



Sustainability Report

SUSTAINABILITY. Bilia's business is characterised by systematic, active sustainability management with consideration for the operation and employees, the wider environment and customer relations. For Bilia, sustainability work is an integral part of good corporate citizenship and of creating sustainable, long-term solutions.

Organisation, responsibility and monitoring

The Bilia Group CEO is ultimately responsible for the Group's sustainability work, overriding goals, action plans and performance measures. In the business planning process, responsibility for goal achievement and action plans is delegated to the MD of each company.

Once the goals are broken down, the companies' managers and personnel step in to implement and follow up the goals, as well as detailed action plans.

Bilia's sustainability work is monitored by internal audits, supplier assessments, systematic health and safety work, annual performance appraisals and case management. This Sustainability Report is examined by Bilia's external auditor, KPMG. A digital employee survey is conducted annually, and this enables the results to be benchmarked within and beyond Bilia's industry.

In Sweden the Parent Company Bilia AB and the subsidiaries Bilia Group AB and Bilia Personbilar AB are certified to ISO 9001 and ISO 14001. During the year, parts of Bilia Center Metro AB were also added. In Norway, a further 19 facilities in Bilia Personbil AS were certified. Bilia has the ambition to extend its Group certification to include more subsidiaries.

During 2019, 75 per cent of Bilia's sites in Sweden and Norway were certified to both ISO 9001 and ISO 14001.

Code of Conduct and whistleblower system

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

Bilia has a number of policies, rules and guidelines which reflect the values established in its Code of Conduct. For example there is an occupational health policy and an equal treatment policy. These policies cover areas such as non-discrimination, harassment, gender equality and diversity.

All employees in Bilia's companies are able to anonymously report violations of the Code of Conduct or any other irregularities in an external, digital whistleblower system. Implemented over the past three years, this system has replaced the old way of dealing with these issues internally. During 2019 seven incidents were reported to the system, and these have been dealt with and deemed to be unqualified. The number of reports has been assessed and is deemed to be at a normal level for comparable companies.



Bilia's most Significant Environmental Aspects

From a lifecycle perspective, procurement of products and services are significant to Bilia's direct and indirect environmental impact. Setting demands on procurement ensures that the supplier's ability to provide environmentally sound products and services is taken into account. With conscious purchasing, Bilia can choose products of good quality with lower environmental impact.

Combustion of fossil fuels leads to climate change and impacts on the air, land and water. Bilia's direct environmental impact is linked to business travel and internal transportation. In addition there are greenhouse gas emissions from transport carried out by general agents and suppliers. Bilia's system for internal video and teleconferences has successfully helped to reduce business travel in the Group, and emissions of climate-affecting gases and substances have fallen.

Correct management of commercial waste in the final stage of the life cycle limits hazardous emissions, while also creating the conditions for goods to be reused and the materials recycled. Waste is separated at source at Bilia's facilities. The environmental aspect is significant as large amounts of hazardous waste are handled as part of the operation.

Sales and servicing of used cars contribute to the reuse of products throughout their life cycle. Up until 2018, Bilia mainly focused on the sale of cars up to three years old. Older models have a higher environmental impact than new models. Most customers change to a newer car than their current one when they buy a used car. Our car dismantling operations take care of the vehicle at the end of its life cycle, while also reusing as many parts as possible.

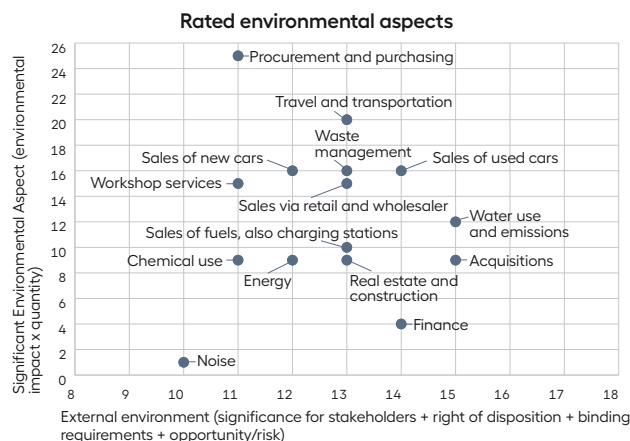
Environment

Bilia strives to foster 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 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 to increase environmental awareness in its value chain.

