our revenue by stakeholder group. Throughout our operational activity we create value for a wide variety of stakeholders, including shareholders, employees, suppliers and customers, banks, state and society.

Acquisitions

We only acquire companies that share our general values and are prepared to subscribe to Bufab’s Code of Conduct. When we acquire a company, we devote a great deal of time and energy to evaluating the company in the due diligence process to ensure they have the ambitions and focus that conform to our requirements. We do not acquire companies if we cannot ensure a similar focus on key sustainability issues such as anti-corruption, environmental impact or supply chain control.

However, it often happens that we have things to learn from companies that we do acquire. For instance, the recent acquisition of Kian Soon has taught us a lot about how to run a sustainable supply chain in South-East Asia. And we have learned many things from HT BENDIX on how to secure a good supplier base in their areas of strength, such as wood products conforming to the requirements of the FSC.

It is also important to integrate new companies successfully. Our “pull integration” philosophy, which means that it is the acquired company that decides which areas of the Bufab Best Practice to focus on, enables us to learn from each other and implement solutions in both directions. We do not impose practices or processes. Instead, the acquired companies can choose from a “menu” of solutions provided globally and in our regional Centre’s of Excellence. What acquired companies do get from day one is access to our global customer base and supply chain. Another key concept is our HR philosophy. We believe that if people are given responsibility and if we have common values then they will choose the right tool and be able to move forward in the best way.

We acquire companies that:

- Are well managed and share our values and culture
- Have growth synergies (customer, geography, product, sourcing)
- Are interested in a win-win deal and responsible sustainable growth

Supplier base

We manage our supplier base through global Commodity Managers, each of whom is responsible for a certain Category of components. In addition, Bufab has Sourcing Offices in China, India, Taiwan, Singapore, the Netherlands, Poland, and Sweden. Using this framework, each Bufab subsidiary is able to leverage the global network of suppliers, making sure to match the right supplier to the right requirements, every time.

Our large purchasing volumes also make it possible 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 that this happens. Bufab’s Supplier Code of Conduct is an important tool for this work. As part of this work, low-standard suppliers are often replaced by better alternatives and the efficiency of the logistics solution is improved. This improves quality and delivery precision, reduces cost, and helps limit greenhouse gas emissions.

Customer adaptation

Responsible growth for Bufab often occurs when we take over a larger package of C-Parts from a customer. This enables customers to improve control over their total sustainability performance and the overall productivity of our customers increases. During 2020 we will arrange a *Bufab Sales Academy* education based on knowledge sharing and sustainability insights between 45 sales officers from all regions to further strengthen our communication and value offer.’

Targets

- » 10 percent annual growth, both organically and through acquisitions
- » Through continued annual growth over 10%, increase our contribution to society through a responsible and fair tax policy

Activities 2019

Activities 2019	Results
» Continued focus on sustainable growth	15 percent total growth (cf target: 10 percent)
» Integration of completed acquisitions	Good integration of HT Bendix. Accelerated integration of Rudhäll Group
» Update of Bufab Best Practice for acquisitions	✓
» Growth through acquisitions	12 percent acquired growth
» Training of Regional Managers and Managing Directors in Best Practice for acquisitions	✓
» Examine structures for mutual reporting on VAT and sickness absence rates in all jurisdictions	✓

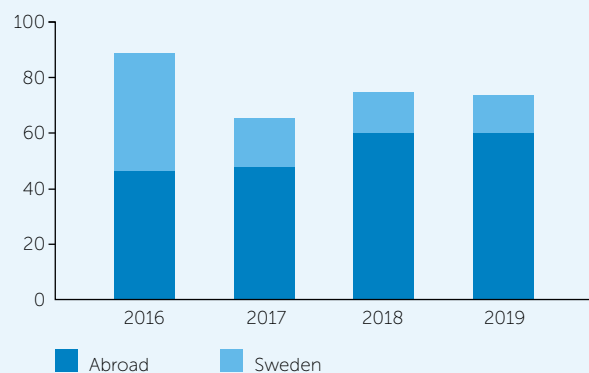
Planned activities 2020

- » Continued focus on sustainable growth, both acquired and organic
- » Integration of completed acquisitions
 - Updated Bufab Best Practice post-acquisition integration process
 - Integration of Flos, Montrose, Thunderbolts into the Bufab Best Practice
- » New generation of Bufab’s customer offering, with more emphasis on sustainability values
- » Launch new customer offering in Sales Excellence training for key managers

