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Sustainability
Report 2020

BUEAB

Contents

Towards sustainable leadership	1
Message from the CEO	2
Global Solutions	4
Strategy for Sustainable Leadership	6
Business model	7
Sustainable customer value creation	9
Bufab's sustainability focus areas	10
Grow!	12
Improve	16
Invest	22
Ecovadis	30
Sustainability risks and risk management	31
Auditor's report	32

About this report

About the Sustainability Report The Sustainability Report comprises all companies in the Group unless otherwise stated. See page 50 in Bufab's 2020 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 8 and a risk description on page 31. See pages 16–21 for environmental disclosures, pages 22–29 for social issues and employees, page 26 for human rights, and page 24 for anti-corruption. Bufab supports the UN Global Compact and its ten principles. This Sustainability Report is Bufab's Communication on Progress for 2020. The auditor's report on the statutory sustainability report can be found on the last page of the report.

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

We deliver responsible growth

Net sales MSEK	4,756	(4,358)	+9%
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CO ₂ equivalents emissions Scope 1 & 2 Metric tonnes	2,412	(2,691)	-10%
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CO ₂ equivalents emissions Scope 1 & 2 Metric ton- nes/MSEK sales	0.57	(0.62)	-8%
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Renewable electricity used % of total	72%	(68%)	+4 ppt
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Income tax paid MSEK	92	(73)	+26%
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Towards sustainable leadership

Since we started our business in 1977, our aim has been to make life easier for our customers through offering a smooth, reliable and cost-efficient way of procuring C-Parts. These are small and seemingly insignificant parts of products, but still essential to make them work, such as clips, springs, bolts and washers. Over the years, we have developed innovative solutions for sourcing, quality assurance and logistics that make our customers' lives easier. We have also turned into a leading, global supplier with more than 150,000 items in stock in our warehouses worldwide.

Our success is based on long-term relationships with our customers. Their reason for choosing us is that we meet the highest demands on quality, delivery precision and cost efficiency. Our drive and commitment in recent years has moved towards providing the sustainable C-Parts through sustainable procurement, partnering with carefully selected suppliers for better end-to-end control.

Sustainability is integrated in all aspects of our 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 collaborate with our suppliers in order to ensure everything from the protection of human rights to reducing emissions. Meanwhile, we also focus on the safety of our employees, suppliers, and other interested parties affected by the company's operations.

Our overall goal is to achieve Sustainable Leadership. By that, we mean that we aim to offer our customers the best value for money, be the most attractive employer in our industry, and provide our owners with a responsible investment with a rewarding and sustainable return on investments. We plan to achieve this with a responsible end-to-end sustainable supply chain. This we consider a most challenging ambition. To reach it, we recognize the need to integrate sustainability aspects into every part of our day-to-day operations.

The aim of this report is to describe what we have achieved so far – and our way forward.

Our values

A family of entrepreneurs

To succeed in business, you have to make good decisions, but you also have to be liked by your customers, your suppliers, and your team.

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 together – we are a family of entrepreneurs.

We always deliver – as a team

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

We are a responsible partner

We want to help our customers with their C-Parts requirements. This involves taking complete end-to-end responsibility for sourcing, logistics and quality. Our goal of becoming a market leader ensures that we want to create added value for customers, suppliers and employees and to always guarantee quality. Today, responsibility also means ensuring sustainability in all we do. We are a responsible partner.

Solutionist

Taken together, we summarize these values in our commitment as a Solutionist. In this we commit to go the extra mile to provide a solution to our customers' problem.

Stepping up our sustainability ambitions

Our aim is to achieve sustainable leadership in our industry. Despite challenging conditions brought on by the pandemic, we took several important steps in 2020 towards further integrating sustainability in all parts of our operations. At the start of 2021, we set new and even more ambitious targets towards the reduction of green-house gas emissions. Reaching these new targets will be our most significant challenge in the years to come.

Our core business is what others may regard as of secondary importance. C-Parts are the smallest and least significant components of an industrial system or a machine. Our customers generally have good control of sustainability aspects when it comes to their A and B components. But for C-Parts, they have too many suppliers, too many parts, and too much complexity to manage it well. That's why they turn to responsible and professional C-Parts Supply Chain Partners like Bufab.

We assist customers in reducing their complexity, their supplier bases, their risk, and their total cost. We also help them to gain better control of their supply chain from a sustainability perspective. We secure the quality and logistics of C-Parts sourced from our globally leading supplier base, and we work systematically to improve sustainability within this.

Successful protection of people and operations

The pandemic affected all parts of society over the past year. Bufab was no exception, experiencing the effects of weakened market demands, and the threat to our health and livelihood posed by COVID-19.

At a very early stage we established three main goals: to protect our staff, our customers and our company, to restart profitable growth, and finally to invest in the future.

Our 43 subsidiaries in 28 countries quickly embraced these goals and took the actions required. Thanks to this, we avoided any widespread of the disease in our workplace. We are also very proud

that we managed to maintain unbroken deliveries with good precision and our usual quality to our thousands of customers throughout the world, despite some of the most chaotic times experienced in global supply chains. The pandemic was challenging for our customers in many ways, not least when it comes to the supply of C-Parts. Our good delivery performance in such conditions has helped us strengthen our customer relations even further.

Crises create opportunities

We also rapidly introduced comprehensive short-time work schemes and other cost-saving measures in all our subsidiaries. As a result of these measures, and the strong loyalty and commitment of our global team, we managed to keep our business healthy. In the second part of the year, we turned to restarting profitable growth. Bufab is a growth company and we have taken market share every year for a long time. Thanks to the fast response in the spring, our growth continued during 2020. Crises create business opportunities for the strongest companies with investment capacity. We see many such opportunities in all markets.



Our aim is to achieve sustainable leadership in our industry.

13,000

We have over thirteen thousand customers and thousands of suppliers worldwide



The good results provided us with the flexibility and strength to initiate the third phase: investing in our organisation, processes and systems, as well as in new acquisitions, from 2021 and onwards.

Investing in Sustainable Leadership

Our definition of leadership is to become the preferred supplier, partner and employer, offering the best and most sustainable solutions.

Supplying C-Parts is a 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.

2020 was a challenging year for us and for many others. The project-based work to improve sustainability internally and in our supplier base sometimes suffered. For example, the travel restrictions made evaluating suppliers more difficult. On the other hand, this also made the assistance we can provide, with a strong local presence in many supply markets, even more valuable to our customers. We continued and even accelerated our work to audit

and improve suppliers despite sometimes quite challenging circumstances.

But we also benefited from the crisis in 2020 to thoroughly evaluate our situation, and to develop a new, more ambitious strategy for the period 2021-2023. Sustainability is very much at the center of this new strategy—hence its name: “Sustainable Leadership”.

As a first outward sign of the new ambition level, Bufab signed on to the UN-backed Science-Based Targets initiative in February 2021. In doing so, we are committing to achieving significant reduction of green-house gas emissions in our supply chain. We accept this is a challenging target, but we are sure that it is possible with the cooperation with our customers and suppliers. It is also necessary if our society is to reach the goal set out in the Paris agreement: keeping global warming below 1.5 degrees centigrade.

Reaching this and other sustainability targets will depend considerably on our employees, who comprise 1,300 “Solutionists” in 28 countries. Thanks to their efforts, we can promise that with Bufab as their supply chain partner, their C-Parts supply chain will grow more sustainable every year.

Värnamo, March 2021

Jörgen Rosengren
President and CEO



The most important factor for our successful performance to date, as well as our future ability to reach our ambitious goals, is our employees.

Global Solutions

Bufab sources more than 150,000 C-Parts from thousands of suppliers worldwide every year. The great number of suppliers necessitates strict frameworks and routines to ensure that each supplier complies with Bufab's ambitious approach to sustainability. One example is that from June 1, 2020, all suppliers must sign Bufab's Supplier Code of Conduct before new orders are placed.

Bufab has built up a global network of suppliers, mainly in Asia and Europe. The parts sourced from these suppliers are distributed using efficient transport solutions through the company's global network of warehouses, and delivered to customers within agreed delivery time frames. Bufab also manufactures particularly technically demanding C-Parts in-house at five facilities in Sweden and one in the UK.

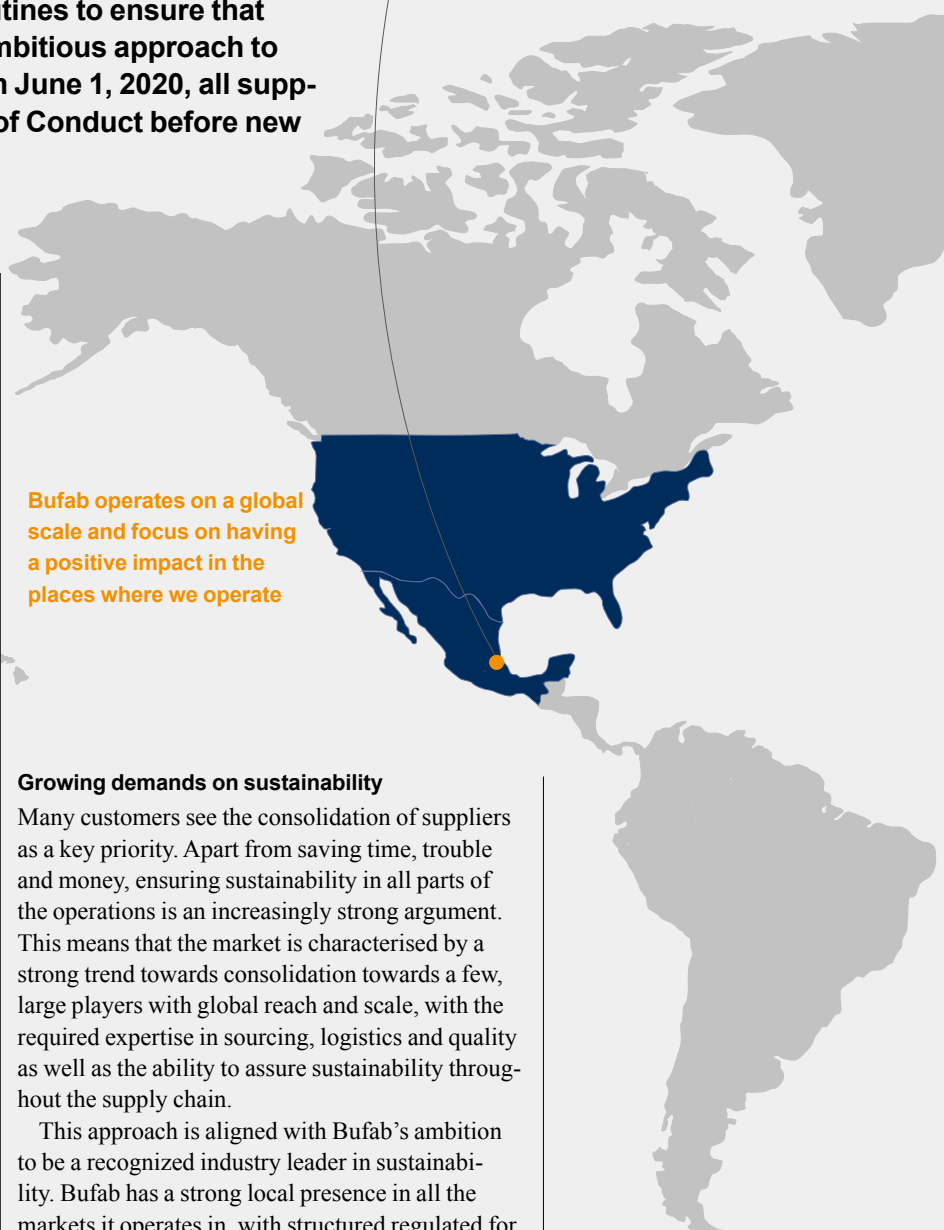
Bufab's customer base is diversified and comprises approximately 13,000 customers in numerous different industries. Customers are diversified geographically, with locations in the Nordic countries, the rest of Europe, Asia and the US. They also vary in size, and consequently their sourcing behaviours and needs vary as well. As a result, Bufab provides solutions both at the local level, and global solutions to national and international customers.

