

SUSTAINABILITY REPORT

2019

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Ewellix Sustainability Report

Ewellix annual sustainability report for 2019 is the first sustainability report published by Ewellix. The report is developed as a separate chapter to the Ewellix annual report and is based on Svenska Årsredovisningslagen.

This annual sustainability report is developed as a foundation for future reporting and framework for Ewellix. The aim is to continuously improve the reporting to secure consistency with risks and opportunities, and efficiency in reporting. Based on this, some improvement areas have been highlighted where reporting measures are not yet implemented but intended for future reporting.

The Ewellix sustainability report is structured based on our business model and material sustainability aspects. Depending on the nature of each area, the scope of the reporting is adapted, but always covering key risks, performance indicators and governance structure.

Ewellix' vision

*Be the preferred engineering partner
for energy efficient motion solutions*

Sustainability at Ewellix

Environmental sustainability is a business enabler for Ewellix, by providing our customers with energy efficient solutions, we support them and the society in the transformation towards electrification and reduction of energy loss in processes.

Social sustainability is a critical area to secure that Ewellix can attract the right employees, have good relationships in the societies where we are represented, secure compliance with human rights at suppliers and many more.

Our values support us to prioritize sustainability aspects in our day to day work as well as enable transparency within our organization, towards suppliers and customers.



Commitment

We understand the importance of what we do and share the same goals. We are ambassadors for our work and brand. We develop our business with high ethics and respect for people, environment and society.



Agility

We are open-minded and know how to adapt to new situations. We strive for excellence and will always do our best to provide the smartest and most appropriate solutions.

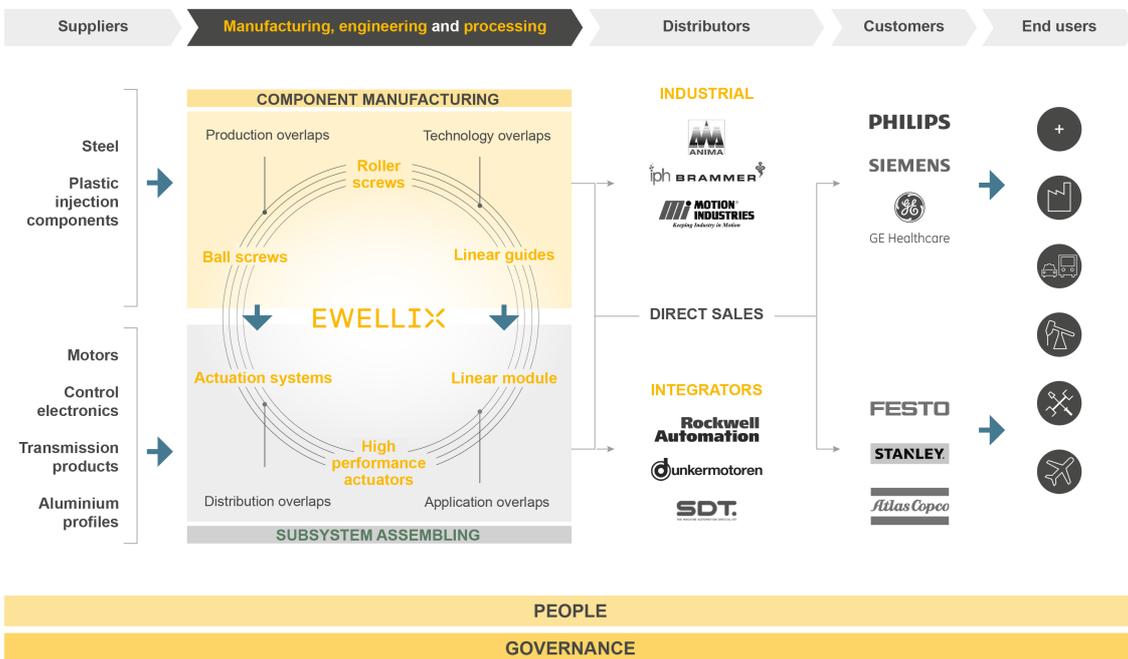


Collaboration

We work together and apply our knowledge to create value. We establish strong and lasting relationships to anticipate and support our business partners' needs.

