

KGK Sustainable

SUSTAINABILITY REPORT 2020

Ethanol conversion **KGK**
Electric-powered **KGK**

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About KG Knutsson AB

KG Knutsson AB (KGK) is a wholly owned subsidiary of KGK Holding AB. KGK was established in 1946, and its head office is in Sollentuna. The company has 358 employees and a turnover of SEK 1.5 billion. KGK is a general agent and supplier for world-leading brands in the automotive and marine industries.

KGK’s customers are mostly retailers and production companies in the automotive and marine industries. The retailers are offered extensive market support, broad training activities and modern aids such as the e-marketplace Autokatalogen.se, which makes it easier for customers to find the right products.

KG Knutsson AB holds ISO 9001 and ISO 14001 quality and environmental certification. The company also holds AEO certificates for customs and security.

A selection of agencies/brands: Calix, Dräger, Hella, Kamasa Tools, Thule, Webasto, ZF, Liqui Moly and Varta.

A year of change

2020 began like any normal year, with numerous exciting meetings at Automässan, interesting challenges and good prospects for sustainable business. The industry is facing huge challenges in order to achieve the objective of a fossil-free vehicle fleet by 2030. KGK wants to be involved in the transition and we are prepared to take responsibility and contribute in the best way we can. 2020 itself was a year of great change, in numerous ways.

“The emergence of coronavirus and the resulting pandemic changed everything. It affected the entire world and we all had to adapt and adjust to a new normal.”

As a company, we, like many others, had to do some rethinking and focus on solutions that were first and foremost digital, to allow as many people as possible to work from home to reduce the risk of infection.

The transport industry has coped relatively well compared with other more hard-hit industries. We operate in an essential sector and during the pandemic we have helped to keep vehicle fleets running. Swedes have stayed at home, including for holidays, and have avoided travelling by plane and train, choosing instead to go by car. This was good for our business.

This year of pandemic has represented a major change for our employees, who have shown great spirit and commitment in working from home, taking responsibility and following official recommendations, both personally and professionally.

At the heart of our operation, the logistics centre in Enköping, from where goods are sent out to our customers, the employees have done their utmost to keep healthy. We have had a low level of absence due to illness and so have been able to keep operations running almost as normal, with our usual high standard of delivery.

Despite the pandemic affecting new car sales, with closed borders, national lockdowns, factory shutdowns, reduced demand and problems with component deliveries, sales of plug-in vehicles are showing strong growth. We are well prepared to continue offering our customers and future customers services and products for all types of plug-in vehicles. At the same time it is essential to also take care of and service the large number of cars already on our roads. For example, converting a petrol car to run on ethanol reduces its environmental impact by around 80%.

“We need more options that contribute to the solution. All we need to do is set our mind to the task. There is still some way to go to a fossil-free transport sector, but together we can do it.”

I hope that the pandemic has made us more humble, that we have taken time to reflect, perhaps to question old patterns of behaviour and to adopt some new habits. How can we make the most of what has happened and how can we use these experiences? I hope that they can help to increase the sustainability of our business in the future. We need to make use of the knowledge. We can and will continue to be part of the transition.

We are helping people to move forward.

Johan Regefolk

Johan Regefolk
CEO, KG Knutsson AB



Photographer:
Sebastian Ekberg

KGK move people forward

Our task is to make it easier for people to get around. On the road, through life, in rush-hour traffic, on holiday or at work. KGK is an essential part of the wider world. Our work should have a positive impact, for our customers, suppliers and employees, without being a drain on the Earth’s resources. We want to be a leading company with the best solutions that always add value to people’s lives now and in the future. We help people to move forward, pure and simple.

When Knut-Göran Knutsson started his business in 1946, all it took was a handshake. Today the surrounding world looks different, business is done differently and things can be a little more complicated. However, the basic idea, that business should benefit all parties and a handshake deal is enough, still stands.

Our business concept

KGK är partner, generalagent, distributör av ett brett sortiment produkter och tjänster till fordons- och marinbranschen. KGK erbjuder hög kompetens, en kundorienterad försäljnings- och serviceorganisation och effektiv logistik.

Our brand promise

KGK will endeavour to ensure that its employees, customers and suppliers experience a good, long-term deal together with KGK.

Our core values

Our core values show who we are and what we stand for. KGK wants to be perceived as knowledgeable, reliable and open.

Our sustainability strategy

KGK’s sustainability strategy is based on the UN’s global sustainable development goals. The identified goals that KGK can and aims to contribute to are a fossil-free vehicle fleet and zero traffic-related deaths.

KGK has prioritised two areas of work for sustainable development:

- 1. Circular economy
- 2. Protecting life

“The KGK way” is a part of the KGK sustainability strategy, and the aim is to clarify how we should act as employer and employee in matters relating to customers, other employees, suppliers, partners and society as a whole. The strategy helps us to make the right decision in issues concerning leadership, employeeship, representation and safety. It also serves as guidance for the laws and regulations we need to follow.

Our business model

Our brands

KGK is a partner, general agent and distributor to the automotive industry of products from a number of world-leading manufacturers and suppliers. We offer over 500 brands and sell everything from small spare parts and accessories to large car lifts.

Dräger, Hella, Webasto, ZF, Calix, VDO, Liqui Moly and Stabius are some of our partners. A common denominator for our partners is that they deliver OE quality, and are often suppliers to vehicle manufacturers. For some of our partners we take care of local marketing and aftermarket services. Our own brands include Kamasa Tools, Carsmart, Easyroad and the car workshop chain Autoexperten, with just over 400 affiliated workshops.

Our market

This is how we define KGK’s principal business areas on KGK.se.

Autoexperten

Autoexperten is our car workshop chain with just over 400 affiliated workshops. An important channel to the independent aftermarket and for the brands we distribute. The Autoexperten car workshops are owned and operated independently, guaranteeing customers access to a workshop that benefits from the commitment and knowledge of KGK’s experts and our complete product range.

E-commerce

E-commerce within KGK and Autoexperten simplifies and streamlines business flows between ourselves and our customers. E-commerce ensures greater availability and improves our customer service, no matter what specific segment of our product or service offering our customers wish to access.

Independent aftermarket (IAM)

The workshops in the independent aftermarket, including our own chain of workshops Autoexperten, consist of the workshops

that supplement the brand workshops. KGK offers these workshops a broad range of spare parts and heavy workshop equipment. Through Autokatalogen.se our workshop customers can supply their own customers, primarily private vehicle owners, with the right products quickly and simply.

Passenger cars and light-duty trucks

With KGK’s combination of experience and vision for the future, we give our customers access to accessories for the vehicle fleet of both today and tomorrow. We offer everything from ignition interlocks, car heaters, charging boxes, cycle carriers and in-car entertainment to lighting from some of the world’s top producers. In addition to this, we also have a wide selection of certified workshop equipment for original brand workshops.

Trucks and buses

In the Autokatalogen.se webshop, you will find a wide range of high-quality spare parts and accessories for your truck or bus. If needed, we can help you create customised solutions.

Construction, machinery & forklift trucks

We create solutions for manufacturers of and dealers in heavy machinery. We offer, among other products, lighting, vehicle heaters, reversing cameras and installation materials via Autokatalogen.se. In addition, our support service is regularly updated and can answer questions about installation and assist with product selection.

Marine

We offer consumables, accessories and spare parts for wholesalers, boat builders, designers, shipping companies, marinas and service shipyards. Using the search function on Autokatalogen.se, it’s easy to find the right spare part for the relevant boat engine.

Motorhomes, caravans and trailers

For dealers selling motorhomes, caravans and trailers, KGK offers a wide range of accessories and spare parts, linked to the registration number in Autokatalogen.se. We deliver quickly and efficiently throughout the country.

KGK Solutions

We offer customised services for vehicle fleet owners and commercial and company car drivers.



Subsidiaries

KGK Norge AS

KGK Norge AS was set up back in 1979 under the name ZF Norge AS. KG Knutsson AB acquired KGK Norge AS in 2001 and subsequently divided the company into two divisions: the Handels division and the ZF division. KGK Norge Handels AS, like KG Knutsson AB, is a distributor of products within the automotive, marine and work machinery sectors. The Handels division works closely with engineering firms and industry, but also sells products to private individuals. KGK Norge AS ZF division offers services such as repair and spare parts for larger automotive components, e.g. engines and gearboxes for buses. Using KGK Norge’s e-commerce site, autoexperten.no, customers can access a similar range of products to its Swedish counterpart, autoexperten.se. KGK Norge AS has 30 employees and its CEO is Terje Holm.

