



SUSTAINABILITY REPORT concerning 2019 for Öhlins Racing AB.



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Corporate ID number 556079-5030

This report relates to our business operations in Sweden, Germany and Thailand for the financial year 2019.

1. Introduction

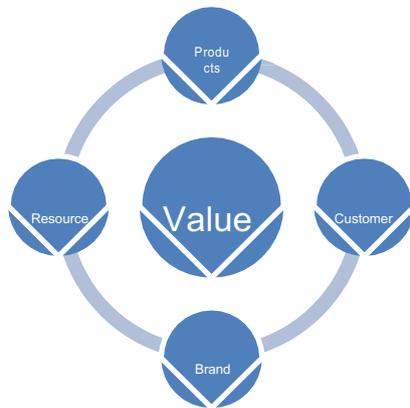
On 15 November 2018, the founder of Öhlins Racing, Mr Kenth Öhlin, publicly announced the sale of Öhlins Racing AB to Tenneco Inc. The acquisition was formally completed on 9 January 2019. 2019 was, to a great extent, characterized by this acquisition and others that Tenneco made to create an effective company structure and strengthening a business relationship that began 20 years ago. The acquisition was part of Tenneco's strategy to leverage key technologies that will better position Tenneco to take advantage of secular trends in intelligent suspension, autonomous driving and mobility.

Öhlins Racing AB describes its work on sustainability issues in this report from an environmental and social perspective. This is in response to the adoption of legislation (2014/95/EU) by the EU in 2014 that is designed to ensure that European companies are competitive and transparent in the field of sustainability. In Sweden, the rules have been adopted as part of the Annual Accounts Act as of 1 December 2016 (SFS 1995:1554).

Öhlins is a functioning business with a sound economy and regulatory framework that governs the focus of our work. Our *Code of Conduct* and *Whistleblower Policy* are two key policy documents for sustainability issues. The Code of Conduct sets out the ethical principles and frameworks governing our business operations; the Whistleblower Policy describes when and how Öhlins employees can report any activities that are not in line with the Code of Conduct or other corporate policies and that may cause harm to persons, the company or to the environment.

2. Business Model

The business operations described here are based on five different elements: Products, Customers, Brand, Resources and Values.



Products

Our products, or what we sell to our customers, consists of the proprietary development of high-quality suspension systems and associated services. This development takes place in Upplands Väsby and Jönköping in Sweden; and production is based primarily in Upplands Väsby and Thailand. 97% of our products are sold outside of Sweden.

Customers

Öhlins sells its products: through distributors where end-customers can purchase our products (Aftermarket), to vehicle manufacturers (OEM), and to racing companies which, in addition to our products, often hire us for technical service and support.



Brand

The Öhlins brand is more than 40 years old, with brand awareness and products that are well-recognized within the industry. Öhlins is associated with quality, performance and innovation.

Resources

Skills and staff: Öhlins employees are engaged and possess skills in R&D, technical expertise, have practical experience and an understanding of the products/products' performance and assembly, and other skills necessary for the business.

Physical resources: Plant and machinery.

Processes and systems: Our quality management system (QMS) in Upplands Väsby and Jönköping is certified according to the requirements in IATF 16949:2016 and ISO 9001:2015. The operation in Thailand is certified according to ISO 9001:2015.

Intangible assets: Öhlins holds approximately 200 patents, including technical solutions for forks, shock absorbers and steering dampers as well as to associated components.

Suppliers: Öhlins has long-term partnerships in place with several external suppliers.

Values

Our operations are based on Öhlins' system of operations (ÖVS), which outlines our company's principles and values. ÖVS focuses on continuous improvements in our processes, where safety, quality, delivery and economy are prioritized. The basis of ÖVS is our values: Integrity Always, One Team, Make Tomorrow Better, and Will to Win.

3. Sustainability Opportunities

Öhlins Racing AB works on sustainability opportunities based *environment, social conditions and staff, human rights and anti-corruption*, all of which are included in this report in accordance with the Annual Accounts Act (SFS 1995:1554), Chapter 6, Sections 10-14.

Öhlins' operations impact a range of stakeholders: customers, suppliers, employees, owners and society. Through our regular employee surveys, internal risk analysis, and customer requirements, for example, we have generated an understanding of the sustainability opportunities. Upon completing this analysis, these opportunities are prioritised based on their importance for stakeholders and Öhlins' ability to influence them. Below is a description of the sustainability opportunities raised.

3.1 Environment

We are aware of the environmental impact that our business operations have, and that can be primarily linked to the production of our products. We have identified the following issues as important to our stakeholders: **Handling of Chemicals, Transport, Travel, Waste Disposal and Energy Consumption**. Öhlins' work on these issues is primarily governed by our *Code of Conduct*.