Business model and Framework

Ewellix business model is built on what we do and the value chain that we operate in. It is the people that we work with, our employees, supplier and customer representatives, and people in our communities that build Ewellix. To secure that what we do is aligned with what we want to do and how we want to do it, governance is implemented throughout the value chain. The governance model is of extra high importance in time of transformation, Ewellix governance model is continuously being developed and improved. Ewellix has a solid heritage from SKF of sustainability governance, which is updated based on the new business setting.



Based on the Ewellix business model, Ewellix sustainability is divided into five focus areas:

1. **End users, customers and distributors**
2. **People**
3. **Operations**
4. **Suppliers**
5. **Governance***

Each area is reported on the below aspects:

- Material sustainability aspects
- Description of area
- Performance indicators¹
- Risks
- Governance²

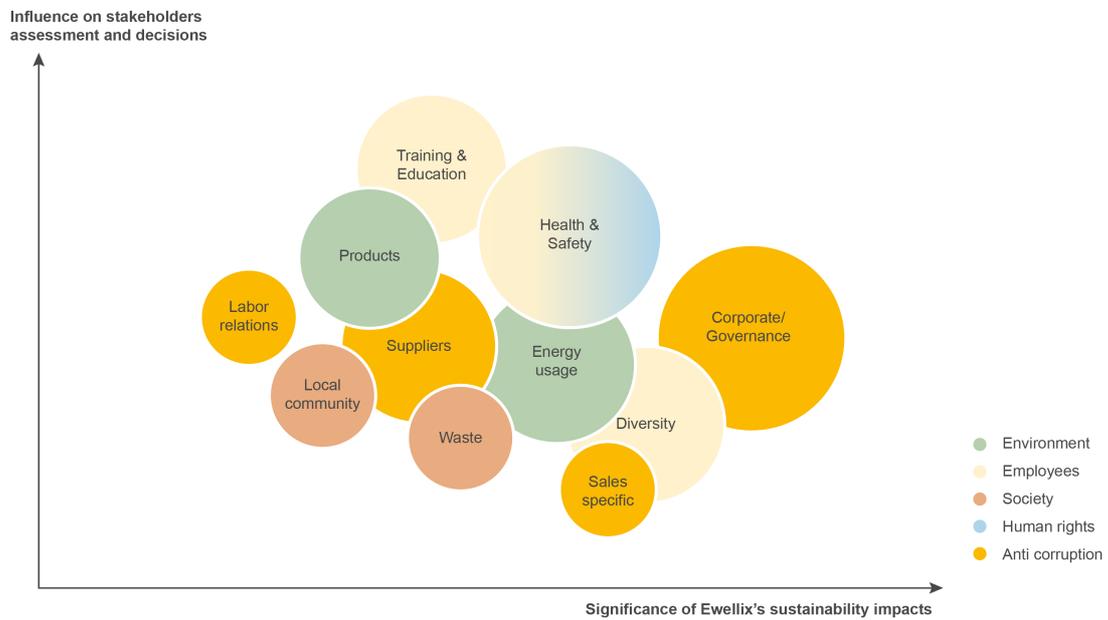
¹ Performance indicators are reported for H1 2019 and H2 2019 due to divestment from SKF December 2018. H1 2019 numbers are not available for all indicators

² Governance is included as an area and an aspect due to governance changes in connection to the divestment from SKF. Therefore, it is extra important to clarify governance structures within specific areas and cross functional.

Materiality assessment

In addition to sustainability areas, Ewellix has identified material aspects from the perspective of Ewellix business model and the consequences of the business in terms of environmental, employment, societal, human rights and anti corruption aspects. A materiality assessment was performed by the management team considering input from stakeholders for each represented area, such as customers, shareholders, employees, communities etc.

The below illustration shows a summary of the outcome of the 2019 materiality assessment. It is indicating the scope (size), importance (location) and correlation to sustainability impacts (colour) of each material aspect, it should be noted that this is an indication only. The material aspects are covered in the respective areas reported on in next chapter.