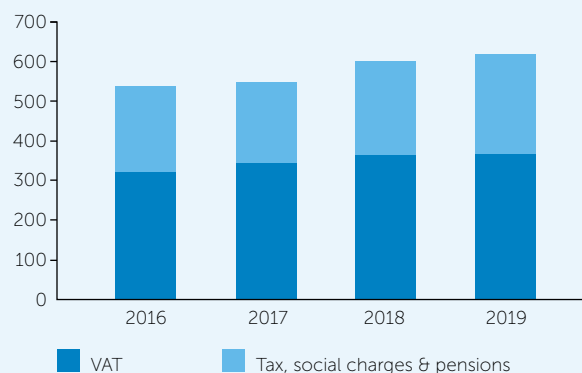
ECONOMIC VALUE GENERATED AND DISTRIBUTED

SEK million	Stakeholder	2016	2017	2018	2019
Revenue – net sales	Customers	2,847	3,201	3,786	4,348
Other revenue	–	32	32	50	39
Total value generated		2,879	3,233	3,836	4,387
Suppliers	Suppliers	-2,100	-2,403	-2,854	-3,200
Costs, salaries, and remuneration to employees excl. social fees	Employees	-367	-407	-491	-561
Costs, social fees and pensions	State/society	-126	-137	-160	-178
Financial expenses	Banks/creditors	-21	-26	-29	-42
Dividend to shareholders	Shareholders	-65	-76	-85	-94
Income tax	State/society	-88	-65	-74	-73
Total value distributed		-2,767	-3,114	-3,693	-4,148
Economic value retained		112	119	143	239

INCOME TAX, SEK MILLION



TAX AND OTHER PAYMENTS, SEK MILLION




The Bufab Group strategy for tax is based on our general aim to be responsible corporate citizens in the countries and communities where we have operations, and to fulfil our responsibilities towards shareholders, employees, customers, suppliers and other stakeholders. The core of our tax strategy is to pay the right amount of tax at the right time to the right tax authorities, respecting all the applicable tax laws of the

countries where we operate. Our transfer pricing principle is to apply arm's length transfer prices to intra-group transactions to reflect where value is created in the Group, and which jurisdiction has the right to tax the profits. Foster constructive, professional and transparent relationships with tax authorities, based on the concept of integrity, collaboration and mutual trust.

People and relationships

With clear values and a leadership philosophy based on personal entrepreneurship and personal responsibility, Bufab wants to be the most attractive employer in the C-Parts industry.



The implementation of ISO 45001:2018 in Bufab's management system will strengthen our work with occupational health and safety.

1,450 Solutionists globally

Bufab strives to combine the scale and reach of an international Group with the customer-first, entrepreneurial mindset of a small family company. We deal with many suppliers who deliver billions of parts annually to thousands of customers, and one single missing component can stop an assembly line. That's why we need to be fast and flexible, and 100 percent focused on the customer's needs.

This challenge suits a certain type of person. Someone who is an entrepreneur and always wants to deliver, but who also sees the need for the human touch, and for teamwork. And someone whom our customers can fully trust to take care of their business as they would themselves, or better. We call such people Solutionists.

We have approximately 1,450 such Solutionists employed in 41 Sister companies in 28 countries. They are our biggest asset and our most important structural capital. These individuals, the Sister companies where they

work, and their management teams are all highly independent and have a large degree of individual freedom. But they also take responsibility for delivering quality, and for ensuring sustainability throughout the value chain. For acquisitions, we have a long-term commitment to implementation of the newly acquired company to nurture the entrepreneurship we have acquired.

