


# Sustainability

## **SUSTAINABILITY IS ABOUT EFFICIENCY, SOCIAL RESPONSIBILITY AND GOOD GOVERNANCE**

Sustainable development is necessary for the prosperity of the world as a whole but also for its constituent parts, including that of Ferronordic and our stakeholders. Sustainability is about employing and building natural, human, and technological resources in a way that meets the current needs of the planet while providing opportunities for future generations to build a better world.

For Ferronordic, sustainability involves managing a responsible business that directly and indirectly contributes to a cleaner environment and a less wasteful economy and that creates long-term value for all our stakeholders. We see no long-term trade-off between sustainability and profitability - rather the contrary. The world needs sustainable and environmentally friendly business solutions and leading that trend will be a source of competitive advantage. We work with partners that are focused on driving sustainable business solutions and with customers that need to be efficient and minimise their environmental footprint. Our interests are aligned.

When we look at our pyramid of values (see page 8), all levels build on each other and each level includes a focus on sustainability: our vision, our mission, our values, our offer and our strategy. We work to embed sustainability in everything we do: in our culture, our processes and our business activities. It is an essential part of our work to constantly improve and make our business more efficient.



**WE HAVE IDENTIFIED THREE FOCUS AREAS THAT WE BELIEVE ARE MOST RELEVANT FOR OUR OPERATIONS AND WHERE WE CAN MAKE THE BIGGEST DIFFERENCE**

■ Minimise resource waste and environmental impact; providing our customers with the most efficient products and business solutions, in tight collaboration with our original equipment manufacturing (OEM) partners, resulting in a lower environmental footprint.

■ Being a good employer; providing a safe work environment, training and development, equal opportunities, and fair salaries.

■ Employing good corporate governance. Ferronordic follows the Swedish Corporate Governance Code and has a zero-tolerance policy against corruption.

## GOVERNANCE, STRATEGY, RISKS AND OPPORTUNITIES



The issues around sustainability, and in particular the challenges related to climate change, carry risks to our business model but also offer opportunities for us to, on the one hand, contribute to solutions that will reduce emissions and prevent global warming and, on the other, to mitigate the impact and deal with the consequences of a warmer climate. Ferronordic has a close dialogue with all its stakeholders, and notably with its OEM partners and its customers, on the effects of climate change on our shared value chain.

Ferronordic's executive management team takes the risks and business opportunities of climate change into account in the long-term and strategic planning that is ultimately presented to Ferronordic's Board. Our climate strategy is integrated with our strategic business objectives and aligned with the climate strategies and product development plans of our OEM partners.

Our objective is to minimise our own ecological footprint while helping our customers to achieve leadership in their respective markets, also in terms of minimum emissions and resource waste. Ferronordic is currently working on initiatives to improve the precision of its metrics on its ecological footprint to allow for better follow up on emissions specifically.

The world is slowly but deliberately moving away from fossil fuels to slow down the potential warming of our planet. This transition has and will continue to impact regulatory frameworks, technological and product development and markets in products and commodities with a significant carbon footprint.

This will in turn mean that certain sectors that we currently serve may come under pressure; from regulators, consumers, employees, investors, and media. Therefore, the direct and indirect reputational risks might increase. In 2020, oil and gas customers accounted for 4% of our Russia/CIS revenue, compared to 5% in 2019. Sales related to coal mining and production made up approx 1.7% in 2020, compared to 10.2% in 2019. The decline was mainly a result of lower coal prices and investment activity.

The coal industry will need to transform or shrink. We can help less clean industries transform or help reduce their environmental impact through a gradual decline. As one sector declines, other sectors in construction and transportation may grow faster and offer new opportunities for us to offer climate-efficient solutions.

As for regulatory and product risks related to emissions, we believe that the Volvo Group, as well as our other partners, are in such advanced technological competitive positions that we, as their interface with customers and representatives in local markets, may benefit from stricter rules and faster adoption by customers of fossil-free technologies.

We also believe that government initiatives to support cleaner technology are likely to benefit manufacturers and distributors of leading technology and engineering solutions. Indeed, we believe

that being at the forefront of this technological shift could open both new product and geographical markets.

A similar logic would hold for our so-called scope 1 emissions, which is the direct emissions we incur in our production process. These emissions are mainly related to diesel consumption by our service van fleet and our machines in our contracting services. Moving to carbon-free technologies will ultimately be a source of total cost efficiency and a goal that will be shared all through our value chain: from manufacturer to end-customer.