Environmental aspects

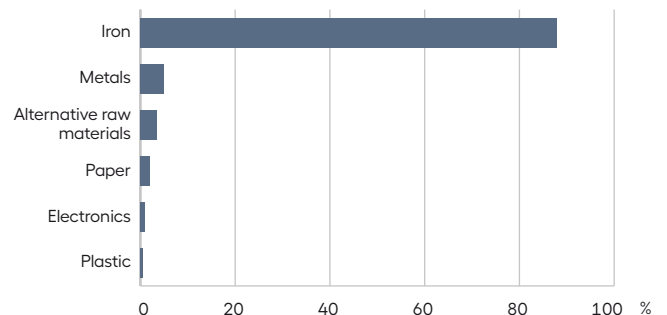
During 2019, a process started to standardise Bilia's process for classifying and rating the operation's environmental aspects, both positive and negative. Significant Environmental Aspects should be representative of the operation and should consider the expectations and requirements of the wider world. Bilia's car dismantling facilities have a positive environmental impact by making use of car parts by material recycling.



Reduced emissions to land, water and air

When a car is washed on a driveway or on the street, the waste water runs into the drainage system and often straight into the nearest lake or watercourse. Some 160,000 car washes take place at Bilia's car washes every year. The car washes are designed to reuse water and reduce water consumption. The waste water from these facilities passes through separators to eliminate the risk of heavy metals, oil and chemicals leaking out into the natural landscape. Similar heavy metals, oil and chemicals can occur in the waste water from our wheel washers and scrubbers. Bilia and its business partners face a challenge in finding more effective solutions to replace the conveyance of residual water classified as hazardous waste.

Bilia works with waste management contractors to find sustainable waste solutions with a higher recycling and recovery rate. For example, with one of its suppliers, in 2019 Bilia in Sweden has helped to reduce CO2 emissions by around 10,770 tonnes. These reductions relate to the following waste groups:



In 2019, Bilia did not report climate statistics to the Climate Disclosure Standards Board (CDP), as no benchmarking information was available for Bilia's field of operations. Bilia will report certain CDP information, Scope 1 and Scope 2, in its 2020 Annual Report.



Stakeholder analysis

One prerequisite for long-term value creation is that Bilia understands the demands and expectations of its stakeholder groups. An analysis has been conducted to determine which stakeholder groups have the greatest influence on and/or are most affected by Bilia's business activities and sustainability work. The four most important stakeholder groups were identified as being employees, customers, general agents and suppliers. In 2019, Bilia's management decided to evolve the process for stakeholder dialogue, and this work will be carried out during 2020.

Bilia has high demands on business partners, who are expected to meet the requirements of ISO 9001 and ISO 14001. When Bilia enters into agreements with suppliers, they must also comply with requirements based on the ten principles of the UN Global Compact.

This requirement has helped to enhance the cooperation with suppliers. Several of Bilia's suppliers have gained better knowledge of legislation, as well as better opportunities for improved environmental work. Bilia has also contributed to greater interest in sustainability issues. Positive feedback has been received from Bilia's suppliers.

Global Sustainable Development Goals 2030

Bilia contributes to several of the UN's 17 global Sustainable Development Goals (SDGs) 2030. Bilia focuses on the three which are currently deemed to be of the greatest relevance and importance to its operations, and to be linked with the highest demands and expectations from its stakeholders. These are Good Health and Well-Being (Goal 3), Quality Education (Goal 4), and Responsible Consumption and Production (Goal 12).



TWO QUESTIONS FOR

**Björn Brodin, Sales Manager,
Business Sales, Bilia Personbilar AB,
Region Stockholm**

What do you do to support business customers from an environmental perspective?

"We keep them constantly updated on how different fuels and powertrains affect both the environment and costs. The new tax system in Sweden (Bonus Malus) and the new measurement method for carbon dioxide emissions (WLTP) have had a tremendous impact on the choice of car, and on our job of guiding customers in the right direction."

