

Report on CSR for 2018

Additional statement §99

Which changes have been made in boards, group director, management positions in 2018, and did the changes lead to any appointments and was women represented among the candidates?

- In the board there have been no changes.
- We have hired one new member to our Group Direction. There were no female applications to the position.
- The number of women leaders have grown what compares to the normal progress, which makes the representation of women on the same level as last year with a percentage of 12,9%

Did the company take some initiatives to improve women's career opportunities in 2018?

- The company have in general made some initiatives to develop our employees and leaders.
- One the initiatives we have taken is to improve the possibilities for our young men and women are the Development program, initiated by Schouw. The program is called "Accelerated Growth" and it is designed for start/mid-career employees, who have already shown high performance and learning agility. The purpose is to develop the business leaders of tomorrow. The first run of the program has started in the end of August 2018 and end in October 2019. One of the 3 participants are a woman.

What is the share of leading women employees by the end of 2018?

- 12,9%

What is the share of all women employees in the organization by the end of 2018.

- 35%

Human Rights

BORG Automotive have full respect of countries sovereignty, and their ability and right to set standards and regulations that maybe not are 100 % compliant with the Human Rights and therefore we require that all our suppliers sign our Code of Conduct. By signing the supplier commits as a minimum to follow the local regulation, however we do encourage our suppliers to be more ambitious than that.

Previously it was only our far-east finished goods suppliers that were required to sign the Code of Conduct. In 2018 we also required our spare parts and core suppliers to sign the Code of Conduct. Most of the suppliers were willing to sign it.

In 2018 we have worked on mapping the suppliers and the specific rights that have the biggest risk of being violated. The mapping showed that the biggest risk is with our far-east suppliers. Late 2018 Schouw & Co. initiated a project in cooperation with E&Y to educate and guide BORG Automotive and our sister companies in how to audit our suppliers on our Code of Conduct. In 2019 we will initiate a pilot-project where we audit three suppliers and based on the learnings from that we will develop a procedure for auditing our suppliers on our Code of Conduct.

Social Conditions

Responsibility is one of our fundamental values, and it is in the company's nature to focus on the wellbeing of our employees. We help our employees, if they are struck by illness or if they have a problematic family situation at home. We also do whatever we can to help if any of our employees are having abuse problems. We strive to include people with handicaps in our workforce and are aware of our responsibility in the society.

In 2018 we have supported a local job centre in Birmingham in returning long term unemployed people to work. These can be older guys finding it difficult to get back into work after redundancy or people that have been on benefits long term. They must work for minimum 26 weeks to remain eligible for benefits. This is a win/win situation – we get more stability than using temps and the guys get training and back into work life. So far, we have employed two persons.

The production site in Poland has advanced in the negotiations with a local prison to outsource some simple activities to them as part of a program to rehabilitate prisoners. We expect the negotiations to be completed in 2019.

We also try to support the community around our production sites. In Denmark we support a local football club for young boys and a sailing club. In addition, we every year give a Christmas gift to Doctors Without Borders.

In Poland we have a close cooperation with a local orphanage which we support with both money and invite them to some of the events that we arrange for our colleagues and their family. At one of those events we also invited the local fire brigade.

An external company have conducted an analysis of the shop floor of our Belgian and British sites regarding noise, air, vibration and standing work stations. The report showed no major issues. In UK some employees still need to wear ear-protection in some areas of the factory. A noise reduction plan has been generated.

The work in our production sites are very labour demanding, and it is impossible to automate all processes. All accidents in 2018 are of light severity.

For every accident we make a thorough description, root cause analysis and define actions to prevent a similar accident in the future.

In 2018 we have strengthened our H&S team and are as strong as never before, with dedicated person to each operations area. Every area in the production has its own H&S PDCA running every week where few hundred actions are reported and dealt with as reaction after accidents or, by most, prevention to avoid potential accident.

Despite the good effort from all production sites we still had a small increase from 2017 to 2018 in the number of lost working day due to accidents compared to the total number of workdays delivered. Overall, we have 1 lost working day per 500 work day delivered. Based on the actions initiated in 2018 we expect the number to be reduced in 2019.