Our machine and component rebuild centre recycles used machines, components, parts, and metal. The centre is important to our contribution to the circular economy and reduces the waste of scrapping old machines and producing new ones as opposed to providing used machines with second or third life cycles.

There is some risk that the local support infrastructure would not keep pace with the innovation of our partners, for example in terms of charging capacity for electric machines. This could however also carry opportunities to promote such infrastructure in our markets. In Germany, as we expand our network, we make sure that sufficient power supply is available for an electric vehicle future.

There are also some balance sheet risks related to the rapid development of new products and technologies by our partners or their competitors. Fast and discreet product development could make our inventory of new and used machines, and our machines in contracting services, less valuable. We however welcome the technological development as key to the long-term success and competitive strength of Ferronordic, its partners and its customers, and see a limited risk that we could not turn our inventory within the product development cycles.

The effects of a warmer climate on weather stability, sea levels and building standards are likely to place higher demands on construction equipment and the transportation system and to increase demand for the most advanced technologies to build protection to prevent climate related effects or to mitigate such effects under harsh conditions in affected areas.

Ferronordic wants to contribute to slowing down and potentially reversing climate change, to contain and mitigate the risks related to a warmer climate, and to provide the best equipment and construction or transport solutions when and where it is needed as a result of climate change.



## EFFICIENT PRODUCTS AND BUSINESS SOLUTIONS DECREASE ENVIRONMENTAL FOOTPRINT

Our success is dependent on the success of our partners and customers. To grow sales, we must be able to offer our customers more efficient products with lower environmental footprint and constantly improving safety standards. Our OEM partners have ambitious targets to limit emissions, make efficient use of natural resources and act socially responsible in all parts of the value chain whilst offering competitive products and services that enable investments in a better future.

The Volvo Group is making significant investments in fuel cell technologies and electric drivelines to build tomorrow's fossil-free transport system. In 2020, electric distribution trucks were put in operation both in Europe and US.

In 2021, Volvo Trucks plan to launch heavy-duty electric trucks in Europe. Meanwhile, Volvo CE is rolling electric compact equipment. Our customers are looking to achieve maximum output or infrastructure development with minimum resource waste and environmental impact.

Meanwhile, the regulatory environments in our markets keep evolving and demand lower emissions and safer working conditions; pushing manufacturers and end-customers alike to reduce their footprints. Ferronordic is a critical part of the construction equipment and transportation value chain and shares these objectives with our OEM partners and customers, both as a distributor of premium products and as a customer in our contracting services.

We work closely with our supply-side partners to align standards and business practices and bring their latest and most efficient technological innovations to our customers. At the same time, by providing high-quality, fuel-efficient and safe machines and trucks, and ensuring that they work when, how, and where they should, we contribute to increasing the efficiency and long-term success of our customers.

This helps us to build a sound basis for a sustainable and profitable business going forward. It also facilitates the development and maintenance of long-term relations based on mutual trust with Volvo and other OEM partners, which further benefit our business and improve our ability to provide better support to our customers.

## TO CONTRIBUTE TO THE SUCCESS OF OUR CUSTOMERS, WE MUST HAVE ENGAGED EMPLOYEES

By encouraging our people to learn from their mistakes, we encourage initiatives and creativity.

By caring for their safety and wellbeing, we create trust and loyalty.

By paying fair salaries and transparent bonuses, we increase motivation and bring out talent.

By investing in training and development, we not only increase the productivity of our staff and enhance their ability to deliver customer satisfaction but also raise their sense of self-realisation, achievement, and commitment to our organisation.

According to our latest employee survey (2018), we have an overall employee engagement score in the company as high as 78%. This company wide engagement has been essential for our success so far and will be equally important for our business going forward.

### CORPORATE GOVERNANCE MODEL AND ANTI-CORRUPTION WORK

Ferronordic adheres to the Swedish Corporate Governance Code. The aim of the Code is to improve confidence in Swedish listed companies by promoting positive development of corporate governance in these companies. The confidence of legislators and the public that companies act sustainably and responsibly is crucial if companies are to have the freedom to realise their strategies to create value. The Code acts as a complement to legislation and other regulations by specifying a set of norms for good corporate governance at a higher level of ambition than the statutory regulation. Another aim of the Code is to provide an alternative to legislation. The Swedish Corporate Governance Board believes that self-regulation is sometimes preferable to legislation and regards it as its duty to promote the role of self-regulation within the field of corporate governance. For more on this, refer also to the separate section on corporate governance on page 73.

Ferronordic invests significant resources in internal governance; from approval hierarchies and budget systems, to policies and procedures and corporate culture. Ferronordic aims to promote responsibility, transparency and accountability in its organisation.

