

Sustainability 2021



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A new strategy for sustainability

Sustainable development is necessary for the prosperity of the world - globally as well as nationally and locally. Sustainability is about employing and building natural, human and technological resources in a way that meets the needs of the present without compromising the ability of future generations to meet their own needs.

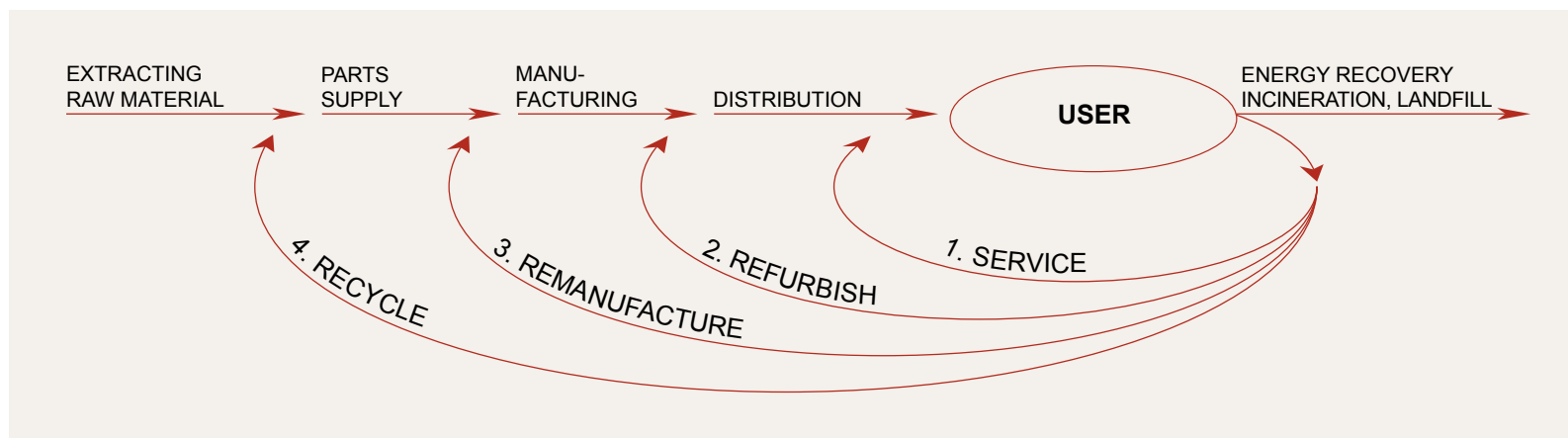
For Ferronordic, sustainability involves creating long-term value for all stakeholders of the Company. Ferronordic sees no long-term contradiction between sustainability and profitability, rather the opposite. Demand for sustainable and environmentally friendly business solutions is steadily increasing and companies that can take the lead in that development and help their customers meet their objectives will gain competitive advantages. Ferronordic works with partners and manufacturers who are focused on developing sustainable businesses and with customers who strive for resource efficiency and minimised environmental impact.

Sustainability is a central part of Ferronordic's strategy. It applies to everything the Company does, from culture to processes and operations. Sustainability is an essential part of Ferronordic's efforts to constantly improve and make its business more efficient and resilient.

A new sustainability strategy

In 2021, Ferronordic took further steps to deepen its sustainability work and to raise its ambitions. An extended materiality analysis was initiated and in-depth interviews were conducted with a number of stakeholders.

An important basis for the new strategy is greater emphasis on system thinking, which helps Ferronordic to understand how the Company's operations are connected to society, the planet and its inhabitants. One way to visualise these relationships is to study Ferronordic's value chain to identify risks and opportunities and what positive or negative impact the business can have on the environment. The illustration shows Ferronordic's journey from a linear to a circular approach.



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In line with international standards

Ferronordic's sustainability work is based on international, national and local laws and standards. In 2021, a comprehensive survey was conducted which resulted in updates of several processes, policies and guidelines to ensure that the Company complies with international frameworks. Among the policies that were updated are:

- Human Rights Policy
- Environmental Policy
- Equality, Diversity and Non-Discrimination Policy

The review of the Company's policies are based on standards, declarations and guidelines such as:

