

# Sustainability report

**This Sustainability Report is prepared in accordance with the Swedish Annual Accounts Act and has been examined by Bilias auditors. For Bilias, sustainability work is an integral part of responsible business and of creating long-term solutions. Bilias works on various levels to do its part for a better, more sustainable society.**

## Organisation, responsibility and monitoring

The Bilias Group CEO is ultimately responsible for the Group's sustainability work and makes decisions on goals, action plans and performance measures for this work. In connection with the business planning process, responsibility for goal achievement and action plans is delegated to the Managing Director of each company. Group-wide goals are broken down into goals at company and department level.

The MD:s in turn delegate to their companies' managers and employees to implement and monitor the goals and action plans, according to their levels of responsibility and authorisation. Each company's management tracks goal achievement and performance measures on a monthly basis. The results are then reported to the Group Management. Once a year an in-depth analysis is conducted at company and Group level.

Bilias's sustainability work is monitored by internal auditors, supplier assessments, health and safety inspections and a health and safety committees, annual performance appraisals and internal deviation management. A digital employee survey is conducted annually through an external party, this enables the results to be benchmarked within and outside different sectors.

During 2018, the Parent Company Bilias AB and its subsidiary Bilias Group AB were certified to ISO 14001:2015 and ISO 9001:2015. At the end of the year, Bilias Personbilar AB was also

covered by the Group-wide certificate. Bilias plans to gradually extend its certification by adding the subsidiaries in Sweden and Norway.

During 2018 around 50 per cent of Bilias's sites in Sweden and Norway were certified to these two ISO standards.

Around 60 per cent of them were certified to ISO 14001:2015.

## Code of Conduct and whistleblower system

Bilias's sustainability work is based on the Group's Code of Conduct, which applies to all employees and Board members of the Bilias Group. The Code of Conduct covers areas such as human rights, social conditions and employees, the environment and anti-corruption.

Bilias has a number of policies, rules and guidelines in place which comply with the Code of Conduct and reflect the values established in it. These include an work environment policy, a policy on bullying and harassment in the workplace and an equal treatment policy, which covers issues such as non-discrimination, gender equality and diversity.

Since 2017, the Swedish companies have been able to anonymously report violations of the Code of Conduct or any other irregularities in a digital whistleblower system, which is managed externally. Incidents were reported to the system





### THREE QUESTIONS

**Jessika Johansson, Bilia's Environment & Quality Manager, Sweden.**

#### What was Bilia's biggest achievement in environment and sustainability during the year?

"When the Parent Company and the BMW operations in Sweden underwent an environmental and quality certification and were approved. The certification is firm proof that Bilia takes its responsibility for the environment and sustainability."

#### What are Bilia's focus areas during 2019?

"One focus area is to implement the Group-wide business system into the Swedish operation. The business system is used to steer our work and promote continuous improvement throughout the Group. Efforts are ongoing to include the rest of the Swedish operation in the ISO 14001 and ISO 9001 certification. This will ensure that Bilia is a sustainable company."

#### What is happening in the longer term?

"Quality and environmental work are constantly ongoing processes for Bilia. The business system aims to support the various parts of the organisation in their day-to-day work, and we will be monitoring to ensure that the company makes the best possible use of our work on environment and sustainability."

during 2018, and these were dealt with accordingly in line with the system's purpose. The whistleblower system was also implemented in Norway during the year, and the process of introducing it in our operations in Europe is under way. Employees who do not yet have access to the digital system can report violations and irregularities by phone, e-mail or regular mail to Bilia's internal auditors, HR or their immediate managers.

#### Stakeholder analysis

One prerequisite for long-term value creation is that Bilia understands the demands and expectations of its stakeholder groups. In 2017 an analysis was conducted to determine which stakeholder groups have the greatest influence on and/or are most influenced by Bilia's business activities and sustainability work. The four most important stakeholder groups were identified as employees, customers, general agents and suppliers.

