
SUSTAINABILITY REPORT 2021



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A word from the CEO – 2021, another year we won't forget

Just like 2020, 2021 was another year marked by the pandemic and its effects. Yet here at Olofsfors, we were able to continue our growth while also taking several steps on the journey towards a more sustainable society. By integrating and incorporating environmental and social aspects into our business strategy and operations, we are laying the foundations for long-term value creation.

The entire product portfolio that we offer at Olofsfors is 100% recyclable. The challenge lies in the fact that the steel has to be produced at some point and this does have an environmental impact. That's why it feels very reassuring to know that we are already at a stage where over 80% of our steel is recycled steel.

The environmental impact is thus more than 80% lower than it is for other alternatives. In addition to this, the vast majority of our steel purchases will be 100% carbon offset from 2022 onwards.

We believe that our way of understanding and managing the impact that we as a company have on people and the environment paves the way for long-term profitability. Our actions will also lead to us being able to offer a safe and attractive workplace for our employees, not to mention offering customers high-quality products that exceed their high expectations.

Olofsfors works in accordance with ISO 14001 and strives to minimise the company's environmental impact while also contributing to sustainable social development. Our employees receive constant training and motivation to perform their tasks in a sustainable way. The work in all our processes is done in such a way that the greatest possible consideration is given to environmental issues. For example, environmentally friendly and recyclable materials are always used in the development and manufacture of our products. Furthermore, we ensure that our products do not harm the environment when they are manufactured, used or become waste.

Our goal is for the environmental impact from our factory and from the use of packaging to keep decreasing and for environmental and social requirements to be part of our purchasing process.

In addition to reducing our own emissions, we intend to implement innovative circular solutions. Part of this work was carried out in project form during 2021 together with Esam, North Sweden Cleantech, Umeå Municipality's business support office and RISE. This project, called CEBANS, produced numerous results during the course of the year, including a circular platform that we will introduce in 2022.

I would like to finish by thanking all our employees who contribute to the company's development every single day. Without you, we would be unable to achieve either the financial results or our sustainability goals.

Urban Hadarsson CEO of Olofsfors AB

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Olofsfors – the green company

- More than 80% of the products we manufacture are made from recycled steel
- Water from the nearby Leduån river is used in the hardening process
- Environmentally friendly logistics partners are used for transport
- Only green electricity is used in our production processes
- Excess energy is recovered via heat exchanger

General information about Olofsfors

Olofsfors has for many years focused on quality, environmental and sustainability issues. The company's traditions date back to the time when Europe entered the industrial age. The blacksmiths and ironworks in Olofsfors were already proud of the quality of their work. Today, we have fully automatic production lines to manufacture tracks for forestry machines, road steel for road maintenance and bucket steel for construction machinery. To meet the production requirements of the future, we have modern electric furnaces, robots, presses and welding machines. We also have equipment for thermoforming, punching, bending and hardening. But above all else, we have knowledgeable and experienced employees who pass on that pride. Our core values are Knowledge, Quality and Sustainability, and in 2022 the business will celebrate its 260th anniversary.

The first ISO certification was achieved in 1995, and since then the company has obtained certification in both ISO 9001 (in 1997) and ISO 14001 (in 2002), after annual quality and environmental audits.

This sustainability report covers the company Olofsfors AB with company registration number 556203-8298.

United Nations Sustainable Development Goals

The Sustainable Development Goals (SDGs) established by the UN constitute the most ambitious sustainable development agenda ever adopted by the countries of the world with the aim of achieving four fantastic objectives by 2030: To eliminate extreme poverty. To reduce inequalities and injustices in the world. To promote peace and justice. To solve the climate crisis. The SDGs can make this a reality.

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Business model

The Olofsfors business model can be described as traditional. The products are known and used in traditional industries such as forestry on machines, ploughs and road graders as well as on excavator buckets. However, Olofsfors does have some contracting operations where we offer our know-how in machining, welding and hardening of boron steel.

The target groups are the main manufacturers of machinery and their dealer networks. We also sell steel to major end consumers.