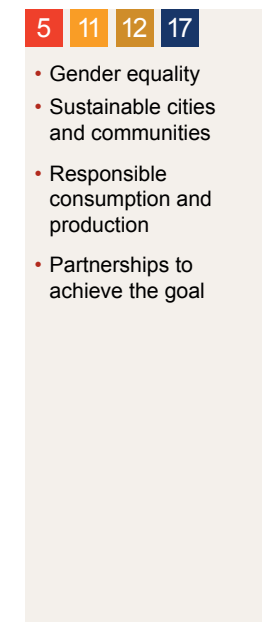
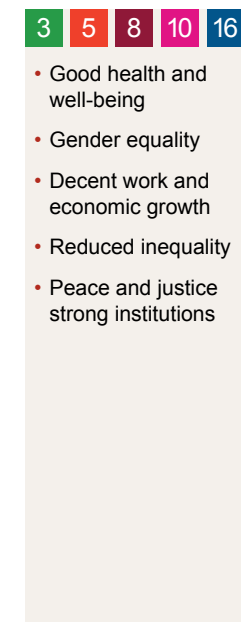
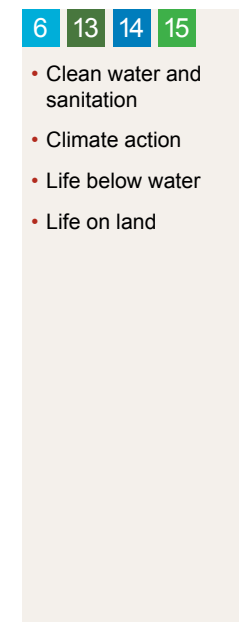
- UN Global Compact
- UN Global Development Goals (SDGs)
- ILO Basic Conventions
- UN Declaration of Human Rights
- OECD Guidelines for Multinational Enterprises

The new policies will ensure that Ferronordic's commitments are known to all employees and that all units within the organisation always work in accordance with these principles. Ferronordic also has a code of conduct and an anti-corruption policy.

UN Sustainable Development Goals

The UN Sustainable Development Goals (SDGs) serve to develop shared knowledge, facilitate cooperation, produce, and harmonise regulation and drive technological development, which ultimately leads to impact and change.

Ferronordic is committed to all 17 goals, all of which have some connection to the Company's operations. The focus is on the goals where the Company's business activities can have the biggest immediate impact and the biggest effect on positive long-term trends.



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Stakeholder dialogue and materiality analysis

The starting point for Ferronordic's sustainability work is to identify risks and opportunities and to prioritise. This is necessary to be able to take relevant measures and use its resources efficiently, as well as to meet stakeholders' expectations. Ferronordic therefore uses a materiality analysis, based on double materiality, as a tool in its sustainability work.

It should be noted that the analysis underlying this sustainability report was carried out before the ongoing conflict in Ukraine.

Stakeholder dialogue

The materiality analysis is based on an ongoing stakeholder dialogue consisting of surveys, in-depth interviews, investor meetings, conversations with customers and employee surveys. In addition, customer feedback and complaints are handled in a structured way to contribute and increase knowledge and improvements. Other important groups participating in the dialogue are suppliers and partners, as well as authorities, municipalities and non-profit organisations.

Impact assessment

An important part of the materiality analysis is understanding Ferronordic's impact on the environment, climate, society and people. As a basis for this work, Ferronordic has taken part of internal and external surveys, current and future regulations and standards, as well as risk analyses at country and industry level. The Company has also studied how similar companies assess and report their impact on the environment. Together with the stakeholder dialogue, this provides a coherent picture of Ferronordic's impact and thus also on what the Company should focus on regarding its sustainability work.

The materiality analysis deepens the understanding of Ferronordic's impact on its environment at the same time as it confirms the Company's previous focus on sustainability. Thus, it also provides an opportunity to further increase its ambitions. Based on the materiality analysis, Ferronordic should primarily focus on the following sustainability aspects:

- A. Reduced carbon dioxide emissions
- B. Health and safety
- C. Anti-corruption and ethics
- D. A green customer offer
- E. Diversity and equal opportunities
- F. Recycling
- G. Responsibility for the supply chain
- H. Training and development of staff and organisation



As a result, Ferronordic has launched a new sustainability ambition with three focus areas:

- Planet first
- Fair workplace
- Sustainable offerings

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Volvo, Sandvik and Ferronordic's other partners have high ambitions in terms of sustainability. An environmental perspective therefore exists all the way from production, use, maintenance and repair, to reuse and recycling.

In 2021, Ferronordic updated its car policy in Germany to support electric vehicles. The employees were also offered charging infrastructure. The goal is to increase the proportion of electric vehicles in the Company's operations in relation to the proportion that runs on fossil fuels.