In markets where corruption is common, our continuous anti-corruption work and strong governance principles raise trust in our company and the brands we represent and thus increase our short- and long-term competitiveness in relation to both our OEM partners and our customers: as dealer and product champion in our markets, as a provider of products and services and as an employer.

# THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (SDGs) SET THE WORLD'S COMMON AGENDA FOR 2030



*The United Nations 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 what we do.*

*We strive to foster awareness in our organisation and to make our contribution to the global effort. We, however, put more focus on the goals where our business activities can have the biggest immediate impact and where we can have the biggest effect on positive long-term trends.*

## MINIMISE RESOURCE WASTE AND ENVIRONMENTAL IMPACT

A large part of the existing machine population in Russia/CIS consists of old machines with engines of inferior emission standards and suboptimal fuel-efficiency. By replacing these machines with new, efficient, and innovative machines or business solutions, we contribute to a better environment in Russia and Kazakhstan.

By promoting and distributing high-quality, long-life, fuel-efficient and safe machines, and by providing service, support, and training, we ensure that our customers' machines work when, how, and where they should. Thereby, we contribute to improving the efficiency, reducing emissions and resource waste, and increasing safety for our customers and their employees.

In contracting services, we optimise fuel consumption and machine depreciation on behalf of our clients by employing the right fleet of machines, using the machines in the right way, and managing experienced and well-trained operators.

Our certified rebuild program and our machine and component rebuild centre in Ekaterinburg allow for the used equipment to have second and third life cycles and customers to extend the efficient use of their machine fleet. The rebuild centre also supports the recycling of components and parts that might otherwise be scrapped as waste. The centre repairs used machines, rebuilds new components and utilises metal and parts from machines that cannot be restored to working capacity.

Some of the centre's capacity is used to repair and rebuild the machines and components from our own contracting services. Our rebuild program and our machine and component rebuild centre in Ekaterinburg contributes to the circular economy within Ferronordic and for our OEM partners and customers. Although the centre was completed only in December 2019, we expanded its capacity in late 2020, to handle bigger volumes of machine rebuilds. In 2020, we rebuilt three articulated haulers, 15 engines, 19 gearboxes and 45 other components.

In Germany, the general population of trucks is of higher quality, lower age and with better fuel efficiency than in Russia/CIS. In addition, emission regulations are stricter allowing for higher demands in the market to operate more environmentally friendly vehicles. At the same time society, customers and OEMs are focusing on the development of alternatives to fossil-fuelled drivelines such as electric and fuel cell technologies. However, a complete move away from diesel will take time. With the rapid innovation and product rollout from Volvo and Renault Trucks, Ferronordic will work together with its partners for the transition to happen as fast as possible.



## BEING A GOOD AND FAIR EMPLOYER THAT INVESTS IN AND DEVELOPS HUMAN RESOURCES

We strive to promote a diverse workforce and are an equal opportunities employer. We do not tolerate any form of discrimination. We respect the rights of all employees to join an association to represent their interests as employees, to organise and to bargain collectively or individually.

We make significant investments in the training and development of our employees. By developing a more qualified organisation, we become better at offering the right solutions to the right customers, at servicing and maintaining the customers' machines and trucks and at advising on the efficient utilisation of the vehicles. In 2020, the total number of training hours provided to our employees was about 50,000, compared to about 57,000 in 2019. The decline of 13% in 2020, despite the expansion to Germany, was mainly driven by the restrictions on contacts and travel caused by the Covid-19 pandemic. Per employee, training hours declined by 29%, to 34 hours in 2020 from 48 hours in 2019.

The overall proportion of women in Ferronordic's workforce declined from 13% in 2019 to 10% in 2020. The decline was partly driven by a lower share of women employees in Germany, and partly by most of the new hires being either mechanics or operators in contracting services, where the share of women is also lower.

In 2020, the proportion of women in management positions remained at 17%, the same level as in 2019 but an increase from 13% in 2018. The increase in women in management in 2019 was partly a result of targeted programs to promote professional development and career growth for women.

Providing a safe workplace is a top priority for us. The goal is to achieve an injury-free workplace. A total of 4,282 hours were provided in Russia/CIS in health- and safety training in 2020. That is a decline of 37% compared to the 6,810 hours provided in 2019, mainly due to travel and contact restriction related to the Covid-19 pandemic. In 2019, Ferronordic was awarded ISO 45001 certification. In December 2020, this certification was confirmed by an external body. ISO 45001 is a standard for management systems of occupational health and safety, published in March 2018. The goal of ISO 45001 is the reduction of occupational injuries and diseases, including promoting and protecting physical and mental health.

