

SCMS Sustainability Report

This sustainability report has been drafted following the Annual Reports Act (1995:1554).

1. Introduction

The business philosophy of SC Motors Sverige AB ("SCMS") is to "make our customers, employees and owners proud to be associated with us and using our products and services". We take our social responsibility seriously with the absolute goal of contributing to sustainable social development by following laws and regulations as well as striving to reduce negative environmental impacts of our products and operations in general.

In this sustainability report we will explain how we work with key issues related to e.g. environment, human resources & social responsibility, respect for human rights and anti-corruption.

This sustainability report is being prepared for the first time in 2018 why comparative data is not yet available. However, SCMS intends to initiate a project during 2019 with the goal to structure and formalize our sustainability work and associated activities. A new code of conduct is one of several concrete deliverables. (see 3.2 below)

2. Our business

SCMS, fully owned by Sumitomo Corporation Ltd ("Sumitomo"), is engaged in the import and distribution of cars, spare parts & accessories as well as services. The business activities are conducted in two separate fully owned subsidiaries: FSC Bilar AB and MMC Bilar Sverige AB.

Each subsidiary carries out its business through a network of authorized dealers and workshops, who are forced to meet strict criteria to be selected as part of the network.

SCMS and its subsidiaries work closely with the manufacturers whose products we import and

distribute, i.e. PSA Groupe (Citroën) and Mitsubishi Motor Corporation (together called "Manufacturers").

This cooperation is reflected in our sustainability work, where several of the rules, regulations and liabilities imposed on the manufacturers are transferred to SCMS and its subsidiaries through binding import and resale agreements.

3. Our sustainability strategy

3.1 Overall strategy and general starting points

The sustainability work carried out by SCMS is largely a reflection of the sustainability approach taken by our owners. Sumitomo adheres to the UN global goals for sustainable development (UN Global Compact) and the ISO 2600 standards on social responsibility. This forms the basis for all Sumitomo's operations and applies unaltered to all fully owned companies in the group.

Within SCMS, the group CEO is ultimately responsible for the sustainability approach and activities. Together with the management team, goals, action plans and key benchmarks for the business are decided on. Each subsidiary CEO is responsible for the daily sustainability activities with a delegated responsibility down to a departmental / functional level.

Based on the business of SCMS, the group sustainability approach has three main perspectives:

- Manufacturers (Product)
- Distribution Network
- Internal sustainability work

Since SCMS and its subsidiaries are in the business of importing and distributing finished products and services, the sustainability work carried out by the manufacturers is central to SCMS operations and we are proud to be associated with companies and products that meet the toughest of sustainability standards. All manufacturers have very ambitious sustainability strategies and adhere to the UN goal

for sustainable development (UN Global Compact) as well as key ISO standards, including 14000 / 2600. *(*See below for CSR details)*

The dealer networks of our subsidiaries are the second perspective in our sustainability approach. Our retailers and workshops are our primary contact with end customers and its operations are crucial for the development of our results as well as our brands. Dealers are required to meet strict criteria, to which compliance is monitored continuously, to ensure that they fulfill regulations on e.g. quality.

SCMS and subsidiaries strive to be modern employers where sustainability issues form a natural and integrated part of our business. Therefore, the third perspective on sustainability issues is our internal work and our commitment to our employees to be a responsible employer.

3.2 Code of Conduct

The SCMS Code of Conduct is being drafted and this will be an integral part of the criteria that all authorized dealers are required to meet. Meanwhile, SCMS and its subsidiaries adhere to the Sumitomo Code of Conduct and, as appropriate through binding agreements, codes of conduct of external suppliers and partners.

3.3 Environmental responsibility

From a manufacturer's perspective, environmental sustainability is central and the manufacturers are undertaking several initiatives to reduce the impact on the environment and climate. A sustainable environmental and climate mindset is one of the main drivers of the radical change that is currently sweeping through the automotive industry where focus is put on e.g. alternative fuels and electric cars. Thus, all manufacturers meet strict environmental and climate requirements, e.g. ISO 14001 certification. *(*See below for CSR details)*

At present, no specific environmental requirements are imposed on the dealer network of SCMS or its subsidiaries. This is left up to the dealer, who in most cases, engage in their own activities to

promote a sustainable environment. However, through the establishment of the SCMS Code of Conduct, it is the intention of SCMS to incorporate basic requirements for a sustainable environment approach into the selection criteria for authorized dealers and workshops.

