

KGK SUSTAINABILITY REPORT 2021

Sustainable

Power supply **KGK**

Electric charging **KGK**

ELECTRICAL TRANSFORMATION PAGE 20

**e-Mobility offering strengthened by
three solid business segments**

RECYCLED PACKAGING MATERIAL PAGE 22

**Carton shredder increases recycling at
KGK's warehouse in Enköping**

FUTURE CHALLENGES PAGE 28

Sustainable business of the future aided by employees

About KG Knutsson AB and the 2021 Sustainability Report

Sustainable business is an essential building block in our aims to generate long-term value over time. This 2021 sustainability report covers our parent company KG Knutsson AB, Autoexperthen Detaljist AB, Laitis Handels AB, Carsmart AB and KGK Norge AS.

KG Knutsson AB in turn is part of KGK Holding AB, which was established in 1946. Customers of KG Knutsson AB are mostly retailers and production companies in the automotive and marine industries. The retailers are offered great market support, broad training activities and an extensive product range via the e-marketplace Autokatalogen.

The management team at KG Knutsson AB bears ultimate responsibility for sustainability work and long-term sustainability goals at KG Knutsson AB and subsidiaries covered by the report. The sustainability work primarily takes the form of active efforts at company level.

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.

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Automotive industry facing major challenges

Society and those of us in the automotive industry are facing major challenges, including the transition to a fossil-free vehicle fleet, increased digitalisation and increasing demands for sustainability.

Car manufacturers are now transitioning to electric vehicles at a rapid rate, with many declaring an end date for the combustion engine. The number of plug-in vehicles in Sweden is rising rapidly and in 2021 they represented 45% of new car sales. BIL Sweden’s forecast for 2022 is that 60% of all new cars sold will be plug-ins. If this forecast proves accurate, roughly 10% of our existing vehicle fleet will consist of electric vehicles and plug-in hybrids by the end of 2022.

Here at KGK we are confident that by systematically incorporating sustainability we are helping to transition the Swedish vehicle fleet in a way that benefits manufacturers, the public and the planet. That’s why we’re working on initiatives relating to electric vehicles, educating the industry on high-voltage technology, offering electric car charging solutions, and continuing to develop our range of spare parts for electric cars.

At the same time it’s essential to also take care of and service the large number of vehicles already on our roads. A well-maintained vehicle that achieves its intended useful life also helps to conserve our shared resources. Alternative fuels such as ethanol, biogas and HVO 100 enable the environmental impact from existing cars to be greatly reduced. A circular economy is also something we have been working towards at our workshops for some time now, and the public transport sector in particular has long realised the value of circular systems and extending the life of gearboxes for both buses and trains. It’s really great to see that this activity has increased significantly over the past year.

We were impacted by the pandemic once again in 2021 and I want to offer my thanks to all employees who showed huge dedication in working from home for most of the year. Similarly, a big thank you to the committed employees who had to be on site for functions where working from home was not viable. One example of this is our logistics centre in Enköping, which in principle was able to continue operating as normal, and I am happy to be able to say that we delivered our usual high standards.



Photo: Sebastian Ekberg

For me personally, one of the most enjoyable events in 2021 was the workshops entitled “*Var med och forma framtiden*” (Helping to shape the future) that I had the pleasure of conducting together with the Business Development department and all employees at KGK. You can find out about this and much more in this year’s sustainability report, and I hope you find it interesting reading.

As this sustainability report goes to print, Russia’s war against Ukraine has now been going on for 2 months and is an immense tragedy. The human suffering that the Ukrainian people are having to endure is hard to take in. Our thoughts go out to all Ukrainians now fighting for their lives and their freedom.

We are helping people to move forward.

Johan Regefalk
CEO, KG Knutsson AB

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, still holds true.

Our business concept

KGK is a partner, general agent and distributor of a broad range of products and services to the automotive and marine industries. KGK offers a high level of expertise, a customer-oriented sales and service organisation and efficient logistics.

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 Stabilus 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 and the car workshop chain Autoexperten, with just over 350 affiliated workshops.

Our market

This is how we define KGK’s principal business areas:

Autoexperten

Autoexperten is our car workshop chain with just over 350 affiliated workshops. An important channel to the independent aftermarket and for the brands we distribute. The Autoexperten car workshops are owned and operated independently by a local entrepreneur, 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 Autoexperten chain of workshops, 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’ll 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. With solutions for electric car charging and a complete service for administration of charging, for example, we are helping companies, public organisations and housing cooperatives to transition to a fossil-free vehicle fleet.