Customer contacts are made by phone, email, meetings, visits and at trade fairs. A change in marketing has taken place in recent years and we are leaving behind traditional advertising channels to instead advertise through various websites and social media.

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Core values

- **Knowledge.** Olofsfors has a unique capacity and competence for delivering and developing the best range of products and creating value in the customer's process in each of their product areas. This is guaranteed by efficient product development based on extensive knowledge of the customer's needs and processes.
- **Quality.** Each customer group values and benefits from Olofsfors' product quality and delivery precision, which is guaranteed by efficient logistics and rational production.
- **Sustainability.** Olofsfors products represent and add highly valued environmental values for our stakeholders. This is ensured by the systematically developed environmental approach within the company that extends throughout the life cycle of the product, from development to recycling.

Sustainability strategy

- Our products consist of over 80% recycled material.
- Our products are 100% recyclable.
- We use 100% eco-labelled electricity.

Olofsfors works in accordance with ISO 14001 and strives to minimise the company's environmental impact while also contributing to sustainable social development.

Our employees receive constant training and motivation to perform their tasks in a sustainable way. The work in all our processes is done in such a way that the greatest possible consideration is given to environmental issues. For example, environmentally friendly and recyclable materials are always used in the development and manufacture of our products. Furthermore, we ensure that our products do not harm the environment when they are manufactured, used or become waste.

Our residual products are reused as much as possible, all our scrap metal from the process is recycled, sludge and waste oil are processed and turned into lubricants etc. We mainly cool the steel with water from nearby watercourses.

Our electricity is 100% green and has been so for over 20 years.

Our largest supplier of raw materials, Ovako, bases its manufacturing process on steel scrap and a Nordic fossil-free electricity mix. This means that their steel

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products have a carbon footprint that is as much as 80% lower than the global average. As of 1 January 2022, Ovako will only sell products from carbon-neutral steel production through carbon offsetting.

The basic idea of our environmental policy is that we must comply with the environmental regulations, laws and requirements imposed on us by a good margin.

ECO-Track is a shining example of how our environmental thinking has received a positive response from our customers. These types of gentle forestry machine track are now by far the most in demand and a major contributing factor to our strong market position.

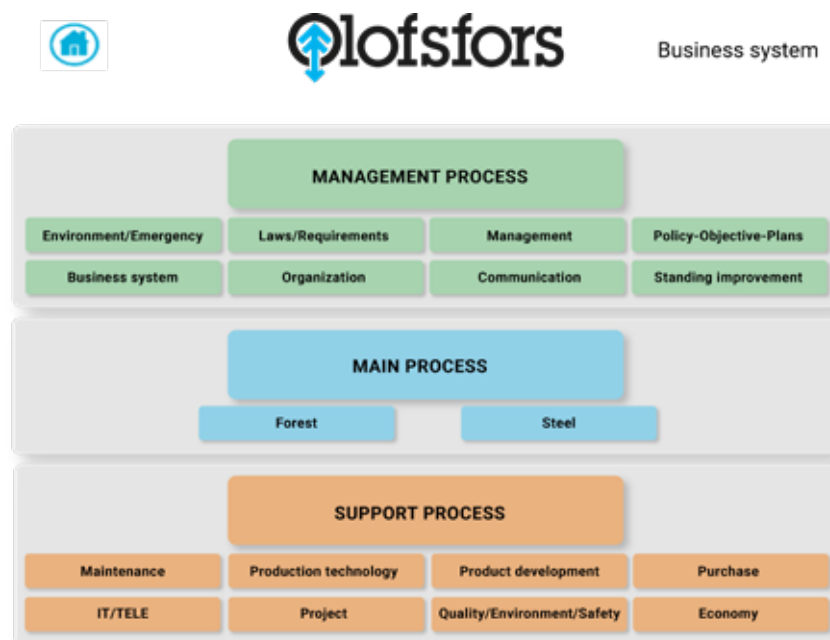
On the road steel side, we have succeeded in designing products that significantly reduce fuel consumption. Our products also contribute to less salt being used on our roads.