C-Parts a major challenge for customers

Bufab's fully integrated solutions include sourcing, design, logistics and management, warehousing and quality assurance of C-Parts. The manufacturing industry classifies components as A, B or C-Parts. C-Parts are the least strategically important components, and make up a relatively small portion of the customer's direct component costs. However, due to high volumes and the sheer number of suppliers, the indirect costs associated with C-Parts are often high in relation to direct costs. The costs of potential deficiencies in C-Parts quality and delivery precision can also be significant.

Mexico

To decrease its carbon footprint Bufab Mexico started using the same pallets received from suppliers for customers and also the same carton boxes from suppliers for customers shipping. Another initiative is to reduce plastic.



Bufab operates on a global scale and focus on having a positive impact in the places where we operate

Growing demands on sustainability

Many customers see the consolidation of suppliers as a key priority. Apart from saving time, trouble and money, ensuring sustainability in all parts of the operations is an increasingly strong argument. This means that the market is characterised by a strong trend towards consolidation towards a few, large players with global reach and scale, with the required expertise in sourcing, logistics and quality as well as the ability to assure sustainability throughout the supply chain.

This approach is aligned with Bufab's ambition to be a recognized industry leader in sustainability. Bufab has a strong local presence in all the markets it operates in, with structured regulated for evaluating suppliers. Both in terms capability and compliance to Bufab's sustainability requirements. This provides added competitive edge and added customer value. Combined with Bufab's comprehensive and efficient transportation solutions, a more positive environmental and social impact can be achieved than if the customer conducted its own sourcing.

Netherlands

At Bufab Benelux several steps have been taken to reduce environmental impact and to minimize waste collection transports. To support logistics education, there are continuous traineeships in the warehouse. Bufab Benelux also engages with the local community through sponsorships of one local hockey team and two soccer teams.

Sweden

Bumax AB has reduced CO2-emissions by replacing old fossil-fuel run heating equipment, with electrical equipment while also moving to a renewable energy electricity supplier.

Finland

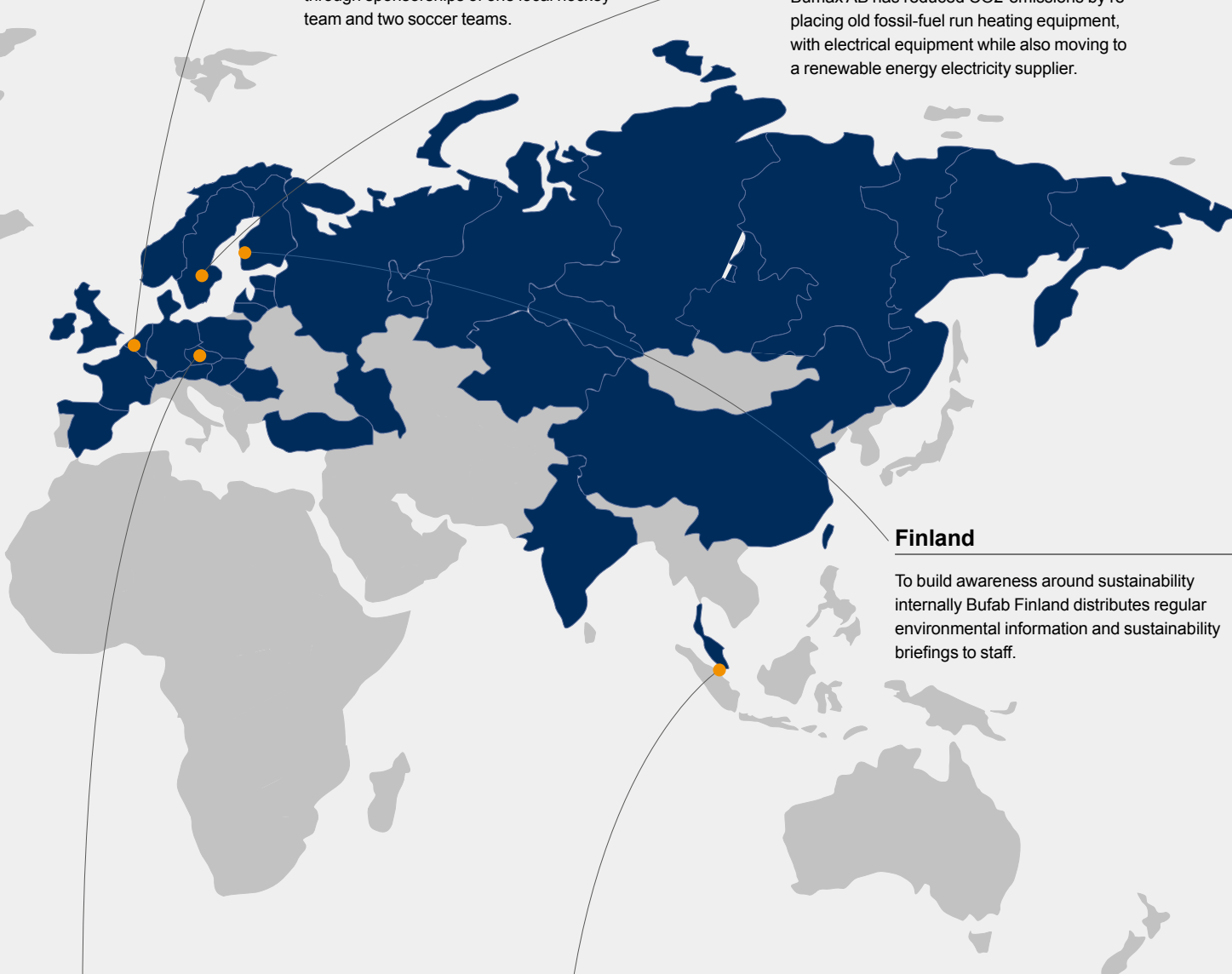
To build awareness around sustainability internally Bufab Finland distributes regular environmental information and sustainability briefings to staff.

Czech Republic

Bufab CZ has made a significant increase in the levels of occupational health and safety conditions with a complete revision of OHS documentation, new personal protection equipment for employees and visitors, as well as safety in the sorting workplace.

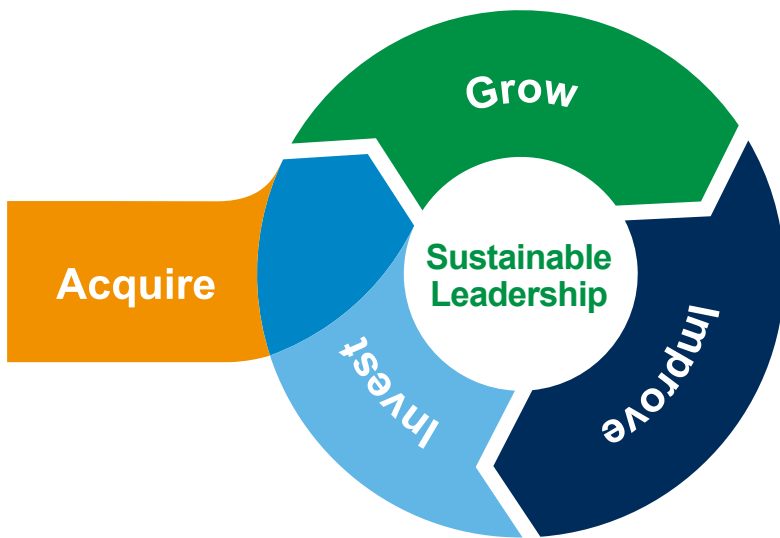
Singapore

To contribute to those affected by COVID-19, Kian Soon Group support The Courage Fund, which is part of the social service agencies in Singapore. The funds raised by staff provide relief and support to those affected by the current COVID-19 situation.



Strategy for Sustainable Leadership

Bufab achieved successful growth over decades based on our insistence to always put quality and customers first.



Over the past years, we have strengthened our customer relationships and developed a market leading C-Parts supply chain management, improved our processes, systems and productivity, built a stronger supplier base, developed our team, and made many strong acquisitions. Four years ago, our vision was to become the leading player in the industry. Now it's time to raise the ambition level even further. Sustainability is one of the focus areas. This is also visible in the name of our new strategy: Sustainable Leadership.

Sustainable Leadership

In 2020, we took substantial steps forward towards this goal. Despite the pandemic, we increased our market share, and strengthened our customer relations. We worked under difficult conditions on improving our supplier base and our internal processes and systems. But we also looked to the future by developing a strategy and a roadmap to

achieve Sustainable Leadership. The roadmap means an increased ambition level in many areas. It also means integrating sustainability into the company's day-to-day business.

