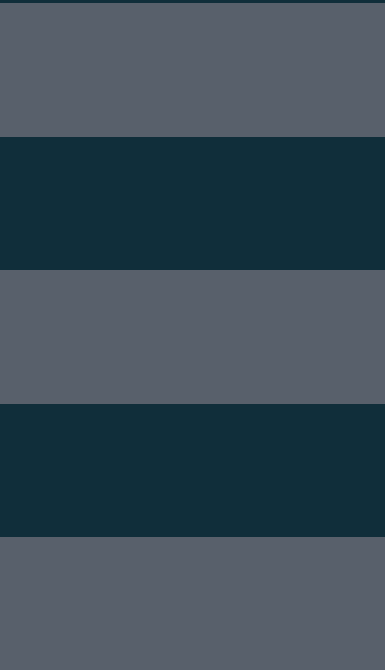


ESG REPORT

2021



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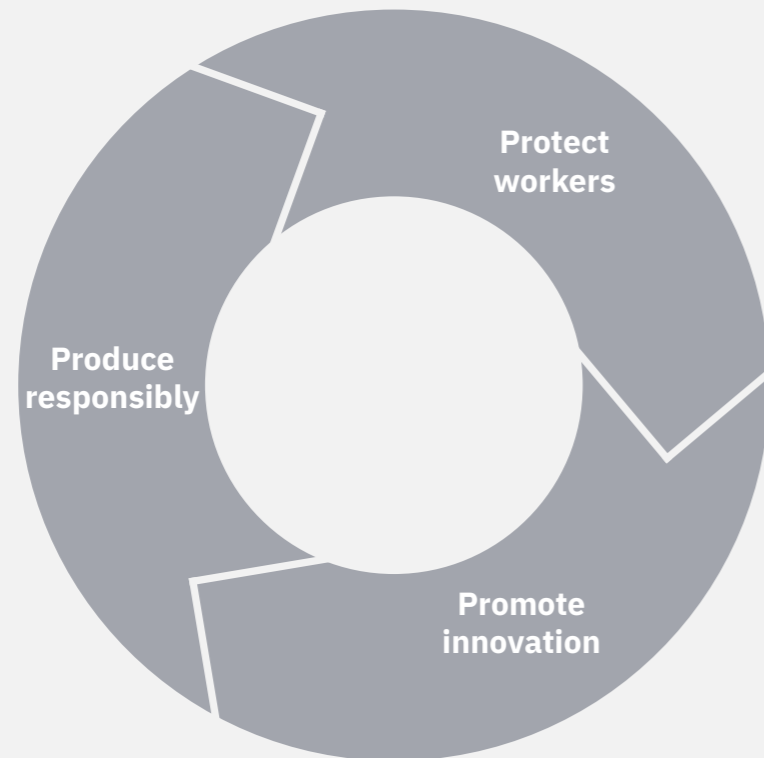
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A clear direction

BORG Automotive has been under ownership by the Danish conglomerate, Schouw & Co., since 2017. As an active owner, Schouw & Co. lays down the general framework for the Group companies, creating long-term value through an inspirational presence. This serves to set a clear direction and firm targets for our ESG efforts.

The Schouw & Co. strategy is based on a 'responsibility wheel' that reflects the Group modus operandi and mindset. Furthermore, it is used to highlight the strategic prioritisation of ESG and responsible conduct. The responsibility wheel consists of three focal areas: producing efficiently and responsibly; protecting workers and ensuring attractive workplaces; and promoting innovation and strong governance. Based on these areas each company owned by Schouw & Co. defines its ambitions towards 2030.



This report provides a presentation of the actions taken and results achieved by BORG Automotive in terms of 2021 corporate responsibility. Furthermore, it contains a presentation of our purpose, business model and value chain, all describing how we create value to our customers and society. This is followed by our ESG-ambitions, described via the three main areas of the responsibility wheel. Subsequently, a more detailed description of actions and results is provided. In addition, these sections cover work on human rights and anti-corruption in accordance with section 99a of the Danish Financial Statements Act.