End users, customers and distributors

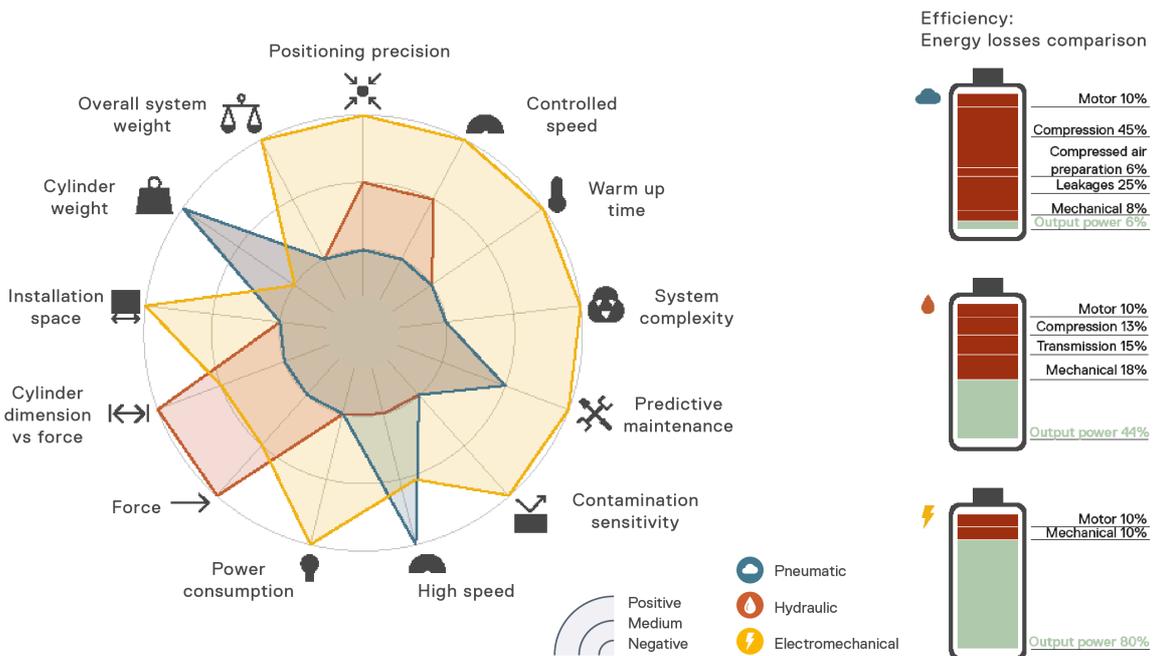
Material aspects: Products

In the quest for a more sustainable world, Ewellix is chipping in by working primarily combating climate change. That is one of the areas which will have a major impact on achieving several of the 17 goals set by United Nations.

Ewellix is, as an example, engaged as a supplier in improving the aerodynamics of trucks. If the aerodynamics can be improved in the right way it can help to reduce the CO2 emissions by up to 30 % according to the research done.

This case is just an illustration of how projects where universities and industries collaborate to invent and create new solutions will help to achieve a more sustainable future.

Therefore, at Ewellix, we can proudly say that we are committed to reducing the environmental impact of our customers applications and growing our business means delivering better and more sustainable solutions to the world.



Ewellix products and solutions are either focused on fluid power replacement or improving production machines output and performance while consuming less energy. The above graphs show an example of the benefits of the electromechanical solutions in comparison to pneumatics and hydraulic driving system.