To achieve Sustainable Leadership, we have concluded that we need to continue to Grow, Improve, Invest and strategically Acquire. How does that help us become more sustainable? When we take over the management of C-Parts from our customers, we consistently find better suppliers and improve logistics. Both from an economical and a sustainability perspective. As we grow, we also create room to invest in improving our supplier base and logistics platforms even further. The result is a more sustainable supply chain end-to-end. This is becoming an integral part of our commercial offering, as many of our customers are major, global companies with increasingly stricter requirements regarding sustainability from society, as well as from their own customers and investors. The market is currently consolidating and we believe that, in the long term, this will result in 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.

Quality and customer first

Our strategy starts and ends with putting quality and customer needs first. We have long and close relations with many customers, often over decades, and we develop our offering to meet their evolving needs. The aim is to improve productivity and ensure sustainability in the customer's entire C-Parts supply chain. This helps customers reduce overall costs, free up capital, achieve consistent quality, and secure stable deliveries.

Helping our customers to improve sustainability is an increasingly important part of our value proposition, and one where we are ahead of many competitors. This represents a large opportunity as awareness and demands grow.

Grow!

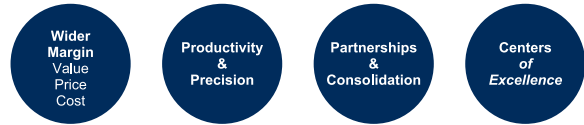


Grow

Our ambition is to be the preferred partner of all customers, on the strength of our Sustainable Leadership strategy. We have consistently grown our share - both regarding market and most customers - over the past eight years.

By growing, we add value not only to shareholders but also to stakeholders, i.e., to customers with better solutions, to governments and communities with tax and environmental performance and to people with jobs and wages. Being a preferred partner also means being part of a virtuous circle: preferred partners get more growth, growing partners get more preferred. Our focus after the pandemic will be on working on customer relations and utilizing all of Bufab's global resources in each customer situation to serve all customer needs.

Improve



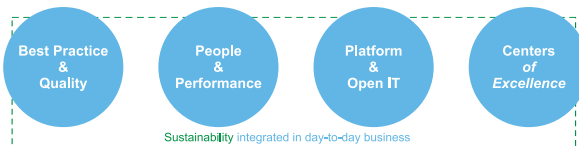
Improve

By improving our internal processes and systems as well as our supplier base, we again add value to both shareholders and stakeholders. We work towards consolidating our supply chain to the top suppliers, who not only provide the best quality, but also the best environmental performance, good working conditions, and so on.

Customers demand continuous improvement. This involves improving productivity, tightening quality and delivery precision, as well as improving sustainability.

Going forward, we have the ambition to increase the yearly productivity improvement. Each business unit has made its own plans for reaching this target. Activities include improving the value added to each customer, driving efficiency and precision throughout the business, building on investments made in digital solutions and strengthening teams. The investment in centres of excellence will also be intensified as a key means to set and share best practice. Meanwhile, sourcing will be consolidated to Bufab's strongest supplier partners.

Invest



Invest

Achieving Sustainable Leadership requires continuous investment in the business. We have continued to invest – in good times and in bad – and intend to keep investing going forward.

Important investment areas recently include IT infrastructure, development of digital tools and processes, the Bufab Best Practice, and a Global Sourcing organization including new sourcing offices. Important investment areas going forward include:

- Productivity Solutions
- People—Academy, Personal development, Values, Organization, People Best Practice
- Platform—Best Practice and Performance Management to integrate sustainability in day-to-day operations
- Partnerships—with the best suppliers

The aim is that these investments will help bring Bufab to a position of Sustainable Leadership.

Acquire



Acquire

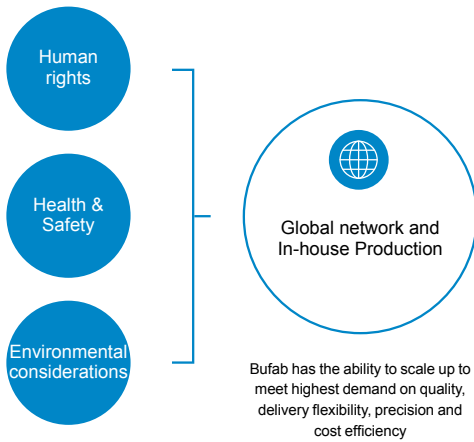
We have acquired more than 50 companies since 1978 and see further acquisitions as an important way of growing, while also strengthening our offering and skills. By increasing our global presence, we can serve customers better and in more markets. Our most recent acquisitions are the North American company American Bolt and Screw and the Danish company HT BENDIX A/S, each with annual sales of about SEK 500 million. Both these companies give us access to important new growth opportunities, and strengthen our product offering, our skill set, and our supplier base.

Our new Sustainable Leadership strategy includes a continued focus on acquisitions. As we grow, we need to make more and larger acquisitions. All business units are tasked with identifying a pipeline for potential acquisition candidates. These candidates should be well run, provide growth synergies, and be open for a win-win deal.

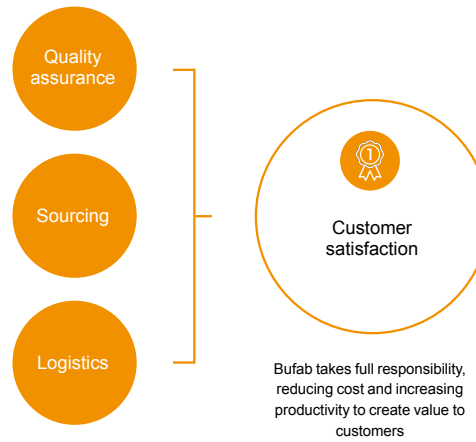
Business model

Bufab's business model is based on offering global, full-service solutions for sourcing, quality assurance and logistics of C-Parts. The company is committed to providing the most sustainable C-Parts supply chain possible.

Sustainable C-Parts supply chain



Our core business



Customers choose suppliers of C-Parts based on an overall assessment of quality, delivery flexibility/precision, and cost efficiency. Meanwhile, demands on sustainability in the supply chain are continuously growing. Bufab's ambition is to meet the highest market demands in all of these areas. As C-Parts are at the core of Bufab's business model, the company is in a better position to manage sustainability issues related to C-Parts compared to its customers.

Suppliers and logistics

Bufab has built up a global network of suppliers, sourcing a total of 150,000 unique parts, mainly from Asia and Europe. These are distributed using efficient transport consolidation through the company's global network of warehouses, and delivered weekly, or sometimes even daily, to its customers, locally. Apart from its trading activities, Bufab also manufactures particularly technically demanding C-Parts in-house at five facilities in Sweden and one in the UK

Changing market

Demands on suppliers of C-Parts are constantly increasing. As consolidation of suppliers is both a

key priority for customers as well as a costly and time-consuming exercise, they are increasingly selective in their choice of partner in the area. Bufab believes that, in the long term, a good portion of the market will consolidate to a few, large players. Customers will turn to players with global reach and scale, the required expertise in sourcing, logistics and quality, as well as the ability to assure sustainability throughout the supply chain.

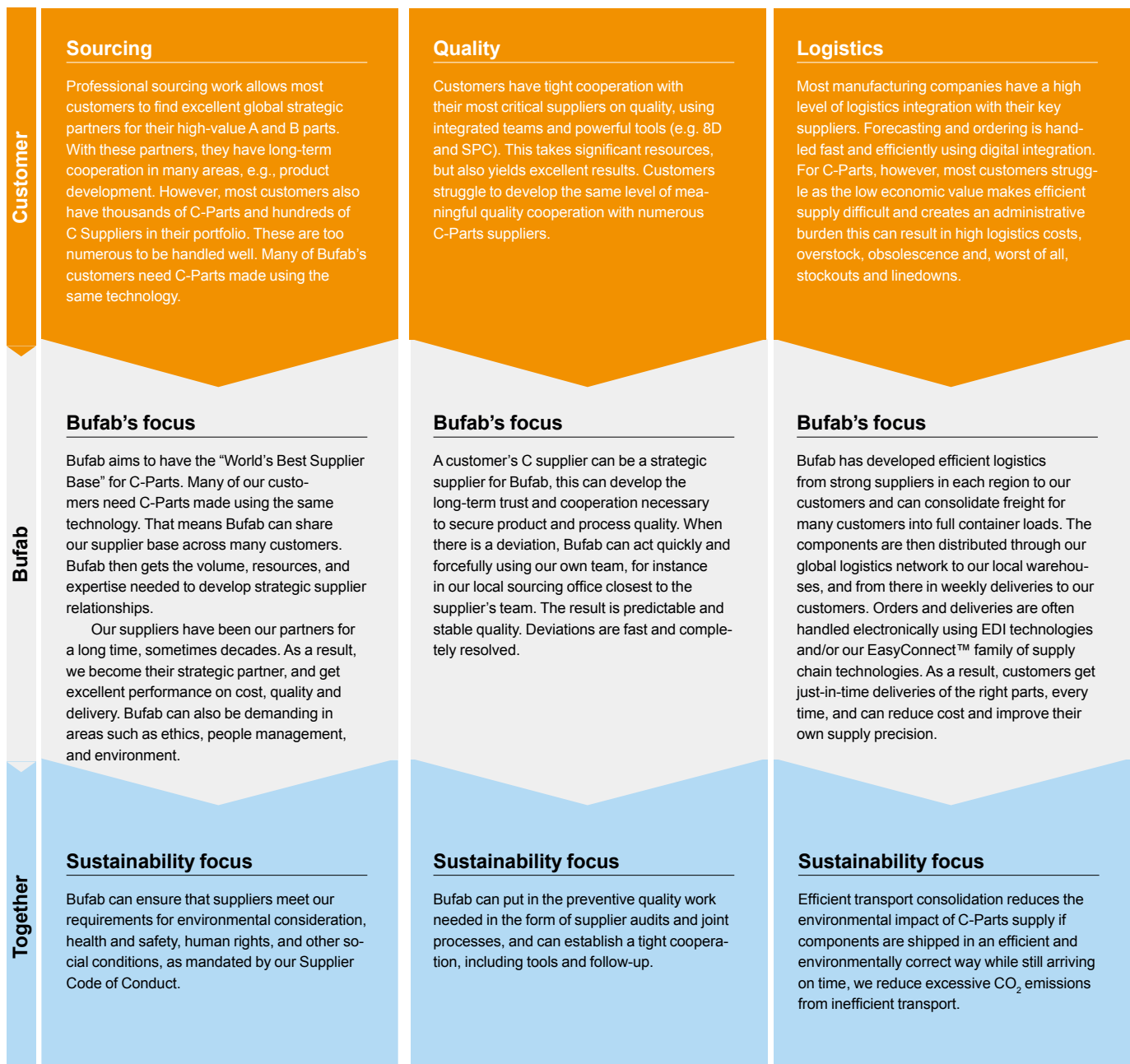
Non-financial value creation

The ability to scale operations provides a competitive advantage and possibility to set higher demands and still stay competitive for Bufab. Thanks to its large global network and expertise in C-Parts, the company is in a strong position to demand and ensure that suppliers meet its requirements for environmental consideration, health and safety, human rights and other social conditions in production contained in its Supplier Code of Conduct. Bufab also adds customer value through its local presence. Together with coordinated and efficient transportation solutions, the company can achieve stronger positive environmental and social impact, compared to customers conducting their own sourcing.