“We use the HSE system to continuously work on health, safety and environmental issues.”

Terje Holm, CEO, KGK Norge AS

KGK Norge AS works closely with KGK in Sweden and complies with both Swedish and Norwegian regulations relating to supplier requirements, environmental pollutants and sustainability issues in day-to-day operations. Since KGK Norge sells the same products as KGK in Sweden much of the work is the same, but one thing worth noting is that in recent years they have invested in a HSE system (Health, safety and environment system) with an information portal.

Carsmart AB

Carsmart AB was founded in 2009 and became a subsidiary of KG Knutsson AB in 2013. Carsmart offers administration services and the best system on the market for vehicle and cost monitoring. In 2020, Carsmart introduced solutions for electric car charging, including installation of charging boxes and division of costs between company and driver. In this way Carsmart is making it simpler for its customers to move over to an electric vehicle fleet. Carsmart is managed by CEO Per Gillberg.

Laitis Handels AB

Laitis Handels AB was founded in Luleå in 1962 by Erik Laiti. This wholesale chain, with its 8 stores, has a wide range of car parts, tools, machines and industrial supplies, but also a smaller range of goods within the categories of outdoor recreation, home and garden. Its primary customers are industrial customers, car workshops and private individuals. Laitis was purchased by KG Knutsson AB and has been run as a subsidiary since 1 May 2020. The Laitis stores will continue to be run as independent companies, with strategic management from CEO, Mattias Hedlund.

“We use the ISO certification as the basis for our day-to-day work, in order to ensure constant development of the company in a positive direction with regard to health, safety and the environment.”

Mattias Hedlund, CEO, Laitis AB

Laitis views quality and environmental management as a matter of course. For that reason, all areas of the operation reflect its ISO 9001 and 14001 certification, resulting in constant improvement with regard to the environment and quality. Sustainability efforts are incorporated into day-to-day work in the form of development of knowledge relating to the environment and economical use of resources, reduced resource and energy consumption through procurement of efficient transport solutions, and prevention of emissions of pollutants with a negative environmental impact.

“With Carsmart’s environmental reports our customers can monitor total consumption by the vehicle fleet and the distribution between different fuel types, regardless of supplier or vehicle type.”

Per Gillberg, CEO, Carsmart AB

Carsmart’s services facilitate, among other things, analysis of the environmental impact of their customers’ vehicle fleets, with data such as a summary of the fleet’s CO2 emissions and energy consumption, in total or broken down per cost unit and vehicle.

Autoexperten Detaljist i Sverige AB

Autoexperten Detaljist i Sverige AB (AXD) was set up in 1996 in Sollentuna and is a wholly owned subsidiary of KG Knutsson AB. AXD operates 36 Autoexperten stores stocking a wide range of products such as car accessories, car-care products, tools, trailers and garage installations. Autoexperten Detaljist supplies workshops, industrial firms and haulage companies, as well as private customers and property companies. Andreas Rosell, CEO of Autoexperten Detaljist i Sverige AB.

questions

Andreas Rosell,
CEO, Autoexperten Detaljist

1. How did Autoexperten Detaljist cope with the 2020 pandemic?

“Like everyone else, we adapted and focused on digital meetings. This worked well and is something we will continue with in the future. It saves both time and money. We also continued to work on streamlining operation of our stores. Introduction of the Synchron inventory optimisation system, for one thing, has helped us to improve the level of service to our customers.”

2. What challenges are you facing and what is your focus for 2021?

“We will focus on analysing how our courier vans are used. In order to optimise and see how we can improve efficiency and investigate where and how we can switch to electric vehicles. We are doing this together with colleagues from KGK’s business development team. One challenge is to try to reduce transport of low-value complaint items. We also want to increase the level of involvement in health and fitness activities among our employees.”

3. What do you see being important factors five years from now?

“That we can deal with and offer products and services for an electrified vehicle fleet. We need to start adapting elements of our expertise now to enable us to meet the needs and requirements of our customers. This applies to Autoexperten’s workshops, stores and all business areas at KGK.”



Towards more sustainable business

At KGK we are constantly striving to make small but significant improvements. For our customers, suppliers and employees. In order to ensure that we are working towards achieving our objectives, we employ a management model that is based on management by objectives (MBO). The model is designed to deliver increased customer focus, greater efficiency, an open corporate culture and a high degree of commitment.

In order to increase customer satisfaction, improve the efficiency of working methods and reduce costs, we have an MBO model that aims to manage our resources, initiatives, activities and projects in a clearer and more structured way to provide increased value for our customers, suppliers and employees. The focus is on improving the efficiency of our workflows through improved cross-functional cooperation and to create clarity with regard to objectives and guidelines to ensure increased commitment. The aim is to broaden discussion and knowledge of how all employees at an individual level can contribute and collaborate on a day-to-day basis to our efforts to achieve our overall objectives.

A simplified model

In 2020 we refined the model, by, among other things, adding a new Key Performance Indicator (KPI), revenue per employee. The roles of process owners have been made clearer and they have been given an expanded mandate, which means that after discussion with relevant function owners they can decide what is the best working method for achieving our KPIs.

In 2021, two out of three process owner posts will be transferred to the Business Development department. We will phase out the roles of process manager and efficiency owner in 2021. The process owners will instead work with function owners with specific function areas.

The change process

In 2020 we focused heavily on streamlining our change process. The project management office was merged with Sustainable Business Development to form the new Business Development department. The process has been revised to make it more transparent, including clarifying who is responsible for making decisions relating to projects. We have set up an analysis group that reviews all proposals received and channels them to the relevant administrator.

In 2021 we will begin switching our case management system to ensure better system support for our work.

Organisation of sustainability work

KGK is continuing its efforts to become an even more sustainable company. Our strategic sustainability work aims to create new business opportunities, strengthen our brand and reduce business risks. It will also safeguard our future business, as customers, in both the public and private sectors, are setting ever more and clearer demands for us.

The strategic sustainability work is directed by KGK's management team and based on our sustainability strategy. Day-to-day sustainability work is integrated into the line organisation by means of our management model known as "The Road Forward". KGK holds ISO 9001 and 14001 certification as well as AEO certificates for customs and safety.

The Business Development department oversees both overall development of KGK's management model and sustainability work. The department is also responsible for Team Sustainability (Team Hållbarhet), a cross-functional team established at the end of 2019 to improve coordination and knowledge of sustainability matters.

Focus areas for 2021

- To update the project management model.
- Communication regarding our management of objectives.
- To set up an effective, systematic improvement project to make the most of employees' commitment and desire to streamline day-to-day work.

KGK's sustainability strategy in line with Sweden's plan for a circular economy

In July the government presented Sweden's strategy for a circular economy. It was followed later by an action plan with 100 actions. The action plan forms the basis for a long-term and sustainable transition of society. KGK's sustainability strategy with a focus on a circular economy and protecting life is our way of showing that we want to take responsibility and contribute to a more sustainable automotive industry, while developing our business in a sustainable way.

In a press release about the circular economy action plan, the government stated that "Using materials more efficiently increases their lifespan and value, and reduces both the extrac-

tion of new raw materials and landfill waste." The transition to a circular economy will help to achieve the environmental and climate objectives and the global goals of Agenda 2030. A more circular and bio-based economy is expected to strengthen the competitiveness of Swedish companies and reduce pressure on the ecosystem.

With KGK's sustainability strategy focusing on a circular economy and protecting life we are showing that we are prepared to take responsibility and be involved in driving the transition to a more circular economy and a sustainable transport and automotive sector. KGK aims to help people move forward by offering both products and services that our customers demand without being a drain on the Earth's resources. We will continue to do that.

You can find out more about KGK's sustainability strategy at kgk.se



Objectives and outcomes

KG Knutsson AB aims to operate a long-term, sustainable enterprise. In order to ensure we achieve this, in 2020 we adopted seven KPIs¹⁾ to guide our operational development. These are divided into three business KPIs and four efficiency KPIs.