During the year, Ferronordic also measured its carbon footprint in cases where data were available. The mapping covered electricity use, fuel consumption and business travel. Additional data will be collected and added over time.

Towards the end of the year, Ferronordic acquired a renewable energy certificate for the German operations. In 2022, the certificate will be used for 9 of 14 workshops. Other German workshops will follow suit

as current electricity contract expires. The nine workshops account for approximately 65 percent of the electricity use in the German operations. By the end of 2022, the goal is for all workshops in Germany to use 100 percent renewable energy.

During the year, Ferronordic also began to map its carbon footprint throughout the value chain. The information is initially limited to some emission categories but will gradually be complemented with additional data. The information on electricity consumption is in most cases based on estimates as electricity is often included in the rent. In cases where Ferronordic owns the facilities, the information from the electricity bills is used. Based on this, the Company's carbon footprint has been calculated using emission factors from the International Energy Agency (IEA). Business travel data come from the Company's travel agencies.

An important part of Ferronordic's sustainability work is the Company's centre for machine and component rebuild. By restoring older equipment and selling it with new guarantees, Ferronordic enables better resource



Electricity consumption	2021	2020	2019
Electricity, MWh [*]	3,250	2,501	2,123
Electricity rate ^{**}	3,19	-	-
Renewable energy share, %	0	0	0

^{*} 2019 data refer only to Russia. The 2020 data refer to Russia and Germany.

The 2021 data also refer to Kazakhstan.

^{**} MWh/revenue. Applies to Germany only.

Tons of CO ₂ eq- emissions by source	2021	2020	2019
Electricity [*]	1,184	882	754
Fuel ^{**}	65,253	36,057	32,879
Business travel ^{***}	878	385	1,115
Total	67,314	37,324	34,747

^{*} Includes Russia 2019, Russia and Germany 2020 and Russia, Germany and Kazakhstan 2021.

^{**} Excluding car data from Germany. The increase is mainly due to increased business volumes in contracting services.

^{***} Excluding Germany 2019 and 2020 and domestic travel in Russia. In addition, strongly affected by the pandemic.

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utilisation. The business includes repairing machines, manufacturing new components and recycling metal and parts of machines that can no longer be restored to usable condition. The facility was launched in December 2019, and its capacity was expanded during both 2020 and 2021.

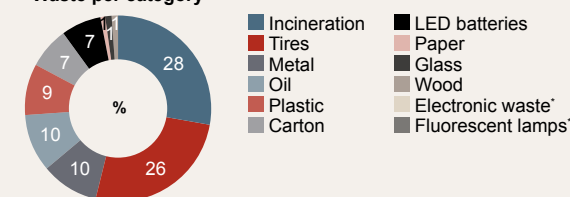
For material that cannot be given a second life, the goal is to increase the proportion of recycling and reduce the proportion that goes to incineration or landfill. Ferronordic will therefore develop its systems to ensure reliable data on the proportion of materials recycled in all markets to improve resource efficiency. The information regarding waste generation in the Company's markets shows that the largest categories consist of mixed

waste for incineration and used tires, oils and metals. Current data, which is not yet complete, provides an overview of which waste categories Ferronordic should focus on in order to increase the proportion of recycling.

As can be seen from the diagram, used tires make up a significant part of Ferronordic's total waste. Most of these tires are used in contracting services in projects in difficult conditions and remote parts of Russia, which poses major challenges in terms of waste management and recycling. In the coming years, this category will therefore be prioritised when it comes to investment in waste management.

Rebuilt categories	2021	2020
Articulated haulers	16	3
Engines	38	15
Gearboxes	50	19
Other components	158	45

Waste per category



*Electronic waste and fluorescent lamps are less than 0.5 percent.

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Health and safety are core aspects of Ferronordic. Many of the Company's employees work in challenging and sometimes extreme conditions. Such work is associated with risks related to health and safety. It is Ferronordic's responsibility to ensure that working conditions are as safe as possible. The goal is of course zero injuries.

Ferronordic works systematically and proactively with the work environment of its employees. This includes, among other things, preventive checks at the Company's facilities and reporting of all incidents. This identifies deviations that could have led to accidents if they had not been noticed. This in turn helps to increase awareness of health and safety and to remind each employee of the importance of safety routines. In 2022 the incident reporting system implemented in Russia will also be introduced in Germany and Kazakhstan.

