



Technology Innovation Sustainability

**SUSTAINABILITY
REPORT**
2021

Sustainability report

Sustainability efforts constitute an integral part of Concentric's operations and is something we consider when engaging with all our stakeholders. The aim is to ensure a holistic approach with as many positive results as possible environmentally, socially and economically.

Technology + Innovation = Sustainability

The philosophy of the Board of Directors and Group Management is that Concentric's principal contribution to a sustainable world, in terms of everything to do with the environment and society, takes place through the use of the Company's products. Concentric's Sustainability Report is prepared according to the GRI Standards: Core option. Therefore we report the year 2021 as fully GRI compliant and include the outcomes of the Group's efforts on sustainability and environmental matters, see pages 124–131 in the Annual Report 2021.

Code of Conduct

Concentric's Code of Conduct stipulates that the Group shall comply with the laws and regulations of each country in which it operates; demonstrate and promote a commitment to responsible business practice in policies, decisions and activities; contribute towards improving economic, environmental and social conditions through an open dialogue with the relevant interest Groups in those local societies in which we operate, and integrate the principles of the Code of Conduct into all critical processes.

The code incorporates the following areas

- Requirements on business partners, including a Code of Conduct for Suppliers;
- Business principles which provide guidance on accounting and reporting (including an Information Policy), anti-corruption, money laundering, conflicts of interest, company assets, taxation, customer offering (including marketing and fair competition), insider trading (including an Insider Policy) and political involvement;
- Principles on human rights, non-discrimination and freedom from harassment, forced and child labour, freedom of association, workplace practices (including an Assignment and Transfer Policy) and compensation and working practices (including a Social Policy);

- Environmental principles on resource efficiency (including an Environmental Policy) and a precautionary principle to avoid the use of materials and methods which pose environmental and/or health risks when suitable alternatives are available.
- Concentric's Code of Conduct is readily available to all employees through the Company's intranet and supported by local Human Resources teams. All employees are encouraged to report suspected violations of any aspect of the Code of Conduct to their direct line manager, their manager's manager or Human Resources. Alternatively, matters may be escalated through the Whistle Blowing Policy. Compliance with the code is also monitored through a combination of key performance indicators (see table opposite), self-assessment returns and internal/external audits.

The environment

Environmental policy

In accordance with Concentric's environmental policy, which encompasses all activities undertaken by the Company's facilities, Concentric's environmental programme is to be characterised by continuous improvement, technical development and efficient use of resources. Such measures will help Concentric achieve a competitive edge and contribute to sustainable development.

The environmental impact of Concentric's products, industry operations and services must be minimised; the fundamental requirement of all operations will be the prevention of pollution alongside compliance with current legislation, respect for the environment in local communities and respect for stakeholders.

The environmental policy is annually reviewed and adopted by the Board of Directors. All members of Group Management are responsible for implementing the action plan that is based on the environmental policy.

From a sustainability perspective, the Board continuously evaluates economic, environmental and social aspects of the Group's performance and reviews specific issues such as work-related injuries, energy consumption and Code of Conduct adherence. Further information around Management's approach to sustainability is set out on page 125 in the Annual Report 2021.

Environmental and corporate social responsibility

Most of Concentric's sites are certified to ISO14001 (environmental management) and some sites to ISO45001 (healthy and safety management).

Integrated governance processes

The Group's management and operations system meets the standards set by the ISO for quality and environmental management. The purpose of these systems is to support and steer our operations towards a uniform

way of working with lower costs and improved customer value. Work on sustainability is treated as an integral part of operations, for which the Company's CEO has ultimate responsibility. The clear control and follow-up processes mean that the risk of non-compliance with legal or internal requirements on sustainability is small, and if non-compliance should still occur it can be quickly identified and resolved.

Stakeholders

As a company pursuing commercial interests, Concentric has a multifaceted network of stakeholders comprising OEMs and Tier 1-suppliers, end-users, suppliers, partners, employees, shareholders, financial markets and the State.