Three Business KPIs

- Increase in sales
- Profit margin
- Cost base

Four Efficiency KPIs

- Revenue per employee
- Level of service
- Sales targets achieved
- Customers consider that KGK provides quick information when needed

BUSINESS KPIs

• Increase in sales

Because we must always seek out new business and strive for long-term growth

Going into 2020 we had an ambitious target to increase sales. The year started strongly with successful sales thanks to Automässan. Then came the Covid-19 pandemic, which led us to make the decision to lower all business targets in order to have reasonable potential for achieving them. The pandemic halted manufacturing of vehicles during the spring, which resulted in significant lost sales in the car trade category. The categories of Trucks/Buses and Off Highway were also affected by the fact that new vehicles and machinery were not being delivered. Sales increased during the year for the Autoexperten and Marine and Leisure business areas. Once vehicle manufacturing got under way again in the autumn, the decline in sales abated and it was possible to attain the new sales target with good margins.

• Profit margin

To enable us to manage the investments needed to fund long-term growth in both good times and bad.

We achieved the revised target this year thanks to cost savings and short-term lay-offs. The fact that we managed to keep sales up during the pandemic also helped us to achieve this target.

• Cost base

We measure costs/turnover in order to cope with increased competition and be profitable even with lower margins.

When circumstances changed due to the pandemic, we decided to focus on reducing costs in case our sales declined. The goal during the year was to keep the organisation as intact as possible in order to emerge strong once the pandemic is over. Therefore we decided to go ahead with ongoing projects in spite of austerity measures. One of these projects was Synchron, a purchasing system that was launched in May 2020. Other focus areas have included continuing projects with KGK Solutions and sales of lubricants and electric car charging systems. These areas will be increasingly important in the future, which is why we have invested both time and money in these projects. Despite undertaking significant investment we succeeded in achieving our revised cost base target.

1) KPI – Key Performance Indicators

EFFICIENCY KPIs

All efficiency KPIs aim to ensure we achieve the objectives of our business KPIs.

• Revenue per employee

The revenue per employee KPI shows how effectively the company's employees contribute to its turnover. The most interesting thing is to measure this figure over time in order to track our own trend rather than comparing our performance to other companies. The target for 2020 was a revenue per employee of SEK 4,520,000.

The pandemic has had a negative impact on turnover, and as a result we could not achieve the target for 2020. The outcome was SEK 4,231,000.

Examples of activities during the year

During the year the organisation has reviewed and taken action to adjust its workforce.

• Level of service

One important objective for increased customer satisfaction is a high and consistent level of service. Items that we market must be available to our customers. The target was an average level of service of at least 96.5% for 2020.

However, we experienced widespread delivery problems from many suppliers owing to the pandemic. Many suppliers both in Asia and Europe shut down or substantially reduced their production output. At the same time, transport was delayed due to the increased administration at border checkpoints. The level of service was lowest during the second quarter. The level of service slowly improved during the summer and autumn as production resumed and transport flows ran more smoothly. Many of the markets opened up more during the autumn, as there was strong demand for certain products. Many suppliers then had difficulty adapting their production operations. Our average level of service for 2020 was 92.9%.

Examples of activities during the year

In order to try to safeguard the level of service, we devoted resources to working with our suppliers. Through substantially increased purchasing from ten strategically important suppliers in early spring we were able to curb the reduction in the level of service. Thanks to taking action early in the pandemic, from March to May, we were able to help industry colleagues and original parts dealers with deliveries without reducing the level of service to our own customers.

In 2020 we took a huge step in safeguarding the level of service for the future. The new Synchron purchasing system with forecasting and order system was launched in Sweden, Finland and

Estonia. In order to continue to develop, a new management model and organisation has been created. This sets common, group-wide objectives for development and coordination of resources and procedures within purchasing and the supply chain at KGK's companies. The new system in combination with the new management model provides better control of our central inventories and inventories at our Autoexperten stores. The aim is for this to lead to an improved level of service, a more widely available assortment for our customers, a lower level of obsolescence and constantly evolving purchasing/supply chain.

• Sales targets achieved

A goal that shows our accuracy with regard to the outcome of sales in relation to our set sales targets. The goal for 2020 was to achieve 100% of set sales targets.

The outcome was 104.6%. We revised the original sales target during spring 2020 due to the uncertainty regarding the effects of the pandemic on sales for the year. The outcome exceeded expectations regarding sales thanks to excellent sales levels within the Autoexperten and Marine and Leisure business areas in particular.

Examples of activities during the year

Examples of activities during the year include smart canvassing, recruitment of new Autoexperten workshops, successful campaigns and development of new concepts for electric car charging, for instance.

• Customers consider that KGK provides quick information when needed

Case to solution follows up on how efficiently we resolve our customers' problems. This could be the service we provide, how we handle deviations or resolve other matters for the customer. We measure the efficiency of case to solution by means of a KPI for whether the customer considers that we provide quick information when needed. This question is asked in our customer survey. In order to resolve customers' problems efficiently, everyone at KGK must provide quick information to the person with an issue. Our target is for 80% of our customers to give us 6 or 7 on a 7-point scale.

We did not achieve the set target. 68% of our customers gave us 6 or 7, which is down on the level in recent years.

Examples of activities during the year

One initiative to enable us to achieve our target is to change our case management system. The new system will help us and ensure that we respond to our customers quickly and efficiently. We have a project under way to streamline and shorten our complaint cases.

CIRCULAR ECONOMY



PROTECTING LIFE



Long-term sustainable growth

In order to maintain our future competitiveness as a company, we must strive for more circular flows, where we reuse and recycle what we consume. Making a living from new sales and increased growth in products produced from virgin materials is not sustainable in the long term. Therefore KGK's sustainability strategy is based on a circular economy and a vision of zero traffic-related deaths. One important element of our business model is to protect and save lives in all segments of our value chain and we strive to offer services and products that are manufactured fairly and provide improved safety for our customers. In order to achieve our goals and move in the right direction we have formulated roadmaps with a focus on these areas.

Our contribution to fulfilling the goals of Agenda 2030

As a wholesale company, we have an indirect impact on our planet by participating in production, transport and generation of waste, among other factors. Having assessed the environmental impact of our business, we have made the decision to do what we can to contribute to more sustainable global development. We have studied the 17 global sustainable development goals of the UN's Agenda 2030 and associated targets. There are primarily three goals that we feel we can contribute to: goals 3, 7 and 12.

Goal 3. Ensure healthy lives and promote well-being for all at all ages, and in particular target 3.6: Reduce road injuries and deaths.

When we supply high-quality products and accessories, such as warning lights and ignition interlocks, that makes vehicles safer to use. As part of our policy to combat alcohol and drugs we have also made the decision to install the ignition interlocks that we sell in our own company cars. When vehicles are maintained and serviced regularly, this also improves road safety and extends the useful life of the vehicle.

Goal 7. Ensure access to affordable, reliable, sustainable and modern energy for all.

This goal is in part concerned with energy efficiency, and we contribute in numerous ways. Our Easyroad service, which we provided in 2020, made it easier to monitor fuel consumption in vehicles, for example. The parking heaters we market reduce emissions of hydrocarbons and particles, and wear to the engine is reduced, while road safety is improved. We have undertaken an energy optimisation project and adjusted the ventilation in our 33,000 m² logistics centre. By reducing our consumption of energy we increase the supply of sustainable energy available to other parties, and the need to import energy from less sustainable sources is reduced. We supply solutions





for the electric car market in the form of sales of charging posts and boxes and other accessories for electric cars. In this way we are contributing to the transition to more sustainable use of energy.

Goal 12. Ensure sustainable consumption and production patterns.

KGK’s objective, among other things, is to work to reduce the environmental impact from our use of chemicals and to minimise the amount of waste produced. We have worked long and hard to promote product life cycle management in collaboration with many of our suppliers. Brake calipers, starter motors and turbochargers are some of the items that are collected at our logistics centre, to be transported back to suppliers for refurbishment at regular intervals. Product life cycle management like this helps to increase the degree of re-use and reduces new production of spare parts.

Many used and/or refurbished items, for example, car parts, are sold via our regular sales channels and the objective is to increase sales of car parts from dismantled cars. Since we are also an integral part of many of our suppliers’ organisations, we get to know about innovations within the automotive industry, and this contributes to sustainable production, as our customers in turn benefit from this knowledge.

We have agreements with professional waste management contractors who help us to ensure that the parts and components that cannot be reused or refurbished are processed appropriately and materials recycled.

We handle refrigerants. These have substantial negative environmental impact if not recovered and destroyed correctly in connection with repair and replacement of air conditioning systems. Correct handling and checking of certificates is a key element of our environmental work.

