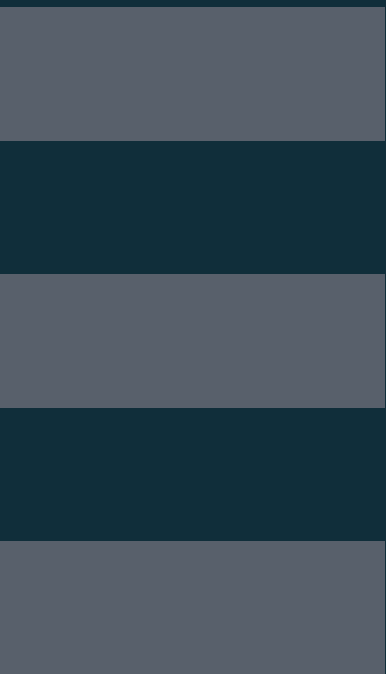


ESG REPORT

2020





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“You might say that the greater the business volume we get at BORG Automotive, the more circular the European car fleet becomes.

Green Transition

For many years, the automotive industry has been one of Europe’s most important sectors. But the industry is challenged and like many other sectors, it’s in the midst of a green transition. This is where BORG Automotive plays a key role.

It’s now forty-five years ago that our company was started at a small auto repair shop in Denmark. I often wonder if they realised back then how visionary they were. Reconditioning spare parts for cars isn’t something we invented, but we’ve played a part in making remanufactured spare parts a full-fledged alternative to factory-fresh parts. We’ve industrialised remanufacturing, and we’ve implemented quality assurance to such an extent that a remanufactured core is considered to be at least as good as a new part.

You might say that the greater the business volume we get at BORG Automotive, the more circular the European car fleet becomes.

Europe has about 280 million cars on the road today, and a large proportion of them has one or more parts replaced every year. A crucial point here is whether those spare parts are factory fresh and shipped to Europe from China, or if they are remanufactured from defective spare parts from Europe and reused.

At BORG Automotive, we remanufacture two million cores per year, and for each of them, we use up to 85% less energy than it takes to produce a new part. In addition, remanufacturing saves raw materials, reduces freight and eliminates the environmental impact of scrapping cars.

Intending to grow to twice our size by 2025

We’d like to contribute even more to the green transition, so we’re currently in the process of expanding the scope of our business. In fact, our ambition is to grow it fivefold by 2025.

We took the first big step in September 2020 when we signed a deal to acquire Turbo Motor Inyección, a Spanish company specialising in the remanufacture of turbochargers. The transaction has given us a seventh leg as well as access to a large customer base in Southern Europe, where we can also market our other products, i.e. brake calipers, starters, alternators, etc.

It’s important to note that we expect to grow the business of our product range by 10% to 15% over each of the next five years. In other words, we intend to outperform the overall market for turbocharger replacements, and we have a clear ambition to take market share from factory-fresh turbochargers for the benefit of the green transition.

I’m proud to be playing a part in driving the green transition in one of Europe’s most important industry sectors, and I feel privileged to contribute to expanding it on a daily basis.

Kim Kruse Andersen
CEO, BORG Automotive



2 million cores are remanufactured by BORG Automotive every year

Growing the circular economy

BORG Automotive is trending for growth, and in recent years, the company has focused on getting ready for both organic growth and integration of acquisitions in an effort to help grow Europe's circular economy.

Large parts of the business sector are underway with the green transition. Some have been working on it for several years, while others are just beginning. Not so at BORG Automotive. The business model has been based on the circular economy even since the company was founded in 1975, and there's no exaggeration in saying that the company's values and culture favour the circular mindset.

Employees the top priority

BORG Automotive remanufactures about two million cores every year and is Europe's largest independent automotive remanufacturing company. The

plan is to build on that position in the coming years, and preparations for that move have long been underway.

"We've implemented a large number of initiatives to professionalise our organisation and our manufacturing processes. For example, we've spent the past two or three years documenting all the processes and procedures of our ERP system and our catalogue platform in order to be able to quickly and easily implement our best practise across all factory sites. That also goes for the latest addition to our family, Turbo Motor Inyección," explains Sten Højland, Director of Compliance at BORG Automotive.