Concentric's group-wide aspects and targets in sustainability

Material of aspects sustainability	Social contribution	Long-term goal	Operational goal	Results	
				2021	2020
Ethics & value creation	<p>General Long-term financially strong and ethically correct for all our end-markets (Industrial Applications, Trucks, Agricultural Machinery and Construction equipment) where we are present as an engine and hydraulic pump supplier</p> <p>UN's sustainable development goals No.8: Promote sustainable economic growth</p>	Concentric achieves long-term financial growth in an ethical manner that contributes to the improved welfare of society	Underlying operating margin should amount to $\geq 16\%$	20.9%	19.4%
			Gearing (Net Debt/Equity) should amount to $50\% \geq 150\%$	82%	8%
			Dividends should correspond to at least one third of the Group's consolidated after-tax profit over the course of a business cycle	42%	64%
			No. of ethical breaches based on Concentric's values	0	0
			No. of insider trading violations investigated by Finansinspektionen ¹⁾	0	0
			No. of acts of fraudulent behaviour identified	0	0
Product responsibility & climate Impact	<p>General Reduced impact on the climate for all our end-markets (Industrial Applications, Trucks, Agricultural Machinery and Construction Equipment) derived from the innovative development of engine and hydraulic pumps</p> <p>UN's sustainable development goals No.9: Promote inclusive and sustainable industrialisation and foster innovation</p> <p>No.13: Combat climate change and its impacts by regulating emissions and promoting developments to improve emissions</p>	Concentric develops class leading pumps to enable OEMs to increase energy efficiency and reduce the environmental impact of their vehicles/equipment	<p>Procedure The efficiency of all products is verified during the customer validation process</p>	n/a	n/a
				Concentric is recognised as a credible and long-term supplier of first choice by customers for both on- and off-highway commercial vehicles	Improve our overall rating in the annual customer survey to an average score of ≥ 4.00 out of a maximum score of 5.00
Responsible suppliers	<p>General Ensure the application of labour law, human rights, anti-corruption and environmental responsibility in the supply chains for both on- and off-highway commercial vehicles</p> <p>UN's sustainable development goals No. 8: Promote sustainable economic growth</p>	Concentric promotes social responsibility in its operations and value chain	<p>Procedure Concentric evaluates and approves all material suppliers from a sustainability perspective, including environmental and human rights criteria</p>	100%	100%
Equality & diversity	<p>General A workplace that offers diversity and equal opportunity</p> <p>UN's sustainable development goals No.5: Achieve equal opportunity</p>	Concentric is an equal opportunities organisation that has an even gender distribution amongst its salaried employees and managers	Increase the number of female salaried employees and managers to 33% by 2025	23.9%	25.0%
			Increase the number of female wage earners to 22% by 2025	14.1%	11.3%
			No. of human rights claims brought against Concentric	0	0

¹⁾ Sweden's financial supervisory authority

Concentric’s operations in 2021 distributed by stakeholder, based on the Company’s income statement.

Stakeholder engagement

It is of great importance that Concentric has an open dialogue with its stakeholders. The table below summarises how Concentric communicates with its stakeholders to understand their primary areas for concern and how these relate to Concentric’s material sustainability aspects.

Key stakeholder activities include:

- Annual customer surveys
- Customer accreditation programmes, eg CAT (SQEP) and John Deere (Achieving Excellence)
- Industry accreditation programmes in the US (Malcolm Baldrige) and Europe (IiE & EFQM)
- Regular supplier days
- Annual employee surveys
- Regular investor perception studies
- Customer technology roadshows

Amounts in MSEK

Customers	Sales of engine and hydraulic products	2,115
Suppliers	Procurement of goods and services as well as depreciation, amortisation	-1,242
Employees	Wages, social expenses and competence development	-470
Financial Institutions	Interest	-13
The State	Taxes	-52
Shareholders	Net income	338