We are also looking to contribute to the following six goals of Agenda 2030

Goal 5. Achieve gender equality and empower all women and girls. In 2019 we set up a female network for our workshops. This network met for the first time at Automässan in early 2020.

Goal 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. By supporting our workshops to achieve the quality standard Godkänd Bilverkstad (Approved Workshop) this reduces risks and improves the level of safety for the end consumer. The risk model for our suppliers is another way in which we are contributing to Goal 8, by reviewing and setting requirements for procurement processes.

Goal 11. Sustainable cities and communities.

Target 11.2 is about providing access to sustainable transport systems for all, and one of our contributions to this is designing wiper systems for trains on the Stockholm Metro.

In order to contribute to target 11.6 and reduce the environmental impact of cities, we offer type-approved conversion kits for passenger cars to convert them to run on ethanol or biogas. We also offer retrofitting of buses to convert them from diesel to electric, in collaboration with our partner e-troFit. This extends the useful life of vehicles, while improving the air quality in cities.

Our sales of charging posts and charging boxes along with other accessories for electric cars are also helping in the transition to reduce society’s dependence on fossil fuels.

Preventive repairs to heavy-duty vehicles undertaken at our ZF service workshop help to avoid breakdowns and downtime. Moreover, this improves the level of safety and quality for our customers, resulting in more satisfied end users of a variety of services in society.

Goal 13. Take urgent action to combat climate change and its impacts. We are continuously updating our courier van and company car policy, and in 2021 we plan to offer charging facilities for plug-in vehicles for staff and customers. Our outbound delivery team is continuously working to optimise the pack sizes for goods that require single-use packaging, which reduces the quantity of waste for our customers to deal with in addition to helping to consolidate goods. KGK also supplies products such as the Ecosense Trailer Assist roof air deflector, which reduces fuel consumption for our customers.

Goal 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels. We have implemented an internal code of conduct for our staff to increase our transparency and prevent corruption.

Goal 17. Strengthen the means of implementation and revitalize the global partnership for sustainable development. We support initiatives such as the Swedish 2030-secretariat, Färdplan för ett hållbart Uppsala län (Roadmap for a Sustainable Uppsala County) and Klimatpakten (the Stockholm Climate Pact). By working together as an industry and through cross-industry discussion we can make a difference.

Sustainable values for our stakeholders

In order to develop our sustainability work, we have analysed our primary stakeholders’ expectations linked to sustainability issues. This analysis forms the basis for some of the policies and KPIs that we use to guide our operations. Interest in ensuring KGK operates in a sustainable manner has increased substantially among our customers in recent years. This is clearly noticeable, for instance, in the increased number of enquiries regarding how we work on ensuring sustainability in our supply chain and questions concerning the content in our products. This

increased level of interest benefits us, the customer and also the industry as a whole, as it leads to improvement and development, as well as quality assurance of our business activities.

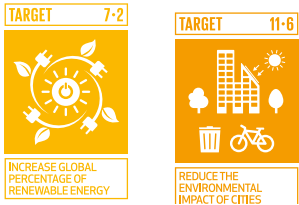
With regard to social aspects, it is expected that our workplaces will be safe. Many stakeholders also view respect for human rights as a matter of course and emphasise that this is a requirement on their part in order to collaborate with us. Certain stakeholders indicate that they expect us to have an explicit anti-corruption policy and that it should be communicated internally and externally to avoid any ambiguity. We have therefore collected together our overall policies in our code of conduct, “The KGK way”.

In order to satisfy expectations with regard to financial sustainability, we have identified a need to improve our efficiency and to reduce costs for dealing with quality defects linked to the products we purchase from our suppliers. We have therefore improved our complaints process.

We have developed a risk model for our suppliers to enable us to be more systematic in assessing and assisting them within the field of sustainability. This has partly arisen as a result of our customers setting requirements with regard to environmental and work environment-related issues, for instance. Discussion with our stakeholders helps us to understand how we can generate value for them. We see that in the future we can work together with our stakeholders to identify aspects of our activities that have significant impact, in order to set new objectives for more sustainable development. Our stakeholders are therefore of great value to us, in helping to improve the quality of our operations.

KGK looks to go fossil free

Based on KGK’s sustainability strategy adopted in 2019, with its priority areas of a circular economy and protecting life, KGK is focusing on contributing to the goal of a fossil-free vehicle fleet by 2030. In 2020 we developed a new concept for products for plug-in vehicles under the banner “Eldrivet för livet” (Electric-powered for life), promoted and worked towards ethanol conversion of existing petrol cars, and invested in a brand-new business area for fossil-free solutions.



Ethanol conversion is a simple measure that yields major benefits for our climate

There are currently around 2.7 million petrol cars on the road in Sweden that could be converted to run on ethanol. Conversion would reduce climate impact by 80% per vehicle if Swedish-produced ethanol were used. It’s a relatively simple measure that would yield major benefits for our climate.

KGK’s car workshop chain Autoexperten is working actively, pursuing the issue and aiming to be part of the solution in the transition to a fossil-free vehicle fleet by 2030. We have a responsibility and an important role to play in taking care of, servicing and converting existing cars. Ethanol conversion is an essential element of Autoexperten’s strategy, together with gas and electric-powered vehicles, in order to reduce emissions and the climate impact of the sector.

With just over 400 workshops throughout the country, Autoexperten, with a full-time mechanic working on ethanol conversion at every location, could convert all petrol cars in Sweden in less than seven years.

“Every car converted to run on ethanol is one less fossil-fuel car on our roads. No one should need to buy a new car.”

Anders Nilsson, Business Area Manager for Autoexperten

It was no coincidence that Minister for Financial Markets and Housing Per Bolund (MP) chose Autoexperten’s car workshop in Täby to present news of the government’s autumn budget back in September – a “conversion bonus”, a subsidy of around SEK 5,000 per vehicle for converting existing petrol cars to run on ethanol.

“It’s an option for those who don’t have the money to buy an electric or hybrid car. Instead they can convert their existing petrol car for around SEK 5,000 with the bonus and thus make their driving more sustainable.”

Per Bolund, Minister for Financial Markets and Housing

In order for a vehicle to be safely converted and the reduction in emissions guaranteed, the workshop must use approved products and the conversion must be carried out by a properly trained car mechanic. It takes roughly one to two hours and costs approximately SEK 10,000 (around SEK 5,000 with the bonus) to convert a petrol car to run on ethanol. With just over 400 workshops throughout the country, Autoexperten, with a full-time mechanic working on conversion at every location, could convert all petrol cars in Sweden in less than seven years.

Almost one third of Swedish car-owners could envisage running their car on ethanol

Not everyone has the means to purchase a new electric car. We need to take care of all the perfectly serviceable cars already on our roads. One quick, simple and relatively inexpensive way to do this is to convert petrol cars to run on ethanol.

When Kantar/Sifo asked the Swedish population if they could envisage converting their car to run on ethanol with a subsidy from the state, almost one third of owners of petrol cars (27 %) answered yes.

Running on ethanol instead of petrol could reduce climate-impacting emissions by up to 80% if Swedish-produced ethanol were used.

Not everyone is able or can afford to purchase a new car. And neither is this sustainable. In order to achieve the goal of a fossil-free vehicle fleet by 2030 we need to take care of all the perfectly serviceable cars already on our roads. Converting cars to run on ethanol is a simple measure that yields major benefits.



KGK and Autoexperthen at Ekotransport

In order to highlight the benefits and increase awareness of ethanol conversion among large vehicle fleet owners and others, KGK and Autoexperthen took part in the coronavirus-adapted, digital conference Ekotransport 2020.

Are electric cars the only solution for a fossil-free vehicle fleet? What do we do with all the perfectly serviceable cars already on our roads? These questions were discussed when KGK and Autoexperthen hosted a free digital breakfast seminar at Ekotransport 2020 on 8 December.

Almost 100 individuals took part via their computers, listening as Minister for Financial Markets and Housing Per Bolund (MP), entrepreneur and journalist Cecilia Blankens, Per-Arne Karlsson, public affairs at ST1, and KGK's CEO, Johan Regefalk, talked about how ethanol conversion can be part of a more sustainable means of moving towards the goal of a fossil-free vehicle fleet by 2030.

The participants came from municipalities, public bodies, universities and companies. The discussion was chaired by Malin Möller, Head of Sustainable Business Development at KGK.

Ekotransport was arranged by Aktuell Hållbarhet and is a conference for anyone interested in the transition to transport solutions for the future.