According to our latest survey, conducted in 2018, we have an overall employee engagement score of 78% and overall employee satisfaction of 82%.

50,000

Training hours provided

4,282

Hours provided in health and safety training

ISO 45001

Certification confirmed





## BEING A GOOD CORPORATE CITIZEN

Ferronordic adheres to the Swedish Corporate Governance Code, a standard for good corporate governance. Ferronordic has a zero-tolerance policy against corruption. Our anti-corruption program is set out in our Code of Conduct and consists of various policies and procedures, regular trainings (including an annual online training), regular risk assessments, whistleblower procedures and audits. By building transparency and trust with employees, customers, partners, and authorities, we believe that we contribute to more open and fair market environment.



## CONTRIBUTING TO ECONOMIC GROWTH AND CREATING OPPORTUNITIES FOR LOCAL COMMUNITIES

By providing equipment and business services that are used to build critical infrastructure, Ferronordic contributes to economic growth and social development in regions where infrastructure was lacking. By working in some of the most remote areas of Russia and Kazakhstan, Ferronordic also helps to develop and offer work opportunities to otherwise isolated communities.



## Stakeholders and **materiality**

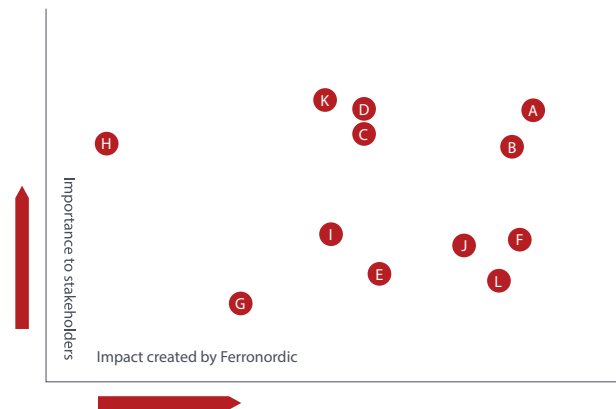
We keep an ongoing dialogue with our stakeholders to understand their expectations and how our business creates additional value for them, ourselves, and the society at large. Our most important stakeholders are our customers, OEM partners, shareholders, and employees.

In this report, we have tried to identify the areas where Ferronordic has the most significant economic, environmental, and social impact, as well as the areas that have the most impact on the assessments and decisions of our stakeholders. The assessment is mainly based on ongoing discussions with our stakeholders. Many of our OEM partners, however, in particular Volvo, also communicate their sustainability priorities in their own annual and sustainability reports and on their websites.

Based on this analysis we have identified twelve topics that particularly reflect Ferronordic's economic, environmental, and social impact.

Ferronordic's main stakeholders are the following:

- |                        |                                       |
|------------------------|---------------------------------------|
| <b>Customers</b>       | <b>Employees</b>                      |
| <b>OEM partners</b>    | <b>Banks and credit institutions</b>  |
| <b>Other suppliers</b> | <b>Governments and municipalities</b> |
| <b>Shareholders</b>    |                                       |



- |                                      |                                    |
|--------------------------------------|------------------------------------|
| A. Customer satisfaction             | I. Environmental impact (products) |
| B. Product safety                    | J. Social engagement               |
| C. Business ethics                   | E. Occupational health and safety  |
| D. Legal compliance                  | K. Energy efficiency               |
| G. Diversity and equal opportunity   | F. Financial health                |
| H. Environmental impact (operations) | L. Employee engagement             |

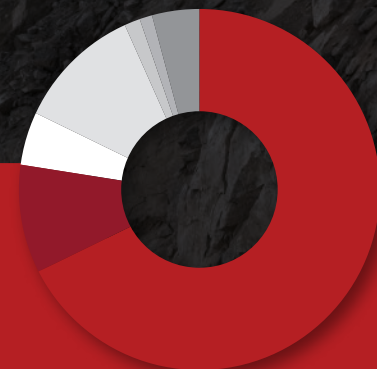
## Economic impact

We support our customers' value creation by delivering high productivity outcomes by providing premium quality products, high parts availability, and good service solutions. In 2020, we delivered 1,106 new machines in Russia/CIS, compared to 965 machines in 2019. At the same time, we continued to service the existing population of active Volvo machines of about 13,000 units and a large number of Volvo and Renault Trucks. In Germany, we sold 631 units and serviced a share of the truck population in our sales area.