Stakeholder group	How we work	Primary areas	Examples of identified aspects for stakeholders	Link to Concentric's material sustainability aspects
Customers	<ul style="list-style-type: none"> Annual customer surveys Customer accreditation programmes Technology roadshows 	<ul style="list-style-type: none"> Overall customer satisfaction Product quality On time fulfilment of orders & continuity of supply Technology & innovation 	<ul style="list-style-type: none"> Customer service & relationship PPM & warranty claims record Delivery (OTIF%) Product development to support changes in emissions legislation 	<ul style="list-style-type: none"> Product responsibility Climate impact Resource efficiency
Suppliers	<ul style="list-style-type: none"> Regular supplier days & workshops Factory inspections & on-site supplier audits Code of conduct for suppliers 	<ul style="list-style-type: none"> Product quality & warranty claims record On time fulfilment of orders & continuity of supply Technology & innovation Environmental program Health & safety 	<ul style="list-style-type: none"> PPM & warranty claims record Delivery (OTIF%) Product development Waste management Human rights Anti-corruption Risk management Co-operation 	<ul style="list-style-type: none"> Ethics & value creation Product responsibility Responsible suppliers Resource efficiency
Employees	<ul style="list-style-type: none"> Annual employee surveys Personal development discussions Training & education Code of conduct 	<ul style="list-style-type: none"> Recruitment & employer branding Ethics & values Skills development Succession planning Health & safety Remuneration 	<ul style="list-style-type: none"> Company culture Environmental compliance Skills development Equal opportunity Health & safety Reward & benefits 	<ul style="list-style-type: none"> Ethics & value creation Equality & diversity Resource efficiency
Shareholders, analysts & financial institutions	<ul style="list-style-type: none"> Regular perceptions studies Investor roadshows & seminars One-to-one meetings in person/by telephone Analysts presentations & capital markets days 	<ul style="list-style-type: none"> Corporate update 	<ul style="list-style-type: none"> Value drivers Product development Debt servicing capabilities Sustainability Human rights Anti-corruption Risk management Operating leverage 	<ul style="list-style-type: none"> Ethics & value creation Product responsibility Climate impact Responsible suppliers Equality & diversity Resource efficiency
The state & local community	<ul style="list-style-type: none"> Ongoing dialogue with emissions legislators Participation in government initiatives, e.g. US SuperTruck Ongoing dialogues with local community representatives 	<ul style="list-style-type: none"> Product development Energy efficiency & climate Impact Involvement in the local community Environmental program 	<ul style="list-style-type: none"> Long-term financial strength of employer Social sustainability Climate & energy Environmental compliance Domestic supply chain Waste management Human rights 	<ul style="list-style-type: none"> Ethics & value creation Product responsibility Climate impact Responsible suppliers Equality & diversity Resource efficiency

Production

Concentric’s business activities are divided by region, with full earnings and balance sheet responsibility at both regional and plant levels. Every plant has a local manager who assumes earnings responsibility for the entire range of plant operations.

Concentric differentiates between engine production lines with higher volumes and hydraulic production lines with lower volumes. The production lines with higher volumes have a cellular structure that utilises automatic or semi-automatic no-fault forward methods for the production of single items, or only a few varieties. The production lines with lower volumes have a production channel structure based on a group method that supports sales of smaller production batches of similar products.

Quality and environmental control critical to profitability

Most production plants are certified in accordance with ISO/TS 16949 and ISO 14001. ISO/TS 16949, a standard for quality control systems for suppliers to the automotive industry, was developed by the International Automotive Task Force (IATF) and the International Standardization Organization (ISO), while ISO 14001 is a standard for environmental control systems developed by ISO.

The Company pursues continuous improvement and lean-manufacturing methods that are driven by the Baldrige/EFQM model (European Federation of Quality Management) and an internal improvement programme called Concentric Business Excellence. Personnel at all levels take part in development activities and are encouraged to increase their skills and expertise through relevant training programmes.