The transport industry is being transformed at a fast pace. Although it may take several years from the time a decision is made until the actual shift takes place, the technical conditions and business models are changing. For Ferronordic to remain relevant, innovation is a key factor and in order to be innovative, the employees constantly need to perform at their best, which in turn requires a diversity of skills and backgrounds as well as good working conditions. In 2021, Ferronordic introduced a new diversity KPI in order to focus management's attention and measure developments in this area.

Ferronordic's activities and projects cover a wide range of environments and conditions. From large cities to remote mountainous regions. While Ferronordic creates jobs in sparsely populated areas, it also brings challenges in terms of retaining employees in the long term. Ferronordic therefore prioritises its HR function and works with a wide range of tools to improve employee satisfaction and maintain diversity.



Health & Safety	2021	2020	2019
Hours training total	61,027	49,761	56,954
Hours training/employee	34,1	33,9	47,9
Safety hours training total	6,810	4,282	9,344
Sick days/employee*	5,9	4,9	2,6
Near-miss**	129	48	169
Minor injuries***	24	1	1
Major injuries	5	3	4
Fatalities	0	0	0
LTIFR Germany	3,87	-	-
LTIFR Russia	2	-	-

*The increase is mainly due to the pandemic.

** Refers only to Russia and Kazakhstan. The changes between the years are mainly due to the pandemic.

*** Minor and serious occupational accidents from 2021 also include Germany.

Diversity	2021	2020	2019
Women in Board, %	29	17	17
Women in management, %	32	28	-
Total women employee, %	12	10	13
Diversity, % ¹⁾	21	-	-
Employee engagement, % ²⁾	77.2	-	-

¹⁾ Calculated as 361 employees of diverse backgrounds/1,712 average total headcount.

²⁾ Gallup Q12 employee satisfaction survey methodology.

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Anti-corruption

Since its start, Ferronordic has put significant efforts into measures to fight corruption and develop a culture of strong business integrity.

An important area is procurement, where a policy stipulates rules with different threshold values and ensures that decisions are made by at least two people of relevant level and competence. Ferronordic also runs an annual anti-corruption training that is mandatory for all employees in all markets.

To make it easier for employees to report signs of identified inaccuracies, Ferronordic has a whistleblower function where employees can report any suspicious activity anonymously.

Ferronordic's code of conduct is available in all relevant languages and for all employees. The Company operates under the Swedish Code of Corporate Governance and sustainability is a standing item at management group and Board meetings.

Anti-corruption and compliance	2021	2020	2019
Percentage of employees who have completed anti-corruption training, %	100	100	100
Number of training hours in anti-corruption/employee	1,08	1,06	1,04
Reported whistleblower incidents	1,930	1,556	1,239
Whistleblower incidents which led to action	1	0	1

Responsibility for the supply chain

Ferronordic's supply chain is associated with risks and opportunities related to sustainability. The largest part of the supply chain consists of manufacturers of trucks, heavy vehicles and construction equipment. Ferronordic has a close relationship with these stakeholders, which facilitates the understanding of the importance of our environmental footprint. Ferronordic only works with premium manufacturers who have long since been working to reduce their impact on the environment. This work and the close cooperation with its partners help Ferronordic to reduce its footprint in the supply chain.

Ferronordic's Rebuild Centre is certified according to the work environment management system ISO 45001. Parts of the activities in Russia are certified according to the quality management system ISO 9001 and the environmental management system ISO 14001. In 2022, the Company intends to expand its quality and environmental management systems throughout Russia and introduce them in Germany and Kazakhstan.

ISO-certifications	9001	14001	45001
Russia	Yes	Yes	Yes
Kazakhstan	2022	2022	-
Germany	2022	2022	-

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The impact of customers

Customers are at the centre of all Ferronordic's operations. Ferronordic and its customers are part of each other's value chains. Ferronordic strives not only to meet customers' needs, but also to support their sustainability work. This means that Ferronordic always strives to offer the product that has the least environmental impact. The Company also offers support in extending the product life cycle through maintenance, repair and remanufacturing. At the end of the product's life, Ferronordic ensures that resources that can no longer be used by customers are recycled when possible or responsibly disposed.

Possibility

The transport industry is undergoing an enormous transformation with new types of fuels such as biodiesel, ethanol, fuel cell technology, biogas and electricity. This transformation requires large infrastructure investments, which means that most fuel types will likely be available for a number of years. Through its strategic partnerships, Ferronordic can offer solutions that provide a low environmental impact and fit the needs of the customers' operations. In addition, the transformation can lead to new partnerships and solutions for transport, freight and construction industries.