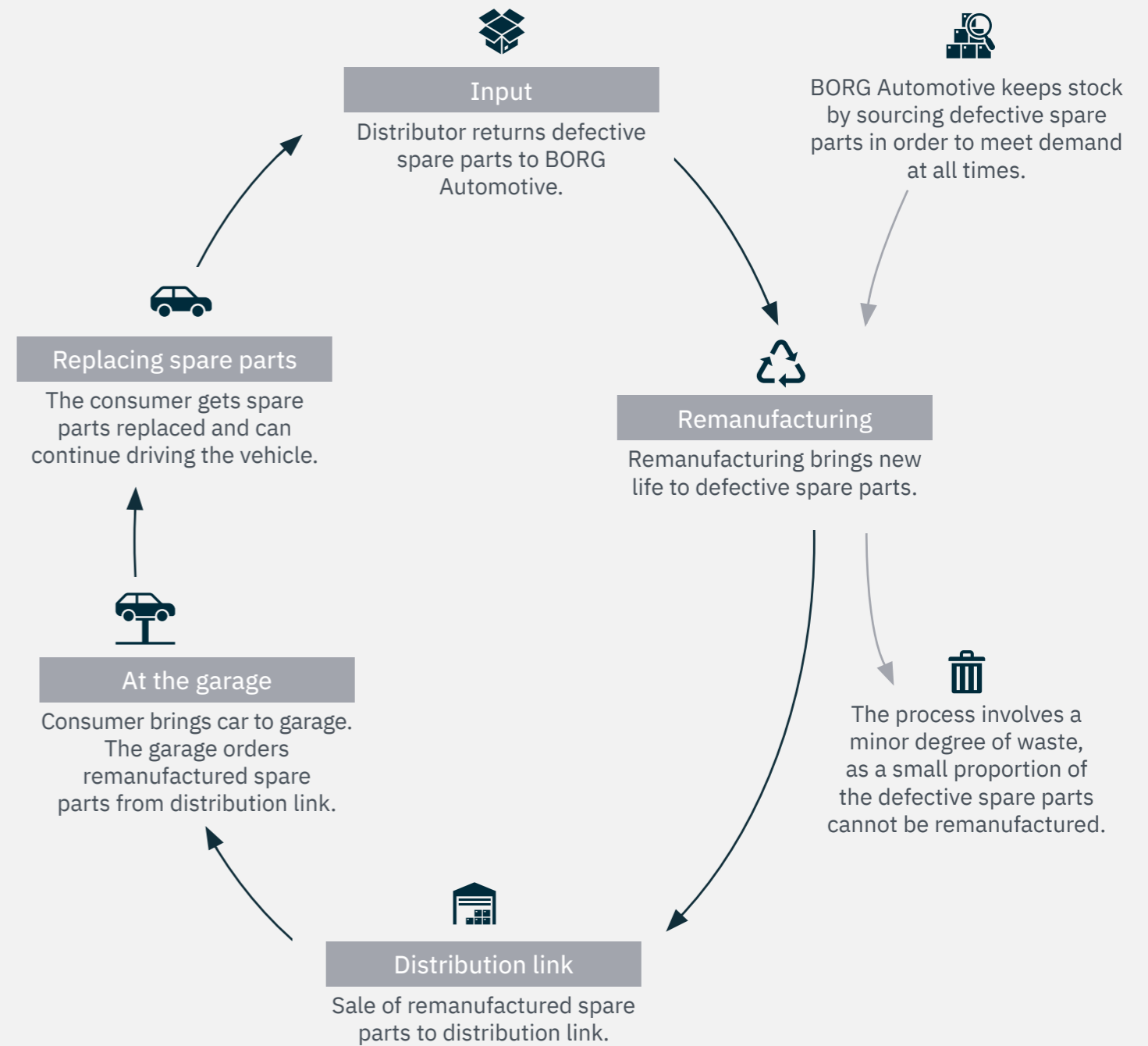


We bring new life to vehicles by providing sustainable automotive solutions



Our business model

At BORG Automotive, we are Europe's largest independent remanufacturing company, and we re-manufacture, sell, and distribute automotive parts to the European market. Our circular business model is based on sales of remanufactured, high-quality, auto spare parts combined with a return system that is the platform for the recirculation of products.