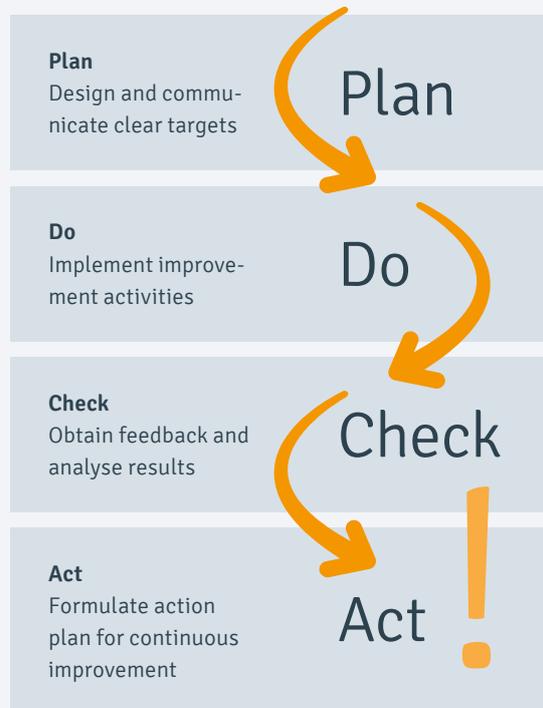
Resource efficiency

The Group’s environmental activities shall be integrated in all operations and shall be the subject of continuous improvement through the Concentric Business Excellence programme (“CBE”).

The Group’s products and processes shall be designed in such a way that energy, natural resources and raw materials are used efficiently, and that any waste and residual products are minimised, in line with the Group’s Environmental Policy.

Concentric Business Excellence

Concentric’s Business Excellence programme (“CBE”) underpins the Group’s approach to sustainability in everything we do.



Social issues

Concentric has adopted a social policy that is based on the UN's Universal Declaration of Human Rights, the UN Global Compact initiative, the International Labor Organisation's (ILO) Declaration on Fundamental Principles and Rights at Work and the OECD's guidelines for multinational enterprises. Concentric's work in this area has focused on the implementation of policies as a part of existing procedures and guidelines. For example, the social policy has been integrated in the Company's purchasing manual. Implementation work is ongoing and continues to focus, specifically on the development and execution of action plans at division and unit levels.

Concentric in the community

Concentric endeavours to contribute to the improvement of economic, environmental and social conditions by means of an open dialogue with relevant interest groups in the communities where Concentric has operations.

Human rights

Concentric supports and respects the international conventions on human rights and make sure the Group is not complicit in human rights abuses.

Forced and/or child labour

Concentric shall not engage in or support forced, bonded or compulsory labour, nor shall it require any form of deposit or confiscate identification papers from its employees. Employees are completely free to leave their employment after reasonable notice, as required by law and contract. Child labour is not tolerated. The minimum employment age is the age of completion of compulsory school, but never less than 15 years.

Freedom of contract and association

Concentric ensures that all employees accept positions within the Company of their own free will. Concentric respects the right of all employees to join an association to represent their interests as employees, to organise and to bargain collectively or individually.

The Group shall respect the recognised unions. An employee's right to refrain from joining a union is equally respected. The Group shall ensure that all employees' representatives and relevant government authorities are notified of major changes in our operations as required by law.

Work environment and health

Concentric offers a safe work environment at all of its workplaces and takes actions to prevent accidents and work-related injuries by minimising the risks in work environments to the greatest possible extent. Concentric also invests in preventive healthcare for its employees. The Company supports Employee Wellness programmes that have gained national recognition in the USA and other countries.

Reports on violations

Reports on violations of this social policy can be submitted anonymously and confidentially to the local Head of Human Resources, Group VP of Human Resources or the Chairman of the Board of directors' in accordance with Concentric's whistle-blowing policy. Individuals who make reports in good faith will not suffer any repercussions or other negative consequences.