Ferronordic's products and services are often linked to critical infrastructure projects, which means that there are strict requirements

on quality and sustainability. Both public and private actors are placing ever higher demands on the reduction of CO₂ emissions, the protection of human rights and biodiversity. This is an advantage for companies that conduct active sustainability work, which is an integral part of all Ferronordic's business activities.

Circular offering

Ferronordic's business model includes maintaining, repairing and renovating machines and components that customers buy or currently operate. This is good resource management that supports improved financial performance and reduced environmental impact for the customers. Ferronordic's IT solutions also make it possible to plan service and maintenance efficiently and thereby reduce the risk of unplanned downtime, which is associated with resource waste, additional costs and loss of revenue for customers.

Ferronordic also offers training in how to use machines and other equipment in an efficient way to minimise environmental impact. In order to drive incremental improvements in its own environmental performance, Ferronordic has established KPIs and will develop long-term targets for sustainable customer offerings. The KPIs include training on how to use the machines in an environmentally sustainable way, sales of remanufactured and rebuild units and sales of electric vehicles. These KPIs are designed to include more products and services over time.



Sustainable offerings KPI

Share of total sales, %

2021

0.95

Target 2022

6

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Risk mapping

In order to identify and calibrate sustainability risks, Ferronordic carried out a renewed risk survey in 2021 on the industries and countries in which it operates. The majority of the survey was carried out with internal resources, but it was also complemented by an external consulting firm which ensured that no risks were overlooked or underestimated. The mapping of sustainability risks is naturally linked to Ferronordic's overall process for risk management.

Risk management (including areas of sustainability)

Ferronordic's risk review and management process is performed by Ferronordic's internal audit and control. Business managers and area experts work with the Ferronordic's risk officer to identify, describe and manage risks. The level of risk and the implementation of the controls are reported by the employees responsible for the relevant risks. The risks and controls are reviewed on an annual basis.

These risks are reported to Ferronordic's management team on a quarterly basis. As a result of the ESG risk mapping, the ESG risks area was expanded during the year. The Group's risk management process currently includes Russia, Kazakhstan and Sweden. In 2022, Germany will also be included in the group process as part of the overall onboarding plan.



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Mapping of the value chain's climate footprint

In 2022, Ferronordic intends to continue the mapping of the Company's CO₂ footprint throughout the value chain. The work will initially focus on procuring consistent data for purchased products and logistics, both of which are sources of CO₂ emissions.

Preparations for due diligence on human rights

Awareness of human rights is increasing among companies worldwide. The issue is central to both consumers and interest groups. Focus is mainly on the supply chain, where the biggest challenges are. More regulations are also expected at the national and EU levels to ensure that companies adequately deal with human rights issues.

In 2021, Ferronordic began identifying and resolving gaps in the Company's procurement process. The Company reviews the sustainability obligations associated with procurement. The procurement policy and the procurement process are areas that will be further developed in 2022. Ferronordic will also review other parts of the value chain where there are risks linked to human rights.

Impact assessment of climate change

Even though people and companies are working to reduce their environmental impact and limit climate change, there is still a need to prepare for a warmer and less predictable climate. In 2022, Ferronordic intends to continue an in-depth impact assessment of climate change to understand to what extent it will be affected and how it can mitigate the effects of climate change.



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This report contains Ferronordic's first reporting under the EU Taxonomy Regulation. The review of relevant economic activities within Ferronordic was carried out by mapping the Company's turnover against the NACE codes for classification of economic activities. The work was led by the finance department and the verification of the NACE codes was done together with Ferronordic's sustainability department. The taxonomy criteria were studied both to understand the aim of the framework and to identify applicable categories of activity.

As a result of the review, it was decided which financial activities Ferronordic will include in the taxonomy reporting. Capital and operational expenditures were determined by cross-checking the Disclosures Delegated Act against Ferronordic's accounting entries. The KPIs in the table below include the economic activities that fall into the two categories of manufacturing of low-carbon technologies for transport and freight transport services by road.

The review shows that Ferronordic can have an impact on climate change in its markets. The Company also concludes that its activities related to the circular economy may be included in the taxonomy in the next wave. However, conditions in Ferronordic's markets mean that it may be difficult and take time to reach 100 percent.