Bilia places high demands on its business partners. All of them are expected to meet the quality requirements of ISO 9001:2015 and the environmental requirements of ISO 14001:2015. When Bilia enters into agreements with suppliers, they must comply with requirements based on the ten principles of the UN Global Compact, which cover human rights, labour, the environment and anti-corruption.

In 2015, the UN adopted 17 global Sustainable Development Goals (SDGs). The goals aim to achieve an economically, socially and environmentally sustainable world for everybody in it. Bilia contributes to these goals in several ways, and now focuses on three which are currently deemed to be of the greatest relevance and importance to its operations. These are Good Health and Well-Being (Goal 3), Quality Education (Goal 4) and Responsible Consumption and Production (Goal 12).

#### Focus on three of the UN's global goals



Drug use is increasing in society, which can risk affecting Bilia and its employees negatively if this trend were to reach Bilia's operations. If this occurs, the risk of accidents during working hours would increase. In association with the occupational health service, preventive training has taken place with the aim of highlighting the problems associated with abuse and dependency. Identified misuse and dependency among employees is dealt with according to a drug and misuse policy, the focus being to help the individual in question.



Bilia faces a challenge in recruiting employees, primarily in the Service Business. Projects are under way to motivate and prepare young people for technical careers by offering work experience placements, and by maintaining a close dialogue regarding competence requirements. To make technical recruitment easier, Bilia takes part in collaborative projects to help groups that find it hard to enter the job market.

"The best student programme in the business" is Bilia's quality initiative to offer work experience placements to high school students, the aim being to enhance the quality of their education.



Bilia sells and provides services for products which, during their life cycle, have a negative impact on the environment by using finite resources and emitting substances into the air that adversely affect the climate, environment and health. Bilia chooses business partners that can meet prevailing requirements on sustainable production and consumption. Bilia considers the customer's needs, and puts together a product recommendation which includes the sustainability aspect.



## Environment

Bilia strives to promote a good environment and to minimise the negative environmental impact of its operations. Some of Bilia's activities such as fuel sales, car washing, paint shops and large workshops must be reported under the Swedish Environmental Code. Bilia has therefore decided to apply the same environmental principles in all its operations whether or not the operation is subject to a reporting requirement.

The Group's purchasing department works in close cooperation with the environmental department. By placing demands on suppliers and other business partners, Bilia works actively to promote a good environment and increased environmental awareness in its value chain.

### Reduced energy consumption

An important part of Bilia's environmental work is to reduce the company's own energy consumption. Energy surveys were conducted in 2017, and the results identified potential improvement activities. In 2018, action plans were drawn up for these activities. In connection with major refurbishments, measures are planned relating to compressed air, ventilation, and steering and control systems. Activities in the action plan also cover next year.

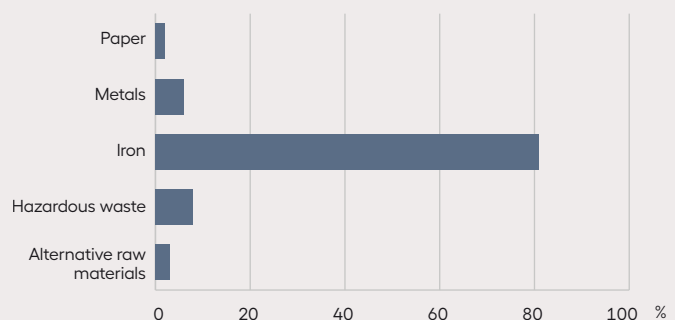
### Working methods and technology

For the benefit of a good environment, recyclable and eco-friendly materials are used wherever possible. Working methods and technology that minimise adverse environmental impact are prioritised within Bilia. For example, in the paint shops water-based paints have been used for several years in all paint coats apart from the clear coat, which is solvent-based. In 2018, Bilia has substituted certain products and discontinued others, thereby slightly reducing the range of chemicals classed as carcinogenic, mutagenic and reprotoxic (CMR). CMR-classified products currently comprise of just 0.70 per cent of all products used at Bilia in Sweden and Norway. In newly acquired operations, products are being substituted and discontinued in order to continue reducing the environmental and health risks.