2030


2030 ambitions

Our circular business model implies a comprehensive focus on sustainability and responsible conduct. Through market operations and growing customer demand for responsible and sustainable solutions, we supply products that have less of an environmental impact than new parts. We aim to reduce our GHG emissions going forward to 2030 and plan to prepare a lifecycle analysis for remanufactured automotive spare parts in 2022. We also aim to reduce the LTI frequency rate and increase employee satisfaction over the next five years.




Limit climate impact of in-house production

Reduce GHG emissions from in-house production by 30%



Caring for the employees

Increase employee satisfaction by 5% over the next five years

Reduce LTIFR by 30% by 2025



Circular products, saving CO₂

By 2022, be able to quantify the CO₂ savings for remanufactured products

Actions and results in 2021

Environment

We are working to quantify the GHG emission of a remanufactured product in terms of materials and processes. A remanufactured product involves less consumption of materials and energy compared with new products and we intend to document the lower environmental impact through a detailed life-cycle analysis of remanufactured products. Work on the analysis commenced in 2021 and is expected to be completed by the end of 2022.

Two major expansion projects

BORG Automotive is a growing business, and

through acquisitions made in 2020 and 2021, both our energy consumption and GHG emissions have increased. Our GHG emissions in 2021 were 4,395 tonnes CO₂e, compared with 3,689 tonnes in 2020. Having set a goal of reducing our scope 1+2 GHG emissions by 30% by 2030, we will need to increase the proportion of renewable energy in production going forward, as the emissions are mainly due to energy consumed. We will work on this issue going forward.



We remanufacture more than two million units across our eight product lines every year.

A remanufactured product involves less consumption of materials and energy compared with new products and we intend to document the lower environmental impact

In addition, we are working to optimise production processes and facilities with a view to reducing the environmental impact and improving occupational health and safety. In 2021, we replaced machinery and made changes to processes at our factory in Poland in order to reduce energy and water consumption and the use of chemicals.

For example, the purchase and installation of a new parts washer has optimised the cleaning processes, increased efficiency and capacity, improved health and safety, reduced chemicals consumption and reduced consumption of water and energy.

Local example of climate proofing

Effects of increasingly extreme weather events are being seen in the local area of our Polish production unit, and it has begun to establish climate proofing measures, as flooding has previously been a problem in the area. We teamed up with the local authority to clean and expand drainage canals near our factory in order to prevent the effect of torrential rain and avoid flooding in the future.

Actions and results in 2021



Social

For us, caring for our employees and their local communities is an important priority, as witnessed by the social initiatives we have taken in 2021. In addition, safety at work and employee satisfaction are two major focal areas for the period to 2030, through which we aim to continue to have reliable and dedicated staff, all based on the mantra ‘Results are created by people’.

Health and safety at work and industrial accidents

Many of the initiatives we completed in 2021 were directed at reducing the environmental impact and improving health and safety. For example, by installing new coating booths, sourcing machines for lubrication of various items, switching to a new filling compound and improving employees’ working po-

sitions, which included reducing manual lifting to a minimum.

These and several minor initiatives help to continuously optimise work procedures and processes, having the dual effect of supporting employee well-being and reducing the environmental impact.

We had an LTI frequency rate of 12.0 incidents per million working hours in 2020, and the many initiatives implemented helped to reduce the rate to 10.3 in 2021.

We have defined a target of reducing the LTI frequency rate by 30% by 2025 to below 8.4 per million working hours and will continue to allocate resources for this purpose.