150,000
unique parts

Sustainable customer value creation

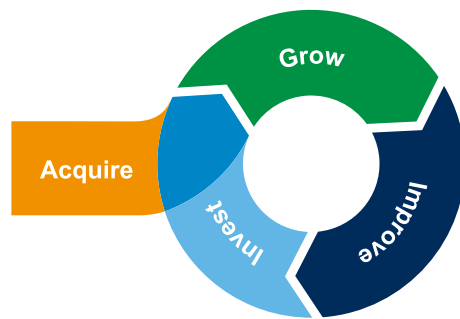
Through Bufab's sourcing, quality and logistics offering we create value to our customers. Using our large network and global expertise we can offer a low total cost, good delivery precision, stable quality. With our focus on sustainability in supply chains we can significantly improve value to our customers while minimizing environmental impacts and improving ethical procedures.



Sustainability focus areas

Bufab aims to be an industry leader in sustainability by offering customers the best value for money, employees a good place to work and owners a good investment. An important key to success is to integrate sustainability into day-to-day operations with focus on the areas identified where the operations have the greatest impact.

At Bufab, we believe that the sustainability work needs to be fully integrated in our day-to-day operations to be effective. That's why our sustainability focus areas are the same ones as the areas of our overall strategy:



Grow! Bufab's aim is to grow by 10 per cent annually. It comes with a great challenge: to grow responsibly. Growth is important for strong financial result, which, in turn, is necessary to create room for investment. The major efforts Bufab has made so far – and continues to make – for increasing the sustainability of its supply chain would not have been possible without growth. Also, when we take over the management of C-Parts from our customers, we are generally able to operate more sustainably, e.g., by better control of the supplier base's social and environmental profile and more efficient transport.

Improve. Bufab strives to continuously improve every part of its operations. In addition to improving our own operations, we are now also increasingly focusing on the sustainability of our own supply chain. Through analysis, audits and performance metrics, we continuously evaluate our suppliers and increase our business with the ones with the best performance. The aim is to offer customers the best – and most sustainable – solutions.

Invest. With its Best Practice, Bufab has created a platform for sustainable growth and a world-class supplier base. Processes have been established to ensure that best practice is shared and that all employees and suppliers act in accordance with the company's values. These are important tools when striving to become an industry role model in sustainability.

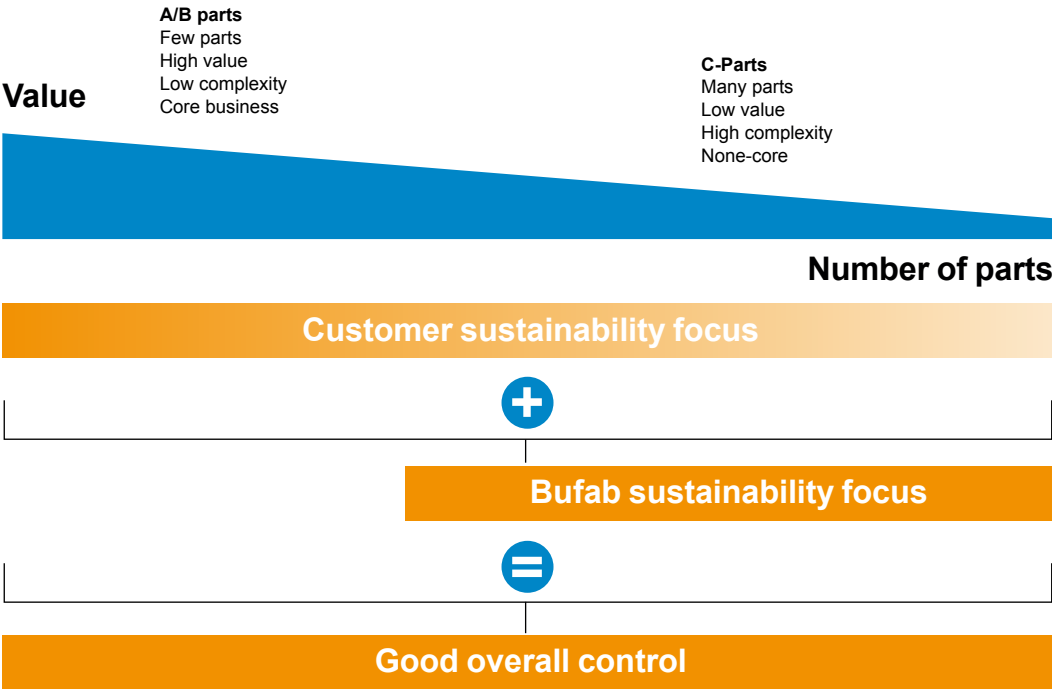
Materiality analysis

In order to map out Bufab's areas of greatest impact and the factors that are most significant for its continued success, the company performed a materiality analysis. The first analysis was made in 2016 in collaboration with Bufab's key stakeholders, using both qualitative and quantitative review methods and a benchmark of information needs. It initially resulted in six material sustainability areas, ranging from anti-corruption to economic and market presence. In 2020, Bufab made a new analysis, reviewing what has been achieved so far and where the company is heading with regards to actions that are being taken. The conclusion was that the materiality issues originally identified still are representative of the company's stakeholders'

Bufab's material issues 2020

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

Bufab's product sustainability



requirements. However, one material issue was added, i.e. environmental impact, while another was specified and renamed sourcing practices.

Components used in manufacturing operations are classified as A, B or C-Parts, where C-Parts often are a large share of all part numbers in a list of materials. 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. C-Parts usually have a low unit cost, wide product variation, large volumes and there are many suppliers in the segment. They are also 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. This makes it difficult for an individual customer to oversee, manage and measure sustainability and as sustainability issues can be a particularly challenging for C-Parts. Bufab improves quality and sustainability for those products customers focus on the least and often lack the skills and resources to manage efficiently.

Agenda 2030 sustainable development goals

Based on these material issues, Bufab has also analysed its impact on the UN Sustainable Development Goals and determined the most relevant SDGs related to its business. The analysis has been conducted in accordance with the GRI and UN Global Compact report "Business Reporting on SDGs: Analysis of Goals and Targets".
Read more in the following chapters.



Grow!

Bufab has continuously grown its market share over the past eight years. The aim is to continue growing. One strong reason is that customers are expected to consolidate their C-Parts supply to industry leaders. But equally important is to grow responsibly, integrating a sustainable approach to expansion.

9%




Sales growth in 2020

Bufab's aim is to grow by 10 per cent annually, organically and through acquisitions, in order to generate returns for its owners while also increasing its contribution to other stakeholders: i.e. employees, society, suppliers, and customers.

With Bufab Best Practice, the company has created a platform for sustainable growth. It forms the basis for acquisitions, its own production, and collaborations with its suppliers. Growth is important for strong financial result, which, in turn, is necessary to provide for sustainable investment programs. The major efforts Bufab has made so far – and continues to do – for increasing the sustainability of its supply chain would not have been possible without growth.

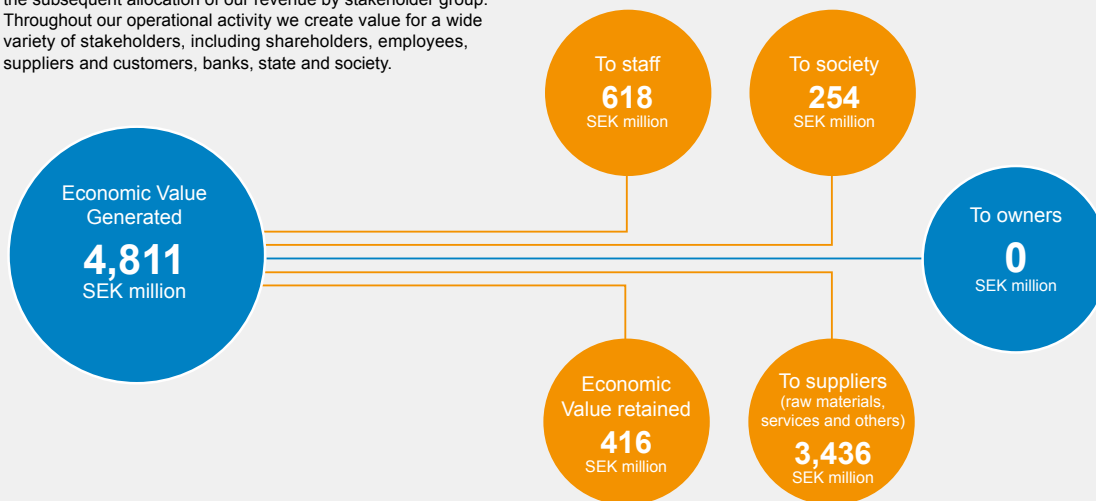
Responsible growth also benefits the company's other stakeholders. Employees benefit through salary, provisions for pension, and other benefits, as well as through opportunities for personal development offered by an employer that encourages personal freedom and responsibility. Communities in the countries where Bufab operates benefit through direct and indirect tax revenue. Suppliers, chosen for their ability to contribute to responsible growth, can in their turn grow and invest a virtuous circle. Finally, if Bufab grows, a larger portion of its customers' C Part supply chain is handled in a sustainable fashion.



