

SC Motors Sweden AB Sustainability Report FY2019

This Sustainability Report has been drafted in accordance with the Annual Reports Act (1995:1554)

1. Introduction

The business philosophy of SC Motors Sweden AB's ("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 with the goal of contributing to sustainable social development by following laws and regulations and strive to reduce negative environmental impact from our products, services and operations in general.

In this sustainability report, we explain in more detail how we work with key issues related to e.g. the environment, social conditions and personnel, respect for human rights and the fight against corruption.

SCMS intends to structure and formalize our sustainability work where a new Code of Conduct is one of several concrete measures (see 3.2 below).

2. Our business model

SCMS, wholly owned by Sumitomo Corporation ("Sumitomo"), conducts the import and distribution of cars, spare parts and accessories as well as services related to mobility. The business activities have been conducted in three separate wholly owned subsidiaries: MMC Bilar Sverige AB, SC Enterprises AB and FSC Bilar AB. The operations of FSC Bilar AB were discontinued during the financial year.

The subsidiaries MMC Bilar Sverige AB and FSC Bilar AB operate through networks of authorized dealers and workshops which need to meet specific criteria to be part of the network.

SCMS and its subsidiaries work closely with the manufacturers whose products we import and distribute, Mitsubishi Motors Corporation and during part of the year for Citroën Groupe PSA (jointly the "Manufacturers").

This cooperation is reflected in our sustainability work where several of the requirements imposed on manufacturers are passed on to SCMS, its subsidiaries and dealers as well as workshops through binding import agreements and dealer and workshop 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 Compact and ISO 2600 standards on social responsibility. This forms the basis for all Sumitomo's operations and applies to all wholly owned companies in the group.

Within SCMS, the group CEO is ultimately responsible for the sustainability approach and activities and, together with the management team, decides on goals, action plans and key figures for the business. For the daily sustainability activities, each company's CEO is responsible with a delegated responsibility down to the department/functional level.

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

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

Since SCMS and its subsidiaries do not manufacture but only import and distribute finished products and services, the sustainability work carried out by the manufacturers is central also for SCMS operations and we are proud to be associated with companies and products that live up to strict sustainability requirements. All manufacturers carry out extensive sustainability work and adhere to the UN Global Compact and

key ISO standards, including ISO 14000 and ISO 2600. For more information, see the respective manufacturer.*

The subsidiaries' respective dealer networks are the second perspective in our sustainability work. Our dealers and service workshops are our main contact with end customers and its operations are crucial for both the development of our results and 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 our subsidiaries strive to be modern employers where sustainability issues are given a natural focus. The third perspective on sustainability issues is thus our internal work and our promise to our employees to be a responsible employer and good social actor.

3.2 Code of Conduct

The SCMS Code of Conduct is under development. For the time being, SC Motors Sweden AB and its subsidiaries are in agreement with Sumitomo's Code of Conduct and, where applicable, to codes of conduct from external suppliers and partners through agreements.

3.3 Environmental work

From a manufacturer's perspective, environmental work is central and the respective manufacturers are conducting a number of initiatives to reduce the impact on the environment and the climate. A sustainable environmental and climate mindset is one of the main drivers of the profound change that is currently taking place in the automotive industry towards alternative fuels and electric cars. Thus, the Manufacturers meet strict environmental and climate requirements, e.g. ISO 14001 certification. For more information, see the respective manufacturer.*

At present, no specific environmental requirements are imposed on the dealer network by SCMS or its subsidiaries. This is left up to the respective dealer, who in most cases conducts its own active work on these issues. 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 SC Motors Sweden AB and its subsidiaries is conducted in accordance with an internal Environmental Policy where the requirements for the business's environmental work are laid down. The policy is based on the environmental guidelines and requirements imposed by the owner Sumitomo. A delegated responsibility for complying with the policy is the responsibility of the respective subsidiary's CEO and delegated down to the department/functional level. Each manager has a responsibility to identify environmental risks and report this to the management team for assessment and action.

In the environmental field, SCMS intends to measure our climate impact primarily through how our waste management can contribute to reducing carbon dioxide emissions. (Key figures: CO² emissions/year).

3.4 Social conditions and social conditions

The 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. For more information, see the respective manufacturer.*

The SCMS Group conducts active and systematic human resource management where our aim is to be a responsible, modern and good employer with a common business culture that spans all companies in the Group. Good leadership is central to achieving this and the SCMS Group is therefore actively working on leadership development based on the leadership mottos: Business mindset, Courage and Balance, Leading others and Communication. Freedom of association is important and SCMS enters into collective union agreements. Employees have the opportunity to influence their work situation to a large extent and rights relating to parenthood are encouraged.

The SCMS Group strives to be an equal employer where both women and men are represented in all professional roles. Group management is convinced that a balanced gender ratio has positive

*CSR documentation from manufacturers:
<https://www.groupe-psa.com/en/automotive-group/responsibility/>
<https://www.mitsubishi-motors.com/en/csr/>

effects and, with this background, wants to strive to employ more women in all different professions.

The health and safety work within SCMS is carried out systematically and in accordance with guidelines set out in an internal Work Environment Policy. Managers have a delegated responsibility for health and safety compliance and are 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 internal cars, as well as in the internal warehouse. In this environment health and 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 related to social conditions, personnel and work environment are identified and evaluated continuously by the HR function and appointed safety representatives for further reporting to the Group's management team. However, each manager has a delegated responsibility to report risks and take action.

In the field of personnel and work environment, SCMS intends to monitor and measure the following key figures:

- Gender equality (proportion women/men)
- Sick leave (proportion 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. For more information, see the respective manufacturer.*

The SCMS Group's work on these issues is based on the extensive procedures and policies implemented by Sumitomo and which are passed on to wholly owned subsidiaries.

Human rights work is based on the UN Global Compact, which Sumitomo joined back in 2009. Compliance with these requirements is passed on directly to subsidiaries in the Group.

Within the SCMS Group, all forms of harassment and discrimination are strictly prohibited. An internal anti-discrimination policy is adopted and the respective manager is responsible for its compliance.

Compliance, including anti-corruption rules, is central to the Sumitomo Corporation. Among other things, an internal screening system was introduced in 1999 to detect undue payments and bribery attempts. In 2017, the group launched a new anti-corruption policy that sets the overall requirements and objectives for all companies within the group. This policy forms the basis of the SCMS' internal anti-corruption policy that sets a zero tolerance policy against all types of corruption.

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

*CSR documentation from manufacturers:
<https://www.groupe-psa.com/en/automotive-group/responsibility/>
<https://www.mitsubishi-motors.com/en/csr/>