We see environmental initiatives as an ongoing process towards increasingly environmentally friendly behaviour. We have come a long way, and our efforts will continue.

Olofsfors has three core values for its business strategy, of which sustainability is one.

Business policies

Our business, which is ISO-certified, is governed by our business system in which all our processes and policies are gathered:



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The sections below describe how we work with the different aspects of sustainability within the company.

Environmental policy

Overall policy

The company's environmental policy states that:

"Operations at Olofsfors AB will be conducted in such a way that consideration is given to environmental issues in all our processes and products."

This will be ensured by:

- * Working purposefully and actively with environmental initiatives according to the principle of continuous improvement while taking into account technical and scientific development, as well as economic feasibility.
- * Promoting environmental initiatives as an important part of the work within the organisation.
- * Actively working to prevent pollution.
- * Identifying and applying relevant environmental legislation, regulations and other requirements that affect the organisation.
- * Promoting openness and dialogue with employees, customers and the general public.
- * Educating and motivating employees to perform their tasks in an environmentally responsible manner.
- * Developing products in a way that minimises their environmental impact during production, use and disposal.
- * Developing, designing and performing manufacturing processes while taking into account the efficient use of energy and raw materials.



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Results

The basis for the introduction of an environmental management system at Olofsfors AB is a completed environmental review. The aim of this review was to provide a current situation description of our environmental efforts and our environmental impact, thereby forming the basis for our future environmental initiatives within the framework of ISO 14001. The surveys, calculations and assumptions presented in the review led to a list of significant environmental aspects relating to Olofsfors AB's operations.

These environmental aspects, which are presented below, have been explained and allocated priorities by the Olofsfors AB management team and form the basis for the environmental programmes with measures established to address the environmental aspects deemed to have the highest priority.

Environmental aspects and their significant risks

The key environmental aspects and their risks that emerged during the review were:

Consumption of resources

- Risk is managed in that all our products, which mainly consist of hardened steel, are 100% recyclable.
- Most of our raw material comes from scrap-based material, which gives an 80% lower carbon footprint compared to the global average.

Consumption of chemicals

- All chemicals are registered in a chemical register so they can be handled safely, while leakage is minimised through bund walls, emergency procedures, etc.

Other environmental aspects are:

Consumption of electrical energy

- The environmental impact is reduced both through buying only renewable energy and through ongoing work to recover electricity and achieve an efficient production process.

Transport

- We will use environmentally friendly transport to the greatest extent possible to reduce CO2 emissions.

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Results and environmental key figures

Consumption of raw materials

The objective here is for the proportion of scrap-based material in the manufacturing process to be as large as possible. Both the proportion of total raw materials used in the manufacturing process over the last six years and the overall trend are shown below:

