



Sustainability Report 2018

VÄDERSTAD

Company sustainability report 2018

About the report

This is the company's statutory sustainability report for the financial year 2018. The report covers Väderstad Holding AB and all of its subsidiaries included in the Väderstad Group (hereinafter referred to as "Väderstad").

Business model

Today, Väderstad operates in a global market and a high-tech world. Our challenge since the company started in 1962 has been the establishment and emergence of crops so that the farmers of the world can provide the Earth's population with food. That is why we exist and that is the challenge that constantly drives us forward on a day-to-day basis. Our vision is to **be the world's leading partner for outstanding emergence.**

We want to simplify the work and improve the performance of farmers around the world. We do this by offering our customers highly efficient machines and methods that help to ensure the establishment and emergence of crops. Farmers all over the world are constantly looking for ways to cultivate the soil in an even more efficient way. We regard it as important work to help develop new solutions in order to take further steps towards long-term sustainable and efficient cultivation.

Our business model is based on developing machines for soil cultivation and seeding. We then produce those machines at our own facilities, where we use efficient production methods and do everything from machining and welding of sheet metal and steel to varnishing and assembly of the finished machines. We then sell these machines through our own wholly-owned channels in several countries or through long-term relationships with reputable external sales channels. We both manufacture and buy in wearing and spare parts for our machines that we then sell to our customers so that they can get the optimum use from their machines.

We undertake manufacturing at our production units in Väderstad and Överum in Sweden, and in Langbank in Saskatchewan, Canada. We have our own sales companies with our own staff in the UK, Germany, France, Poland, Denmark, Hungary, Serbia, Romania, Ukraine, Russia, Estonia, Latvia, Lithuania and Canada.

We work for long-term sustainability – in everything from material choices and environmental impact to how we take care of our customers and employees. Our constant ambition is to develop machines that carry out several tasks in a single pass. There are many advantages to this, not least in terms of savings in time, energy and money.

Management of operations

The board of Väderstad has overall responsibility for sustainability issues and consists of several people from the ownership circle, as well as two elected union members and an external member who holds a senior position at Scania with responsibility there for sustainability issues, among other things. Therefore, we believe that the board is well composed, and that it represents and possesses knowledge of all parts of the company, as well as of the wider world and its associated demands and opportunities, and so is well able to take on responsibility for sustainability issues.

Risks and risk management

The most prominent risks we see are the political risks that face us as a result of agriculture being so highly politicised, especially within the EU, where we have our largest market. New directives within CAP (the Common Agriculture Policy) or in the environmental field, for example, with regard to the use of pesticides (such as the glyphosate issue) may have a major impact on our business and give rise to both risks and new business opportunities. We also have the issue of Brexit and various political groupings within the EU that affect our industry and therefore us specifically. Other major risks include the prices of products from agriculture, especially cereals, which affect our customers' profitability and willingness to invest. The whole global climate issue and future food security also affects us. The risks and how we manage those risks are reviewed at least once a year by the board (a fixed point in the board's rules of procedure), and the risks are continuously managed in the operations from group management downwards.

Environment

Our approach

Environmental work is important both for us as individuals and as a company. We actively work on finding solutions that reduce our negative environmental impact. We are just about to become environmentally certified in accordance with ISO 14001. We actively work on recycling and on reducing emissions and energy consumption. We also actively work to help reduce the negative environmental impact of our customers, among other things by developing machines in which several tasks can be performed at the same time, or machines with lower draught requirements per working metre in order to save diesel consumption on the part of our customers.

Policies and guidelines

- Owners' directives
- Chemicals management that is controlled by a chemicals council that actively produces advice and procedures and that actively and continuously monitors our chemicals management.
- Waste sorting manual

The past year

Below is a description of our environmental impact at our largest unit Väderstad AB, which accounts for about 85% of our production. Väderstad AB conducts operations that are licensed in accordance with the Swedish Environmental Code. Permits for the operation were issued by the County Administrative Board on 14 November 2003. The permit decision includes conditions for noise, emissions to air, chemicals and waste management, transport, and inspections of operations. On 19 January 2009, the County Administrative Board adopted a supplementary decision containing conditions regarding noise and emissions of organic solvents.

In terms of environmental issues during the financial year, the operations have been normal. No significant environmental disruptions or incidents have occurred during the year. The purification equipment for solvent emissions from the paintshop has been in operation during the period that the paintshop has been active. The conditions in force relating to the degree of purification and the availability of the equipment have been met. The permit limit for the total use of organic solvents is 150 tonnes per calendar year. The last year for which the calculation was made was 2017, when it was approximately 55 tonnes. The use of organic solvents therefore falls well within the current permit limit. This condition will also be met for the 2018 calendar year. We are involved in ongoing discussions with the County Administrative Board regarding a change to the permit in

terms of reporting technique. At present, we report percentages in relation to efficiency. We believe it is more proper to report the actual quantity of emissions. We are currently awaiting a decision on the matter.

The purification equipment for scouring water has been working smoothly during the period. Thanks to the installation, the contaminated water produced when cleaning the workshop premises with a cleaning machine is no longer discharged into the waste water network.