Performance indicator

2019 vs 2018

Growth of electromechanical product line

+10.1%

Risk	Description	Potential effect	Mitigation
Emissions from transportation	Products are purchased in small volumes, leading to increased number of shipments from factories	Increased CO ² emission compared to larger volume shipments Increased packaging material utilization	Working with distributors to have stock closer to end users and limit the number of shipments transported on long distances.
Technical	Applications in oil and gas industry (gate valves), risk of ball screw not operating properly when needed	Oil leakage	Rigorous quality system (no quality issues recorded) End user is measuring performance and have back-up systems that can stop potential leakages
Social	Sales to defence customers, risk of not complying to human rights	Indirect contributing to not complying with human rights	New applications are evaluated internally before proceeding with projects.
Corruption	Indirect bribes in external sales channel (distributors)	Indirect contributing to corruption	Distributors need to sign contract (Code of conduct) with ethical directives. Contract includes full right to terminate sales contract if breaching to ethical directives
Environmental regulations	Lacking connection to environmental organization and information on ongoing and upcoming trends and regulations	Lost business opportunities Products and applications not developed in direction with new regulations and trends	Evaluating how to increase awareness on environmental regulations and trends and how to implement in R&D and sales processes.
Emission and inefficiency from travelling	'Unnecessary' travels to customers and distributors	Travel leads to excessive resource utilization from an environmental, time and cost perspective	Providing tools (video conferencing etc.) to enable off-site meetings. Management approval needed for travels, encouraging off-site meetings where possible

Governance:

Dialogue with customers, distributors and sales staff is the main tool to increase knowledge and awareness of market demand for new products and applications as well as sustainability concerns. In the customer and distributor dialogue, risks in compliance with human rights or anti-corruption can also be identified and mitigated. As proactive actions, Ewellix are using tools to secure that we are only working with reliable partners and customers:

- Export control, Ewellix are following export control processes extremely carefully and are strict on never deviating from the outcome of the control
- Code of conduct for Distributors enable Ewellix to put requirements on our distributors and terminate any partnership if the requirements are not followed
- Product catalogue and marketing material provide customers with information on possible energy savings with Ewellix products in comparison to other technologies
- To further enhance and support customers in choosing the most energy efficient solutions for each application, Ewellix is continuously evaluating and improving sales staff training

People

Material aspects: Health & Safety, Training & Education, Diversity, Labor relations

We want to create a positive and engaging work environment for our employees where their inputs are valued, work performance is recognized, health and safety is assured, and wellbeing is enhanced. Our employees are given equal opportunities to develop their skills and competence in order to reach their full potential. In turn, they support our continued success by working towards agreed goals in accordance with our values and drivers.

Following our commitment to provide safe workplaces we were able to further reduce our Reportable accidents by 10% compared to 2018. For 2019 we have started to use a different reporting method in H1 and H2 to increase transparency.

The Calculation methods used are as follows:

FAFR: Fatal accidents are work related accidents or assaults resulting in the death of employees and contractors under direct supervision. Fatal Accident Frequency Rate (FAFR) is derived by multiplying the number of fatalities by 1,000,000 and dividing by the total number of hours worked.

LTIFR: LTI - Lost time injury cases measure work-related accidents or assaults involving injury to employees and to contractors under our direct supervision, causing absence of one shift or more. Lost Time Injury Frequency Rate (LTIFR). The Lost Time Injury Frequency Rate is derived by multiplying the number of lost workday cases by 1,000,000 and dividing by the total number of hours worked.

RCFR: Recordable Case cases measure work-related accidents or assaults involving injuring to employees and to contractors under direct supervision, not causing absence of one shift or more. The Recordable Case Frequency Rate (RCFR) is derived by multiplying the number of recordable cases by 1,000,000 and dividing by the total number of hours worked.

At the end of 2019 we also launched a Group wide Accident and Incident Management Tool. Starting 2020 the Group will report all reportable accidents and incidents in this Tool. For unsafe conditions and Near Miss reporting the units still may use local systems to support continuous reduction of our Accident rates.