Employees

Concentric's success is based on the competencies and abilities of its employees. Creating an environment to attract and retain the best employees is a high priority for Concentric. Every year, employees have the opportunity to participate in an employee survey and, should they wish, they can be part of the action teams that work on follow up action plans. Employees in various countries, with diverse cultural backgrounds, must be able to work together to create added value for the company, customers and shareholders.

Personnel development and focus on the future

Concentric plans to continue recruiting for the future. A key feature of the Group's HR efforts is the annual Leadership Talent Review Programme, which is used to evaluate and develop the potential of our current talent

“ The Group’s environmental activities shall be integrated in all operations

along with addressing future needs for management/ leadership skills and competence. The main purpose of this management tool is to ensure a long-term supply of qualified personnel, at both the corporate and the unit level, and to identify talent for growth opportunities.

Equal opportunities

Concentric is committed to creating and maintaining a respectful workplace, free of harassment and where all individuals are treated with fairness, dignity and respect. All employees shall have equal opportunities based on competencies, experience and performance regardless of gender, race, religion, marital status, age, disability, sexual orientation, gender reassignment, nationality, political opinion, union affiliation, social background or ethnic origin. The Group has a zero tolerance policy as regards any form of discrimination, physical or verbal harassment, or threats.

Concentric employees by country¹⁾

Country	2021	2020	2019	2018	2017
Argentina	58	63	75	83	84
China	16	17	19	19	18
Germany	151	166	164	199	190
India	144	121	145	169	173
Sweden	91	81	61	70	59
UK	140	123	149	182	182
USA	592	180	201	243	242
Other	2	2	0	1	3
Total	1,194	753	814	966	951

1) Calculated as full time equivalents (FTEs), including our 50% share of Alfdex AB per end of each year.

Business ethics

Concentric applies high standards in terms of business ethics and integrity, and supports the efforts of national and international organisations to establish and maintain strict ethical standards for all companies. Concentric has established a reputation for corporate trustworthiness, based on consistently conducting business with integrity and in compliance with the laws and regulations governing its activities. Success in business depends on building and maintaining the trust of customers, shareholders, employees, governments and the general public.

Accounting and reporting

All financial transactions shall be reported in line with generally accepted accounting practices, and the accounting records must show the nature of all transactions in a correct and non-misleading manner. Concentric shall report in a transparent and timely manner with the aim of conveying a true and fair view of the Group’s performance, in line with the Group’s Information Policy.

Anti-corruption

Concentric shall not participate in or endorse any corrupt practices and shall not accept, facilitate or support money laundering. All representatives of Concentric shall conduct their private and other external activities and financial interests in a manner that does not conflict or appear to conflict with the interests of the Group.

Customer offering, sales and marketing

Concentric shall ensure that its products meet applicable regulatory requirements, are designed with a focus on our core values of quality, reliability, safety, environmental care and delivering value for customers and are presented accurately.

Fair competition practices

Concentric shall compete in a fair manner and with integrity and shall use legitimate methods to gather information about our competitors. The Group shall not exchange information or enter into agreements or understandings with competitors, customers or suppliers in a way that improperly influences the market place or the outcome of a bidding process.

Insider trading

Concentric employees and representatives who have access to non-public information that may affect the Concentric AB share price, are not permitted to buy or sell Concentric shares or any other financial instruments that relate to the Concentric share, such as futures or options.



Concentric endeavours to use appropriate methods to evaluate and select suppliers

In addition, such individuals may not induce anyone else, by giving advice or in some other manner, to undertake such trading, in line with the Group's Insider Policy. As part of this policy, Concentric maintains a log book of insiders and liaises with Finansinspektionen in the event of any unusual share price activity which may lead to a potential investigation.

Political involvement

Concentric shall observe neutrality with regard to political parties and candidates for public office.

Supply chain

Concentric endeavours to use appropriate methods to evaluate and select suppliers based on their ability to meet the requirements of Concentric's social policies and other social principles, and document their continuous fulfilment of these requirements.