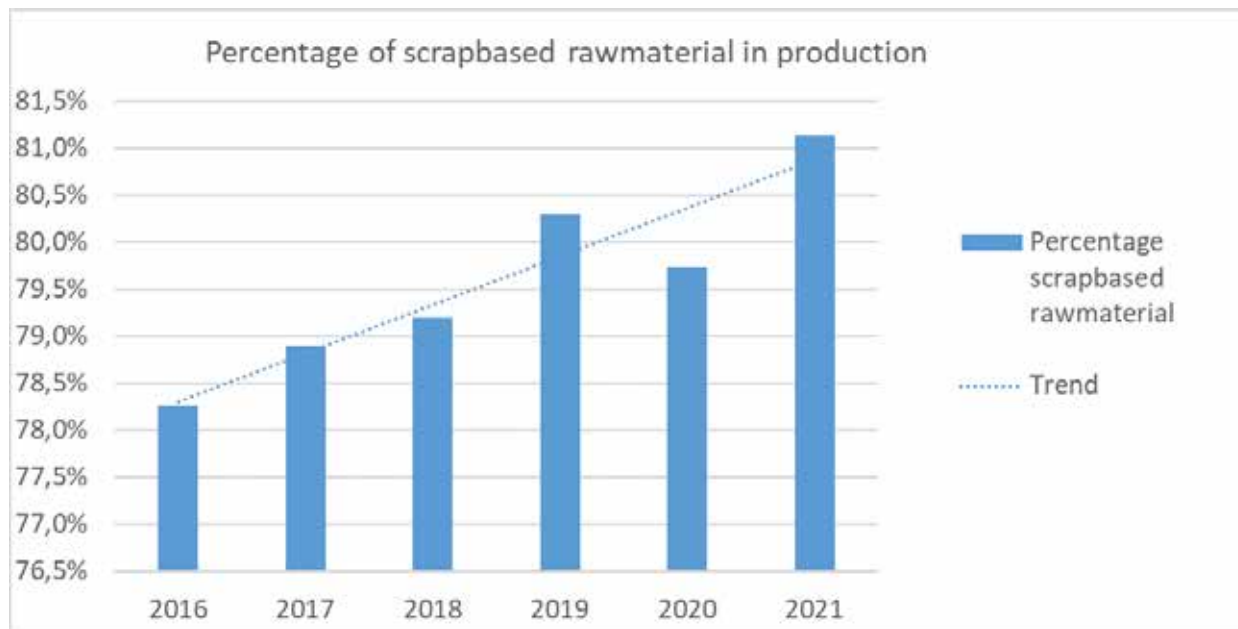


Figure 1: Proportion of scrap-based raw material in production

Consumption of electricity

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The production of hardened steel requires the use of electricity in the heating process. The ongoing work to recover electricity and achieve an efficient production process has meant that in recent years we have successfully reduced energy consumption per tonne produced. The relationship between electricity consumption/tonnes produced for the last few years is depicted in the figure below. The reason for the increased proportion in 2020 was mainly due to the lower level of production, which was an effect of the pandemic outbreak and resulted in many furnaces not having the optimal filling ratio. In 2021, we managed to achieve electricity consumption on a par with 2019 and the goal is to keep reducing our consumption of electricity per tonne produced.