Performance indicator	H2 2019	H1 2019
Safety & well-being		
Number of work-related fatalities	0	0
Fatal Accident Frequency Rate (FAFR)	0.0	0.0
Number of Injuries resulting in Lost time (LTI)	12	22
Lost Time Injury Frequency Rate (LTIFR), Occupational disease rate (ODR) or equivalent	10.7	25.5
Accidents(> 1 in absent days) for all employees	11	3
Recordable Case Frequency Rate (RCFR), Injury rate (IR) or equivalent	9.8	3.5
Key personnel data		
Number of employees	1214	1064
Ratio of male/female across all employees	3.6	
Ratio of male/female in leadership level (All Management Teams)	2.75	
Number of Interns	4	N/A
Number of Apprentice	30	N/A
Overall attrition rate (%)	4.2	N/A
Leavers white collar hired <12 month (%)	5%	N/A

Risk	Description	Potential effect	Mitigation
Employee health & safety	Physical work environment in factories	Employees are injured or psychologically ill.	Safe workplaces of highest priority in all operations. Automation of high risk processes.
	Psychological work environment (stress and/or harassment)	Risk of employees leaving due to unsatisfactory work environment	Management attention to psychological illness, health program
Diversity	Low level of acceptance of diversity in operations	Work environment not equal for all	Increase awareness of bias in recruitment
	Low level of diversity in management teams	Talents not possible to keep/recruit	Implement training for managers in equality
Training & Education	Right competence and training to perform role	Non compliancy, accidents, psychological stress	Monitoring of compliancy and safety training records Annual individual development discussions and plans.
Labor relations	Good dialogue with employees to increase engagement and give clear guidelines (direct and through representatives)	Disengagement, misunderstandings, misjudgements, inefficiency, and unhealthy environment.	Ensure clear understanding of strategy and roadmap through regular communication. Collect employee input through employee survey

Governance:

We have several channels and forums to ensure clear governance and keep a good dialogue with all our employees. The aim is to share necessary information on strategy, processes and responsibility, but also to collect the employee's view, ideas and concerns. The main channels and forums we use are:

- Group policies and instructions, all published in a global document management system
- Annual performance process with individual goals, development plan and performance evaluation
- Regular staff meetings at all sites
- Whistle blower solution for anonymous reporting of concerns
- Employee survey, and in connection local workshops and action plans
- Cooperation and negotiations with local unions and workers councils
- Daily, weekly or bi-weekly team meetings
- Accident and Incidents Management and Mitigation are on top of the Agenda for all Level Meetings

Operations

Material aspects: Energy usage, waste, local community

For all the Manufacturing sites we have implemented a Certified Management System according to ISO 14001:2015 and ISO 45001:2017. Within that framework we have established local KPI's to support reduction in selected Key Aspects. In H2 Data we included the Gothenburg Factory after successfully move out of the SKF premises during summer.

Performance indicator	H2 2019	H1 2019
Total energy usage (kWh)	6 353 702	7 663 523
Energy use from fuel (Scope 1) (kWh)	843 596	-
Energy usage from utilities (Scope 2) (kWh) (Electricity, heat, cooling and steam)	3 518 560	-
Renewable energy usage (kWh)	1 521 599	-
Greenhouse gas emissions – Direct (Scope 1) (kg CO ² -eq.)	33 722	-
Greenhouse gas emissions – Indirect (Scope 2) (kg CO ² -eq.)	740 593	-
Water usage (input) (Cubic meters)	10 045	-
Water usage (output) (Cubic meters)	10 283	-
Total hazardous waste disposal (kg)	91 080	-
Total non-hazardous waste disposal (kg)	149 808	-

Among focusing on all aspects, overall our selected relevant key Aspect is Energy Consumption. As part of focusing on this Key Aspect we run dedicated activities and investments in 2019.

Gothenburg:

- Relocation from previous SKF Premises to new facility with a reduction of floor space consumed and a more energy efficient building.

Liestal:

- Roof replacement finished on dedicated area with enhanced Isolation.
- Assessment completed with 3rd party for a multi-year plan of selected Energy reduction activities which is tied to Tax benefits

Armada:

- 2 HVAC units replaced with newer, more energy efficient units.
- Roof replacement finished with enhanced Isolation
- Locked storage unit to segregate chemicals tanks (solvent, oils, ...)

Taoyuan

- Oil recycling system
- Water waste cleaning system

Schweinfurt

- LED lights

Chambery

- Program started for machines conformity upgrade
- Machine Fire protection installed

Various additional Energy reduction projects are prepared and can be implemented from 2020 onwards.