Targets	Activities 2020	SDG contribution
<p>10 percent annual growth, both organically and through acquisitions</p>	<p>Continued focus on organic growth led to increased market share. However, strong negative COVID-19 impact in second quarter caused negative full-year organic growth.</p> <p>Strong contribution from recent acquisitions propelled growth in 2020 to +9 percent, just short of our long-term target.</p> <p>We updated the Bufab Best Practice for acquisitions, including the post-acquisition integration process, and integrated three acquired companies into the Bufab Best Practice.</p> <p>We updated Bufab's customer offering, with more emphasis on sustainability values, and used it as a key element in a large investment on sales force development within the Sales Excellence program, which was carried out as planned despite corona limitations.</p>	  
<p>Through continued annual growth over 10 percent, increase our contribution to society through a responsible and fair tax policy</p>	<p>Income tax paid increased to 92 (73), up by 26 percent. The effective tax rate increased slightly.</p> <p>Transfer pricing policies were audited and revised in several subsidiaries to ensure continued compliance with OECD guidelines and our internal policies.</p>	

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.



Good business practices

Through its global network of customers and suppliers, Bufab makes positive contributions in every country in which the company operates. It supports development by ensuring good business practices, fair competition and regulatory compliance. All of these aspects are integral parts of Bufab's Best Practice.

Paying taxes in the countries where Bufab operates includes far more than just complying with the law. It is also about contributing to economic growth and promoting social development. Bufab's tax strategy is part of its global strategy and integrated in the instructions for the company's some 40 local Managing Directors as well as the transfer pricing documents. This, combined with the audit program, ensures that Bufab complies with national tax laws and that a fair proportion of the value generated stays within each country. In countries where Bufab's operations are too small to build up the required expertise, the company uses external consultants, such as certified auditors, to ensure compliance with local rules and regulations.

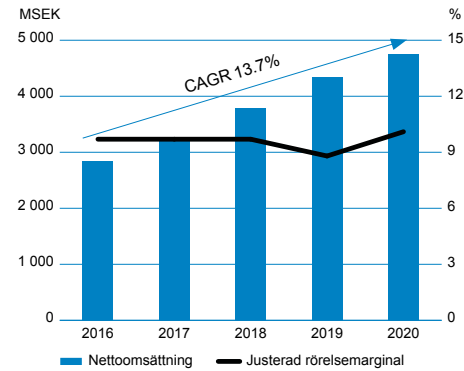
Bufab's tax strategy is based on the company's general aim to be responsible corporate citizens in the countries and communities where it has operations, and to fulfil its responsibilities towards shareholders, employees, customers, suppliers and other stakeholders. The core of the strategy is to pay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

the countries in which the company operates. The transfer pricing principle is to apply arm's length transfer prices to intra-group transactions to reflect where the value is created in the company, and which jurisdiction has the right to the tax proceeds. The aim is to ensure constructive, professional and transparent relationships with tax authorities, based on the concept of integrity, collaboration and mutual trust.

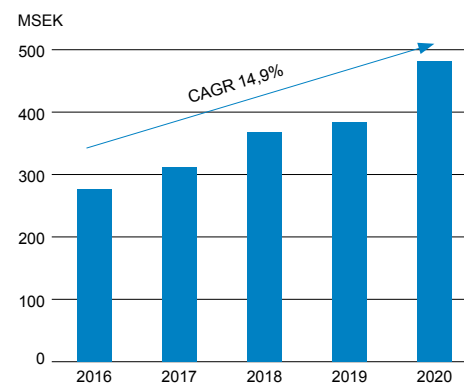
4,756

MSEK Net Sales

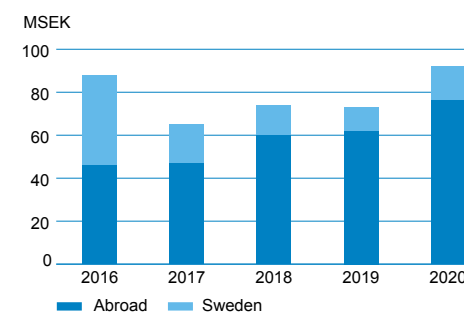
NET SALES



EBITA



INCOME TAX



Economic value generated and distributed

SEK million	Stakeholder	2020	2019	2018	2017
Revenue – net sales	Customers	4,756	4,348	3,786	3,201
Other revenue	—	55	39	50	32
Total value generated		4,811	4,387	3,836	3,233
Suppliers	Suppliers	-3,463	-3,200	-2,854	-2,403
Costs, salaries, and remuneration to employees excl. social fees	Employees	-618	-561	-491	-407
Costs, social fees and pensions	State/society	-162	-178	-160	-137
Financial expenses	Banks/creditors	-60	-42	-29	-26
Dividend to shareholders	Shareholders	0	-94	-85	-76
Income tax	State/society	-92	-73	-74	-65
Total value distributed		-4,395	-4,148	-3,693	-3,114
Economic value retained		416	239	143	119

Acquisitions

Bufab only acquires companies that are well managed and share its values and culture. There must also be growth synergies regarding customers, geography, products and/or sourcing. Companies must also be committed to responsible growth and prepared to subscribe to Bufab's Code of Conduct.

Bufab devotes a great deal of time and energy to evaluating the company in the due diligence process to ensure it has the ambitions and focus that conforms to Bufab's requirements on key sustainability issues, such as anti-corruption, environmental impact and supply chain control. Sometimes, however, the acquired company can provide key insights to Bufab. One example is Danish wholesale company HT BENDIX, acquired in 2019, with strong expertise when it comes to securing a good supplier base in wood products conforming to the requirements of the FSC.

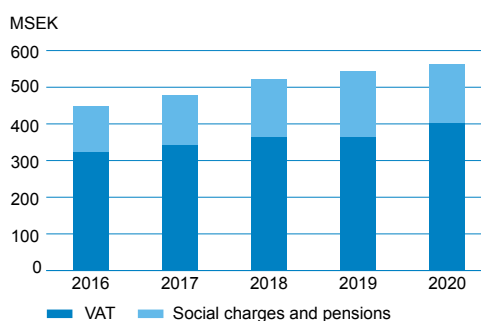
It is also important to integrate new companies successfully. Bufab's "pull integration" philosophy means that it is the acquired company that decides which areas of the Bufab Best Practice to focus on. This enables mutual learning and implementation of solutions. Practices or processes are not imposed on the acquired company. Instead, it can choose from a "menu" of solutions provided globally. All acquired companies, however, get immediate access to Bufab's global customer base and supply chain. Another key concept that Bufab shares with its acquisitions is its HR philosophy, based on the belief that if people are given responsibility and share values, they will perform at the top of their ability.

Ability to scale up operations

Another dimension of responsible growth is obtained when Bufab takes over a major part of the supply of C-Parts from a customer. This enables customers to improve control over their total sustainability performance, while increasing its overall productivity.

In the manufacturing industry, components are classified as A, B or C-Parts. C-Parts typically have a low unit cost, wide product variation, are produced in large volumes and by many suppliers. 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 and they are ordered from a large number of suppliers from all over the world. As a result, it is often difficult for an individual customer to guarantee sustainable and ethical handling across the entire supply chain.

DISTRIBUTED TAX AND OTHER PAYMENTS



Bufab only acquires companies that are well managed and share its values and culture.

Improve

Bufab strives to continuously improve its sustainability work. In addition to improving our own operations, we are now also increasingly focusing on the sustainability of our own supply chain. Through analysis, audits and performance metrics, we continuously evaluate our suppliers and increase business with the ones with the best performance. The aim is to offer customers the best – and most sustainable – solutions.

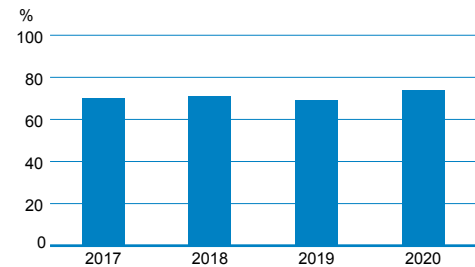


Bufab makes positive contributions in every country in which the company operates.

By adopting sustainability topics more formally in its processes, Bufab aims to create a continuous improvement cycle for all Bufab companies. Through its global network of customers and suppliers, Bufab makes positive contributions in every country in which the company operates.






It supports development by ensuring good business practices, fair competition and regulatory compliance. All of these aspects are integral parts of Bufab's Best Practice.

ENERGY BOUGHT FROM RENEWABLE SOURCES*



*Recent acquisitions excluded



Targets	Activities 2020	SDG contribution
<p>We strive to produce and/or procure 100 percent of our energy from carbon-neutral sources by 2030</p>	<p>Several subsidiaries replaced non-renewable energy sources with renewable ones. As a result, the percentage of our procured electricity which came from renewable sources increased from 68 percent to 72 percent. We intend to continue on this route, but also increase the portion of self-generated electricity. For instance, we are projecting a solar panel park on the roof of our largest center of excellence which will go into operation in 2021.</p> <p>CO₂ equivalent emissions in scope 1 and scope 2 consequently decreased significantly, and emissions per sales volume decreased even more.</p>	 
<p>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, and to reduce total waste by 20 percent by 2030</p>	<p>We have started to integrate our KPIs in this area into our ordinary financial reporting cycle, and to make and follow up improvement plans in the subsidiaries in a more systematic way.</p> <p>We are also working to integrate the standard for Health and Safety Practices, ISO 45001:2018 and the environmental standard ISO 14001 into the Bufab Best Practice minimum requirements.</p> <p>Work in this area was hampered by the Covid-19 pandemic during 2020, but will continue in 2021.</p>	  

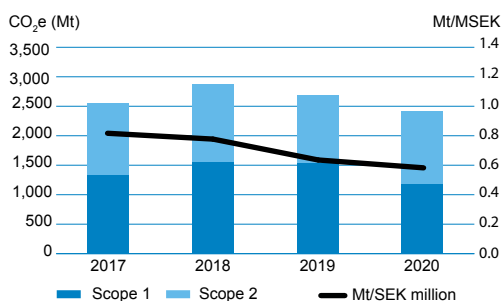
Reducing Climate Impact

In 2019, Bufab set ambitious targets in its environmental policy with regards to reducing its climate impact. The company started measuring its energy consumption and greenhouse gas emissions output to establish a starting point. The aim was to increase transparency in all parts of the business and to begin recording any improvements.