### Reduced emissions to land, water and air

When a car is washed on a private driveway or on the street, the waste water runs into the drainage system and often straight into the nearest lake or watercourse. This means that chemicals and environmentally hazardous substances are spread in nature. Nearly 167,000 cars are washed at Bilia's car washes every year. The waste water from these sites passes through separators to eliminate the risk of heavy metals, oil and chemicals leaking out into the natural landscape. Moreover, Bilia's car washes are designed to reuse water and reduce water consumption.

Bilia works with waste management entrepreneurs to find sustainable waste solutions with a higher recycling and recovery rate. As an example, in 2018 Bilia, together with one of its suppliers, have helped to reduce CO<sub>2</sub> emissions by around 10,700 tonnes. These reductions relate to the following waste groups:



Bilia reports climate statistics to the Climate Disclosure Standards Board (CDP). The CDP produces benchmarking reports which are used by stakeholders and investors.

Bilia's system for internal video and teleconferences has successfully helped to reduce business travel in the Group, and thousands of hours of meetings per year are now held using digital technology. This has reduced emissions of climate gases and other harmful substances.



## Social conditions and employees

Competent and motivated employees are vital to Bilia's continued success and long-term sustainability. With this in mind, the Group pursues an active and systematic policy aimed at being a responsible employer and a good corporate citizen.

Bilia respects freedom of association and signs collective agreements. Employees have the potential to influence their job situation, and some positions offer the option of working part-time or having some flexibility in working hours. Bilia primarily operates in countries with extensive rights to parental leave that include both parents.

Applicable legislation in combination with prevailing collective agreements lay the foundation for a reasonable work/life balance. More than 90 per cent of Bilia's employees have permanent positions, while others have some kind of temporary contract, such as seasonal jobs or holiday cover. Consultants are also brought in to some extent, mainly for IT-services.

The average number of employees in the Group during the year was 4,221 (4,090). The number of employees on 31 December 2018 was 4,785 (4,708).

Performance measures	2016	2017	2018
Average number of employees	3,804	4,090	4,221
Turnover per average number of employees, KSEK	6,285	6,722	6,724
Value added per average number of employees, KSEK	880	951	964
Profit before tax per average number of employees, KSEK	219	219	219
Average age	41	40	39

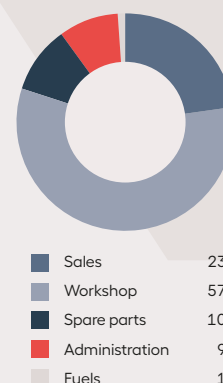
### Creating dedicated employees through good leadership

Good leadership is fundamental to an employee's dedication and ability to perform. All managers at Bilia are responsible for supporting and fostering the well-being of groups and individuals. As a part of efforts to strengthen leadership, internal leadership training is pursued continuously, which covers areas such as core values and the psychosocial work environment.

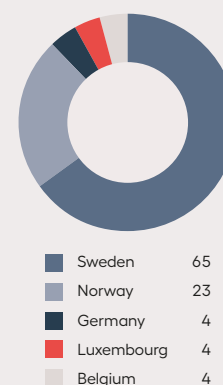
Based on the annual employee survey, a leadership index and an employee dedication index are produced for the Group as a whole and for each individual company. The index for 2018 shows that Bilia's results substantially exceed those of comparable companies, i.e. the benchmark. The employee dedication index measures dedication in the form of energy and clarity. Energy is linked to the employees' motivation, inspiration and pride. Clarity is linked to goals on an individual and group level, as well as to overriding goals. Here too Bilia's results far exceed those of other companies.

There is an orientation programme for all new employees at Bilia, the aim being to instil knowledge and understanding of our core values. The programme includes, for example, the Code of Conduct and all policies and guidelines.