The applicable permit also contains certain conditions relating to other parts of the business. The conditions for chemicals and waste management have been met. As regards transportation, the conditions require submission of a separate report annually to the County Administrative Board. This is done in the annual environmental report. The fuel used for mobile machines must fulfil the requirements of at least environment class 1. Any new mobile machines purchased must meet certain requirements. The operations as a whole are inspected under a special inspection programme established by the County Administrative Board. An updated version of the inspection programme was established in 2016 by the County Administrative Board. A periodic inspection was carried out during 2017. The next inspection will be in 2020 (every three years).

The Väderstad Group is subject to the rules concerning energy surveys in large companies. An energy survey will be carried out by certified energy surveyors, and this work began in the autumn of 2016. The purpose of such a survey is to discover opportunities for reducing energy consumption in the business. The energy survey was submitted to the Swedish Energy Agency in March 2017 and was based on the energy statistics for 2015. The survey will be repeated every four years. Work on measures in accordance with the energy survey is ongoing. These measures are being implemented gradually in order to keep energy consumption at a low and decreasing level. Among other things, we will gradually switch to LED lighting and, once this process is complete this will lead to an estimated energy saving of 840 MWh/year and a reduction of CO₂ content by 118 tonnes/year, in accordance with the energy survey. Charging posts were installed in 2017 and 2018, and there are now 18 available charging locations at Väderstad for electric cars, for both employees and visitors.

Social and HR issues

Our approach

- Our brand is shaped by what the world around us thinks, believes, feels and says about us. All employees are therefore important ambassadors for our brand. A strong brand helps to build a profitable business. Väderstad strives to be an attractive employer where our employees feel respected, safe and appreciated. Väderstad prioritises a safe, healthy work environment and we make efforts to identify and address risks and improve the work environment. We view proactive health work as an important factor for sustainable performance and a profitable business.
- Another important aspect of our social responsibility is that we do the right thing for us in the sense that we pay statutory taxes and social security contributions for our staff, as well as statutory corporation tax on business profits, which contributes to a strong and sustainable society where we are active. All our business is undertaken on a commercial basis, and we do not work with arrangements solely intended to minimise tax, for example.

Policies and guidelines

- The Väderstad Way
- Work environment policy
- HR policy
- Privacy policy
- Personal data processing policy
- Equal opportunities plan
- Procedure in case of suspected victimisation
- Travel regulations
- Alcohol and drug policy
- Rehabilitation procedure
- Definitions of risk observations, incidents and accidents

The past year

- No significant events or problems have occurred during the year. We have a zero-vision in terms of injuries, and the number of events has been very low at all our facilities. However, we are not satisfied with this, so we are actively working on several levels to achieve our zero-vision. During the year, we also introduced new policies and guidelines to meet the demands of GDPR, although we previously fulfilled much of this as a result of the Swedish Data Act (PUL).
- Systematic work environment management involves paying attention to and taking into account all conditions in the work environment that may affect the health and safety of employees. At Väderstad AB, the TIA system support is used to record and manage risk observations, incidents and accidents. Working methods and procedures for this are described in "Definitions of risk observations, incidents and accidents". HR is responsible for ensuring that this approach is complied with, developed and updated.
- The company's overall zero-vision for workplace accidents is followed up every month at group management meetings. Every month, the different sites follow up on sickness absence, appraisals and safety in each management group. Deviations and incidents are followed up with action plans for each area.

Anti-corruption

Our approach

- Corruption negatively impacts people, the environment, organisations, businesses and countries. Väderstad dissociates itself from all forms of corruption, bribery and money laundering, as well as illegal restriction of competition. We actively work to be in place and understand our business from the order until we make final delivery of the machines to our end customers, i.e. the farmer. We therefore believe that we minimise the risks of corruption, bribery and other types of non-acceptable business practice.

Policies and guidelines

- During the year we will compile our guidelines and approaches in this field into a "Code of Conduct" for the entire company. This will ensure we have a better, simpler overview of this work and can more easily educate our staff on these issues, as well as more easily follow up and correct any deviations in the area.

The past year

- We are not aware of, nor do we have any indications or concerns of, having been exposed to or involved in, or indirectly participated in, any bribery or the like committed in our business. This is true as far as we can reasonably judge it today.

Human rights

Our approach

- We support and respect internationally declared human rights. Väderstad is a global company with customers and employees in a large number of countries. We actively work to ensure that our employees, partners and customers are treated fairly, equally and with respect. This work promotes the development of both employees and the company as a whole.

Policies and guidelines

- Owners' directives
- The Väderstad Way
- Equal opportunities plan
- Procedure in case of suspected victimisation

The past year

- We are not aware of, nor do we have any indications or concerns of, having been exposed to or involved in, or indirectly participated in, any human rights abuses. This is true as far as we can reasonably judge it today.
- The equal opportunities plan is followed up and revised annually in September by joint groups consisting of representatives of the company and the trade unions. The procedure applied in case of suspected victimisation describes how to proceed and how the company acts in these cases. The procedure is available to all employees in the company's business system.
- A new edition of the company's values document, The Väderstad Way, is in development. Training and awareness raising is planned for spring 2019.