Højland is in charge of a full range of ESG initiatives, and employee satisfaction is one area that both he and the company consider to be very important:

"Employee satisfaction is at the heart of everything we do, because it benefits our employees, our company and our customers. Through various proactive initiatives, we've successfully lifted employee satisfaction, reduced sickness absence and staff turnover, while also achieving greater efficiency and improved quality standards. Obviously, you don't get results from day one, but at BORG Automotive we dare take a long-term view. A fundamental value of our strong corporate culture is that we're more 'farmers' than 'hunters'."

Gentle method gives competitive edge

Concurrently with the organisational improvements, BORG Automotive is consistently working to optimise work processes in production. The more competitive the remanufactured cores are, the more sustainable the European car fleet

becomes. BORG Automotive is currently implementing a new and more gentle method in the remanufacturing of aluminium cores:

"Many brake calipers are made of aluminium, which is a soft metal that's easily damaged when cleaned. Many of our competitors choose to replace parts of brake calipers with new components, but that means they forfeit part of the benefit," explains Højland, and he continues:

"Together with a Danish company, we've developed a new and gentler cleaning method that allows us to reuse more of the brake calipers we take in. At the same time, our customers get a much cleaner product, so there's no question about the quality of the remanufactured core, and that's extremely important to us," he concludes.



Actions and results in 2020

BORG Automotive has been owned by the Danish conglomerate, Schouw & Co. since 2017. Schouw & Co. has an ambition to run a sound and responsible business with a long-term perspective. In 2016, Schouw & Co. drafted a joint set of general policies on corporate responsibility. The next step was to set up a CR strategy house that provided the foundation for the Group's CR efforts, and each of the businesses, owned by Schouw & Co., selected individual performance indicators with defined targets for 2020. BORG Automotive's performance indicators were particularly focused on reducing energy consumption and waste volumes, increasing recycling and, not least, improving work safety. Since 2017, BORG Automotive has regularly reported on our performance indicators, and this year, we can report on the results of these efforts.

The table on p. 11 provides a simple presentation of BORG Automotive's results, mainly consisting

of indexed values showing relative developments over time. In some cases, BORG has succeeded in meeting our targets, while in others, we failed for various reasons, such as major changes to our business activities. Whether or not the targets were met in absolute figures, there's little doubt that the ongoing measurements and the efforts derived have provided valuable awareness of the important ESG journey that BORG, and society at large, will have to make in the coming years.

On pp. 13-14, we introduce the new data structure that will be the baseline for future years' measurements.

On pp. 08-10, we review the specific actions and results for BORG Automotive in 2020 in the four general CR areas of human rights, social issues and labour conditions, anti-corruption and business ethics, and climate and the environment.

Regardless of which country we operate in, we endeavour to observe human rights and to treat our employees with dignity and respect.

Human Rights

BORG Automotive is a workplace for more than 1,500 ambitious colleagues in Denmark, England, Poland, Belgium, and Spain. Regardless of which country we operate in, we endeavour to observe human rights and to treat our employees with dignity and respect.

Schouw & Co. implemented a new structure for our work on human rights in 2017–2018, in which BORG Automotive identified and described in detail the potential negative impacts we might have on human rights, both in relation to our own employees and also in our relationships with suppliers, customers and the surrounding community.

In 2020, Schouw & Co. expanded these activities, but did so within existing areas of activity, so the general risk exposure for the Group is considered to be unchanged. As a result, the work on human rights in 2020 mainly continued previous efforts.

Social issues and labour conditions

We aim to be a responsible employer and to provide proper employment conditions, healthy and safe working conditions and a motivational working environment for our employees.

In 2020, however, the coronavirus pandemic gave a whole new perspective on our work on social issues and labour conditions.

Production at BORG Automotive is characterised by many manual processes that are not easily automated. As a result, there is an inherent risk of industrial injuries, and even though all lost-time injuries in 2020 were of a less serious nature, we perform a thorough investigation and root cause analysis for every incident in order to take action to prevent similar incidents in the future. We also implemented a number of initiatives to protect our employees from COVID-19 infection, including by reorganising work stations and office space to facilitate physical distancing.