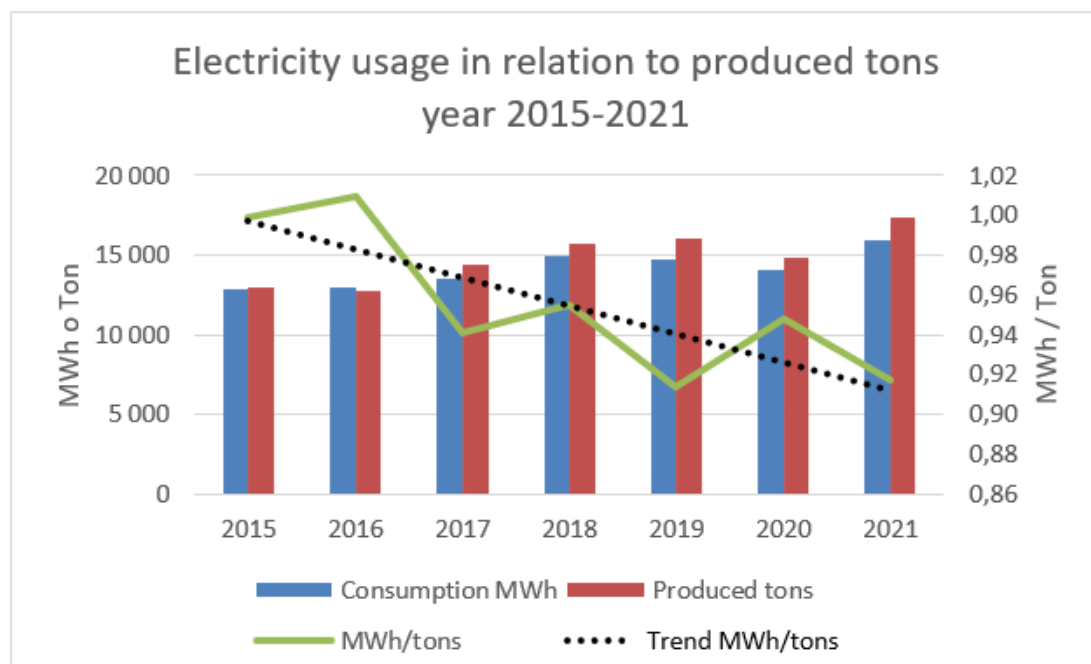


Figure 2: Electricity consumption 2016–2021 in relation to tonnes produced

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CO2 emissions

The use of more environmentally friendly transport has led to CO2 emissions decreasing over time. See the figure below for emissions between 2014 and 2021 relative to tonnes produced. Our objective is to reduce CO2 emissions, but unfortunately logistics challenges as a result of the coronavirus pandemic have resulted in fewer opportunities to utilise of modes of transport with lower CO2 emissions. This trend can be seen for both 2020 and 2021. We will hold a transport procurement process for the company in 2022, and one of the most important criteria in this procurement will be modes of transport with low CO2 emissions.

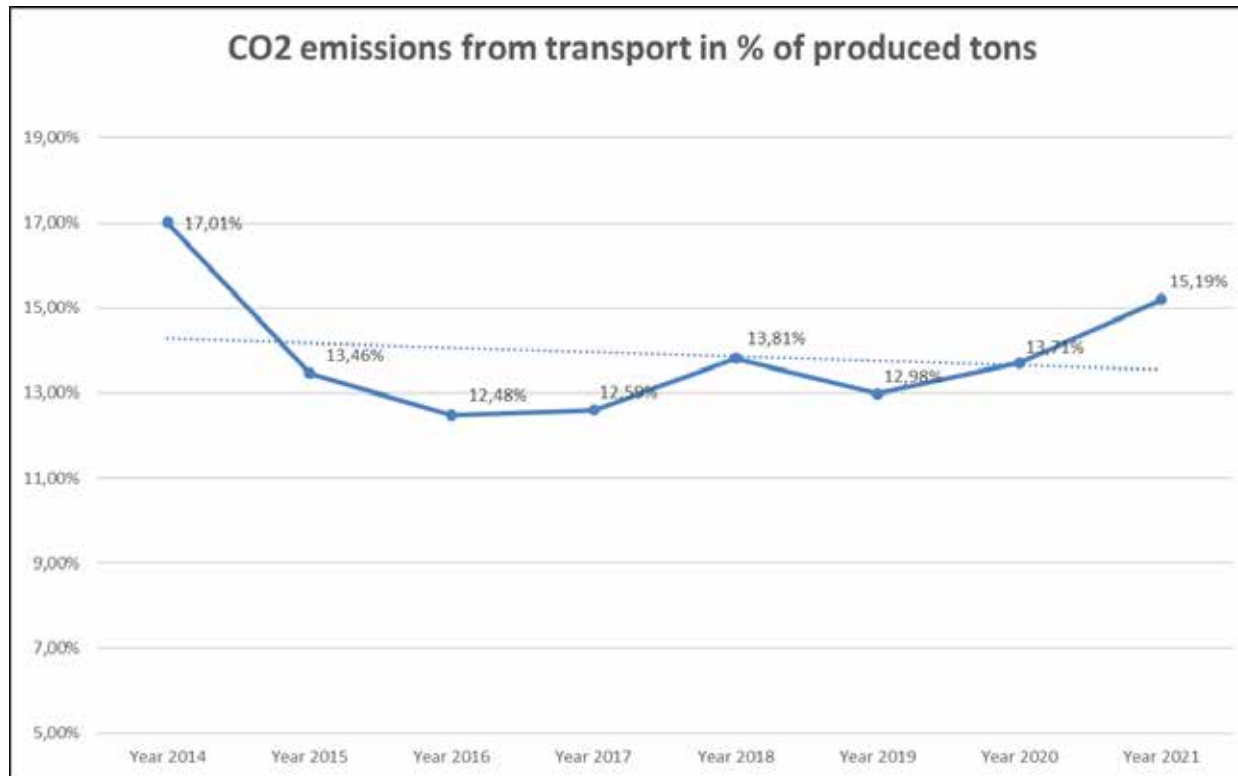
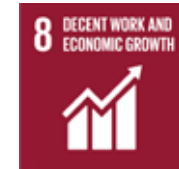


Figure 3: CO2 emissions from transport as a percentage of tonnes produced

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Social conditions and personnel policy

Overall policy



There are a number of policies that govern the work within this area. In particular, three policies can be highlighted: working environment policy, personnel policy and equal treatment plan.