We try to take good care of our Solutionists. We invest in their development, for instance in the Bufab Academy, but also by motivating them to continuously improve in their roles. We create opportunities for exchanging experience through various forms of networking, cooperation, audits, and job rotation and mobility. We also work systematically using the Bufab Best Practice, for instance using our annual development talks, to increase performance, diversity and development in all teams across the Group. We believe that this is the key to both employee development and satisfaction, and to good business results.

We want to create a positive and engaging work environment for our employees where their inputs are valued, work performance is recognized, health and safety is assured, and wellbeing is enhanced. Our employees shall have equal opportunities to develop their skills and competence in order to reach their full potential. In turn, they support our continued success by working towards agreed goals in accordance with our values and drivers.

Recruitment

When we recruit new employees, we look first and last for people with the right attitude who share these Solutionist values. For instance, they should be able to handle and appreciate a large degree of freedom with responsibility. We can promise them development opportunities, both globally and locally. We ask for commitment, flexibility, and teamwork.

Business is local

All business is created in a local community. That's why local involvement is so important for us. 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 Global Leadership team comprises a total of 74 people (79), of whom only 36 percent (41) are from Sweden. A total of 25 nationalities are represented in this group.

The Bufab Academy

The Bufab Academy was launched in 2014 and provides training in sales, leadership, sourcing, supply chain 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 4,474 (3,384) training hours

in 2019. During the year, we continued to strengthen the Bufab Academy with sustainability elements in several training courses. An example is the Category Management module and the Supplier relations module within the Sourcing Academy.

Our introduction program is an important feature of the Bufab Academy. This introduction program is for all employees who, as part of their work, will require knowledge about the entire Group. A total of 62 employees (44) completed the introduction program during the year.

Through the Bufab Academy, managing directors of all our subsidiaries have also gained access to a toolkit to support their operational leadership. During the year, all regional managers and managing directors were offered training in sustainability.

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

Human rights

Fundamental human rights are a universal entitlement. Support for the human rights expressed in the United Nations' Universal Declaration of Human Rights, is one of the cornerstones in our Code of Conduct, policies, values and Bufab Best Practice. We have during 2019 reviewed our Human Resources policy and through the integration of ISO 26000:2010 in Bufab's Best Practice we ensure consistency with relevant declarations and conventions by the UN and its constituents. This forms the structure in our management system regarding human and labor rights as well as corruption, fair competition, and consumer concerns.

As an example, ISO 26000 core subject 'Labor practices' is strongly based on ILO conventions and the Human Rights Fundamental principles and rights at work.

No human rights violations were reported during 2019.



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.



Whistle-blower function

It is important that all employees feel they can report any suspected irregularities that may 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 programs are informed about the whistle-blower function and the third-party process. In addition, all managing directors are informed about the function and tasked with spreading the information in their own organizations.

WHISTLE BLOWING AND OTHER SIGNIFICANT DEVIATIONS

	2018	2019
Incident reports received by independent external whistleblowing agency	1	1
<i>of which escalated to the Board of Directors</i>	0	0
Incidents reported by CEO/CFO to Board of Directors	0	2
Other significant deviations reported by CEO/CFO to Board of Directors (i.e. significant policy violations etc.)	0	0

Targets

» All employees to have at least one development talk each year	100 percent
» No work related injuries or illness	0

Activities 2019

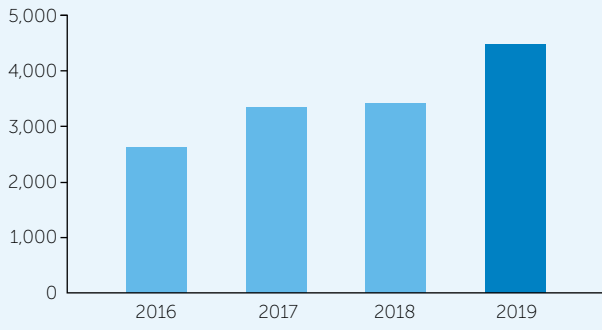
Results

» Development of new strategy and action plan for the Bufab Academy	Plan decided in 2019 for implementation in 2020
» Development of resource and competency plans, including succession management, for all regions and global functions	Done both 2018 and 2019, but will be repeated yearly
» Implementation of central performance indicators in HR	✓

