

REPORT ON CR FOR 2019

Additional statement §99

The share of leading women employees by the end of the year

2018: 12,9 %

2019: 14,4 %

Changes made in the board, group management, and management positions in general in 2019, and the representation of women among the potential candidates:

- There has been one substitution in the board. There are no female members in the board.
- We have hired two new members to our group management. Jesper Møberg (Business Development Director), was headhunted to the position due to his former experience in the company. Also, we have hired Ernst Kildegaard to the group management. He was hired after a comprehensive round of interviews, where there was also a woman as runner-up for the position.
- The number of female leaders has grown, which makes the representation of women 14,4% compared to last year's 12,9%.

The share of all women employees in the organization by the end of the year

2018: 35 %

2019: 38 %

Initiatives from BORG Automotive to improve women's career opportunities in 2019:

- The company has in general made some initiatives to develop the employees and leaders, among them was a leadership training based on the book "7 Habits" by Stephen Covey. Here were six of 47 participants women.
- One of the initiatives taken is to attend the Development program, initiated by Schouw & Co. 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 round of the program started August 2018 and ended in October 2019. One of the three participants is female.

Human Rights

BORG Automotive has full respect of countries sovereignty, and their ability and right to set standards according to this. We therefore require that all our suppliers sign our Code of Conduct. When signing, the supplier commits as a minimum to follow the local regulation, however we encourage our suppliers to be more ambitious than that.

Previously, it was only our far-east suppliers who were required to sign the Code of Conduct. Therefore, all our far-east suppliers have accepted and signed our Code of Conduct. In 2019, we started collecting accepted and signed Code of Conducts from our European suppliers as well. We already received commitments from the majority of our European suppliers, and we expect that we in 2020 will have commitment from all suppliers.

Social Conditions

Responsibility is one 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 strive to include people with handicaps in our workforce and are aware of our responsibility in the society.

We 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 give a donation to Doctors Without Borders every year.

In Poland, we have a close cooperation with a local orphanage which we support with both money and education. In 2019, we have, among other things, paid for the following:

- Development programme: "How to build self-esteem"
- Trip to a thermal pool, aquapark, cinema and to the educational park "Experimentarium"
- Training programme for the children based on Stephen Covey's "7 habits" linked with Team Building activities

BORG UK was in June awarded with Investors in people Bronze Medal. This award signifies the established improvements in developing our staff, the work environment and company processes. The award is valid for three years and comes with a plan for improvements that will be assessed over the coming 12 to 24 months, meaning further developments will be made to create a more sustainable, high performing working environment.

In Denmark, we completed the Workplace assessment (APV) with no noticeable remarks.



Work accidents

The work in our production sites are very labour demanding, and it is impossible to automate all processes. Accidents in 2019 are of light severity.

For every accident a thorough description and root cause analysis are made to define actions to prevent a similar accident in the future.

In 2018, we strengthened our H&S team with dedicated people to each operation area. Each 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 accidents.

In 2019, we have witnessed a steep decrease in the number of lost working days due to accidents compared to the total number of workdays delivered. Overall, we have lost 1,6 workdays per 1.000 workdays delivered, which is around 25 % less than the comparable figure for 2018. We expect that the lower production output – and hence overtime – also has a positive impact on the figure as well as the dedicated work from the H&S team.

Environment and climate

Remanufacturing is a business 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 to 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.