Minister for Financial Markets and Housing Per Bolund took part online in the digital breakfast seminar about ethanol conversion during Ekotransport 2020.

Business developer with a focus on fossil-free solutions

On 1 November, Jens Holmström took on a new role, as business developer with a focus on a fossil-free vehicle fleet, a new post within KGK Solutions with overall responsibility for coordination of activities such as conversion, e-mobility and alternative fuels.



Jens Holmström
Business Developer, Fossil-free solutions

1. Why is KGK doing this?

"Sweden has a national goal to achieve a fossil-free vehicle fleet by 2030. This means that everyone needs to get involved and play their part. The automotive industry has a huge responsibility and, as a company, we can do our bit and make a difference. This includes ensuring that we contribute to the transition, with products and services that are competitive, sustainable and in demand."

2. What will you focus on first?

"We're working hard on electrification of the vehicle fleet. We offer products such as charging boxes and cables, but also services, support and advice. We are in the process of developing our operation as an electrical contractor and supplier of payment and administrative services for plug-in vehicles. In order to achieve the 2030 objective, we also need to push the issue of biofuels, e.g. Swedish-produced ethanol and biogas."

3. What issue will be most important to your role five years from now?

"Everything is moving very fast right now and it's an exciting and challenging time. There's not just one solution. We need to work on numerous fronts. I believe that the next big fuel transition will be hydrogen, so the issue is how and what should we work on there?"

"I believe that we will look at new areas such as solar cells and energy storage in properties. Strictly speaking, slightly removed from the car trade, but it goes hand in hand with fully electric cars and interesting areas that I believe will see significant growth."



questions

Hanna Bühlmann

Head of Workshop Concept and Sustainability at Autoexperten

1. Why is sustainability important?

"Sustainability is a requirement for both our future and the future of the industry; without due regard for this aspect we soon won't have a business or a planet. I believe that most workshops don't think about the fact that they are dealing with environmental and safety issues on a daily basis, and perhaps that's why they don't take it seriously enough either. They have huge scope to influence the industry and guide it in the right direction – towards both the vision of zero traffic-related deaths and a fossil-free vehicle fleet."

2. How does Autoexperten operate?

"As a car workshop chain it's essential for us to help both our workshops and our customers be more sustainable. Whether you have an electric car, a plug-in hybrid car or want to upgrade your petrol car, it should be simple and feel natural to come to us. We want to take total responsibility and make it easy for our workshops to develop their offering and their services. Our customers should feel confident in their interaction with us."

3. What challenges do you see?

"It's a matter of trust and level of service, among other things. Our customers should be able to trust that we will do what we promise. Cars that have been serviced by us should be safe on the roads. Requirements and checks will increase, including tougher legal requirements regarding emissions, quality, work environment and safety. We are urging and supporting our workshops to augment their operations by gaining Godkänd Bilverkstad (Approved workshop) status, among other measures."

What is Godkänd Bilverkstad (Approved workshop)?



Godkänd Bilverkstad (GBV) is a voluntary quality standard, which has been jointly developed by Motorbranschens Riksförbund (Swedish Association for Motor Retail Trades and Repairs) and Sveriges Fordonsverkstäders Förening (SFVF) (The Association of Swedish Motor Vehicle Repairers). The aim is to guarantee professional repairs and that the workshop is a respectable company that fulfils the laws and regulations covering its activities. Workshops must actively focus on customer assurance, quality, health and environmental factors. In order to be approved, unannounced inspections are required together with an annual audit by an independent third party.

Godkänd Bilverkstad – quality standard promotes compliance

questions

Heyrem "Harry" Bakhtiya

Owner of Autoexperten workshop Härnös Bil & Miljövätt

1. Your workshop is approved under GBV, how does it work?

"Godkänd Bilverkstad has helped me to organise documentation and certificates and requires annual checks and spot checks. The quality standard thus ensures that the workshop is operating in accordance with quality, environmental and work environment requirements."

2. Why is it important to focus on quality, environmental and work environment requirements?

"Before I joined GBV I thought that it would simply involve an unnecessary fee, but then I realised everything I could access. GBV offers support, information, training, guarantees through insurance and, of course, the possibility to market yourself as a Godkänd Bilverkstad operation. This label is a guarantee of quality workmanship, as staff are trained and the workshop equipment is approved. The entire premises, the staff and customers' cars are also insured during any work, which avoids disputes with customers."

3. What has GBV meant for you?

"I have noticed since I joined the Godkänd Bilverkstad network that large companies have started getting in touch and that turnover has steadily increased. I don't regret it at all and what's most important to me is that none of my employees are exposed to health risks or unfair working conditions and that all my customers have high-quality work carried out at my workshop."



Sustainable products and services

KGK helps people to move forward. We and our products can be found throughout society. The automotive industry is facing major challenges within the field of sustainability. We are aware that not all the products we sell contribute to sustainable development. We want to take responsibility and are working hard to ensure that our work and our products have a positive impact on people's lives without being a drain on the Earth's resources. Here we present some of the products and services we are particularly proud to work with.

Fire blanket from Bridgehill to extinguish car fires

In 2020, KG Knutsson AB launched a fire blanket from Norwegian company Bridgehill on the Swedish market. The fire blanket has been designed to extinguish car fires and is used by emergency services as well as garages and workshops in Norway. KGK is now hoping that the fire blanket will help make workplaces and society safer, as it reduces smoke and toxic fumes and extinguishes fires in just a few minutes. Personal injuries and damage to vehicles and buildings can thus be minimised, without exposing the environment to harmful extinguishing media. The number of car fires in Sweden has almost doubled in the past ten years and Michael Enmarker, Bridgehill product specialist at KG Knutsson AB, sees the blanket as an obvious future addition to fire-fighting provision at car workshops, shopping centres, hotels, airport parking, and similar locations.



Electric car charging at home

In May 2020 Autoexpertern launched its service "Installerat och klart" (Installed and ready to go) in connection with sales of products for electric car charging. This service provides customers purchasing products such as a charging box from the brand Charge Amps with assembly and home installation free of charge. Autoexpertern is working with installation company Glacell, which is part of Lambertsson, in order to ensure safe and smooth installation of new charging devices. The initiative aims to make it easier for customers who choose to become electric car owners, and thereby contribute to more sustainable transport for the future.

Components and accessories for electric trucks

Swedish company Inzile produces light, electric trucks and is aiming to drive change in the work vehicle sector. With a fossil-free solution for light work trucks, the company is making it easier for contractors within sectors such as garden maintenance, property services and e-commerce to offer their services without negatively impacting the climate and the urban environment. The latest model, Inzile Pro4, went into mass production in 2019 and was delivered to the first customers in Sweden in the first quarter of 2020.

“We are proud of our collaboration with Inzile, and offering products for their electric trucks enables us to contribute to a cleaner and more sustainable society.”

Dan Kimblad, Customer Account Manager for Inzile

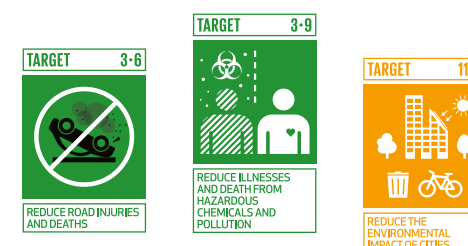
KG Knutsson AB has been collaborating closely with the company since 2015 and through its Off Highway business area delivers around 100 products for inclusion in production of their work vehicles. Inzile views KG Knutsson as its preferred supplier and has us deliver products to cover their needs from across KGK's range. KGK products incorporated into production of electric trucks from Inzile include lighting products from Hella, wiper and washer systems from SWF and Italtorgi, car heaters from Webasto and electrical controls from Valeo. KGK supplies not only products for permanent installation in the trucks, but also accessories such as warning triangles.



Electric-powered for life

Contributing to a sustainable future is a mission that encompasses many promises. It is particularly challenging to find new solutions to old problems in a world that demands increased use of renewable energy sources. One of KGK's initiatives for driving development towards a more sustainable society is Eldrivet för livet (Electric-powered for life). This initiative focuses on collecting all KGK's interests relating to plug-in technology from its various business areas under one roof. At the same time the initiative offers a platform for the car trade's marketing activities, and scope to influence customers' choice of car and accessories. The car trade has long expressed a need to be able to be there for its customers to help them to make environmentally strategic and sustainable choices. We are working to generate interest in electric vehicles at an early point in the customer journey and thus lay the foundation for a well-informed decision when buying a vehicle.