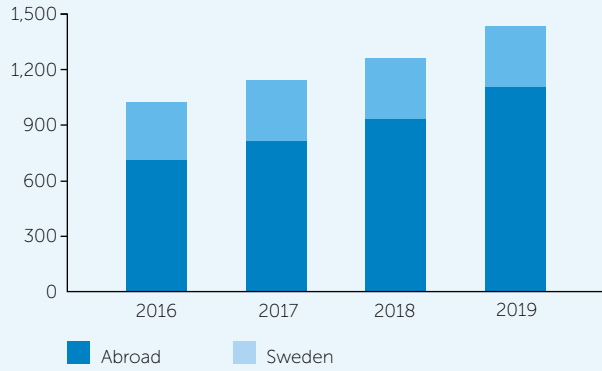
Planned activities 2020

» Implementation of new strategy and action plan for the Bufab Academy including new concepts for broad training
» Development of resource and competency plans, including succession management, for all regions and global functions
» Integrate Health and Safety practices based on ISO 45001:2018 in the Best Bufab Practice during 2020

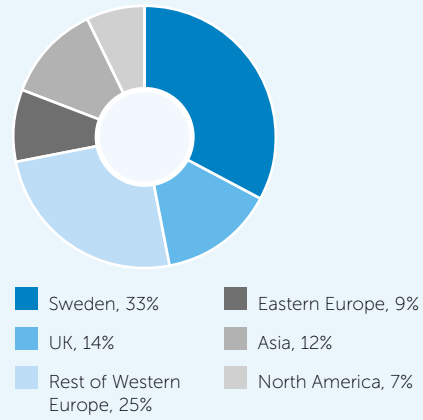
TRAINING HOURS BUFAB ACADEMY



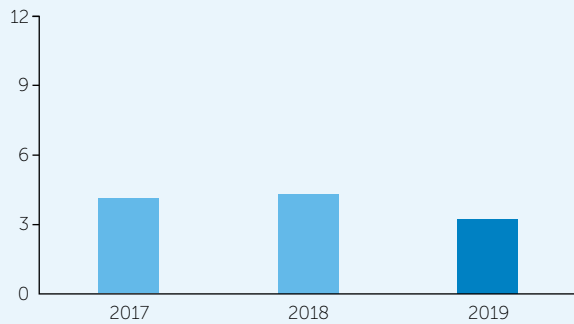
NUMBER OF EMPLOYEES



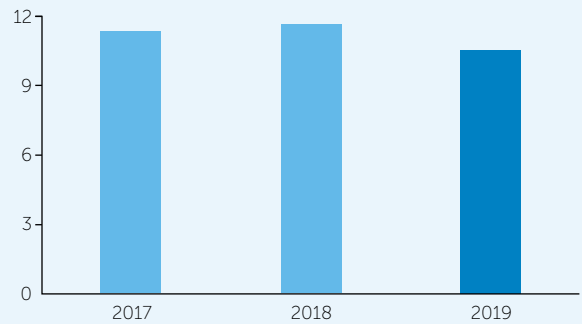
EMPLOYEES PER REGION



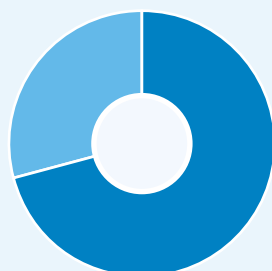
TOTAL WORKDAYS MISSED, %



EMPLOYEE TURNOVER, %



GENDER DISTRIBUTION



■ Men, 71%
 ■ Women, 29%

GENDER DISTRIBUTION IN GOVERNANCE BODIES

■ Men ■ Women

BOARD OF DIRECTORS

2019	57%	43%
2018	71%	29%
2017	71%	29%
2016	75%	25%

GROUP MANAGEMENT

2019	75%	25%
2018	71%	29%
2017	83%	17%
2016	83%	17%

GLOBAL LEADERSHIP TEAM

2019	82%	18%
2018	85%	15%
2017	85%	15%
2016	85%	15%

AGE AND GENDER

	2017	2018	2019
Male under 30	114	118	131
<i>percent men</i>	74	72	70
Female under 30	41	46	55
<i>percent women</i>	26	28	30
Total under 30	155	164	186
Male 30–50	537	532	554
<i>percent men</i>	71	71	71
Female 30–50	218	222	225
<i>percent women</i>	29	29	29
Total 30–50	755	754	779
Male 50+	193	209	250
<i>percent men</i>	74	73	72
Female 50+	69	76	96
<i>percent women</i>	26	27	28
Total 50+	262	285	346
Total all*	1,172	1,203	1,311
Total Male	844	859	935
Total Female	328	344	376
<i>percent women</i>	28	29	29

* Average numbers of employees excluding recent acquisitions.