Collaborating with a local prison

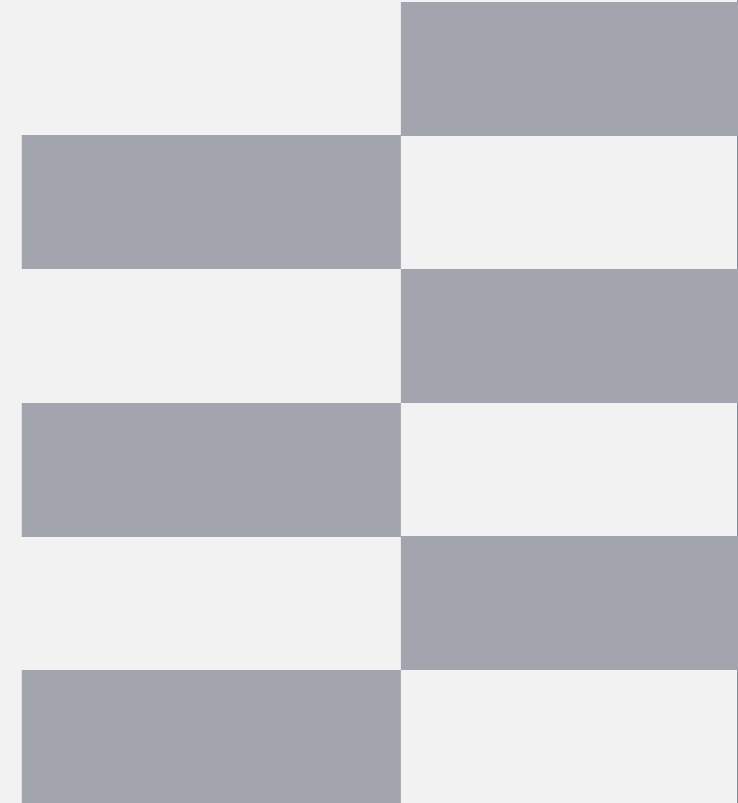
Our Polish subsidiary began an unusual partnership with a local prison, which is expected to create synergies for both parties. Prison inmates are given an opportunity to gain practical work experience and earn an income, while we at BORG Automotive can have simple tasks performed. The project is still in its start-up phase but the parties expect to expand the partnership during 2022. The project is a good example of how creative thinking and social responsibility can benefit both society and the company.

Educational institutions

Every year, we organise the Reman Challenge, a competition where European university and PhD students compete to solve an assignment involving remanufacturing. The topic in 2021 was ‘modelling end user behaviour when purchasing remanufactured products’, with a total of 72 students competing in 28 teams. The competition gives us valuable insights in the topic and increases awareness of the company for recruitment purposes.

Participating students gain experience in solving challenges arising for businesses, they receive a certificate when the competition is over, and the winning and runner-up teams each win a cash prize.

In addition, the production unit in Poland cooperates actively with universities and other educational institutions, typically on solving production technology assignments through which students gain work experience.



The winners of The Reman Challenge 2021, Joey Lim and Natalia Hartono from the University of Birmingham.

Actions and results in 2021



Governance

Our acquisition and expansion activity has relied on a well-structured system able to accommodate the smoothest possible business integration process and maintain our high quality standards and market position. We took a comprehensive effort in 2021 to align processes, reposition IT systems, implement new work processes, onboard new employees and create a common understanding between different cultures. As a result, we are now in an even better position to make future acquisitions and integrate more businesses.

Going forward, we will focus on having efficient processes and systems that are consistent with our

values: responsibility, competence, interdependency, transparency and continuous improvement.

Common support for Code of Conduct

A key issue in 2021 was to further develop and strengthen procedures for implementing a Code of Conduct and a due diligence system for our suppliers. As a result of these efforts, 86% of suppliers have now formally agreed to comply with our Code of Conduct, up from 77% in 2020.

Efforts to implement due diligence processes will continue in 2022, and we are planning to step up the work going forward.