KGK wants to play a part in leading the transformation towards a fossil-free vehicle fleet by offering visionary and sustainable innovations. Our efficient charging stations, high-quality products and flexible services for plug-in vehicles facilitate sustainable collaboration that promotes electric-powered everyday living for people and makes us a leader in development of the plug-in vehicle sector. We are working to achieve a dynamic society where KGK helps people to move forward!



Improved efficiency from common supply chain processes

A project to coordinate the KGK Group’s supply chain processes has been under way for several years. Important progress was made in 2020 with the transition to the new Synchron purchasing system and a common management organisation for the supply chain within the KGK Group.

In spring 2020, Synchron was launched, a new tool for “supply chain management” that aims to optimise and balance the central inventories at Vantaa in Finland, Tallinn in Estonia and Enköping in Sweden, along with all Autoexperten stores’ local inventories across Sweden. One essential component of this project has also been establishing a common management organisation.

A common management organisation leads to improved efficiency through everyone working in the same way and, above all, towards the same goals. Development ideas relating to purchasing/supply chain are coordinated and prioritised in a group-wide, shared forum for the purchasing function. As a result all companies contribute to and share in the improvements made within this area. This also ensures that we are working collectively.

“We need to learn to make use of all our inventories as a common resource and not just individually. Improved collaboration and coordination with common purchasing processes is therefore essential.”

Niklas Nordén, Supply Chain Manager

More satisfied customers thanks to common working method

Synchron and a common working method should lead to more satisfied customers, reduced costs and increased sales. We have been actively focusing on products at the end of their life cycle in order to reduce obsolescence, i.e. a decrease in value due to damage or age. This has included selling items back to the manufacturer, recycling them or offering them on a different market, e.g. in Finland.

The intention is that all customers should have access to goods from all of the group’s inventories. This results in reduced costs, fewer products being scrapped and improved levels of service and availability for our customers. Reduced obsolescence also means a reduction in transport journeys, reduced waste and less production of new goods.

There are currently three central, around 10 regional and 70 local distribution centres where inventory balancing is needed. The basic principle is that items should be located where they can most quickly create value for our customers. That could even be a local store close to a workshop.



New framework for measuring circularity and environmental impact

Only looking at the circularity of products’ material flows (a product being part of a cycle and being refurbished, reused or recycled instead of discarded) does not give a sufficiently clear picture of the total environmental impact of a product or service. In order to gauge the net environmental impact, you need to use several tools simultaneously. Former KTH student Alva Helin came to this conclusion in her thesis project for Autoexperthen and KG Knutsson AB.

In order to figure out whether the benefit is actually greater than the total impact, it’s not enough to just look at whether the product or service has a circular life cycle. When looking to reduce total environmental impact and create better material and energy flows, you need to conduct several analyses simultaneously. It’s important to examine the use of materials, but it’s also necessary to carry out a life cycle assessment and examine energy use, for example, transport, production and recycling, to get an overview of the whole system’s environmental impact. One central issue with regard to environmental benefit is not just whether a material has a circular cycle, but how that is achieved. Former KTH student Alva Helin came to this conclusion in her thesis project for Autoexperthen and KGK, which she presented in May this year.

“There is no standard answer to the question of whether circularity increases the environmental benefit. Each system is unique and you need to examine every element, and the whole system, carefully.”

Alva Helin, Junior Project Manager, Business Development, KGK

The main benefit from this type of evaluation is that you identify the most critical processes and the product parts in a system. The components with the greatest impact also have the greatest potential to deliver effective results in the event of a change for the better.

The framework is a three-part toolkit

- 1. Life cycle assessment including environmental impact
- 2. Material flow analysis, materials in and out
- 3. Analysis of energy demand

The framework is used as an evaluation metric using tools to analyse the aspects of its circularity and environmental impact. The tools are based on the most used methods in scientific articles within the circular economy. All companies selling products or services can use the framework to get a true picture of their environmental impact.

“Everything is interconnected, it’s important to keep a check on both supplier and customer aspects. It’s not possible to bring about change in isolation, we all need to do our bit.”

Anders Nilsson, Business Area Manager for Autoexperthen

While working on her thesis project, Alva Helin looked at brake calipers with chrome plating for Autoexperthen. The assumption that the quantity of iron in the calipers was responsible for the greatest environmental impact proved to be wrong. Changing the chrome plating, with the smallest material flow of all the various materials, yielded the greatest effect in reducing environmental impact.



Alva Helin has always been interested in streamlining and creating better material and energy flows. The circularity when a product is reused, refurbished or recycled is often positive, but the actual impact on the environment is an important aspect that is sometimes overlooked. This was the topic of a thesis project in spring 2020, which was presented at the Department of Sustainable Development, Environmental Science and Engineering (SEED) at KTH.

Collaboration to secure future employees

KGK and Autoexperten want to contribute to strengthening the knowledge and quality of training for future industry colleagues and employees through a collaboration with Motorbranschcollege. This will include supporting schools within the framework of the quality management system with skills development and product knowledge for automotive engineering teachers.



KGK's partnership with Motorbranschcollege will open up our range of courses within KGK Academy to teachers at certified schools. It is estimated that 5,300 employees will need to be recruited within the automotive industry over the next three years, and it is naturally of paramount importance that students from automotive engineering courses receive as high quality an education as possible. This initiative is therefore an essential contribution to improving qualifications within automotive engineering and transport courses and helping to meet future need for skills within the automotive industry.

The commitment covers not only delivery of knowledge and teaching through KGK Academy courses, but the schools will also have the opportunity to exchange knowledge with Autoexperten's chain of stores and workshops. Autoexperten's broad geographical coverage makes it possible to be locally accessible to the 22 schools certified as a Motorbranschcollege.

“It is hugely appealing to be able to support schools locally and strengthen our local partnerships.”

Johan Regefalk, CEO, KGK

Better work environment at logistics centre in Enköping

The logistics centre in Enköping processes more than 10,000 orders every day. Products that are then sent to KGK's customers throughout Sweden.

Inside the warehouse is a so-called mezzanine level, a raised intermediate floor that is used as a work area for picking and packing for outbound product deliveries. Because this mezzanine level is raised it's warmer than the other areas of the warehouse. Especially in summer, when the temperature on a hot summer's day can be up to 34-35 degrees.

This has been a problem for staff and working in this area is hard-going. However, in 2020 a solution was found thanks to a suggestion from the staff. By making use of the adjustable smoke vents installed in the roof they could ventilate the hot air.

Since they began opening these vents and letting out the hot air, the temperature has fallen and is now a maximum of 26-27 degrees when used correctly. This change not only led to a more sustainable working temperature, concentration levels among staff were also improved. It has also resulted in fewer picking errors and less carelessness.



Marianne Kazai

Lagermedarbetare, logistics centre, Enköping

How did the change process come about?

“I have worked at the warehouse since 2009 and working on the mezzanine level has long been considered arduous, basically because of the high temperature. There used to be fans that were put out and used when it was hottest in summer, but they didn't work that well. When Patrik Enberg joined as warehouse manager, he took this on board and quickly installed a fridge for cold drinks and encouraged fluid replacement as a way of helping us, but we came up with the idea ourselves of ventilation using the smoke vents.”

How does the work environment differ from your perspective?

“It immediately got much better! It can be hot in the warehouse in general in summer, but working for several hours on the mezzanine eventually became unbearable, as it was before. You had to take a break and rest now and then. I no longer work on the mezzanine now, as I have changed workstation, but I think that everyone is pleased with the change in working conditions.”

Has the error margin for picking and packing reduced since the change?

“I definitely see a difference from how it was before. I can't give any figures, but it's obvious that your head's clearer and that you perform better when not working in 35-degree heat!”

Marianne Kazai, warehouse worker, who has been involved with and seen the results of the change.



Measures to reduce the spread of infection lead to improved work attendance

The logistics centre in Enköping is the heart of KGK's operation, with products needed for customers' operations being sent out on a daily basis. Our employees at the logistics centre play an important role and good work attendance is needed for everything to function smoothly. Consequently, early in the pandemic strict measures were introduced to reduce the risk of spreading coronavirus, and as a result work attendance improved.

In order to guarantee a reliable logistics chain and continue to pack and deliver products to its customers, KGK has implemented a number of measures at its central warehouse, the logistics centre in Enköping. Staff were continuously urged by means of information meetings, the intranet and digital screens to follow official restrictions and recommendations. Staying home if you have even mild cold symptoms, washing hands regularly and using the hand sanitiser provided.