Working environment policy. The aim of this policy is:

“Operations must be conducted in such a way that a working environment of a high standard is ensured through active and targeted working environment initiatives in close cooperation with the employees.”

This is achieved by:

- Working purposefully and actively with working environment initiatives according to the principle of continuous improvement while taking into account technical and scientific development, as well as economic feasibility.
- Prioritising working environment initiatives in the same way as quality and environmental initiatives as one of the most important activities within the company.
- Identifying and complying with relevant environmental regulations, laws or other market requirements by a good margin.
- Carrying out working environment initiatives in accordance with established working environment procedures.
- Continuously examining working conditions and assessing the risks of ill health and accidents at work.
- Promoting openness and dialogue with employees as part of working environment efforts.
- Educating, creating awareness in and motivating employees to perform their tasks with consideration for the working environment.
- Identifying and remedying any shortcomings in the psychosocial working environment.
- Actively working to counteract all forms of workplace harassment and discrimination.

The aim of the personnel policy is:

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“Olofsfors AB will be a company that offers stimulating and responsible work in a good working environment and all employees of Olofsfors AB should feel such motivation, job satisfaction and willingness to change that set goals are achieved and the customer’s needs are met.”

Our common values as a basis for this are as follows:

- **Collaboration** - we will work together to make continuous improvements.
- **Understanding** – we must have respect for and understanding of the customer’s needs, the company’s goals and the roles of the employees.
- **Equality** – there should be no discrimination of any kind at the company.
- **Loyalty** – we must be loyal to the company and follow the decisions it makes.

The equal treatment plan has the following purpose:

“Operations at Olofsfors AB must be conducted in such a way that all employees are treated equally in accordance with applicable anti-discrimination legislation. All employees must have equal rights in terms of work, employment conditions and development opportunities. Equal treatment should be a natural part of the business.”

The following diversity policy also applies within the equal treatment plan:

Olofsfors AB will be an equal opportunity workplace where everyone, regardless of gender, gender identity or expression, ethnicity, religion or other belief, disability, sexual orientation or age, is able to thrive and develop at work. Discrimination, harassment, sexual harassment, reprisals or other obstacles to individual employees’ equal rights and opportunities are not accepted.

The overall objective of this policy is to develop thinking and action on equal treatment issues that in the long run increase efficiency and well-being.

We must be a workplace that is attractive to everyone.

The equal treatment initiatives will be carried out both through planned measures and through the equal treatment perspective becoming part of day-to-day operations.

Our managers should set a good example. They are directly responsible for compliance with guidelines and measures in the equal treatment plan and for these issues also being taken into account in day-to-day work.

A workplace where everyone has equal rights and opportunities enriches the business and provides good opportunities for all employees to develop. All

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employees should have the same opportunities for training and development at work.

Women and men should have equal employment conditions.

Women and men should receive equal pay for work and performance of equal value.

We will promote attitudes that make it easier for all employees to combine work and parenthood.

Results and key figures

Every two years Olofsfors conducts an employee survey to identify areas that require action. Employees are able to rate conditions at the company in a number of functions on a scale of 1 to 5, where 5 is the best rating. The functions surveyed are:

- Physical working environment
- Service functions
- Organisation, social environment and employee relations
- Work tasks
- Information
- Leadership
- Skills development

The overall results of the last four surveys (2014–2020) show that the HR work within the company has yielded results. This is because the total average score has gone from 3.6 to 3.9, and according to the last survey in 2020 we had maintained the same good level:

2014: 3.6

2016: 3.7

2018: 3.9

2020: 3.9

The plan is to conduct a new employee survey in 2022.