Risk	Description	Potential effect	Mitigation
Waste	Site activities generate hazardous and non-hazardous waste	Global natural resource consumption Local environmental impact Ground Contamination	Reduce waste as part of continuous improvement process Aim to secure a high recycling rate Use appropriate suppliers for waste disposal
Ground Contamination	Spills, leakage or incorrect disposal of waste or chemicals	Ground Contamination Drinking Water Contamination	Maintenance plans and secured disposal of waste and chemicals
Chemicals	In some areas the use of chemicals like solvents; oils etc. cannot be fully substituted	Employee Risks Local environmental impact	All hazardous materials are stored on / in appropriate containers Substitutes programs to reduce or avoid dangerous substances
Emissions	Air and Noise emission	Exceeding governmental limits Complaints from close neighbourhood	Respect local governmental compliance obligations. Invest in further improvements to reduce Emissions
Environmental Product Compliance	Protect consumer health and to promote the reuse and environmentally friendly recycling of waste	Adverse effect to consumer health Breach with compliance obligations	Reduce usage of SVHC Secure Design is avoiding the use of SVHC where technical alternatives are feasible
Energy consumption	Energy consumption for processing and Heating	Climate change Local environmental impact	Invest in more efficient equipment and improved isolation of buildings. Find areas to use green energy
Raw / Material consumption	Needed Materials to secure supply of products to our customers (Metal, electric Motors, Steel profiles, Balls and Rollers, Plastic parts)	Global natural resource consumption	Reduce waste during operation Recycle all scrap and waste Optimize Design of our Products
Water Consumption	Needed for some processes to secure supply of products to our customers	Limited resource in some areas	Reduce water consumption

Governance:

Dialogues with customers confirmed the ongoing need to put Environment Health and Safety in Focus as industry regulations are constantly updated and more demanding. Besides the Certification according the main ISO Standards, several other Certificates and Declarations on product level need to be provided. As example ROHS; REACH; CE and Conflict Minerals. The organization works decentralized to allow product and supply chain expertise secures an effective provision of those Services.

Suppliers

Material aspects: Suppliers, Health & Safety

Ewellix's suppliers and sub-contractors have an important role to play in our demand chain, reflecting our high quality brand image. Consequently, we expect our suppliers and sub-contractors to demonstrate the same high standards of ethics as at Ewellix. We also expect that our suppliers and sub-contractors apply a similar code of conduct in relation to their own suppliers and sub-contractors.

Ewellix Purchasing, together with Ewellix suppliers, aims to create customer value for money and to achieve Ewellix's vision, to operate in full compliance with the following principles:

<p>1</p> <p>Ewellix will give like for like suppliers' equal opportunity to tender by invitation.</p> <p>Ewellix is willing to work with all suppliers, regardless of race, nationality, size, ownership and length of partnership, providing they comply with the principles of Ewellix Code of Conduct for suppliers and subcontractors.</p>	<p>2</p> <p>Mutual benefits based on mutual trust.</p> <p>We strongly believe in building long-term beneficial relationships that are built on mutual trust. By working closely together and drawing on the experience and knowledge of Ewellix and its suppliers, Ewellix aims to allow its suppliers to benefit from our long-term profitable growth and to create a competitive advantage for them.</p>
<p>3</p> <p>Rational supplier selection standards.</p> <p>Ewellix selects suppliers based on clear and rational standards that include quality, costs, delivery, innovation, sustainability, continuous improvement and shared values for profitable growth.</p>	<p>4</p> <p>Ewellix promotes preferred suppliers and wants to be considered as a preferred customer.</p> <p>Business with suppliers must always be carried out with mutual respect and professional ethics, creating an environment characterized by innovative solutions and high performance.</p>

Performance indicato	H2 2019	H1 2019
% of suppliers disclosing adherence to ESG standards in past year	17%	25%