Measuring shows that compared with the previous year, Bufab’s CO2 emissions were down in 2020. The main reason was that the company adopted new ways of working in the wake of the pandemic to protect its people and customers. These included working from home, remote auditing and reduced customer and supplier visits. During 2020, we saw an almost 5 percent increase in renewable electricity sourced, which is in line with our current goals.

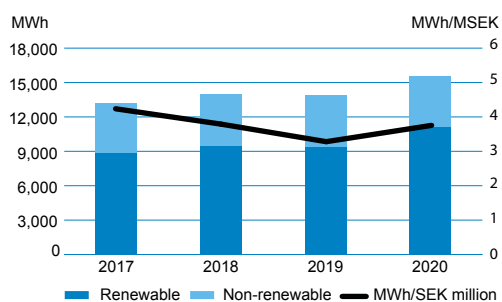
In 2020, Bufab also increased its efforts on identifying the climate impact of its supply chain. After careful consideration, the company determined that in order to become the best, and most sustainable supplier to its customers, it should step up its efforts even further. As part of this, Bufab signed the Science Based Target Initiative (read more on page 28) and started developing ambitious targets to reduce both its own and its supply chain’s climate impact.

CO₂ EMISSIONS*



*Recent acquisitions excluded

ELECTRICITY BOUGHT*



*Recent acquisitions excluded



Bufab commits to the Science Based Targets initiative

In 2021, Bufab signed the international Science-Based Targets Initiative (SBTI) as part of its efforts to further reduce global greenhouse gas emissions. This means that the company has committed to set targets that are aligned with the Paris Agreement, intended to limit global warming to 1.5°C.

The SBTi is a collaboration between the Carbon Disclosure Project (CDP), the United Nations Global Compact, the World Resources Institute (WRI) and the World Wildlife Fund (WWF). Its aim is to drive ambitious climate action in the private sector by enabling companies to set science-based emissions reduction targets.

“The climate change is a global challenge and requires global solutions. Like some of our most ambitious customers, we now feel it’s time to increase our ambition even further by joining the Science-Based Targets initiative. This will push us to develop our sustainability work and to reduce greenhouse

gas emissions throughout the value chain”, says Jörgen Rosengren, President and CEO of Bufab in a comment.

“We also welcome the assessment of our targets and follow-up of our progress against them which form part of the science-based targets framework. Partnerships with both customers and our most important suppliers will be a key element of our plans to reach this new ambition. Setting such an ambition is the right thing to do. But we also see it as an integral part of our industry leadership strategy, and a way to further improve our competitiveness with sustainable solutions, products and operations.”

Improving supply chain sustainability

With a substantial number of suppliers and customers all over the world, Bufab is in a strong position to contribute to improving global supply chain sustainability. In 2020, Bufab implemented a new rule that all suppliers must sign the company's Code of Conduct, committing to its sustainability standards, in order to receive new orders.

Bufab aims to develop a world-class supplier base. To do so, the company strives to consolidate its sourcing to suppliers that conform to Bufab's ambitious quality, cost, and sustainability standards. Currently we have consolidated 80 percent of our spend in sourcing to 550 of the best suppliers.

In the last few years, Bufab has further reinforced its list of preferred suppliers. All suppliers must sign Bufab's Code of Conduct to be included on the list. The basis of the company's 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. Suppliers must also show that they run their operations in accordance with a number of standards and certificates, including ISO 9001 and REACH. Despite the restrictions caused by the pandemic, Bufab managed to continue its on-site visits to numerous suppliers during the year, thanks to its local presence in many markets. As a result of its systematic work on supplier excellence, in 2019 Bufab was named Most Responsive Supplier Globally by Schneider Electric, out of their more than 50,000 suppliers and recognized partners.

Systematic supplier evaluation process

One of Bufab's most important tools to contribute to a sustainable development is through its global network of some 4,700 suppliers. With more than 30,000 requests a year, Bufab must be able to ensure that suppliers have the capacity to deliver the requested quality, quantity and on the right time – and doing so in a sustainable way.

Suppliers are selected, assessed, and developed using Bufab's global supplier process, driven by its global sourcing organization, which has grown rapidly in recent years. 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.

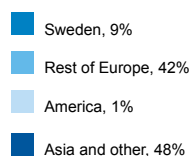
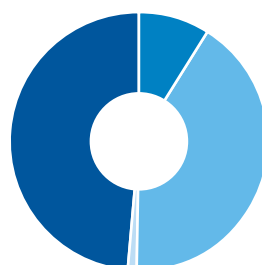
Bufab's global supplier management organization works continuously to build and improve the necessary infrastructure based on its supplier management database, which was updated in 2020. This includes several important tools, such as supplier self-assessment tools, capability audit tools, and scorecards. From 2020, the supplier management module also includes all certificates awarded to approved suppliers.

Capability studies are performed on each potential new supplier. With its extensive knowledge of the supply process and larger sourcing volumes, Bufab can control C-Parts suppliers from a sustainability perspective more easily than its customers, which offers a strong selling point. To develop its supplier relationships, Bufab prioritizes its largest suppliers, i.e. where the company has the potential to make the greatest impact. Adopting a long-term approach and having good relationships can reduce risk in the supply chain – closer relationships benefit both cost 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.



Currently we have consolidated 80% of our spend in sourcing to 550 of the best suppliers.

BUFAB'S SOURCING



Supplier classification

We classify our suppliers into the following categories:

- **Partners:** Has signed both a sourcing agreement and Bufab's Supplier Code of Conduct. Sustainability audit has been conducted and approved.
- **Preferred:** Has signed both a sourcing agreement and Bufab's Supplier Code of Conduct.
- **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	Hydraulic	Sheet metal
Bolt	Machined parts	Special forging
Branded parts	Nut	Stainless fasteners
Casting	Packaging	Surface treatment
Consumables	Plastic components	Threaded studs & rods
Creative component solution	Raw material	Tools
Electronics	Rivets	Trader
Fabrics	Rubber components	Washer
Hardware	Screws	Wire parts
	Service suppliers	Wood

Regular supplier audits

Supplier audits are prioritized in Bufab's sustainability efforts. A new and stricter auditing tool, implemented in 2019, is used to audit the company's supplier base. A global auditing program 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 the company collaborates with accredited external partners.

Despite the challenges this year we managed to increase the number of supplier audits performed. Considering the safety of people these audits in some cases were done through digital means. Besides quality aspects, a supplier audit examines conditions for employees and sustainability, training, health and safety work as well as accident reporting. It examines issues regarding child labour, the environment, waste and emissions, control of conflict minerals, and compliance with REACH and RoHS. Auditors also inspect capability, 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. Bufab also encourages extra audits initiated by customers or internal stakeholders.

No to sourcing minerals from conflict areas

Bufab does not deal with conflict minerals, i.e. tin, tantalum, tungsten, and gold, sourced from the Democratic Republic of Congo and other surrounding countries where profits from trading these minerals fuel war and other human rights violations, like slavery and child labour. That is why all suppliers who have signed Bufab's Code of Conduct must 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, suppliers must be able to identify and report the source of tin, tantalum, tungsten, and gold in their products. Bufab handles this through a third-party system that increases the transparency further in its supply chain.

Through risk assessment Bufab has identified about 250 suppliers who deliver components containing tin. In addition to signing the Supplier Code of Conduct, most of these suppliers have provided their Conflict Mineral Reporting Template, to guarantee responsible sourcing. 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.

In case of any uncertainties, the supplier is requested 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.

Consolidating transports to reduce emissions

Transportation emission is one of Bufab's material aspects. The company helps to minimize the environmental impact of the supply chain by consolidating the transport of C-Parts from suppliers to customers, compared with customers purchasing 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. In 2020, several transport companies were mapped out to identify what ships they use and the fuel these are operated with. Express deliveries by air, and sometimes truck, are used if there is a risk of delays, or for last-minute orders. But Bufab always strives to reduce the negative environmental impact of transport by minimizing the use of air and express freight using a high degree of filling. Passenger transport accounts for a minor percentage of the company's carbon dioxide emissions from transport. Nonetheless, this is an area in which the company increasingly uses digital communication tools to further minimize passenger transport, something that was also made necessary by the pandemic.

Bufab uses logistics and measurement tools in order to improve decision-making and monitoring, measuring CO₂ emissions, for instance. The company also works continuously to develop its reporting framework, focussing on integrating the system towards all suppliers. The goal is to develop a true and fair account of the emissions through the use of standardized approaches and principles.



Bufab helps to minimize the environmental impact of the supply chain by consolidating the transport of C-Parts

Quality assurance integrated

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 Bufab's work for continuous improvements, the company has implemented a process for so-called Red Flags. This process helps to manage issues at an early stage to minimize any negative consequences for Bufab's customers.

Identified Red Flags are reported to management on a regular basis and ensures that analysis and corrective measures are sufficient to prevent recurrence. Recurring measures result in updates of the company's Best Practice in order to implement improvements throughout the Group.

Invest

Bufab has established a number of processes to ensure that best practice is shared and that all employees and suppliers act in accordance with the company's values. These are important tools for Bufab in its efforts to become an industry role model in sustainability. In 2020, new steps were taken in digitalizing processes and systems.











26

of subsidiaries have local accreditation

With its Best Practice, Bufab has created a platform for sustainable growth and a world-class supplier base. The system is based on the standards ISO 9001:2015, 14001:2015 and 26000:2010. The aim is that people across the Group learn from each other's experiences by sharing Best Practices, problem-solving, and smart ways of working. In 2020, Bufab adopted the framework and principles within ISO 45001:2018 to set global minimum requirements ensuring a safe and healthy work environment for all of employees. By integrating ISO 26000:2010, sustainability governance is strengthened at the subsidiary

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. The board has also established an internal audit plan, with annual audits of all operations. At present, 26 of Bufab's subsidiaries have achieved local accreditation for their quality management according to ISO 9001:2015 and 13 subsidiaries have certified its systematic environmental performance according to ISO 14001:2015, as well as 3 IATF 16949 certifications and one OHSAS 18001.