These machines and trucks support our customers' profitability by enabling them to meet their customers' needs at a lower total cost of ownership and higher efficiency. At the same time, we create additional value for our OEM partners whose brands we represent, not only by purchasing machines and parts but also by promoting their brands and providing feedback as to how the customers' needs can be better satisfied, including how fuel-efficiency, operational reliability and safety can be further improved.

By providing equipment and business services that are used to build critical infrastructure, Ferronordic also contributes to economic growth and social development in these regions. By working in some of the most remote areas of Russia/CIS, Ferronordic also helps to develop and offer work opportunities to otherwise isolated communities.

During 2020, our Group revenue amounted to SEK 4,635m (SEK 3,747m in 2019), of which SEK 3,652m related to our Russia/CIS segment and SEK 983m to our German segment. The total revenue was distributed among our stakeholders as per the chart to the right.



- Volvo and other manufacturers, whose brands we represent 68%
- Other suppliers 9,6%
- Shareholders (result of the year) 4,7%
- Employees (salaries incl. social security contributions and pensions) 11,3%
- Banks and credit institutions 1,3%
- Governments and municipalities (taxes and social charges) 1,2%
- Other\* 3,9%

\*Other includes items that cannot be attributed to individual stakeholders, mainly relating to depreciation, impairment and foreign exchange differences.

## Customer **satisfaction**

Customer satisfaction is one of our most important business parameters. For a company like Ferronordic, customer satisfaction is crucial for building credibility, trust and strong long-term relationships with both customers and manufacturers.

We achieve high customer confidence in Ferronordic by providing high-quality machines and trucks in combination with high parts availability and good, timely and reliable service. Put differently, we make sure that our customers' machines and trucks work whenever and wherever they should and that they deliver maximum productivity and safety at minimum waste and environmental impact.

Another important aspect is our strategic strive towards increased customer integration, for example through our contracting services business, where we excavate and move earth and rock for customers in the mining industry. In contracting services, we believe that we – due to our knowledge of our equipment, the training of our staff and the systems that they employ – can execute the same operations more efficiently, with less fuel and parts waste and less standstill.

We monitor customer satisfaction regularly, e.g. by systematic complaints management. Other important tools are Volvo's regular surveys regarding customer satisfaction and brand image, where we tend to score well both for construction equipment and for trucks.



## Environmental **impact**

The business of Ferronordic shall have as limited adverse environmental impact as possible. This refers to our direct impact as well as our indirect impact, through third parties on both sides of the value chain.

In general, our direct impact on the environment is limited and the risk of accidents that could have a material negative impact on the environment is considered relatively low. Much of our direct impact stems from the use of our fleet of service vans to reach customers in remote locations or urgent situations. Service vans and cars are serviced and replaced regularly to maximise productivity and reduce environmental impact. Within our service work the environmental risks are related to the handling, storing and recycling of waste, oils, and parts.

In contracting services, we also use significant amounts of diesel and spare parts to run our fleets of haulers and excavators. Machine operators are trained to operate machines efficiently and control mechanisms have been implemented to minimise any unnecessary fuel consumption and reduce costs. As we are typically paid per cubic meter, it is in our interest to minimise the total cost of ownership of our machines. In contracting services, we believe that we can do the work with less fuel and parts waste, less machine depreciation and higher safety.

Another negative effect of our operations comes from the transportation of machines and parts across Russia/CIS and Germany. Since 2015, our main transport operations in Russia/CIS

are outsourced to an external logistics company. Our logistics partner is certified in accordance with ISO 14001. To reduce transportation cost and environmental impact, heavy transports are largely made by rail.

Given the size of our markets, business travel has a negative impact on our surroundings, whether we fly or go by car. Where possible and efficient, we try to travel by train.

An essential part of our work to promote environmental sustainability is our daily work to deliver and maintain fuel-efficient products. A large part of the existing machine population in Russia/CIS consists of old machines with suboptimal emission standards and fuel-efficiency. By replacing these machines, we contribute to a better environment in Russia and Kazakhstan in general. We also use machine data from the machines' telematics systems to detect inefficient machine usage and make proactive offers to our customers on how they can improve their fuel efficiency and optimise their parts consumption. In Germany, our task is less to replace outdated or inefficient trucks and more about promoting and selling best-in-class fuel-efficient or electric trucks to reduce our customers' impact on the environment.

Compliance with legal and other applicable environmental standards is a requirement included in our Code of Conduct. No breaches of operational conditions or environmental legislation occurred in 2020. There were also no breaches reported in 2019 or 2018. In 2017, a minor non-observance took place that resulted in a fine.