This includes the following:

Code of Conduct

"The Öhlins Group's products and processes must be designed in a way that efficiently utilises energy, natural resources and raw materials and minimises waste and residual products.

"The Öhlins Group must avoid using materials and methods that could lead to environmental and health risks when appropriate alternatives are available.

"The Code of Conduct is available in our quality management system and as a new employee, you are made aware of these in the same way as the other rules and guidelines at Öhlins."

A detailed description of how we deal with the issues follows:

3.1.1 Handling of chemicals

The use of certain chemicals is crucial to Öhlins' production processes. The use of Methylene chloride was ended in April 2019 and was replaced by less harmful chemicals.

3.1.2 Transport

Öhlins' products are sold all over the world, and logistical operations are therefore extensive. In 2019, some 4000 shipments (approximately 3400 in 2018) were dispatched from our factory in Upplands Väsby, and 1545 (not measured in 2018) from our factory in Thailand.

There is currently no procedure in place to monitor the environmental impact of the shipments. One risk involved in transport is the emission of greenhouse gases, mainly carbon dioxide. In order to limit the environmental impact of transport by lorry, well-established freight forwarders are utilized.



3.1.3 Business Trips

Our business is global, so employees are in touch with customers, suppliers and partners from all around the world. A natural consequence of this is a large number of business trips each year. In 2019, flights totalled 3 801 921 km with an estimated carbon dioxide emission totalling approximately 463 tonnes (535 tonnes in 2018) of CO₂. This data is comprised mainly of travel from employees from our headquarters in Upplands Väsby and Jönköping.

3.1.4 Waste Disposal

One product of our business operations is waste, which in some cases is classified as hazardous to the environment (such as waste oil). The figure below shows a selection of waste products that were submitted in 2019 and 2018 for recycling from the various operational segments.

Type of waste / Country (kg)	SWEDEN	GERMANY	THAILAND
Metal (2019)	29500	40	0
Oil (2019)	2101	261	0
Metal (2018)	23331	25	0
Oil (2018)	2325	230	164

One risk associated with disposal is improper waste handling by the contracted companies responsible for its collection. Therefore, there is a risk of release of these environmentally hazardous substances. Öhlins manages this risk by engaging reputable recycling companies, all of which are certified in line with ISO 9001 (quality management) and ISO 14001 (environmental management).

The metal scrap at Öhlins in Sweden increased during 2019 compared to 2018. This is mainly due to our laboratories scrapping old test objects.



3.1.5 Energy Consumption

Our business operations include the following energy consumption (electricity including heating and gas):

Energy Consumption, kWh	SWEDEN	GERMANY	THAILAND
2019	2800485	126220	3490865
2018	2962582	112716	3424109

The risk of energy consumption is the emission of greenhouse gases. In line with the statement in the Code of Conduct for the effective use of natural resources and minimization of residual products, Öhlins Sweden and Öhlins Germany have only bought “green” electricity (electricity produced with renewable energy sources) during 2019. .

Work is continuously on-going to reduce energy consumption. However, due to expansion of the site in Thailand, overall energy consumption has increased when compared with previous years.

3.2 Social Conditions and Staff

Our vision for 2025 is that Öhlins will be an attractive, evolving and rewarding workplace where employees feel motivated and part of the company’s development and success. In the employee survey for Sweden’s operations, conducted in Spring 2018, we received an index of more than 75% from our employees for performance and for the basic needs for well-being at work.

Two issues related to Social Conditions and Staff were identified in our analysis: **Equal Treatment** and **Work Environment**. Öhlins’ commitment to resolving these issues is governed by our *Code of Conduct*, *Equal Treatment Policy* and *Work Environment Policy*.

Here we describe how we work with the issues and policies:

3.2.1 Equal treatment

The policies governing equal treatment are included in our Code of Conduct and our Equal Treatment Policy. The Code of Conduct states that:

“(…) All employees must be treated with respect. Discrimination, physical or verbal harassment, or illegal threats will not be tolerated.”