What is important when it comes to choosing a car?

"A needs analysis is important in our role as an advisor. It gives us information about how the car will be used, driving distances, charging opportunities and acceptable costs. In certain situations a pure electric car may be the perfect choice, but in others a rechargeable hybrid might be better. A diesel car, which can now run on sustainable biofuels (HVO) could be an excellent eco-friendly choice for someone who drives long distances as the emissions are low. We constantly train our sales staff in environmental and financial issues related to choosing a car from an environmental perspective."

Focus on three UN global SDGs



Drugs are believed to be behind much of the rising crime involving violence, threats and shootings. Drug use is a problem for both the individual and the company. Together with the occupational health service, Bilia has held training courses to highlight the problems associated with abuse and dependency. Bilia's drug and misuse policy contains guidelines on how to help and support employees who have been identified as having a problem.

No cash is handled at Bilia so as to minimise the risk of robbery, and to maintain a good, safe working environment.

Bilia also contributes to the goal by actively substituting environmentally hazardous substances. In 2019, Bilia has substituted chemical products and thus reduced the number of chemicals classed as carcinogenic, mutagenic and reprotoxic (CMR). CRM-classified products comprised just 0.15 per cent of all products used at Bilia in Sweden and Norway in 2019.



The car industry, including Bilia, faces a challenge in recruiting new employees to the Service Business. The challenges currently facing the company are a high number of retirements, combined with low student numbers at high schools. One strategy is to attract and recruit technicians directly from high school. Bilia has therefore developed the Bilia Student Programme, which aims to ensure that students enjoy a safe and solid period of work experience with Bilia. The mentors who deal with the students are specially certified with an official qualification from the Swedish National Agency for Education. Bilia supports schools with programmes, material and training so that teachers have knowledge of the latest technical developments.



Bilia works with general agents who can and want to meet the requirements for sustainable production and consumption. During their life cycle, the products and services that Bilia provides contribute to negative environmental impact, by using fossil fuels and producing emissions that can have an adverse impact on the climate, environment and health. Bilia has a responsibility to its customers and employees to describe the effects of its operations, products and services, and how adverse effects can be mitigated by making sustainable choices. We help customers to make decisions about their environmental impact by suggesting products based on an analysis of their needs, wishes and circumstances. We work closely alongside our suppliers, and help to disseminate knowledge and positive environmental actions in their organisations. At Bilia we work with the car throughout its life cycle, from factory, through several owners, and finally to car dismantling.

Social conditions and personnel

Competent, dedicated employees are vital to Bilia's continued success and long-term sustainability. With this in mind, the Group pursues an active and systematic personnel policy with an endeavour to be 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 (FTE) in the Group during the year was 4,298 (4,221). The number of employees on 31 December 2019 was 4,978 (4,785).

Performance measures	2017	2018	2019
Average number of employees (FTE ¹⁾)	4,090	4,221	4,298
Turnover per average number of employees, KSEK	6,722	6,724	6,866
Value added per average number of employees, KSEK	951	964	1,032
Profit before tax per average number of employees, KSEK	219	219	236
Average age	40	39	39

¹ Full-time employees

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. During 2019, Bilia launched Group-wide leadership expectations based on five basic principles: leading by example, taking ownership, building commitment, carrying through on decisions, and driving results. As part of efforts to strengthen leadership, internal leadership training is pursued continuously, which covers areas such as core values and the psychosocial work environment. In addition Bilia has an internal training unit for leaders called Bilia Academy.

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. Bilia's index is well above the benchmark both for the industry and in general, and the 2019 results also improved on the previous year. The employee dedication index measures dedication in the form of energy and clarity. Energy is linked to the employees' moti-

vation, 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 the benchmark and have further increased during 2019.

In 2019, Bilia launched an upgraded introduction for new employees, based on our core values and compass.

Professional development

All employees should have opportunities for professional development. The basis for professional development is the performance appraisal held at least once a year. Together, the employee and their immediate manager arrive at a plan to

“Bilia provides ongoing customised training courses aimed at target groups with different positions and training requirements at Bilia”

promote personal development, job satisfaction and efficiency in the day-to-day work.