Remanufacturing is good for the environment, and the consumption of energy and water is a mere one-fifth of the corresponding manufacturing of new car parts.

Anti-corruption and business ethics

We strive to be a company maintaining a high degree of integrity and ethical conduct. We combat all forms of corruption, including bribery and facilitation payments.

Codes of conduct

Our internal code of conduct is an important prerequisite for our business, but we also have a duty to inspire suppliers and business partners to apply similar high standards. Fortunately, most of our suppliers are professional businesses that have implemented good standards themselves. Nevertheless, we operate with specific supplier codes of conduct which are updated regularly to reflect developments in our business and other matters. We go to great lengths to ensure that all suppliers and business partners conduct their businesses correctly in compliance with legislation and generally accepted standards.

Whistleblower system

Transparency and responsibility are two of BORG Automotive's core values and we want these values to reflect everything we do. We want to foster an open culture based on dialogue in which everyone is free to speak up without any risk of reprisals. This means that our employees should feel safe in contacting management if they wish to bring up an issue.

However, we will always respect an employee's feelings, if anyone would prefer to raise an issue anonymously. Schouw & Co. has established a whistle-blower system in 2019, enabling all employees and other stakeholders to submit anonymous reports based on knowledge of – or a reasonable suspicion of – serious and unacceptable conditions or unlawful acts related to the company.

Climate and the environment

Our policy on climate and the environment goes hand in hand with good business acumen. We work to protect the environment and to reduce gradually our consumption and emissions relative to our production output.

BORG Automotive's business model is based on the circular economy. We remanufacture used automotive spare parts, which has an extremely positive effect on the environment by requiring fewer resources. The notion of recycling and reduced consumption is also reflected in BORG Automotive's day-to-day operations. Current efforts in this context include reusing pallets in the UK rather than disposing of them at landfill sites or having them incinerated, installing energy-saving lighting in Denmark and the UK and introducing less resource-intensive packaging types in Poland.



Targets and results 2017-2020

Index

	2017	2018	2019	2020	2020 target
Electricity consumption	100	102	110	128	<93
Lost-time injury rate	100	124	94	112	<85
Consumption of packaging materials	100	96	97	88	<94

ELECTRICITY CONSUMPTION Consumption in kWh per unit produced (indexed)
LOST-TIME INJURY RATE % - Total number of absence days caused by Injuries divided by total number of working days
CONSUMPTION OF PACKAGING MATERIALS Consumption in grams per unit produced (indexed)

At BORG Automotive, we strive to meet our targets every year. We plan, develop and implement solutions that will bring us closer to our targets as our core value, ‘continuous improvement’, of course goes for everything we dedicate ourselves to. However, unforeseen factors can affect our results, which is also reflected in the index for 2020.

As the index shows, we did not meet our target for electricity consumption. The reason for this is that we produced fewer units in 2020 due to covid-19, while the electricity consumption remains unchanged.

Furthermore, we see an increase in the lost-time injury rate. Though the total number of injuries has been reduced compared to the year before, the number of absence days caused by injuries has increased.





A new beginning – a basis for renewed efforts

Meaningful data

For a focused business, it makes very good sense to assess specific data for consumption of materials, energy, water, etc. A precise measurement of consumption can be made relative to production output, for example in tonnes, square metres, units or other relevant reference. Sometimes good references from similar production outputs may even be available for comparison purposes.

A new frame of reference

In 2020, we defined a new frame of reference for our continued efforts on ESG. We found inspiration for the project in Nasdaq's ESG Reporting Guide 2.0, which proposes ten performance indicators for each of the three general ESG areas: Environmental (E), Social (S) and Corporate Governance (G). Using this as our starting point, we defined a

number of performance indicators for the three ESG areas, which are presented in the following pages.

In particular, the Environmental area contains a lot of data, which we have aimed to present as fairly as possible. We have done that by compiling actual consumption data from production units and offices worldwide. For certain smaller units with limited consumption, the data provided may be estimates. On account of the large number of units and their different geographical locations, the figures will initially be subject to some degree of uncertainty, but with practical experience and improved calculation conventions, the data precision is expected to improve over time.