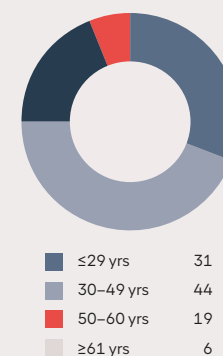
DISTRIBUTION OF EMPLOYEES BY FUNCTION, %



DISTRIBUTION OF EMPLOYEES BY COUNTRY, %



AGE STRUCTURE, NUMBER OF EMPLOYEES, %



### Professional development

All employees should have opportunity for professional development. The basis for professional development is the performance appraisal held once a year. Together, the employee and their immediate manager arrive at a plan that aims to promote personal development, job satisfaction and efficiency in the day-to-day work.

Bilia Academy is the Group's internal training unit, which was started in 2001. Bilia Academy provides ongoing customised training courses aimed at target groups with different positions and training requirements at Bilia. The purpose of the training operation is to enhance skills within specific areas, and there are currently four programmes to train and support the company's employees at various stages of their leadership. In addition, service technicians and sales personnel attend specially tailored training at a number of different levels. Furthermore, Bilia has a number of regularly recurring specific courses in e.g. competition law and labour law, aimed primarily at executives and managers.

Two personnel funds have been set up for Swedish employees; one for white collar and one for blue collar employees. All Swedish employees can apply for grants from the funds for a professional development activity, which does not have to be directly related to Bilia or their job.

### A safe and healthy physical work environment

Bilia works continuously to improve the working environment at its facilities. The main risks among blue collar employees are hearing loss, vibration and ergonomic injuries, as well as allergies caused by exposure to chemicals. The focus on the work environment in the workshops is therefore aimed at ensuring that correct work practices are used by means of information, training and providing the right equipment. Full-time union representatives, along with local management and the organisation as a whole, deal with health and safety issues with systematics, commitment and competence.

### Study into vibration injuries

Since 2015, Bilia has been representing the automotive industry in an external study, with the aim of reducing vibration injuries in the workplace. The project is now in the phase whereby vibrating equipment has been identified and examined with a view to modifying their construction to reduce vibration.

### Organisational and social work environment

All Bilia Group companies must work to ensure that the working environment is good both for the operation, and for the well-being of the employee.

Bilia's procedures for the Swedish operation with regard to the organisational and social work environment include setting annual goals and targeted safety inspections, as well as risk assessments where appropriate.

### Gender equality and diversity enrich the organisation

Bilia strives for gender equality in its organisation, whereby men and women alike are represented in all professional categories. At present there are more men than women working at Bilia. In all, 15 per cent or 727 employees are women and 4,058 are men. The Group Management is convinced that a more even gender distribution has positive effects on both the work environment and profitability, and would therefore like to recruit more women. The goal is to have 20 per cent women employees by 2020. A new recruitment strategy was adopted in 2017 to increase the share of women.

Prioritised professional categories are in car sales, management, coaching, auto parts and car hire.

Thirty-five per cent of the recruiting managers say that the strategy already has had a positive effect.

Equal treatment regardless of gender is a fundamental principle for Bilia. The HR department has central responsibility for gender equality issues, and among other things this includes work on pay monitoring and the gender equality plan. During 2018, large resources have been spent on pay monitoring and areas for improvement have been identified. In 2019 a stronger focus will be put on the gender equality plan, including clearer recruitment procedures, follow up of results, a focus group to support women and diversity, and sponsorship of women's networks at Bilia.

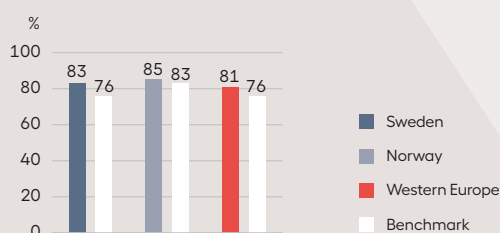
As a further step in efforts to strengthen the diversity in the Group, Bilia is working actively to recruit people from different ethnic backgrounds. Today around 30 different languages are spoken throughout the Group.