Today, we perform extensive supplier screening and conducts on-site checks at selected supplier locations, but the coronavirus situation has resulted in a decline in follow-up activities. We expect to re-start these efforts going forward.

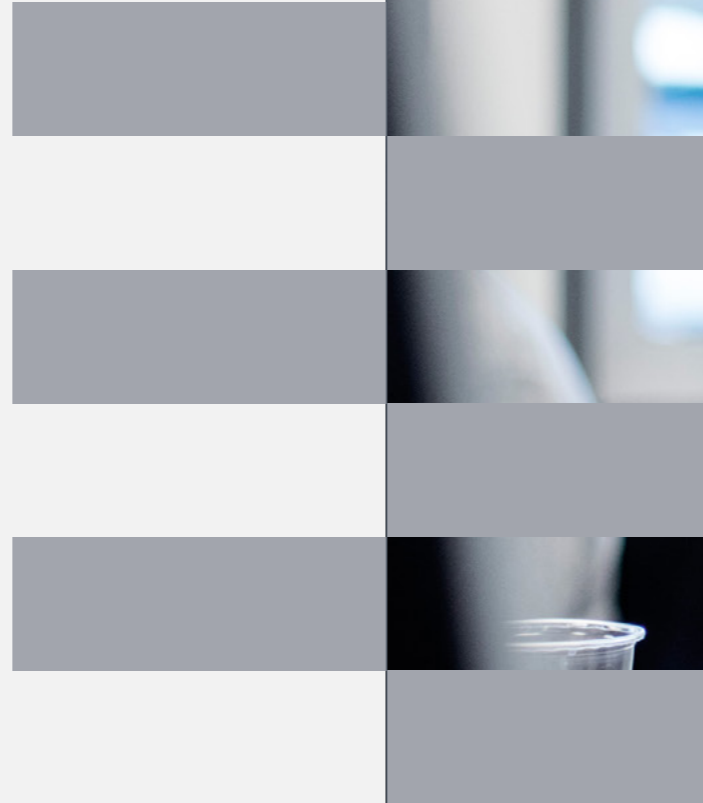
Anti-corruption and data security

An e-learning platform acquired in 2021 will be implemented across countries and functions. Relevant employees will be introduced to the first

module, which deals with fair competition, followed by a module on business ethics and anti-corruption, GDPR, among other topics. The objective is to ensure compliance with as well as awareness and documentation of our policies, guidelines and values among the growing number of employees in several countries.

ESG data overview

At Schouw & Co., ESG reporting is an area that is constantly evolving as both Schouw & Co.'s and general reporting practices gradually mature. In 2020, the Group introduced a new common frame of reference inspired by Nasdaq's ESG Reporting Guide 2.0 and defined a common set of performance indicators across the E, S and G criteria. The 2021 ESG report will continue to build on these performance indicators, now presenting figures for a two-year period. As reporting has gradually improved, it has been necessary to make a few adjustments. Overall, however, the aim is to apply the same approach to ensure that figures are comparable over time. Consolidation of this type of data across a diversified conglomerate still presents challenges, but the aim is to be transparent and to present data in the best possible manner. Each area is followed by a section on accounting policies and comments to ensure this.



Environmental reporting 2021

	2021	2020
Revenue (DKKm)	1,368	871
Total greenhouse gas emissions (tonnes CO₂e)	4,395	3,689
Scope 1 (tonnes CO ₂ e)	634	473
Scope 2 market-based (tonnes CO ₂ e)	3,761	3,216
Total greenhouse gas emissions per DKK million revenue	3.2	4.2
Total greenhouse gases per alternative scaling factor	n/a	n/a
Total energy consumption (MWh)	11,408	8,413
Direct energy consumption, scope 1 (MWh)	3,094	2,337
Indirect energy consumption, scope 2 (MWh)	8,314	6,076
Total energy consumption per DKK million revenue (MWh)	8.3	9.7
Total energy consumption per alternative scaling factor (MWh)	n/a	n/a
Share of renewable energy	0 %	-
Total water consumption (m³)	21,916	18,596
<i>The company adheres to a formal environmental policy</i>	✓	✓
<i>The company adheres to a specific waste, energy and/or recycling policy</i>	✓	✓
<i>The company uses a recognised energy management system</i>	✗	✗
<i>The Board of Directors monitors and/or manages climate-related risks</i>	✓	✗
<i>Senior management monitors and/or manages climate-related risks</i>	✓	✓