Targets	Activities 2020	SDG contribution
<p>100 percent of our suppliers evaluated and screened on conflict minerals</p>	<p>During 2020, we reviewed our approach to this topic and intensified the use assessment tools, see more on p 19. Going forward, we will proceed to blocking suppliers that do not adhere to our reporting standards.</p>	 
<p>All our approved supplier signed Supplier Code of Conduct</p>	<p>As part of our “Grow” initiative, Bufab takes on many new suppliers every year—either from customers, or sourced independently. As a result, work on supplier base improvement needs to be continuous. During 2020, we made it mandatory with a signed code of conduct for suppliers to receive new business.</p>	 
<p>Capability survey performed for each Approved supplier</p>	<p>Work started on integrating ISO14001 into the Bufab Best Practice and is expected to be completed in 2021.</p> <p>The implementation of the Bufab “Supplier Management Process” was completed.</p> <p>We continued the consolidation of our supplier base, and set new, more ambitious consolidation targets for each business unit for the period 2021-23. Through the Sourcing Academy, we secured the skills needed for consolidation work.</p> <p>Supplier audits were difficult to carry out during part of 2020 due to the Covid-19 pandemic. Nevertheless, we managed to complete more audits than in 2019, and also started special in-depth sustainability audits on partner suppliers.</p>	   
<p>Select Logistics partners that have CSR goals in line with our own goals, so we can actively work towards lowering our emissions.</p>	<p>Measurement and KPIs now in place, but coverage needs to increase and improvement plans and their follow-up need to be more structured.</p>	 

Governance

Bufab’s sustainability efforts are based on its top-down and bottom-up governance approach. The foundation is its 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 also include policy handbooks. Policy compliance is an integrated part in the internal and external audit programs connected to the ISO certificates and Best Practice. The Board of Directors receives and look into any reports of serious policy violations.

Bufab Supplier Code of Conduct

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

Anti-corruption

Bufab regards its zero tolerance of corruption as a prerequisite for sound business with both customers and suppliers. An important part of Bufab's anti-corruption efforts are firmly established in its business system, sales methods, as well as its global and fully transparent purchasing and financial reporting processes. The company considers this a strong tool to detect deviating patterns at an early stage. No deviation was reported in 2020.

Since 2018, Bufab has been arranging anti-corruption training sessions for all employees in management positions in sourcing, as well as for lead buyers. The last group received its training in 2020. In 2021, a digital version of the training will be made available for the participants for repetition of key messages.

Bufab's approach to ethical business is described in the company's Code of Conduct and anti-corruption policy. Within the framework of Best Practice, the company has 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](https://www.transparency.org). Even though Bufab operates on a global level, less than 10 per cent of its revenue is generated in countries with a higher than average risk of corruption, according to global corruption risk indexes. Risk assessment is performed in order to focus corruption prevention activities where they are most effective and necessary.



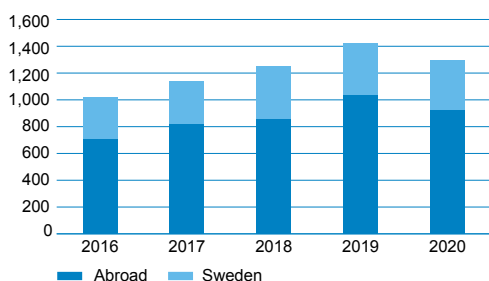
Invest in people

Solutionists. There is a strong reason why Bufab has chosen this name for its employees, as its success is closely linked to its culture of personal entrepreneurship and personal responsibility. Retaining this culture is also seen as a key to reaching the company’s ambitious goals. That’s why investing in people remains a strong priority for Bufab.

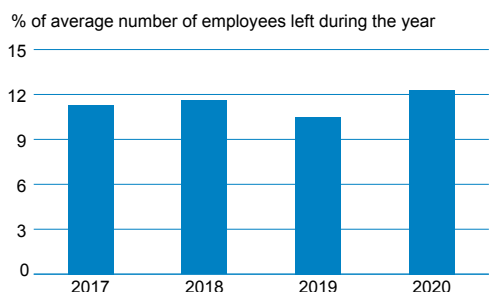
Bufab wants to be the most attractive employer in the C-Parts industry. To achieve this, the company puts a lot of effort in creating a positive and engaging work environment for its employees where their inputs are valued, work performance is recognized, health and safety is assured, and wellbeing is enhanced. In 2020, protecting its people from the effects of the corona virus became a top priority for Bufab.

Focus is also on offering employees equal opportunities to develop their skills and competence in order to reach their full potential. In turn, they are expected to support the company’s continued success by working towards agreed goals in accordance with its values and drivers.

EMPLOYEES PER REGION



EMPLOYEE TURNOVER



More than 1,300 “Solutionists” in 28 countries

The strong corporate culture and leadership philosophy based on personal entrepreneurship and personal responsibility has defined Bufab from the start and it has been vital for its ability to expand successfully into currently 28 countries. Today, the company comprises 1,300 “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. It deals with many suppliers delivering billions of parts annually to thousands of customers, and one single missing component can stop an assembly line. That’s why all employees are expected to be fast and flexible, as well as fully committed to the customer’s needs. These individuals, the 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. When acquiring a new company, a long-term process is initiated to implement Bufab’s culture of entrepreneurship. And when recruiting new employees, the right attitudes and sharing the company’s “solutionist” approach rank high.

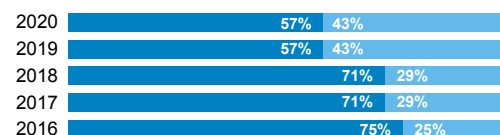
1,300

Solutionists in 28 countries

GENDER DISTRIBUTION IN GOVERNANCE BODIES

Men Women

BOARD OF DIRECTORS



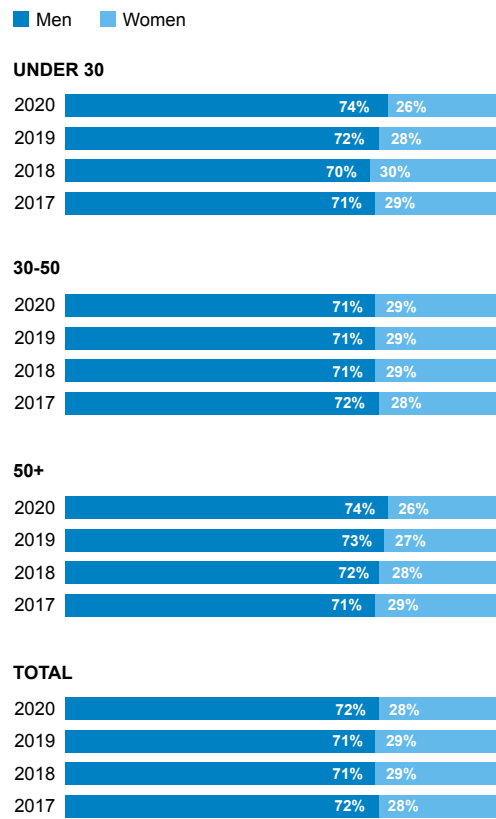
GROUP MANAGEMENT



GLOBAL LEADERSHIP TEAM



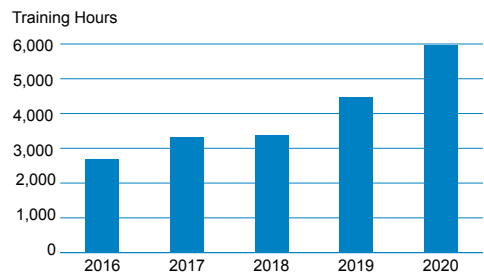
GENDER DISTRIBUTION



Continuous development

Part of being the most attractive employer is by offering employees the opportunity of continuous development and also by motivating them to constantly improve in their roles. Training and development programs are offered through the Bufab Academy. The company also creates opportunities for exchanging experience through various forms of networking, cooperation, audits, and job rotation and mobility, both globally and locally. In addition, Bufab works systematically in accordance with Bufab Best Practice to increase performance, diversity and development in all teams across the Group. The company believes that this is the key to employee development and satisfaction, as well as to good business results.

TRAINING HOURS BUFAB EMPLOYEES

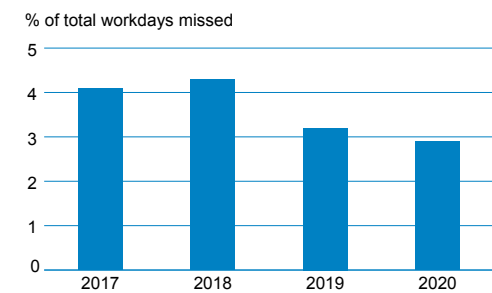


Human Rights

Fundamental human rights are a universal entitlement. Support for the human rights expressed in the United Nations' Universal Declaration of Human Rights is also one of the cornerstones in Bufab's Code of Conduct, policies, values and Bufab Best Practice. In 2019, the company reviewed its Human Resources policy and through the integration of ISO 26000:2010 in Bufab's Best Practice, it ensures consistency with relevant declarations and conventions by the UN and its constituents.

This forms the structure in Bufab's 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 in 2020.

ABSENCE RATE



Protecting people

Since China was the first country to be hit by the pandemic in 2020, companies in China and surrounding countries were also the first to adopt new ways of working, where protecting people became a key priority. Thanks to its global presence and

Bufab Solutionists at work



Name: Anna Wojtyna
Position: Customer Unit Director Poland

How do you think Bufab has handled the pandemic?

Really well! Worth to highlight is fact that our supply chain was not affected by the pande-

mic. By taking many actions in advance, we avoided a critical situation in which we would have to stop the production and we managed to secure deliveries to our customers. We reacted very fast on all signals that we had from the market and adapted the situation to our possibilities and our plan for cost optimization.

How did the pandemic affect your job during the past year?

We had to get used to a new situation every day. In the second quarter, many of our customers reduced production dramatically and the situation was very uncertain, but our daily contacts with our customers provided us with directions for future steps. We spent many hours on Teams, Skype and calls with customers and colleagues from different

departments. Our main goal was to be close to our customers and respond to their needs. Unfortunately many of our new projects were put on hold or postponed due to fact that the people responsible for project implementation from the customer's side were working from home, had work time reduction or different priorities. On the other side, it was the perfect time to encourage customers to implement double sources in case of problems with their current suppliers. We had to react fast and be flexible to match the changing requirements of our customers each day. But we proved that the Bufab team is strong and can work under pressure. I am proud that I can be a part of this team.