### Key personnel and a skilled workforce

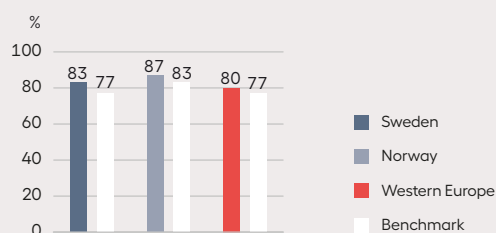
One challenge faced by Bilia is securing professional skills in the future. In light of this, Bilia takes part in high school fairs and pursues joint projects with Swedish automotive engineering schools, and offers students work experience and apprenticeships.

Bilia's vision is to offer the best student programme in the industry. During 2018, HR has charted what needs to be in place to make employee reception and orientation at Bilia even better – as perceived both by the students and the mentors. This process has resulted in a student programme. Another example is that a certification programme for high school students is being offered in Sweden in partnership with the Swedish Automobile Association (Motormännens Riksför-

LEADERSHIP INDEX



EMPLOYEE DEDICATION INDEX





Joachim Lind  
CEO, Bilia Group AB  
BMW operation  
in Sweden

“Working efficiently and sustainably are crucial future issues. During the year we underwent environmental and quality certification of our BMW operation in Sweden. It's very gratifying to have reached our goal.”

bund). Certification entails that the student's competences are tested in the real world during a work practice period.

During 2018 Bilia in Sweden, together with industry colleagues, staff companies, educational companies and the Swedish Public Employment Service, participated in three projects with the aim of recruiting mechanics. The project has been aimed at newly arrived and unemployed people who want to educate themselves as a mechanic. The outcome of the two projects that ended in 2018 was positive. A total of 34 people were admitted to the program. Of these, 24 people completed and 13 people were offered employment with Bilia,

of which 11 people accepted. Another 5 people got employment with other companies in the car industry or in another industry.

### Charity

The Group supports the World Childhood Foundation, for example by making a donation for every new Volvo sold. In keeping with tradition, Bilia's Facebook followers vote each year for a recipient of a Christmas gift. The choice in 2018 was, “Vid din sida”, an organisation that supports elderly homeless people in Stockholm.

## Human rights and anti-corruption

Bilia supports internationally recognised human rights, as well as norms and initiatives for good business ethics.

### Zero tolerance of discrimination and harassment

Bullying and harassment are not permitted at Bilia, whatever form these may take. There is zero tolerance of all forms of discrimination and harassment.

Following on from last year's #metoo campaign, all Managing Directors have passed on the message of zero tolerance to their own organisations.

### Zero tolerance of bribery and corruption

Bilia has zero tolerance of bribery and corruption. Management clearly denounces these practices in the Code of Conduct and in employment contracts.

Through formal attestation rules, the Code of Conduct, internal audits and its whistleblower system, Bilia has implemented procedures for counteracting and preventing bribery and corruption. The number of whistleblower reports is followed up as a performance indicator.

### Competition on equal terms

Bilia is well aware of the rules governing competition on equal terms and operates in a way that is compatible with competition laws in all of the countries in which we operate. Bilia has formulated and implemented a competition code by which all employees are bound. Managers undergoing training and persons in senior executive positions sign a pledge every year to comply with this competition code.

### Requirement specification in the supply chain

In 2018 Bilia adopted a Group-wide procurement policy governing both central and local supplier agreements. A new procedure for signing local agreements was introduced, the aim being to highlight Bilia's demands on the environment and social conditions as sustainability aspects. The supply chain must comply with requirements regarding human rights, anti-corruption and the UN Global Compact. The requirements in the Code of Conduct apply to the entire value chain in which Bilia's products and services are included.