Comments

Emissions, energy consumption, and water consumption are up, driven by greater business activity, expansion and acquisitions that added considerably to the business in 2021.

Accounting policies

The scaling factor is calculated based on the volumes produced, including sub-processes and not the volumes sold. The reason for this is that the energy consumption, and thus consequently the greenhouse gas emissions, follows the production volumes and not sales as included in the consolidated financial statements.

Energy consumption and GHG emissions

Scope 1: Reporting on scope 1 energy consumption and greenhouse gases is based on the definition of emissions set out in the GHG Protocol. Scope 1 covers any direct energy consumption and associated emissions from sources that are owned by Schouw & Co. or the portfolio businesses. Gas, diesel and similar consumption data were gathered by BORG Automotive and reported to Schouw & Co.

For all large sites, figures were calculated based on data on purchases. Consumption figures are multiplied by emission factors obtained using the GHG Protocol calculation tool for stationary consumption and then translated into CO₂ equivalents using GWP factors. In 2020 and 2021, mobile combustion was excluded due to a materiality assessment, but it will be included in our reporting for 2022.

Scope 2: Reporting on scope 2 energy consumption and emissions is based on the definition set out in the GHG Protocol. Scope 2 covers indirect emissions from electricity, district heating or cooling purchased from other sources. Consumption data

is gathered for the business from energy bills and similar documents for the purpose of calculating the energy consumption. For minor, less significant sales units, consumption is estimated based on an OECD standard factor per FTE, which is added to the data reported.

This year, for the first time, BORG Automotive reported according to both the market-based and the location-based approaches. The market-based approach reflects emissions from the purchase of energy and is linked to the financial products and agreements on which the purchases are based. These are verified against the quality criteria of the GHG Protocol described in the Scope 2 Guidance. The location-based approach is based on the actual grid to which factories are connected and mainly uses the latest IEA emission factors, while more specific regional emission factors are obtained for some sites. The market-based approach is used for calculation purposes and in relation to targets.

Share of renewable energy: The share of renewable energy is calculated as the share of purchased energy (scope 2) if satisfactory certificates matching an emission factor of 0 for the specific energy consumption are available.

Water consumption: Water consumption data are gathered from sites through meter readings and invoices. For minor sites that are not considered significant, consumption is estimated using a standard factor per FTE.

Social reporting 2021

	2021	2020
Employees		
Average no. of employees (FTEs)	1,848	1,466
Male average compensation relative to female average compensation	1.2	1.3
Health and safety		
Employee turnover for full-time employees	14%	17%
Employee turnover for part-time employees	6%	9%
Proportion of female employees	36%	35%
Proportion of female employees in managerial positions	26%	16%
Proportion of female employees in senior management and executive-level positions	0%	17%
Proportion of part-time employees	2%	3%
Proportion of temporary workers (e.g. contractors or consultants)	3%	3%
Fatalities (no.)	0	0
Lost time injury frequency rate (LTIFR) (no. per million working hours)	10.3	12.0
<i>Company follows a policy against discrimination and sexual harassment</i>	✓	✓
<i>Company follows a health & safety policy</i>	✓	✓
<i>Company follows a policy against child and forced labour</i>	✓	✓
<i>The policy against child and forced labour also applies to suppliers and vendors</i>	✓	✓
<i>Company follows a human rights policy</i>	✓	✓
<i>The human rights policy also covers suppliers and vendors</i>	✓	✓

Comments

Registration of management’s gender composition has changed as reporting is gradually improving. BORG Automotive has seen changes owing to a new categorisation of managers. As a result of the adjustment, we now has no women in the upper-most tiers of management, but more women with general management responsibilities.