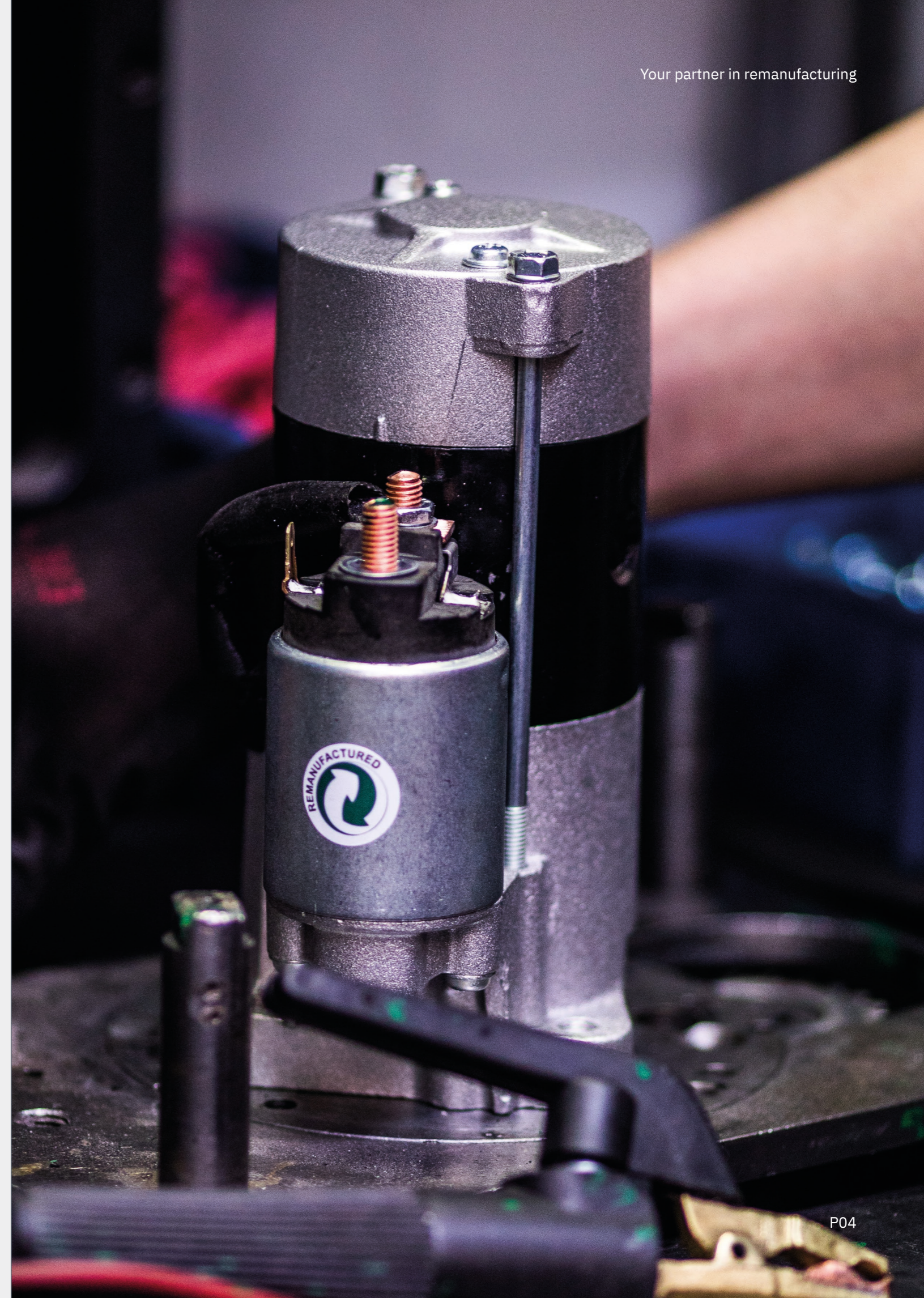
As an example, BORG UK is now sending old pallets to recycling/reuse rather than landfill/incineration.

We are in dialogue with our customers about reusing packaging material. One of the initiatives in 2019 was to use thinner cardboard boxes for our products.

During 2019, we have implemented MES (Manufacturing Execution System) for five of our eight product groups. Previously, the working instructions for each part of the production steps were printed. Now the workers can see the instruction on a screen. This will reduce the need of office paper but increase the electricity consumption.

In 2020, we expect to implement MES for additional two product groups. The last product group will be included in 2021.

Despite the initiatives mentioned above we had a small increase in 2019 of 1,2 % in the cardboard we use per sold unit. However, since 2017 we have reduced the consumption by 3,6 %. An explanation for the increase is that we in 2019 have produced more units than we have sold. We expect that the full year effect of the initiatives mentioned above, and a 2020 where the produced units and sold units will be in balance, will lead to a decrease.



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In our Code of Conduct we request our suppliers to conduct business in a sustainable way with care for the environment. We expect that they strive to minimize their impact on the environment both regarding CO2 and waste. We expect suppliers 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.

We have continued our dialogue with our suppliers and when possible they deliver in bigger batches – reducing the need for packaging material.

The grams of plastic we send to recycling have decreased by around 7 % from 2018 to 2019.

Another of our CR-KPI's is to reduce the consumption of electricity by 2,5 % per sold unit. In 2019 we have run a pilot-project with lowering the water temperature in one of the machines that cleans the A/C cores. So far, the project has been successful, and we plan to implement the procedure in additional washing machines.