Although the reporting obligation for 2021 does not include a taxonomy adjustment declaration, Ferronordic was also reviewed on the basis of the "Do no harm" criteria. The Company's human rights policy was therefore evaluated to examine Ferronordic's approach to human rights with internal and external parties, and the entire value chain. The risk mapping process also supported the effort to provide an overview of risks and to reduce such risks. Further work is needed to identify the full potential impact of the Company's operations regarding human rights.

One of the main goals of EU Taxonomy is to prevent 'green washing'. Ferronordic respects this and has taken a conservative approach when reporting the taxonomy-eligible figures, thus not including items that are not specifically mentioned in the taxonomy. As part of Ferronordic's mapping of the taxonomy against its economic activities, the Company identified two eligible economic activities generating external turnover in:

- Freight transport services by road
- Manufacture of low carbon technologies for transport

To estimate the proportion of taxonomy eligible activities, Ferronordic included the IFRS based accounting amounts related to such activities in the revenue, capital and operational expenditure numerators, against the corresponding total revenue, capital and operational expenditure amounts in the denominators.

EU taxonomy eligibility	Proportion of revenue, %	Proportion capital expenditures, %	Proportion of operational expenditures, %
A. Taxonomy eligible activities			
- Freight transport services by road	0.1	7	1.3
- Manufacture of low carbon technologies for transport	0	0	0
B. Taxonomy non-eligible activities	99.9	93	98.7
Total (A+B)	100	100	100

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Indicator	Market	Unit	2019	2020	2021	2021 vs. 2020 YoY
Number of Board members	Group	#	6	6	7	17%
Number of Board meetings per year	Group	#	10	14	9	-36%
Board meeting attendance	Group	#	93%	98%	100%	2%
Women members of Board	Group	%	17%	17%	29%	71%
Nationalities present in Board	Group	#	1	1	1	0%
Independent members of Board	Group	%	4	4	5	25%
Electricity consumption	Group	MWh	2,123	2,501	3,250	30%
Fuel consumption	Group	1,000 l	12,894	14,140	25,589	81%
Flight miles	Group	1,000 km	9,980	3,549	8,034	126%
CO ₂ emissions related to flights	Group	tons	1 115	385	878	128%
Lost Time Injury Frequency Rate	Ru/CIS	#			2	
Accidents at work (minor)	Group		1	1	24	2300%
Accidents at work (major)	Group		4	3	5	67%
Personal protective equipment	Ru/CIS	MRUB	28.2	27.1	42.8	58%
ISO 45001:2018 Certification	Ru/CIS	Y/N	Y	Y	Y	
Internal HSE inspections	Ru/CIS	#	52	15	72	380%
Number of violations discovered	Ru/CIS	#	618	315	855	171%
Number of violations closed on time	Ru/CIS	%	60	67	1	-99%
Safety walks	Ru/CIS	#	1,480	655	1,104	69%
Near-miss	Ru/CIS	#	169	48	129	169%
Closed Near-miss reportings	Ru/CIS	%	0	-1	1	-203%
Near-miss frequency rate	Ru/CIS	#	,	,	9	
Safety training	Group	hrs	6,810	4,282	9,344	118%
Anti-corruption training	Group	hrs	1,239	1,556	1,930	24%
Anti-corruption training/employee	Group	hrs/#	1.04	1.06	1.08	2%
Number of employees at end of year, Group	Group	#		12	17	42%
Employee turnover in	Group	%	13%	15%	14%	-7%
Average age of employees at end of year	Group	#	37	39	39	0%
Proportion of male/female employees	Group	%	13%	10%	13%	30%
Proportion of male/female employees in executive management	Group	%	11%	16%	15%	-6%
Proportion of male/female employees in management	Group	%	11%	17%	20%	18%
Nationalities in workforce	Group	#	7	19	20	5%
% of vacancies announced internally in year	Group	%	88%	93%	93%	0%
% of vacancies filled internally in year	Group	%	60%	20%	25%	25%
Number of internal promotions made in year	Group	%	268	187	273	46%
Number of training hours provided in year	Group	hrs	56,954	49,761	61,027	23%
Total training hours per Employee	Group	h/#	48	34	34	1%
Work-related serious accidents or fatalities in year	Group	#	4.0	3.0	5.0	67%
Number of sick-days in year	Group	#	3,097	7,189	10,502	46%
Average number of sick-days per employee	Group	#	2.6	4.9	5.9	20%
Number of partners that signed Code of Conduct	Group	#			4	
Number of partners that signed policy on Human Rights	Group	#			4	