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Significant risks

Health checks

As a way of drawing attention to health risks, ongoing employee health checks are carried out in cooperation with occupational health. General health checks for all employees are normally carried out every three years. Hearing tests for workshop staff and spirometry tests for welding staff are also carried out more frequently.

Safety patrols

The company conducts ongoing safety patrols at all workplaces to detect accident risks or other risks that pose a danger to employees before they become a problem.

The number of incidents and occupational injuries is recorded annually to track the trend. Fewer incidents were reported in 2021. There were as many occupational injuries as in 2020, but over time we have a downward trend; the results from the past few years can be seen in the figure below:

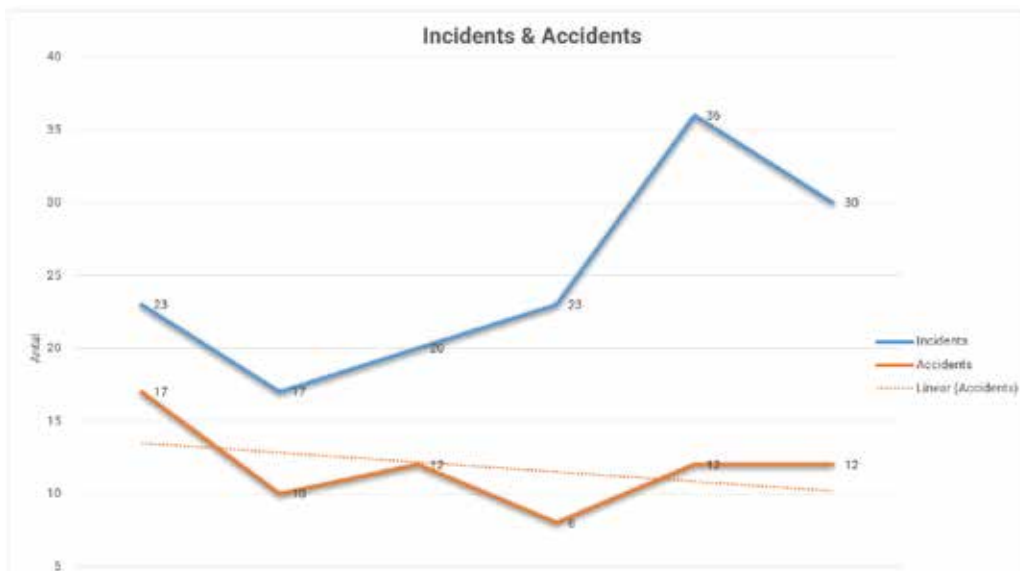
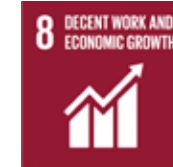


Figure 4: Incidents and occupational injuries 2016–2021

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Respect for human rights

Overall policy



Olofsfors AB supports and respects internationally mandated human rights in accordance with the UN's Sustainable Development Goals. Our support for human rights is expressed in our sustainability policy for suppliers, where in addition to social responsibility and a code of conduct, it is also stated that we assume our suppliers take a long-term environmental approach in their processes and for their products. All employees in Sweden are covered by collective agreements and approximately 87% of employees in Sweden are represented by trade unions.

The view of human rights must be integrated into our daily operations and apply wherever we operate and also cover our choice of business partners.

It is obvious to Olofsfors that human rights must be respected at all levels, and the company sets strict requirements for its partners to do the same. The sustainability policy for suppliers sets out Olofsfors' position on human rights as well as the requirements it sets for suppliers. Examples of these requirements include equal treatment, combating discrimination and harassment, offering market wages and acceptable working conditions. Olofsfors condemns all forms of forced and child labour and requires its business partners to ensure that it does not occur.

Results

It has not come to our knowledge that there have been any violations of human rights in the Olofsfors value chain.