Reporting on consumption and emissions in the Environment area are currently limited to Scope 1 (process emissions and combustion on own fixed installations) and Scope 2 (procurement of electric power and district heating). Based on a materiality assessment and for comparison purposes, consumption and emissions from own means of transport are not included because most of the transports are performed by third parties. In preparing the reporting, we sought inspiration from the Greenhouse Gas Protocol, and in the calculation of emissions, we used emission factors from the IEA (International Energy Agency).

Dynamic reporting

The reporting provided in the following pages makes up the data we are able to calculate for 2020, and which can be used as a baseline for assessing po-

tential improvements in the coming years. The data are presented without historical data and initially without defined targets, but obviously with the implied expectation that we will report substantial improvements over the coming years.

ESG reporting is still in its infancy, unlike traditional financial reporting for which well-established practices based on internationally recognised principles have evolved over many years. We anticipate that generally recognised practices on ESG reporting will evolve gradually over the coming years, and we expect to adapt our reporting accordingly over a period of time. In the meantime, we will first and foremost endeavour to measure and report on the data we believe will have the most value for our businesses in their efforts to ensure long-term sustainability in their operations.

Environmental reporting 2020

Revenue (DKKm)	871
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Total amount of CO ₂ equivalents, scope 1* and 2 (tonnes)	3,689
CO ₂ equivalents, scope 1 (tonnes)	473
CO ₂ equivalents, scope 2 (tonnes)	3.216
Total CO ₂ equivalents per DKK million of revenue (tonnes)	4.2
Total CO ₂ equivalents per alternative output scaling factor (tonnes)	n/a

Total amount of energy consumed, scope 1* and 2 (MWh)	8,413
Amount of energy directly consumed, scope 1 (MWh)	2,337
Amount of energy indirectly consumed, scope 2 (MWh)	6,076
Total amount of energy consumed per DKK million of revenue (MWh)	9.7
Total amount of energy consumed per alternative output scaling factor (MWh)	n/a

Total amount of water consumed, (m3)	18,596
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Company follows a formal environmental policy	✓
Company follows a specific waste, energy, and/or recycling policy	✓
Company uses a recognised energy management system	✗
Board of Directors oversees and/or manages climate-related risks	Formalisation is ongoing
Senior Management Team oversees and/or manages climate-related risks	✓

* Scope 1 does not include transportation

Social reporting 2020

LTI frequency rate (number of lost time injuries per million hours worked)	12.0
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CEO total compensation relative to FTE average total compensation	
Male average compensation relative to female average compensation	1.3
Average no. of employees	1,466
Employee turnover for full-time employees	17%
Employee turnover for part-time employees	9%
Proportion of female employees	35%
Proportion of women in senior management and executive-level positions	17%
Proportion of women in managerial positions	16%
Proportion of part-time employees	3%
Proportion of temporary workers (e.g. contractors or consultants)	3%

Company follows a policy against discrimination and sexual harassment	✓
Company follows a health & safety policy	✓
Company follows a policy against child and forced labour	✓
The policy against child and forced labour also covers suppliers and vendors	✓
Company follows a human rights policy	✓
Human rights policy also covers suppliers and vendors	✓

Governance reporting 2020

Proportion of board seats * occupied by women	0%
Proportion of committee seats * occupied by women	n/a
Proportion of board seats* occupied by independents	60%
CEO is prohibited from serving as board chair	✓
Vendors or suppliers required to follow a Code of Conduct	✓
Proportion of suppliers which formally have certified their compliance with the code	77%
Company follows an anti-corruption and business ethics policy	✓
Proportion of relevant workforce which formally has certified its compliance with the policy	Formalisation is ongoing
Company follows a Data Privacy policy	✓
Company taken steps to comply with GDPR rules	✓
Company publishes a sustainability or ESG report	✓
ESG data is included in regulatory filings	✓
Company focuses on specific UN Sustainable Development Goals (SDGs)	✓
Company set targets and report progress on the UN SDGs	✓

* Limited to members elected by the general meeting at the end of 2020

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