Our sourcing team aims at developing Concentric's suppliers as partners. We do this through selecting high performing suppliers that deliver the best possible products and superior services that add real business value for the Concentric Group, on both a global and regional basis. Our joint collaboration drives growth, profitability and continuous improvements focusing on customer success. The strong relationships and requirements are based upon Concentric's values and the high expectations of our customers.

To achieve these goals we have high expectations of our suppliers. We expect the highest standards on products and services where good management delivers state of the art quality from project planning through to delivery into our plants. We expect continuous improvement by involvement, contribution and collaboration to achieve our mutual goals, in respect of product quality, environmental sustainability and competitive costs.

Expectations of our plants are conveyed with all suppliers in support of our long held ambition for zero defects. Quality increasingly should no longer be seen as a number it must be an underlying principle in all aspects of our suppliers' business and simply be reflected in the products they supply to our plants.

Together with our suppliers, Concentric has a responsibility to reduce the environmental impacts from transport and other services. We expect suppliers to actively contribute and commit to the principle of reducing the environmental impact of present and future products through utilising their own environmental resource management and adopting environmental management systems such as ISO 14001.

Suppliers to Concentric shall deploy and respect ethical standards throughout the supply chain in compliance with the Concentric Codes of Conduct and shall ensure these are implemented in their everyday business actions and decisions.

One element of Concentric's vision is to be recognised as a credible and long-term supplier of first choice by customers in both on- and off-highway commercial vehicle industries. To achieve this and live up to our customers increasing demands regarding safety, environment, quality, time and cost we must maintain a process of continuous improvement. Our supplier community is an integral part of fulfilling these demands and, as such, continuous improvement must be a natural part of our supplier's management system and their daily work.

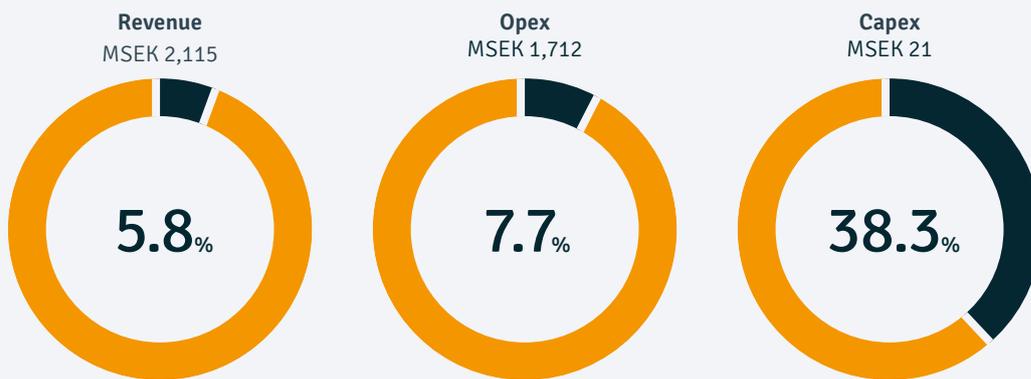
EU Taxonomy

In accordance with EU Taxonomy requirements, Concentric has assessed which of its business activities and products can be classified as ‘taxonomy eligible’ in terms of climate change adaptation and mitigation.

As a non-financial company, in line with taxonomy requirements for 2021, Concentric is reporting the proportion of revenue, operating expenses and capital expenditure which we consider to be taxonomy eligible in the information below.

Brand	Eligible Activities	Non-eligible activities
Concentric	Water, Oil & Fuel e-Pumps	Mechanical Pumps
	Electro-hydraulic steering systems	Hydraulic Pumps & Systems
Licos		Clutches
EMP	Water & Oil e-Pumps	Mechanical Pumps
	Mini-Hybrid Systems	Machined Products
	Other Electric Products	
Alfdex		Oil Mist Separators

Proportion of taxonomy eligible activities



● Eligible Activities ● Non-eligible activities

Please note that this analysis excludes Concentric’s JV Alfdex.