Accounting policies

Full-time equivalents (FTEs): FTEs are calculated according to the principles used in financial reporting as the monthly average number of FTEs during the year.

LTIFR and fatalities: The total number of accidents, defined as on-the-job accidents that result in an employee being absent from work for a minimum of one day, not including the day of the accident. The rate is calculated per million working hours. Fatalities are defined as deaths caused by accidents on the job or during the performance of work related to the employment relationship. Figures are calculated based on working hours and number of accidents reported by BORG Automotive for the year.

Male average compensation relative to female average compensation: The average compensation paid to male employees compared with the average compensation paid to female employees. The average compensation is calculated based on the employees’ total salaries broken down by men and women.

Employee turnover: Employee turnover is defined as the share of employees leaving their jobs as a result of dismissal, resignation, old-age retirement, being employed with another company or death during the year out of the total average number of employees for the year. Figures are reported at the end of the year.

Proportion of women in managerial positions: We measure the proportion of women forming part of the general group of staff, the proportion of women in

managerial positions and the proportion of women in senior management and executive-level positions. Managers are defined as persons having managerial responsibilities, while the uppermost tier of management is defined as persons in senior management and executive-level positions. These figures are also reported at the end of the year.

Proportion of part-time employees and temporary workers: Part-time employees: employees who work less than full time. Temporary workers: employees who are not employed by us, but over and for whom we have operational control and have employee responsibility. They include temporary workers in production, summer staff, etc. These figures are also reported at the end of the year.

Governance reporting 2021

	2021	2020
Board of Directors		
Proportion of women on the Board of Directors*	0%	0%
Proportion of independent board members*	67%	60%
CEO is prohibited from serving as board chair	✓	✓
The company has a whistleblower system	✓	✓
<i>The company adheres to a data protection policy</i>	✓	✓
<i>Suppliers are required to comply with a code of conduct</i>	✓	✓
Proportion of suppliers which formally have confirmed their compliance with a code of conduct	86%	77%
<i>The company adheres to a policy on anti-corruption and business ethics</i>	✓	✓
Proportion of relevant workforce which formally has confirmed its compliance with the policy	-	-
<i>The company includes ESG data in statutory reporting</i>	✓	✓
<i>The company is focused on a number of selected UN SDGs</i>	✓	✓

* Only includes members elected by the shareholders as calculated at the end of the year

Comments

Responsible supplier management: We have seen an increase in the number of suppliers having signed a declaration of compliance with our supplier code of conduct, despite the supply challenges during the year.

Anti-corruption training: We expect to be able to report on the proportion of relevant workers having formally confirmed their compliance with the policy as part of the 2022 reporting, once its system has been fully implemented.

Accounting policies

Board of Directors

Diversity: Proportion of female relative to male shareholder-elected board members for the company. The figure was calculated at 31 December 2021.

Independence as a board member: The number of independent board members (defined based on the definitions set out in the Recommendations for Corporate Governance) relative to the total number of members in the businesses and in the Group.

Proportion of suppliers having confirmed their compliance with a code of conduct: Measured according to the value of purchases from the suppliers. Approval is defined as having signed our code of conduct or has its own policy or code of conduct which is consistent with the requirements of our codes of conduct.

Anti-corruption: Measured on the size of the relevant workforce, i.e. typically management, sales, procurement and others with external-facing roles who have formally confirmed their compliance with the policy.

Data protection: Schouw & Co. has a group-wide data protection policy, which all businesses are required to comply with.

UN Sustainable Development Goals: The ESG report includes data on whether BORG Automotive has committed to selected SDGs as part of its sustainability and ESG efforts. It is for the businesses to make such assessment, but they are required to provide Schouw & Co. with documentation in that regard.



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