Environment and climate

Remanufacturing has been called “the most sustainable business model” (Dr. Daniel C. F. Koebler, chairman of APRA Europe). Remanufacturing is a branch that is closely linked to the circular economy. Instead of generating new products out of finite resources it follows a full value-conserving concept through product recycling. This is more natural friendly than disposal and material recycling. Remanufacturing creates

savings of up to 85 % of raw materials, 55 % of energy and up to 79 % of CO2 equivalents compared with new production.

In addition to the nature of our business model, we work on two parameters to improve and reduce our impact on the environment – cooperation with business partners and in our production.

We are in dialogue with our customers about reusing packaging material. 4 customers have approved, which will reduce the need for new packing material to 1/10. We have also initiated a project to make the packaging boxes fit our products better. This will reduce the consumption of cardboard and the “air” in shipments, making it possible to have more of our products on one pallet and hence reduce the freight need.

To further reduce the consumption of paper we have requested employees to print less and if they do, then to print on both sides. Late 2018 we have initiated an IT-project called “paperless production”. Today we print working cards for all batches going through the production – when the project is finished the production crew will be able to see the working cards on a computer or iPad.

One of our KPI’s from the CR-strategy is to reduce the consumption of cardboard, paper and plastic by 2 % per sold unit per year. From 2017 to 2018 we have reduced the consumption by 4,4 %.

We have also been in dialogue with our suppliers of e.g. safety shoes about not to provide all new shoes in separate cardboard boxes, but just to ship them in one big box. Likewise, with finished goods suppliers we have agreed with them to use less plastic and cardboard when packing and shipping the goods to us. This has let to a reduction in the amount of cardboard and paper we send to recycling by 2,4 % and plastic by 4 % per sold unit. It is not that we recycle less, it is solely because we reuse packaging material and receive less cardboard and plastic from suppliers.

In 2018 we had a project with a university in Poland, where they should analyse the possibility of using our plastic and metal scrap as filament in our 3D printer. The results were that environmentally it is better to send the material to recycling.

In UK we had a tested the possibility of using waste cardboard to produce packing material (filler). Unfortunately, it did not work.

In our Code of Conduct we request our suppliers to conduct business in a sustainable way with care for the environment. We expect them to strive to minimize their impact on the environment both regarding CO2 and waste. We expect suppliers to handle air emissions and appropriately handle waste to minimize waste and to reuse and recycle resources and materials. Suppliers must monitor and continuously strive to improve environmental performance, e.g. by having an environmental management system in place. As mentioned earlier we will in 2019 start auditing our suppliers on how they follow the ambitions in the Code of Conduct they have signed.

Another KPI from the CR-strategy is to reduce the consumption of electricity by 2,5 % per sold unit. In 2018 we have analysed the possibility of installing solar cells on the roof of the production site in Poland. Currently it is not economically feasible however, but that may change in 2019 or 2020 as both the price for electricity in Poland and the efficiency of solar cells are increasing.

In 2018 we have replaced all fluorescent tubes in Poland with LED lights, in Denmark and Belgium we will do the same during 2019.

This initiatives in connection with some addition have in 2018 reduced the consumption of electricity per sold unit by 1,7 %. We expect that the listed initiatives in connection with other proposals will bring us to the target in 2019.

Anti-corruption and business ethics

BORG Automotive does neither accept bribery or facilitation payment in any form and we have a clear policy about this. Because we are founded on our values improving the business ethics is crucial for us.

Likewise, it is important for us that our suppliers do not engage in any form of corrupt practices, and we expect suppliers to maintain adequate procedures for preventing employees, suppliers etc. from undertaking any illegal behaviour regarding corruption. This is mentioned in the Code of Conduct that all suppliers have signed. In addition to this we specify in our Code of Conduct what we expect suppliers to act in compliance with national and international competition legislation and regulation and that suppliers observe the legal provisions to prevent money laundering.

Early 2018 we developed an e-learning course in collaboration with Schouw & Co. and the rest of the companies in the group. The purpose was to educate our colleagues about our company policy regarding anti-corruption and business ethics and to help our employees understand exactly how to behave when working for BORG Automotive.

Only people who have contact with suppliers or customers where required to take the test. 175 were selected to take the test and around 90 % of the people completed the test.