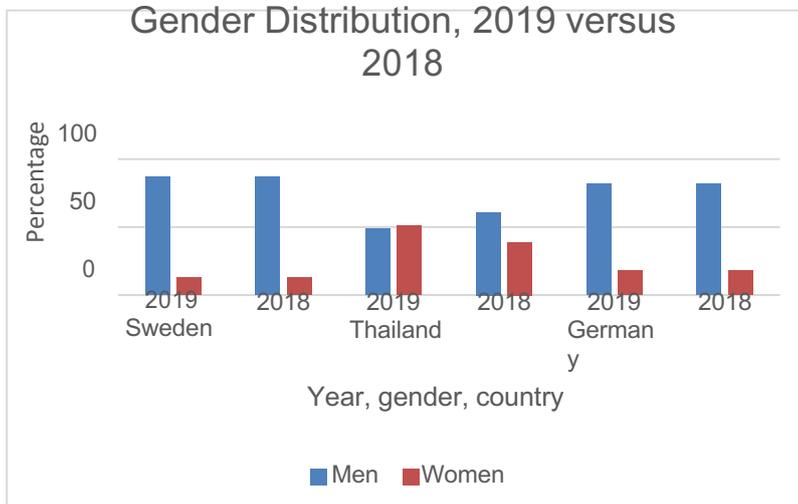
Our Equal Treatment Policy states that:

“The purpose of the policy is to prevent and counteract any discrimination based on gender, gender identity or gender expression, ethnicity, religion or other beliefs, disability, sexual orientation and age.

“Both the Code of Conduct and the Equal Treatment Policy are available in our QMS, and as a new employee, you are made aware of these in the same way as the other rules and guidelines at Öhlins.”

Examples of how we work to prevent discrimination include

- All executives receive basic training in labour law,
- All new employees are to receive an induction that is designed to integrate them into the work group, and where approaches and guidelines are reviewed,
- Working on compliance of our values,
- Goal of achieving an open work environment, where employees are encouraged to discuss their own experiences and thoughts.



Percentage of women in the company

Öhlins strives to achieve an even gender distribution, and we are working to bolster the proportion of women working at the company, including reviewing our recruitment process and how we design job advertisements.

We have identified a possible risk with wage discrimination. In Sweden, this risk is managed through payroll mapping, where salary levels are analysed to highlight any unreasonable differences. For Öhlins, the mapping from 2018 revealed an even distribution between men and women without any differences related to gender.

3.2.2 Work Environment

The policies that are relevant to the work environment are stated within our Code of Conduct and our Work Environment Policy. These include the following:

Code of Conduct:

“The necessary conditions for a safe and healthy work environment shall be provided for all Öhlins Group employees.”





Work Environment Policy:

“The company, in cooperation with its employees, must ensure a physical, psychological and socially positive work environment. The company must comply with the applicable legal and occupational health legislation. Incidents and accidents must be reported in compliance with applicable procedures, and incoming reports must be investigated and addressed where necessary. Protection rounds must be conducted on a regular basis.

“Both the Code of Conduct and the Work Environment Policy are available in our QMS, and as a new employee, you are made aware of these in the same way as the other rules and guidelines at Öhlins. The code of conduct is reviewed internally and is approved annually by Öhlins’ Board of Directors.”

In order to comply with our Work Environment Policy, we apply the following procedures for systematic work environment management for our Swedish operations:

- Work tasks and responsibilities are distributed within the organisation
- The safety representative and the safety committee are on site at the company
- A risk assessment is conducted each year and plans of action are subsequently created
- All occupational injuries, accidents and incidents are reported, whether they caused personal injury or not
- Rehabilitation of and work adaptation for employees as needed
- A risk assessment is made for all existing and new chemicals
- Health checks are made at specific intervals
- An employee survey is conducted each year

Follow-up takes place annually when our policy is reviewed and revised as necessary.

Workplace accidents and ill health among our employees are the risks we associate with the work area.

Workplace accidents

In order to prevent workplace accidents, we conduct regular risk assessments of the work environment for our production operations (Sweden and Thailand), known as safety rounds, approximately once a year. The risk assessment aims at mapping and assessing the risks involved with the physical, organisational and social work conditions. The measures that are not implemented immediately are included in a plan of action outlining the measure, timetable for implementation and responsibility for implementation.

A risk assessment of workplace accidents is conducted in addition to the safety rounds, as well as in the safety committee and following reported incidents.

Workplace Incidents and Accidents 2019, 2018	Incidents, 2019	Incidents, 2018	Accidents, 2019	Accidents, 2018
Sweden	13	10	5	4
Thailand	0	0	1	0

Ill-health

An assessment of the risk of ill-health is conducted in Sweden with staff appraisals; the results of the employee survey; and through the continuous monitoring of overtime and sick leave, which is performed monthly by the HR Department. Our employees are also offered regular health checks.

For our business operations in Sweden, short-term absences and long-term absences of more than 15 days due to illness have accounted for 3,7% (3,9 % 2018) of total working hours in 2019. This can be considered a relatively low level. Thailand had a sick-leave of 2% in 2019 (1,4 % 2018) and Germany had 4.1 % (not measured in 2018).

The health survey from 2018 revealed that the majority of our employees in Sweden feel that we have a good work environment. (There was no health survey performed during 2019.) However, for the **psychosocial work environment**, there is a risk associated with stress, 28% of employees stated that they often or very often feel stress at work. In two cases, this has caused stress-related inconveniences, so assistance has thus been offered.