The Bufab employee: The solutionist

Ten years ago, I started working as a trainee at Bufab in Värnamo. I remember it was another company back then, however, I felt like part of the family from the start.

After just over a year in Värnamo, I was offered the opportunity to move to Birmingham and work with Business Development. That was perfect for a young guy like me and I have a lot of good memories from that time. I stayed for two years until the next opportunity knocked on my door.

Back then, Bufab struggled a bit in Denmark and I got the offer to become managing director in Denmark. I remember that I was very grateful for the opportunity and their confidence in me despite my young age. When I accepted it was headfirst and after two tough years, we managed to turn the negative trend during the third year. I stayed in Denmark for five years and moved after that to my current position as a Managing Director in Norway. That was the same year as the Danish Bufab was awarded Gazelle company by Børsen.

Personally, I am a person that loves new challenges and Bufab continuously provides possibilities for development through trainings, education, and new interesting positions. From my perspective it is a strength to be able to offer the employees the possibility to grow within the organization. That is also the thing that I find the most rewarding as a manager. To see the co-workers taking on new challenges, develop and enjoy their job. And even though I still have a lot to learn, I truly enjoy being a manager in Bufab.

2019 was a very good year for the organization in Norway and we managed to take many important steps in line with Bufab Best Practice framework. In 2020 we will continue that journey.

David Vahter
Managing director
Bufab Norway

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's Best Practice, read more on page 12.

Sustainability risks and risk management

	Risk description	Risk management
SUPPLIER BASE (Social aspects, environment, and human rights)	<p>Suppliers' sustainability efforts</p> <p>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 labor, is not considered material because of our controlled supply chains.</p> <p>Conflict minerals</p> <p>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</p> <p>Bufab performs continuous audits of new and existing suppliers to ensure they conform to the requirements of our Code of Conduct. We also endeavor to consolidate our supplier base and increase the proportion of Preferred Suppliers. Additionally, Best Practice creates transparency and structure to counteract human rights abuses.</p> <p>Read more on pages 16–18.</p> <p>Conflict minerals</p> <p>Bufab requests that suppliers using tin, tantalum, tungsten, or gold in their products submit reports using the Conflict Mineral Reporting Template.</p> <p>The use of minerals and their extraction is continuously monitored. Read more on page 17.</p>
ENVIRONMENT	<p>Transport</p> <p>Our freight transport, mainly from Asia, contributes to carbon dioxide emissions with a negative environmental impact.</p> <p>In-house production</p> <p>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</p> <p>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. We also look into using trains for long distance routes as a sustainable alternative.</p> <p>Read more on page 18.</p> <p>In-house production</p> <p>The manufacturing companies continuously monitor energy consumption and emissions.</p> <p>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.</p> <p>Rudhäll AB is certified according to the ISO 9001 and ISO 14001 standards. Ejvo 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 lose/were to lose several key employees, Bufab's relationships and financial position could be affected.</p>	<p>It is important that we can develop and engage our employees in order to benefit from their expertise and relationships. With the Bufab Academy and other competency development programs, we create the conditions for an attractive and stimulating workplace. Read more on pages 24–29.</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 program includes an anti-corruption training course. Bufab has conducted an anti-corruption risk assessment of all subsidiaries.</p> <p>Read more on page 14.</p>

Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Bufab AB,
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 2019 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, 18 March 2020
Öhrlings PricewaterhouseCoopers AB

Fredrik Göransson
Authorised Public Accountant

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BUFAB SUSTAINABILITY REPORT 2019