The logistics centre simultaneously introduced a ban on visitors, rules for loading and unloading of goods, sanitation of workstations and scanning of arrivals at the workplace using

a thermal camera. The thermal camera from FLIR is used to detect elevated body temperature and is used on all employees when they arrive at work. If the camera shows signs of fever, the employee must go home and is asked to get a Covid-19 test. This avoids staff with any illness coming into the warehouse and reduces the risk of infection spreading.

The measures for reducing the spread of infection not only proved to be effective for reducing the spread of Covid-19, with very few cases detected, but they also led to a general drop in absence due to illness compared with 2019.

“We believe that the improvement is down to all employees taking responsibility and following the recommendations of the Public Health Agency of Sweden and our active and continuous communication about the risk of infection and the impact of the pandemic on society and the company. The thermal camera also helped us to detect if someone perhaps had a fever without knowing it.”

Magnus Almgren, Logistics Manager at KGK

Work attendance (counting short-term absence due to illness) was 97.05% in 2019 and the equivalent figure for 2020 was 97.46%. In other words, attendance improved by 0.41% in 2020.

Autoexperten's rain poncho comes in handy at care home

Sometimes you need to lend a hand. This pandemic has seen many good deeds and people helping others. One such example is a couple of enterprising employees who realised that rain ponchos from Autoexperten that were taking up space in stores could be useful to staff at a care home in Sollentuna.

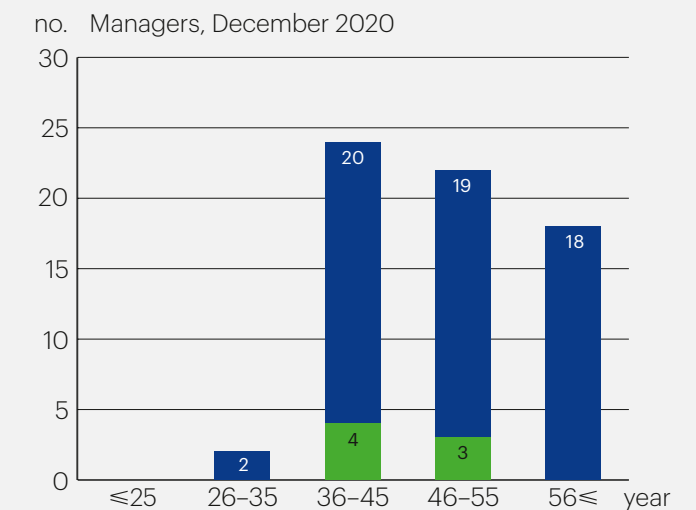
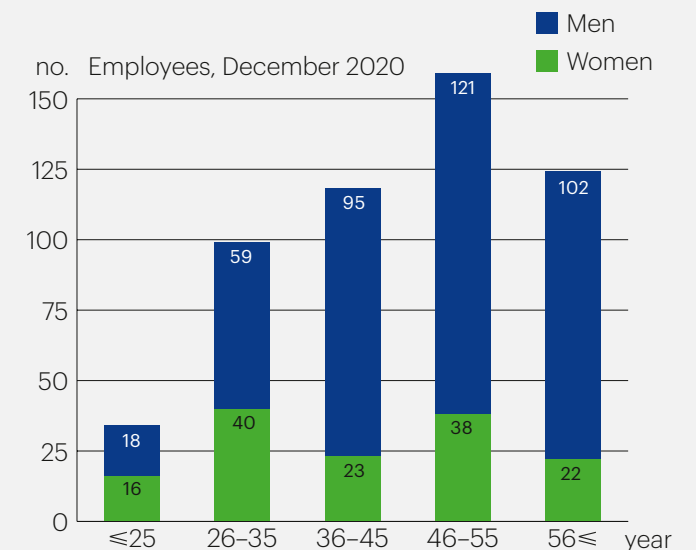
Web analyst Per Rahm had an idea when he discovered that we had a large quantity of old Autoexperten plastic rain ponchos in stock. Together with Janne Höglin, Business and Sales Developer, Per contacted Sollentuna Municipality and a company that helps to supply healthcare equipment about donating these. Just over 3,000 rain ponchos could then be put to use by staff when taking care of the sick at a care home in Sollentuna, among other locations.

“We knew that there was a shortage of PPE in many healthcare settings, and it feels good that we were able to help in some small way,” says Per Rahm.



Employee demographics

Our workplaces should be characterised by openness, where everyone is accepted regardless of gender, age, ethnic or social background, disability or other factors that have nothing to do with actual skills or commitment. We believe that diversity benefits our competitiveness and contributes to a better result. Women and men should have equal opportunities for employment, training and professional development, and it should be possible to combine working life and parenthood.



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The work on our sustainability report is supported by GRIs, Global Reporting Initiatives, accounting principles and certain GRI subject-specific standards, but our report is not prepared in accordance with GRI standards.

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ORGANISATION INCLUDING BOUNDARIES		
Name of the organisation		2
Ownership and legal form		2
Governance structure	The company is privately owned and decisions are made by a management team	32
Companies covered by the report		2
Main brands, products and/or services		2,3
Location of head office	Sollentuna	2,32
Location of operations	Sweden and Norway	32
Markets served		2,3
Number of products ¹⁾	73,000 different product numbers in stock, but only approx. 55,000 of these are planned as part of active range.	32
Supply chain	Number of active suppliers. We purchased from 466 different suppliers. Products mainly come from the automotive industry, with manufacturing throughout the world, primarily in Europe, Asia and North America.	32
External principles or other initiatives supported by the organisation	KG Knutsson AB is a member of the Swedish 2030-secretariat, affiliated to Miljö- och hållbarhetsrevisorer i Sverige (Environmental and Sustainability Auditors in Sweden), Färdplan för ett hållbart Uppsala län (Roadmap for a Sustainable Uppsala County), Klimatpakten för Stockholms stad (Stockholm Climate Pact) and the Swedish Association for Sustainable Business (NMC). Malin Möller is the business auditor for NMC	32
Membership of industry organisations	The Swedish Association for Hydraulics and Pneumatics, ATR International AG, the Swedish Trade Federation, Sweboat Service AB, Svenska LCV Föreningen, Maskinleverantörerna, Swedish Marketing Federation, the Association of Swedish Motor Vehicle Repairers, Swedish Association for Motor Retail Trades and Repairs, and Sveriges Bildelsgrossistförening.	32
A message from the CEO		3

1) excluding Laitis.

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FINANCIAL RESULTS		
Turnover	KG Knutsson AB SEK 1.5 billion. Autoexper-ten Detaljist i Sverige AB SEK 735 million.	2,32
INFORMATION ABOUT EMPLOYEES		
Number of employees	534	2,32
Number of new employees during the year, divided by forms of employment permanent/probationary and temporary	37 permanent/probationary, 9 temporary	32
Number of permanent and probationary employees who left at their own request during the year	18	32
Parental leave	9 women, 8 men	32
Scope of injuries and sick leave	29 incidents, resulting in 8 instances of personal injury. Total absence due to illness for the year at KG Knutsson AB 3.6%, at Autoexperten Detaljist i Sverige AB 6.7% and at KGK Norge AS 3.57%.	32
Incidents linked to discrimination and actions taken	No incidents during the year.	32
Composition of board and management team and gender distribution	KG Knutsson AB: 1 woman and 9 men. Autoexperten Detaljist i Sverige AB: 2 women and 3 men. KGK Norge AS: 5 men.	32
The number of employees who received a regular performance and career development review during the reporting period	KG Knutsson AB: 82% have had a performance and career development review during the reporting period. 13% have not had a review. 5% have not yet been employed for one year and so have not had any performance and career development review during the reporting period. Autoexperten Detaljist i Sverige AB: 45 % have had a performance and career development review during the reporting period. 47% have not had a review. 4% have not yet been employed for one year and so have not had any performance and career development review during the reporting period.	32

Description	Comments	Page
BUSINESS ETHICS		
Financial support received from public-sector parties	Lay-off subsidy	33
Confirmed incidents of corruption and actions taken	No incidents during the year.	33
Training regarding anti-corruption	No training has been conducted during the year.	33
Total number and percentage of business partners (suppliers) to whom the organisation's anti-corruption policy and procedures have been communicated.	“58%, 263 out of a total of 452 suppliers who we contacted, have viewed and accepted our code of conduct for suppliers.”	14, 33
The organisation's values, principles and code of conduct	Our code of conduct “The KGK way” is communicated internally.	15, 33