In our **physical work environment** there are risks associated with the handling of certain substances. As mentioned in the Environment section, Öhlins in Sweden used methylene chloride, a chlorinated hydrocarbon, when washing components until April 2019. The use of methylene chloride could present a health hazard, and for this reason, we regularly performed measurements of the presence of methylene chloride in the air at the washing facility. The last measurement conducted in May 2017 revealed a significantly lower level than the hygienic limit: in normal handling when washing, 17,5 mg/m³ was measured. The Work Environment Administration's hygienic limit for methylene chloride is 120 mg/m³.

We also perform measurements of the presence in the air of so-called thermosets, which contain harmful substances. At the latest measurement conducted in February 2016, the results revealed that the air content was less than 1/10 of the hygiene limit.

As part of our recruitment process, new employees who will be working with thermosets (primarily in production and storage/packing) will undergo medical check-ups before commencing their work. These employees will also undergo theoretical training for the treatment of thermosets every five years.

3.3 Respect for Human Rights

Protection and the respect for human rights are described in our Code of Conduct, which observes the international conventions in this area. The Code of Conduct states that the Öhlins Group must support and respect the protection of internationally proclaimed human rights, and ensure that the Group does not contribute to any human rights violations or any form of forced labour or child labour. Freedom of association must be respected.

The Code of Conduct is available in our QMS, and new employees are made aware to this in the same way as the other rules and guidelines at Öhlins. The Code of Conduct is reviewed internally and is approved annually by Öhlins' Board of Directors.

For our business operations, there are two relevant areas: Conflict Minerals and Verification of our Suppliers.

3.3.1 Conflict minerals

"Conflict minerals" refer to gold, tantalum, tin and tungsten, and are used in a variety of electronic components. If these minerals are sourced from the Democratic Republic of Congo and its neighbouring countries, they may contribute to conflicts in the region. Öhlins in Sweden develops and manufactures its own electronic products. Further, to prevent the risk of using Conflict Minerals from these troubled regions, we require our suppliers to ensure that the gold, tantalum, tin and tungsten purchased does not originate from this risk area. This is outlined in our technical specification on electronic assembly, applicable to the US legislation entitled The Dodd-Frank Act, section 1502." (The EU legislation will be enforced in 2021.)



3.3.2 Verification of Suppliers

Öhlins is dependent upon external suppliers to manufacture its products. Controlling the entire supply chain to ensure that human rights are respected is a complex issue. For our Swedish business, we handle the potential risk of human rights violations, such as child labour, through our Supplier Assessment process. By adopting this procedure, suppliers are assessed based on a number of criteria, including if they observe the Öhlins Code of Conduct.

Öhlins in Thailand, in addition to the suppliers used by Öhlins in Sweden, also uses its own suppliers. These are selected per their own assessment system.

Purchasing of workwear and clothes from Öhlins "merchandise range" falls outside the scope of the ordinary Supplier Assessment process. However, the suppliers used all have their own codes of conduct and internal CSR work to protect human rights.

3.4 Counteracting Corruption

Öhlins policy on corruption and bribery forms part of our *Code of Conduct*. Öhlins prohibits participating in, or condoning any form of, bribery or fraudulent procedure. Representatives of the Group must never offer customers, potential customers, suppliers, consultants, governments, authorities, or representatives of such bodies any compensation or benefits that contravene applicable law or accepted business practices that are more rigorous than the applicable legislation to secure or retain business or to acquire other undue advantages.

Furthermore, the Group's employees must not accept any payments, gifts or other remuneration from third parties who in any way affect, or may be perceived as affecting, their objectivity when taking business decisions.

The Code of Conduct is available in QMS, and new employees are made aware of this in the same way as the other rules and guidelines at Öhlins. The Code of Conduct is reviewed internally and is approved annually by Öhlins' Board of Directors.

No cases of bribery and corruption have been identified during the year. However, problems with corruption and bribery could lead to the risk of a loss of confidence in the company, and any breach of our anti-corruption rules could also have a significant, adverse impact on our ability to continue to operate in different countries.

To curtail the risks of corruption, Öhlins adopted a Whistleblower Policy in 2017. The purpose of this policy is to describe when and how Öhlins Group employees may report any suspicions regarding activities that are not in line with the company's Code of Conduct or other corporate policies, and that may cause harm to persons, the company, or to the environment.

The Whistleblower Policy is available in our QMS, and has been communicated internally.

4. Conclusion

This is the Öhlins Group's third sustainability report. Future sustainability reports will be delivered in line with our efforts to create more sustainable solutions for the company's future.