Due to the reduced production volume we have been working on fewer Saturdays in 2019 than in 2018. This has reduced the electricity usage. On the other hand, we have produced more units in 2019 than we have sold which has a negative impact on the KPI.

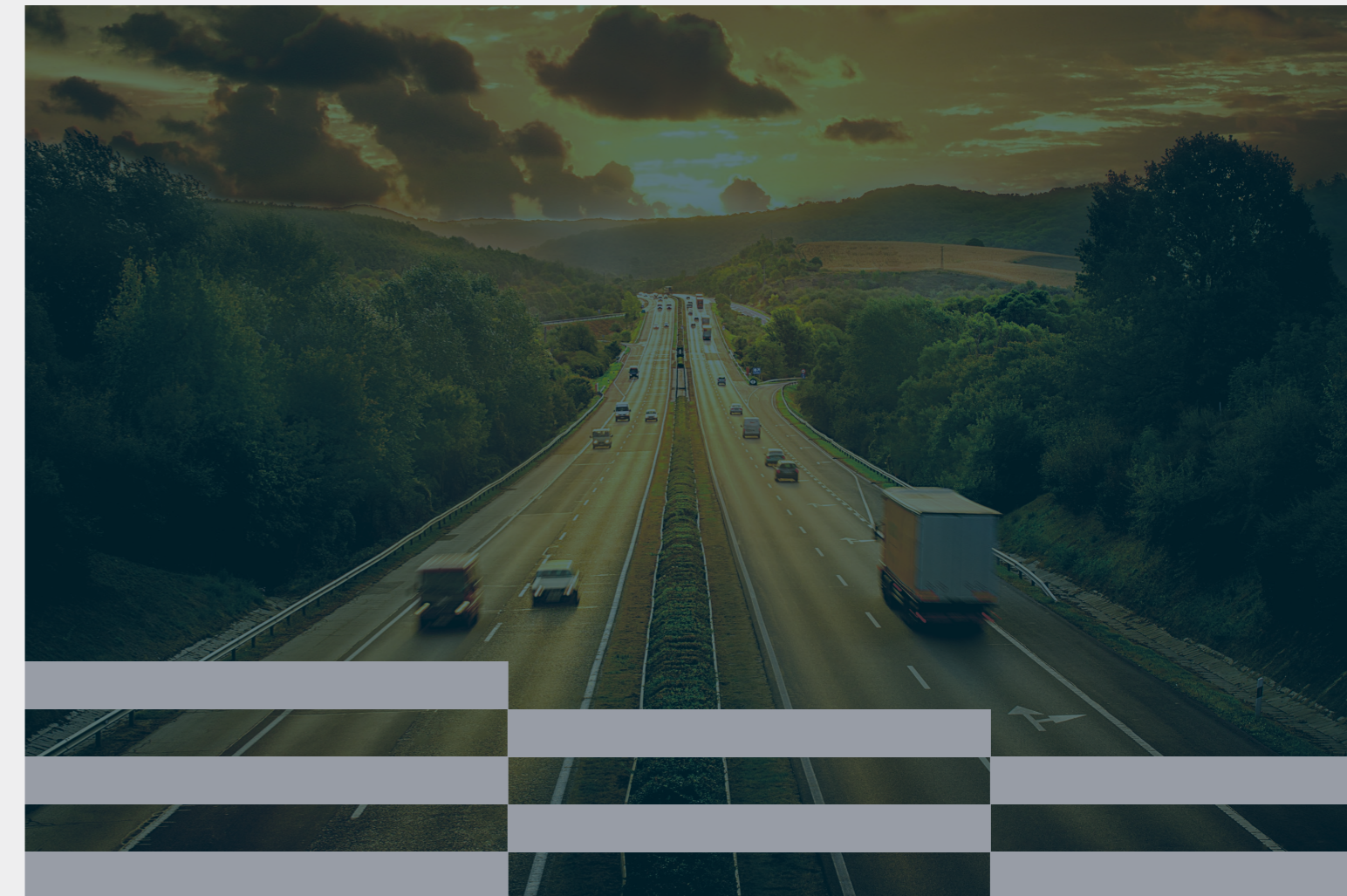
In total, the consumption of electricity per sold unit has increased by 8,1 % in 2019 compared to 2018 and the main explanation is the high production. For 2020 we aim for a decrease in the consumption.

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. As we are founded on our values, improving the business ethics are 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 most of the suppliers have signed. In addition to this, we specify in our Code of Conduct that 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.



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