Description	Comments	Page
SOCIAL IMPACT		
Employee representation on health and safety committees	We have a safety committee for Sollentuna and one for Enköping. The committees each meet roughly 4 times per year. The meetings have a fixed agenda, but are also an open forum for highlighting different issues and aspects of our work environment. The primary purpose of the committees is to ensure systematic work environment management. We follow up and try to improve our internal work environment procedures, e.g. in-house checks on the work environment, reporting of accidents and incidents, annual absence due to illness, etc. The members comprise employer representatives with responsibility for specific areas within the work environment, e.g. property issues, staff issues and safety issues. We also have employee representatives and, if applicable, safety representatives from Unionen and IF Metall.	33
Significant risks in the supply chain	452 suppliers were reviewed based on product categories and manufacturing countries.	14,33
Incidents where rules concerning the health or safety of products and services were broken	No incidents during the year.	33
Incidents of non-compliance with rules and/or voluntary codes for product and service information and labelling	No incidents during the year.	33
Incidents of non-compliance with rules and/or voluntary codes concerning marketing communications, including advertising, marketing and sponsorship	“Supervisory case by the Swedish Consumer Agency against Autoexperten Detaljist i Sverige AB (Autoexperten) – Concerning unfair contractual terms for right of withdrawal: remedied and concluded in May 2020. Supervisory case by the Swedish Chemicals Agency against Autoexperten Detaljist i Sverige AB (Autoexperten) – Concerning requirements for information for sales of chemical products via e-commerce: remedied and concluded in December 2020.”	33
Substantiated complaints concerning breaches of customer privacy and leaks of customer data	No complaints during the year.	33

Priority goals – Agenda 2030

Description	Comments	Page
ENVIRONMENTAL IMPACT		
Use of recycled material	“During the year, 23,907 credits have been made in connection with our product life cycle management schemes. Our ZF service workshop completed 461 refurbishments: 14 axles, 131 gearboxes, 61 tram gearboxes and 41 marine gearboxes have been refurbished for customers. 97 gearboxes and 30 axles along with 87 hubs have been refurbished for our stock of replacement parts. 109 customer visits have been made for diagnosis/repairs.”	14-15, 23, 34
Energy consumption within the organisation	During the year 6,929 MWh of energy have been consumed at our operating premises. The majority comes from electrical energy and is used for lighting, ventilation and cooling, etc. District heating has also been used for heating and hot water. Electrical energy consumption totalled 5,591 MWh. The electrical energy is climate neutral. Thermal energy totalled 1,338 MWh.	34
Direct emissions from consumed refrigerants	25 kg of refrigerants needed to be refilled in our cooling systems and heat pumps during the year.	34
Indirect emissions of CO2 equivalents from refrigerants sold	Refrigerant sold equated to 29,902,930 CO2 equivalents, calculated as (no. of kg) × (GWP (Global warming potential)).	34
Hazardous waste ²⁾	8,783 kg	34
Non-hazardous waste ²⁾	85,008 kg	34
Recycling ²⁾	90,025 kg	34
Non-compliance with environmental regulations and laws	No penalties or sanctions during the year.	34
Suppliers reviewed using environmental criteria	452 suppliers were reviewed based on product categories and manufacturing countries.	34
Direct emissions of greenhouse gases	1,289.3 tonnes of CO2 from our company vehicles. Of this, 446.2 tonnes comes from company cars. The majority (843.1 tonnes) comes from courier vans.	34
Indirect emissions of greenhouse gases ³⁾	45.5 tonnes of CO2 from our flights and 23.7 kg CO2 from rail travel. 718.5 tonnes from our inbound and outbound transport.	34

2) excluding Autoexperten Detaljist i Sverige AB, as there is an absence of uniform reporting of waste amounts.

3) excluding outbound transport from Laitis, as there is an absence of uniform reporting.

Description	Comments	Page
ABOUT THE SUSTAINABILITY REPORT		
Reporting period	2020	1, 34
Date of publication of latest report	31-05-2021	34
Reporting cycle	Annually, 1 January – 31 December	34
Contact person	Malin Möller, malin.moller@kgk.se	34
Policy and application regarding external assurance of sustainability report	The report has not been assured by an external reviewer.	34
Information about sustainability governance		3-31, 34

PRIORITY GOALS	TARGETS	ESSENTIAL TO KGK’S STAKEHOLDERS	A SELECTION OF KGK’S CONTRIBUTIONS TO AGENDA 2030
<div>3</div> <div>GOOD HEALTH AND WELL-BEING</div> <div></div>	3.5	Preventive guidelines relating to drug abuse	Alcohol and drug tests.
	3.6	No deaths or serious injuries from road traffic accidents	Accessories that improve road safety, for example, safety systems for improved vision, warning lights and ignition interlocks. Maintenance and servicing at our workshops.
	3.8	Improved medical equipment.	Products incorporated into aids that improve patients’ quality of life.
	3.D	Risk reduction and management of health risks.	Health and fitness activities. Nudging towards lifestyle changes.
<div>5</div> <div>GENDER EQUALITY</div> <div></div>	5.5	Equal opportunities for women and men.	Equality plan and salary survey. Female network for our workshops.
<div>7</div> <div>AFFORDABLE AND CLEAN ENERGY</div> <div></div>	7.2	Higher percentage of renewable energy.	Renewable electricity for our operations. Converting cars from petrol to ethanol at our workshops.
	7.3	Greater energy efficiency.	Logbook with environmental follow-up. Energy optimisation at our properties.
<div>8</div> <div>DECENT WORK AND ECONOMIC GROWTH</div> <div></div>	8.3	Promote policies to support job creation and growing enterprises.	Encourage and support entrepreneurship and part-ownership within Autoexperten.
	8.4	Improve resource efficiency in production and consumption.	Business model and strategy for a circular economy.
	8.8	Safe workplaces.	Systematic work environment management – in-house checks of work environment and safety committee.
<div>11</div> <div>SUSTAINABLE CITIES AND COMMUNITIES</div> <div></div>	11.2	Improved road safety and reliable public transport.	Refurbishment of heavy-duty vehicles. Devices for metro trains.
	11.6	Improved air quality.	Solutions for the electric car market. Conversion kits for reduced emissions and reduced environmental impact. Improved complaints process that leads to fewer transport journeys.
	11.8	Inclusive societies.	Aids in vehicles for people with physical disabilities.
<div>12</div> <div>RESPONSIBLE CONSUMPTION AND PRODUCTION</div> <div></div>	12.4	Safe management of chemicals.	Chemicals database Kemdb. Safe chemical storage in Enköping. ADR training for everyone working at Autoexperten's stores.
	12.5	Reduce quantity of waste.	Long guarantee periods. Product life cycle management with deposit & return scheme. Improved picking and packing. Products that can be upgraded instead of being replaced. Purchasing of reconditioned IT equipment.
<div>13</div> <div>CLIMATE ACTION</div> <div></div>	13.1	Limit climate change.	Products that contribute to reduced fuel consumption, e.g. roof air deflector.
<div>16</div> <div>PEACE, JUSTICE AND STRONG INSTITUTIONS</div> <div></div>	16.2	Respect for human rights of people in the manufacturing chain	Code of conduct and risk model for the supply chain.
	16.5	Transparency and anti-corruption	External code of conduct. Internal code of conduct, “The KGK way”.
	16.7	Ensure responsive, inclusive and representative decision-making	Open seminars at our workplaces to promote a culture where all employees contribute suggestions for improvement.
<div>17</div> <div>PARTNERSHIPS FOR THE GOALS</div> <div></div>	17.16	Partnerships leading to sustainable development	Improved quality, environment and safety as a result of GBV, Godkänd Bilverkstad. Skills-enhancement activities and collaborations. Member of the Swedish 2030-secretariat and industry associations.

KGK Sustainable

SUSTAINABILITY REPORT 2020

KGK

Ethanol conversion **KGK**

Electric-powered **KGK**

A MESSAGE FROM THE CEO P. 3

A year of change

ETHANOL CONVERSION P. 16

KGK looks to go fossil free

GODKÄND BILVERKSTAD P. 21

Quality standard promotes compliance

ALVA HELIN'S THESIS PROJECT P. 26

**New framework for measuring circularity
and environmental impact**