## Environmental footprint

As regards Ferronordic's ecological footprint, on current technologies, our business and service activities inevitably involve fuel consumption, entails air travel across significant distances and implies certain greenhouse gas emissions. In this context, we see it as our mission to always strive to minimise this footprint, by employing the most economic and efficient technologies, products, and business processes ourselves, but also by advancing the most progressive and efficient products and business solutions to our customers. We believe that our products offer world-leading economic and ecological efficiency and that our aftermarket service programs optimise equipment utilisation and machine life for our customers.

Our certified rebuild program and our machine and component rebuild centre in Ekaterinburg allow for an extension of the lives of machine fleets and the recycling of components and parts that might otherwise be scrapped as waste. The centre repairs and rebuilds used machines, rebuilds worn out components and utilises metal and parts from machines that cannot be restored to working capacity.

Meanwhile, the economic justification of our contracting services business is partly based on the condition that we can utilise our machines and manage our operators more efficiently than the

end-customer, to provide shared benefit and save resources for both parties.

Excluding contracting services, the fuel consumption, measured in litres, in Russia/CIS decreased by 6% in 2020\*, compared to 2019. This was below total revenue growth at 13% in RUB and -2% in SEK. It was also below the growth in aftermarket sales at 9% in RUB, but in line with the 6% decline in SEK. The fuel consumption in contracting services in 2020 increased by 30% compared to 2019, which was largely in line with the increase in revenues (+42% in RUB and +22 in SEK), despite higher reliance on subcontractors in 2020.

Ferronordic's total power consumption in Russia/CIS in 2020 increased by 10%\*, compared to 2019, partly due to the opening of new facilities and locations.

Air-miles travelled and related carbon emissions decreased by 66% and 67% respectively in 2020\* compared to 2019, mainly driven by the restrictions on travel and social contact related to the measures to prevent the spread of Covid-19. Air-miles are likely to increase again when restrictions are eased.

*\*Data for Russia and Kazakhstan only.*



## Social impact - employees

Our people are our most valuable asset. Ferronordic's employees were always critical to our success but in 2020 their flexibility, resourcefulness and problems solving skills made the difference for our business in Russia/CIS as in Germany. Our human resources will remain equally important for the continued progress and future success of our business.

Our target is to have the right number of people with the right competencies in the right place at the right time. We promote a diverse workforce and are an equal opportunities employer not only because we believe that it is right but also because we believe it is the best way to elicit diverse and creative thinking and to unlock talent.

At the end of 2020, the number of full-time equivalent employees in the Group was 1,469, of which 1,200 related to Russia/CIS, 257 to Germany and 12 occupied group functions. At the end of 2019, the number of full-time equivalent employees was 1,239, of which 1,189 related to the Russia/CIS and 50 to Germany. The headcount increase in Russia/CIS was a net result of an increase in headcount in contracting services and the component rebuild centre, and a decrease in support and administrative functions. Our people worked at 85 locations in Russia/CIS and 10 locations in Germany.

The average age of our employees at the end of 2020 was 39 years, an increase compared to 37 years in 2019 due to the higher

average age among our employees in Germany. 10% of our employees are female, a decrease compared to 13% in 2019 due to a lower share of women in Germany. The proportion of women in management positions remained unchanged at 17%.

Employees are encouraged to take part in the continuous improvement not only of Ferronordic as a place of work but also of our operations, including business development and strategy. According to our latest survey, conducted in 2018, we have an overall employee engagement score of 78% and an overall employee satisfaction of 82% (compared to 83% and 79%, respectively, according to the previous survey, conducted in 2016). More than 100 employees have been with the company since its start in 2010.

Ferronordic aims to train, develop and encourage internal promotion. 93% of all vacancies in 2020 were announced internally on the company's intranet, which is an increase from 90% in 2019. However, only 20% of all vacant positions were filled internally in 2020. That is significantly lower than 62% in 2019, as internal recruitment was lower in contracting services and Germany. In 2020, we made 187 internal promotions (compared to 268 in 2019).

## Training and **education**

Part of our work for sustainable development is the significant investment we make in the training and development of our employees. By developing a more qualified organisation, we become better at offering the right solutions to the right customers, at servicing and maintaining customers' machines and at advising on how most efficiently utilise the machines.

Besides technical and operational trainings, Ferronordic has a corporate university with a broader set of training sessions. There is an internal mini-MBA program and select promising managers have been offered external MBAs in cooperation with the Stockholm School of Economics.

Our aim is to leverage, support and utilise internal competence and allow employees to develop and take greater responsibility within the company, while at the same time empowering employees and providing them with the training and skills they need to succeed in business and life.