Risk	Description	Potential effect	Mitigation
Suppliers	Lack of supplier control	Corruption, bad environmental footprint, compliance, child labour etc.	<p>Clear supplier requirements (T&C's)</p> <p>Regular audits with external parties</p> <p>Specific audits where risks identified</p>

Governance:

Ewellix suppliers and sub-contractors have an important role to play in our demand chain, reflecting our high quality brand image. Therefore, a specific Code of conduct for suppliers and sub-contractors has been launched. The majority of the requirements that are included in the Code of conduct for suppliers and sub-contractors are based on the Ewellix Code of conduct. However, some specific requirements have been added, such as expectations that suppliers and sub-contractors apply a similar code of conduct in relation to their own suppliers and sub-contractors, and a section on monitoring of adherence.

In addition to the code of conduct, Ewellix performs supplier evaluations and secure certificates etc. from suppliers. Ewellix follows the global REACH, RohS and Conflict Mineral requirements which is channeled down to Ewellix contracted suppliers.

Prior starting contractual discussions with a new supplier we perform a screening of the Supplier towards the sanctioned lists from the UN, EU and other governmental institutes to ensure, on beforehand, that we do not engage in business with a company that has been black listed by the governments due to illegal business.

Governance

Material aspects: Corporate/Governance, Training & Education,

As presented in this report, Ewellix governance ranges over the full value chain, from evaluation of new and existing suppliers to internal processes and customer applications and sales processes. One critical and cross-functional area for governance is IT security and data privacy. This is implemented by Ewellix Group IT and related risks are carefully monitored with additional attention during transition period, where external attempts to attack the company through phishing and similar attempts to obtain information are common. The governance models enable a structured way to secure that Ewellix is acting sustainable and ethical. The governance models enable a structured way to secure that Ewellix is acting sustainable and ethical.

The Ewellix governance model is updated based on the new business situation (connected to the recent divestment) and adaptations are made continuously. The foundation of how we work is our Code of Conduct that together with policies and instructions guide employees in their day to day work and decision making.

All employees are obliged to follow the Code of Conduct and no one in the organization has the mandate to authorize exceptions from the Code of Conduct. Ewellix Management shall supervise the observance of the Code of Conduct. Ewellix will not accept any deviations from the Code of Conduct and will investigate and take appropriate measures in case of misconduct. All managers shall act as role models and they shall ensure that employees under their responsibility understand, act and behave in accordance with the Code of Conduct. Managers shall ensure that effective training and subsequent follow-up are provided so that all employees understand the Code of Conduct and how it relates to them.

Relevant policies:

- Environment, health, safety and quality
- Information security
- Data privacy
- Antitrust
- Anti corruption
- Anti Fraud and Anti Corruption
- Code of conduct for agents and other intermediaries
- Code of conduct for Ewellix distributors

Risk	Description	Potential effect	Mitigation
Governance & Training	Due to changes in processes, systems and procedures unclarity in what policies applies	Lower focus on compliance to policies	Clear communication that old policies apply until new ones have been communicated. Rollout of training package 2020
Information security and Data Privacy	Threat actors targeting Ewellix due to creation of a new company after divestment from SKF. Movement of data and building up a new IT infrastructure and resources may give threat actors opportunities trying to gain data.	Phishing resulting in intrusions, malwares such as ransomware will have an impact on the business.	Technical information security measures implemented. Awareness training to end users.
Information security and Data Privacy	Workforce or third-party failure to comply with information security, policies and regulations.	May result in data leakage, and/or data breach.	Follow up on policies implemented in IT environment and to workforce. Compliance reviews, monitoring, and audits.
Information security and Data Privacy	Changes in regulatory environments may increase risk for unauthorized accesses if not managed in a controlled manner.	May harm the confidentiality, integrity and availability of the information.	Processes and controls implemented to prevent unauthorized access.
Information security and Data Privacy	Requirements based on laws and regulations may have a negative impact on the Ewellix business.	To stringent requirements on information security and data protection may prevent the workforce to be able to do their job.	Implement a robust but well-balanced information security management system that can enable strong information security and keep efficiency in the business.