Bilia provides ongoing customised training courses aimed at target groups with different positions and training require-

ments at Bilia. In addition, 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.

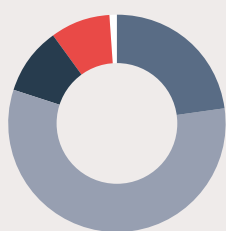
A safe and healthy physical work environment

Bilia works continuously to improve the working environment at its various facilities. The main health risks among blue collar employees are hearing loss, vibration and ergonomic injuries, as well as allergies caused by exposure to chemicals. Occupational health and safety 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, The local management along with full-time union representatives and the organisation as a whole, deal with health and safety issues systematically, resolutely and expertly.

Study of vibration injuries

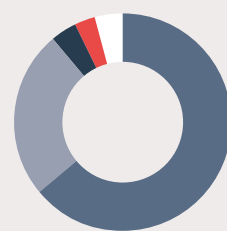
Since 2015, Bilia has been representing the automotive industry in an external study, with the aim of reducing vibration injuries in the workplace. The project is now in the phase of

DISTRIBUTION OF EMPLOYEES BY FUNCTION, %



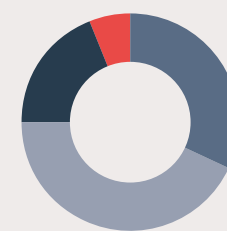
■ Sales	23
■ Workshop	57
■ Spare parts	10
■ Administration	9
■ Fuels	1

DISTRIBUTION OF EMPLOYEES BY COUNTRY, %



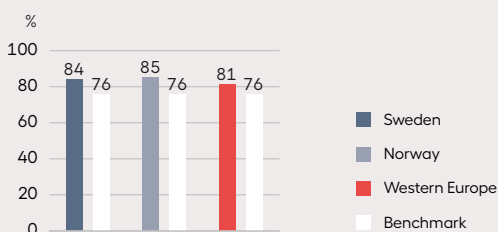
■ Sweden	64
■ Norway	25
■ Germany	4
■ Luxembourg	3
■ Belgium	4

AGE STRUCTURE, NUMBER OF EMPLOYEES, %

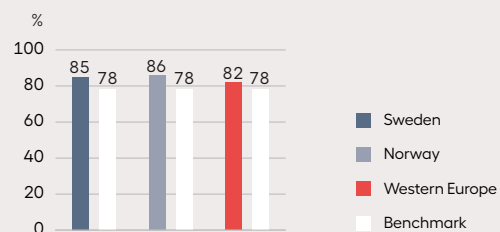


■ ≤29 yrs	32
■ 30-49 yrs	43
■ 50-60 yrs	19
■ ≥61 yrs	6

LEADERSHIP INDEX



EMPLOYEE DEDICATION INDEX



testing machines that have been refurbished so as to reduce non ISO-weighted vibrations (high-frequency vibrations) by approximately 90 per cent.

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 total, there are 15 per cent or 770 women and 4,208 men. Bilia 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. There is a raft of initiatives under way, such as a stronger recruitment policy, regular follow-up and an external in-depth study. The goal is to have 20 per cent women employees by 2020.

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

As a further step in efforts to boost 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 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. In 2019, the Student Programme has grown further in Sweden. A certification programme for high school students is also being offered in Sweden in partnership with the Swedish Automobile Association (Motormännens Riksförbund). Certification entails that the student's know-how and skills are tested in the real world during a work practice period.

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 2019 was Vid din sida – Stockholm, 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 degrading treatment are not permitted at Bilia, whatever form these may take. There is zero tolerance of all forms of discrimination and harassment. This was further highlighted in the leadership expectations issued to all managers in 2019.

Zero tolerance of bribery and corruption

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

Via formal attestation rules, the Code of Conduct, internal audits and its whistleblower system, Bilia has implemented procedures for counteracting and preventing bribery and corruption.

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

Bilia has a Group-wide procurement policy governing central and local agreements. A procedure for signing local agreements is in place, the aim being to highlight Bilia's demands on the environment and social conditions as well 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.