In 2010, we provided about 50,000 hours of training to our employees, compared to about 57,000 in 2019 and 52,000 in 2018. The decline of 13% in 2020, despite the expansion to Germany, was mainly driven by the restrictions on contacts and travel caused by the Covid-19 pandemic. Per employee, training hours declined by 29%, to 34 hours in 2020 from 48 hours in 2019.



## Social impact - **manufacturers and suppliers**

We cooperate with manufacturers and other suppliers that share our values. For the Volvo Group, which represented 85% of our 2020 Group revenue, sustainability is an essential question. The Volvo Group thus has a comprehensive program for controlling and ensuring that its suppliers fulfil Volvo's requirements regarding social responsibility and human rights (for further information, please see Volvo's 2020 annual- and sustainability report).

As regards machines and other products that we sell and service for Volvo and other manufacturers, we trust in the controls implemented by our partners. We do not ourselves inspect or control the component manufacturers and other sub-suppliers used by Volvo and our other suppliers.

## Product **safety**

A large part of the machines used in Russia and Kazakhstan today are old, unsafe, and uncomfortable, sometimes even dangerous. Health and safety is one of the core values for the Volvo Group and for Ferronordic.

By selling and servicing safe machines of high quality and with outstanding ergonomic features, we take responsibility for promoting health and safety at large in the society where we operate.

We also offer operator training to customers to ensure our equipment is used safely and efficiently. In contracting services, we assume any operational risks that would otherwise be carried by our customers and provide extensive training to our operators.

Preventive maintenance service and our digital service and sales tool help us to support our customers, to make sure they use our equipment in the most efficient and safe way.



A large part of the machine population in Russia/CIS consists of old machines with suboptimal emission standards and fuel-efficiency.

By replacing these machines, we contribute to a better environment in Russia and Kazakhstan in general.

## Occupational health and **safety**

Providing a safe workplace is of great importance to both ourselves and our employees. It is a critical part of building trust and commitment with our employees. The goal is to achieve an injury-free workplace.

Ferronordic has a system in place to engage all staff to participate in training sessions on health and safety and to contribute to ideas on how to further improve labour safety.

Each individual manager and employee is responsible for sustaining a safe working environment. However, we share that responsibility by promoting health and safety across the organisation, providing safe workplaces, and ensuring that our employees have relevant training and education. We employ dedicated health and safety specialists, each responsible for his/her designated geographic area, to support health and safety throughout our branch networks in our markets.

To follow up on new health and safety processes, the local managements conduct several so-called behaviour-based audits of workplace and occupational safety. In 2020, 655 such audits were conducted, which is 56% less than in 2019. As a result, 315 potential improvements were identified, compared to 618 in 2019. Ferronordic carried out 15 health and safety inspections of its divisions, compared to 52 in 2019 and 65 in 2018. The decrease in behaviour-based and centrally organised health and safety inspections is mainly a result of the restrictions related to measures to stop the spread of Covid-19.

A company-wide program to underline the importance of labour safety was launched in 2017 and continued through 2018, 2019 and 2020. Health and safety aspects are now an integral part of the regular assessment tests for our mechanics. In 2020, a total of 4,282 hours were invested in health- and safety training, which is 37% less than in 2019. The decrease was mainly due to the restrictions brought about by the Covid-19 outbreak. Investment in protective equipment for staff decreased by 4% in RUB and 17%

in SEK in 2020, compared to 2019. This compares to staff growing 24% in for the Group but Russia/CIS being largely unchanged. The decrease, despite the procurement of masks and other personal protective equipment related to Covid-19, is mainly an effect of other protective equipment being less needed elsewhere, partly as a result of restrictions in contacts due to Covid-19.

In 2019, 25 members of a working group were trained in comprehensive hazard identification and risk assessment in Russia/CIS. This working group then engaged an international health and safety company, Intertek, to audit and certify Ferronordic. Ferronordic met all main standards and, at the end of 2019, Ferronordic was successfully awarded ISO 45001 certification in Russia/CIS. The certification was reconfirmed at the end of 2020.

No serious work-related accident occurred in 2020, compared to 3 in 2019. One minor injury occurred during the removal of a rear axle gearbox from a wheel loader. No work-related fatalities occurred neither in 2020 nor 2019.

Ferronordic also tracks and records violations of internal health and safety regulations, in order to remove hazardous conditions and build a safer working environment for its employees. In 2020, 48 such procedural violations situations were recorded, a decrease of 71% from 168 instances in 2019. The decrease was however mainly driven by fewer inspections and reviews due to travel and contact restrictions in 2020.