Name: Ryan Andsbjerg
Position: Purchasing Manager
Unit: HT BENDIX A/S.

How do you think Bufab has handled the pandemic?

Bufab has done really good work though the pandemic. The company has a clear strategy to ensure safety and high level of communication with all units, with clear instructions about how to act and move. I do believe Bufab will have a strong position also in the future towards customers, market and its staff. Staff will trust that Bufab does it best to keep their

interest at heart in issues regarding health and working conditions. The good reputation could also make it more attractive to become an employee in Bufab in the future. Meanwhile, customers will remember that they did not feel any big impact on the supply chain from Bufab. Critical times often show who to have long term business relations with - and here Bufab has strong position.

How did the pandemic affect your job during the past year?

The year was full of new challenges. There was a constant need to assess how the pandemic was developing. We had to ensure timely actions to ensure the health of employees, customers and the company through every situation that arose. It was also strange to be alone in the office from March, compared to the regular 18 people. Despite staff working from home, I needed to ensure motivation, good communication and efficiency to compensate for reduced employee levels. We had lots of Teams meetings to inform, listen and keep employees closely

associated with the department and colleagues. The pandemic has specially pushed my acceleration of automation and I expect digital solutions will be implemented much faster than it would have been otherwise. I have seen an organisation that have adopted and accepted new technology, with staff being even more flexible, finding their own solutions to make the home office working perfect to fit their needs and well-being. My colleagues and I normally spend 30-50 days a year in the Far East, visiting suppliers, fairs, and business relations, but I believe it will never go back to that level. We have learnt that some business travels are unnecessary, and can be done by Teams. Cost savings can be spent on digitalizing solutions - bringing customer, suppliers and our group closer.

We have learned valuable lessons that will strengthen the way we manage things. We have proved how the organisation can cope with difficult times - with respect for health, business and efficiency. The pandemic has given us years of knowledge and experience as leaders.

Best Practice framework, Bufab quickly managed to adapt its processes to protect its staff. The Bufab companies in the countries that were struck first supported the rest of the group to prepare for the pandemic before it hit them as well, something that mitigated its effects on both staff and the company’s operations in general.

Whistle-blower function

It is regarded as important that all employees feel that they can report any suspected irregularities that may arise at Bufab. The company’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. Bufab continues its efforts through various channels to increase the reporting frequency, in order to avoid incidents going unreported, with suspected irregularities investigated by either a third party or by the company. 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

	2020	2019	2018
Incident reports received by independent external whistleblowing agency	1	1	1
of which escalated to the Board of Directors	0	0	0
Incidents reported by CEO/CFO to Board of Directors	2	2	0
Other significant deviations reported by CEO/CFO to Board of Directors (i.e. significant policy violations etc.)	0	0	0



Invest in partnerships – aiming to achieve supply chain sustainability



Since 2020 all suppliers must sign the Code of Conduct in order to do business with Bufab

One of Bufab's main opportunities to make an impact on sustainability is through its global network of thousands of suppliers. Some close and long-term supplier relationships develop into a partnership. The aim of partnerships is to achieve higher supply chain sustainability.

Suppliers are selected, assessed, and developed using Bufab's global supplier process, performed by its global sourcing organization. The company's global supplier management organization works continuously to build and improve the necessary infrastructure, based on its supplier management database. This includes several important tools, such as supplier self-assessment tools, capability audit tools, and scorecards.

Supplier Code of Conduct

The Supplier Code of Conduct helps Bufab assess potential suppliers. Adopting and following the company's Supplier Code of Conduct has been encouraged to all Approved, Preferred and new suppliers since 2016. The basis of the company's 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. Since 2020 all suppliers must sign the Code of Conduct in order to do business with Bufab.

Aiming to develop its supplier relationships, Bufab prioritizes its largest suppliers where its sustainability efforts have the greatest impact. In the last, few years Bufab has further increased the number of preferred suppliers thanks to its systematic efforts. Adopting a long-term and close approach to relationships can reduce risks in the supply chain and also benefit both price and lead times – which, in turn, impacts profit, efficiency, and customer satisfaction.

Supplier audits

Bufab regularly performs supplier audits to ensure that suppliers share the company's values. These are carried out in accordance with a global standard and also include an ambitious training program for the auditors involved. The audits are in most cases conducted by Bufab's own experts, but in some cases the company collaborates 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. 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. Bufab also encourages extra audits initiated by customers or internal stakeholders.

New sustainability audit reporting template

2020 saw continued progress in Bufab's supplier management program with the introduction of supplier sustainability assessment auditing. The new sustainability audit reporting template has been developed based on the 17 UN sustainable development goals and the seven core subjects defined within ISO 26000. Qualifications are set at three levels - Gold, Silver and Bronze - with a provisional Merit award pending full approval. This qualification approach is aligned to Bufab's external sustainability assessor, Ecovadis.

During the year one to one remote training was rolled out via Teams to selected Supplier Quality Engineers (SQE's) to ensure they were suitably qualified. Through the commitment of Bufab's SQE's in China & Taiwan and Poland, sustainability auditing is now up and running with many audits successfully completed in 2020 and ready for greater roll-out during 2021.

Ecovadis

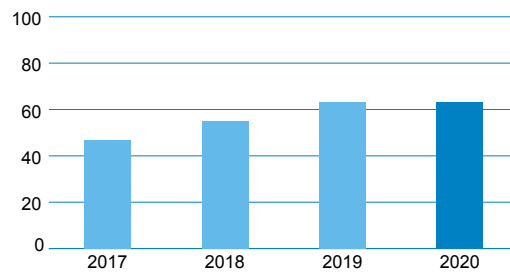
Bufab has received a silver medal every year since 2014, which means that the company's sustainability performance has ranked among the top 25 percent of all companies evaluated by Ecovadis. In 2019, Bufab climbed to the top 9 percent.

The goal set for 2020 was to reach a gold medal, i.e. to be ranked among the top 5 percent. Due to the special circumstances brought on by the pandemic, however, the company did not manage to live up to this high ambition and its results remained on the same levels as the previous year.

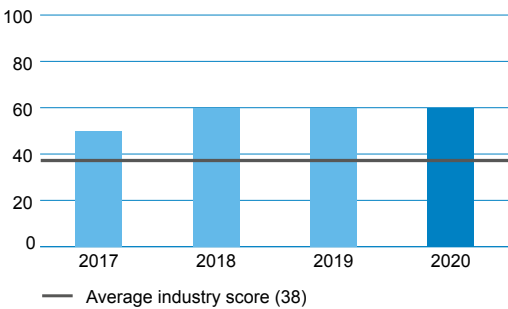
Although a great amount of resources were spent on mitigating the effects of the pandemic, Bufab increased its sustainability efforts in general and

also raised its ambitions regarding sustainability in 2020. This is expected to result in strongly increased performance in the coming years and that Bufab now aims to reach a gold medal in 2021.

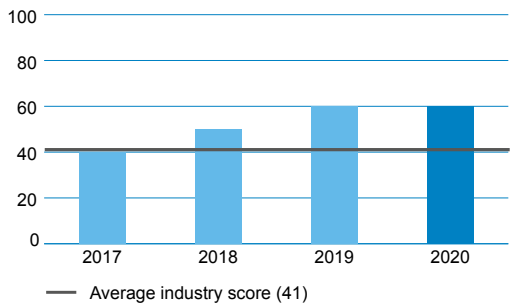
Ecovadis overall score



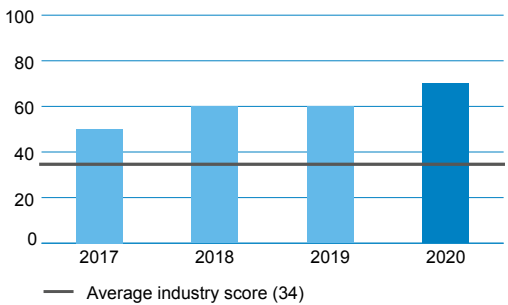
Environment



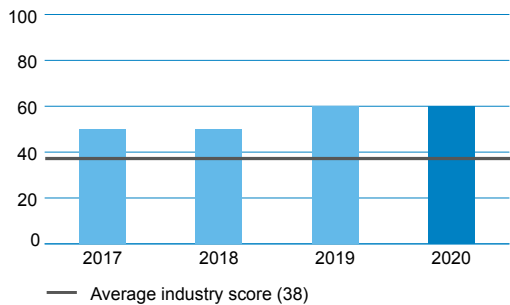
Labor and human rights



Sustainable procurement



Ethics



Sustainability risks and risk management

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 22.

	Risk description	Risk management
SUPPLIER BASE (Social aspects, environment, and human rights)	<p>Suppliers' sustainability efforts Bufab has a Supplier Code of Conduct. If Bufab’s suppliers do not comply with the Code of Conduct, the suppliers’ employees and the surrounding environment may be adversely impacted. The most common instances of non-compliance in our supplier audits are related to health and safety, and waste management. The risk of human rights violations, and of forced and child labor, 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. Each supplier is required to sign our Supplier Code of Conduct. We endeavour to consolidate our suppliers and increase the proportion of Preferred Suppliers. Additionally, Best Practice creates transparency and structure to counteract human rights abuses. Read more on pages 16–19.</p> <p>Conflict minerals Our Supplier Code of Conduct must be signed by all Bufab suppliers. In which they agree not to source conflict minerals from conflict areas. Bufab requests that suppliers using tin, tantalum, tungsten, or 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 19.</p>
ENVIRONMENT	<p>Transport Our freight transport, mainly from Asia, contributes to carbon dioxide emissions with a negative environmental impact. Emergencies require air freight on occasion, which strongly impacts emissions as well.</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. We also look into using trains for long distance routes as a sustainable alternative. Better planning should prevent the use of air freight. Read more on page 19.</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 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 25–27.</p>
ANTI-CORRUPTION	<p>Bufab has more than 4,700 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. 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 2020 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, March 17, 2021
Öhrlings PricewaterhouseCoopers AB

Fredrik Göransson
Authorised Public Accountant