Significant risks

The greatest risk is noncompliance with internationally established human rights in the Olofsfors value chain, especially at the supplier level.

A standardised purchasing process is followed in our procurements, and our suppliers are assessed on the basis of quality, delivery, cost, sustainability and social responsibility. We also inform suppliers of our code of conduct, in which it is stated that Olofsfors AB's relations with business partners must be characterised by impartiality and Olofsfors AB will not offer customers, potential customers, governments, authorities or representatives of such bodies any rewards or benefits that violate applicable law or reasonable and accepted business practices. Nor are Olofsfors employees permitted to accept any payments, gifts or other forms of compensation from a third party that could influence, or that could be perceived to influence, objectivity in business decisions.

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Supplier evaluations are carried out every year based on these criteria to ensure delivery to our processes and customers.

Our suppliers receive our sustainability policy when we sign an agreement with them. It lays down requirements for business ethics, working conditions and human rights, safety and health.

Our goal in 2022 is to identify and assess those suppliers who are at high risk in respect of sustainability issues.

Anti-corruption measures

Overall policy

The business ethics policy states the following:

“Our work at Olofsfors must be characterised by excellent business ethics. In our dealings with suppliers, customers or the outside world, we must therefore exercise great caution if we offer/are offered benefits of various kinds for the purpose of encouraging contacts or relationships.”

We also give examples of appropriate and inappropriate benefits in the policy.

I policyn ger vi också exempel på tillbörliga och otillbörliga förmåner.

Appropriate benefits may include:

- Working meals of an everyday nature
- Advertising gifts of moderate market value

Inappropriate benefits may include:

- Paid pleasure trips
- Cash gifts
- Bonus arrangements not approved by the head of department/CEO



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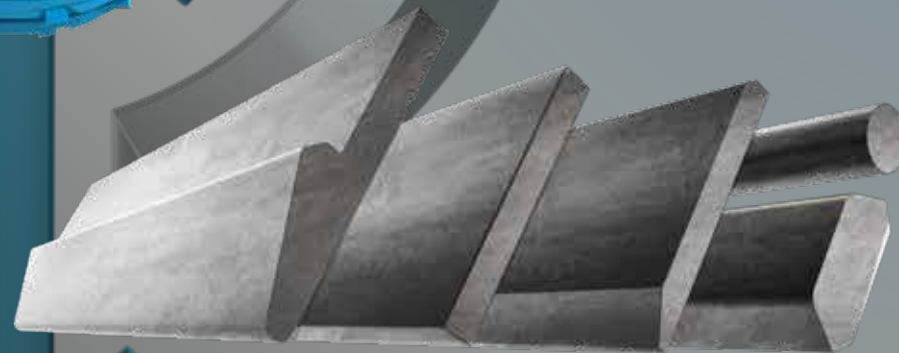
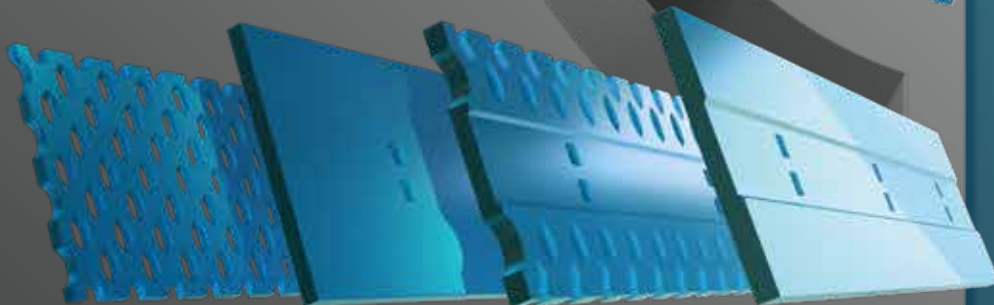
Results

No known incidents have come to light in recent years.

Significant risks

The risk of employees participating in criminal activities that affect the company's financial position and brand in the long term. This risk is managed by giving special training to employees who are at risk of coming into contact with corruption and bribery.

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