The number of reported days of sick leave during 2020 was 7,189 for the Group and 4,768 for Russia/CIS. For Russia/CIS, it was an increase of 54% from 3,097 days in 2019 and 108% from 2,292 days of sick leave in 2018. The average days of sick leave per employee per year for the Group increased from 2.6 in 2019 to 4.9 in 2020. The average days of sick leave per employee per year increased by 53% due to Covid-19 and symptoms similar to those of Covid-19.

## Anti-**corruption**

We have zero-tolerance for bribery and corruption.

The reason for this is not only that it is morally right or to comply with applicable laws. On our markets, this also makes Ferronordic a more attractive employer and a reliable partner for the manufacturers, whose brands we represent. It also builds long-term, sustainable relations with customers based on trust.

We take active measures to prevent, monitor and investigate potential corruption in our operations.

Our anti-corruption program consists of various policies and procedures, regular training (including an annual online training), regular risk assessment, whistleblower procedures and audits.

During 2020, all employees, except some machine operators in our contracting services, participated in the anti-corruption training. The Code of Conduct, with clear rules of what is expected of a Ferronordic employee in different areas, was also implemented in Germany.



ESG	Indicator	Market	Unit	2018	2019	2020	2020 vs. 2019
Reference	RUB/SEK average exchange rate	Group	RUB/SEK	7.22	6.83	7.90	16%
	Total revenue, Group	Group	MSEK	3,241	3,747	4,635	24%
	Aftermarket revenue	Group	MSEK	789	925	1,133	23%
	Total revenue, Russia/CIS	Russia/CIS	MRUB	23,415	25,510	28,832	13%
	Aftermarket revenue, Russia/CIS	Russia/CIS	MRUB	5,695	6,255	6,788	9%
	Number of board members	Group	#	6	6	6	0%
Board and Governance	Number of board meetings per year	Group	#	10	10	14	40%
	Board meeting attendance	Group	%	100%	93%	98%	5%
	Women members of board	Group	%	17%	17%	17%	0%
	Nationalities represented on the board	Group	#	1	1	1	0%
	Independent members of board	Group	#	4	4	4	0%
	Electricity consumption (volume)	Russia/CIS	MWh	1,882	2,123	2,333	10%
ESG/sustainability transparency and reporting	Electricity consumption (volume)	Germany	MWh	0	0	168	
	Flight miles (km travelled), Russia/CIS	Russia/CIS	1000 km	8,425	9,904	3,357	-66%
	CO2 emissions related to flights	Russia/CIS	tons	959	1,105	360	-67%
	Safety training (hours)	Russia/CIS	hrs	6,562	6,810	4,282	-37%
	Safety training (hours) per employee	Russia/CIS	hrs	18	16	10	-36%
	Accidents at work (minor)	Russia/CIS	#	2	1	1	0%
Health & Safety	Accidents at work (major)	Russia/CIS	#	0	2	0	-100%
	ISO 45001:2018 Certification	Russia/CIS	Y/N	N	Y	Y	
	Internal HSE inspections	Russia/CIS	#	65	52	15	-71%
	Number of violations discovered	Russia/CIS	#	644	618	315	-49%
	Number of violations closed on time	Russia/CIS	#	54	60	67	12%
	Behaviour-based audits	Russia/CIS	#	1,292	1,480	655	-56%
Human Resources	Hazardous situations	Russia/CIS	#	187	169	48	-72%
	Number of employees at end of year, Group	Group	#	1,038	1,189	1,469	24%
	Number of employees at end of year, Russia/CIS	Russia/CIS	#	1,038	1,139	1,200	5%
	Number of employees at end of year, Germany	Germany	#		50	257	414%
	Employee turnover in %	Group	%	14%	13%	11%	-15%
	Average age of employees at end of year	Group	#	36	37	39	5%
	% women employees	Group	%	14%	13%	10%	-23%
	% women in executive management	Group	%	11%	11%	16%	45%
	% women in management	Group	%	11%	11%	17%	55%
	Nationalities in workforce	Group	#	6	7	19	171%
	% of vacancies announced internally in year	Group	%	90%	88%	93%	6%
	% of vacancies filled internally in year	Group	%	62%	60%	20%	-67%
	Number of internal promotions made in year	Group	#	163	268	187	-30%
	Number of training hours provided in year	Group	hrs	52,000	56,954	49,761	-13%
	Total training hours per employee	Group	hrs/#	50	48	34	-29%
	Number of sick-days in year	Group	#	2,292	3,097	7,189	132%
Average number of sick-days per employee	Group	#	2.2	2.6	4.9	88%	

End of year data