The internal environmental work within SCMS and its subsidiaries is conducted in accordance with an internal environmental policy that sets out basic rules and requirements. The policy is based on the environmental guidelines and requirements issued by Sumitomo. A delegated responsibility for enforcing the policy rests on the CEO of each subsidiary and is further delegated down to a departmental / functional level.

All managers have a responsibility to identify environmental risks and to report this to the management team for further assessment.

SCMS intend to track and measure our climate impact primarily through how our waste management can help reduce CO² emissions. *(Key benchmarks: CO² emission / year)*

3.4 Human resources & Social responsibility

All manufacturers work actively to ensure and pursue a fair and sustainable human resource strategy, adhering both to the UN Declaration of Human Rights and to ILO Standards. *(*See below for CSR details)*

SCMS has a systematic approach to working with human resource management, aiming to be a responsible, modern and "good" employer with a common business culture that spans all group companies. Good leadership is central to achieving this goal and SCMS works actively with leadership development based on the leadership mottos: *Business mindset, Courage & Balance, Leading others and Communication*. Freedom of association is important and SCMS enters into collective union agreements. Employees can influence their work

situation to a large extent and rights relating to e.g. parenthood is encouraged.

SCMS strive to be an equal employer where both men and women are represented in all professional roles. Group management is convinced that a more even gender distribution has positive effects, and as such, aims to employ more women in all different professions.

The health & safety work within SCMS is carried out systematically and in accordance with guidelines set out in an internal health & safety policy. Managers have a delegated responsibility for health & safety compliance and is instructed to report, act on, and follow up on all incidents.

The majority of SCMS employees work in an office environment but a number of employees work in the internal workshop with service and repair of press- and demonstration cars, as well as in the internal warehouse. In this environment health & safety issues are of particular importance and SCMS works actively to ensure a safe and sustainable work environment. Safety rounds and periodic inspections are carried out routinely.

Risks associated with social responsibility, personnel and health & safety are identified and evaluated continuously by the HR function as well as designated representatives for further reporting to the group management team.

Within the personnel and health & safety area, SCMS intends to monitor and measure the following key benchmarks:

- Equality (Proportion of women/men)
- Diversity (Percentage of employees with foreign background)
- Sick leave (Proportion of long-term sick leave)

3.5 Human rights and anti-corruption work

Ensuring that human rights are upheld and respected is central to all manufacturers who adhere to both the UN Declaration of Human Rights and

ILO Standards. All manufacturers also have far-reaching processes and controls in place to ensure legal and regulatory compliance, including a zero-tolerance policy for corruption and bribery. (*See below for CSR details)

SCMS's approach and policy related to human rights and anti-corruption is based on the extensive routines and policies implemented and upheld by Sumitomo and transferred in full to its subsidiaries.

The Sumitomo human rights policy is based on the UN goal for sustainable development (UN Global Compact), adopted already in 2009. Full compliance with these requirements is expected by all group subsidiaries.

All forms of harassment and discrimination are strictly prohibited within SCMS. An internal anti-discrimination policy is adopted and all managers have a responsibility to ensure compliance.

Legal and regulatory compliance, including anti-corruption, is central to the Sumitomo group. As an example, an internal screening system was introduced in 1999 to detect undue payments and bribery attempts. In 2017 Sumitomo launched a new anti-corruption policy that sets out the overall requirements and objectives of all companies in the group. This policy is the foundation of the SCMS internal anti-corruption policy which sets out a zero tolerance for all types of corruption.

To ensure compliance and identify risks, SCMS has a whistleblower system where employees are encouraged and requested to report all incidents of bribery and corruption with full anonymity.