Subsidiaries

Laitis Handels AB

Laitis Handels AB was founded in Luleå in 1962 by Erik Laiti and has been operated as a subsidiary of KG Knutsson AB since 1 May 2020. Wholesale chain Laitis offers a wide selection of car parts, tools, machines and industrial supplies. The range also includes a small selection of goods within the categories of outdoor recreation, home and garden. Its primary customers are industrial customers, car workshops and private individuals. The eight Laitis stores are run as independent companies, with strategic management from CEO, Mattias Hedlund.

ISO 9001 and 14001 certification are, and have long been, an essential element of Laitis’ sustainability work, the objective of which is constant improvement in terms of health, the environment and safety. Over the past year KGK’s Team Sustainability (Team Hållbarhet) has been joined by a representative from Laitis. Having a representative on Team Sustainability helps to strengthen the development of greater expertise relating to the environment and economical use of resources.

”Our ISO certification has made all our employees more aware of our environmental impact. We have also brought structure to our day-to-day work in order to ensure sustainable development of the company and reduce our climate footprint.”

Mattias Hedlund, CEO, Laitis Handels AB

Autoexperten Detaljist i Sverige AB

Autoexperten Detaljist i Sverige AB was set up in 1996 in Sollentuna and is a wholly owned subsidiary of KG Knutsson AB. Autoexperten Detaljist operates 43 Autoexperten stores stocking a wide range of products such as spare parts, accessories, oil, tyres, tools and workshop equipment. Autoexperten Detaljist supplies workshops, industrial firms and haulage companies, as well as private customers and property companies.

”We are seeing strong growth, and this brings an obligation to consider our business from a sustainability perspective. In 2021 this has included exploring how fossil-free courier van deliveries could become a reality.”

Andreas Rosell, CEO, Autoexperten Detaljist i Sverige AB

KGK Norge AS

KGK Norge AS was founded in 1979 under the name ZF Norge AS. KGK took over the company in 2001 and the name was changed to KGK Norge AS. The company was divided into two divisions in 2007: the Handels division and the ZF division.

The Handels division in practice serves as KG Knutsson AB and sells products for passenger cars, trucks, work vehicles and the marine sector. The ZF division sells to target groups within marine, construction, rail, buses and industrial applications. It also has an in-house workshop that refurbishes gearboxes and drive shafts.

Using KGK Norge’s e-commerce site, autokatalogen.no, customers can access a largely similar range of products to its Swedish counterpart, autokatalogen.se. Autoexperten is also establishing a presence in Norway, resulting in an increase in the number of employees, to 34 as of 31 December 2021.

KGK Norge has begun using an external HSE system as an aid to continuous work on health, safety and environmental issues. Our partner Avonova is assisting in this.

”Our focus going forward will be to become an even more sustainable workplace and we will further expand our efforts in the future.”

Terje Holm, CEO, KGK Norge AS

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. Carsmart also offers customised solutions for electric car charging, including products from market-leading suppliers, nationwide installation services, cost management and support.

”A fossil-free vehicle fleet is now an objective for many companies. Carsmart is helping companies to achieve this aim with its products and services.”

Per Gillberg, CEO, Carsmart AB

3 Questions

Mattias Hedlund,
CEO, Laitis Handels AB

1. Why is sustainability work important to Laitis?

”For large-scale procurements, it’s essential to be ISO certified, and Laitis holds ISO 9001 and 14001 certification. But ISO certification alone is not enough to make you a relevant player. If you compare the procurement process today with a few years ago, we get far more, and more detailed, questions relating to our sustainability work. We need to be able to provide positive responses to such questions and to demonstrate that we are working on this. We must be able to satisfy customers’ sustainability requirements to enable us to be in the mix and competing for procurements.

”One area where we can have a significant impact is emissions from our transport activities. Our business is based on being able to deliver goods to customers at their locations. Many of the items we deliver are carried by Bussgods. As a result the increase in emissions for our deliveries is minimal, since journeys would have been made anyway even if we were not sending any packages.”

2. What is Laitis aiming for in its sustainability work over the coming year?

”One important perspective when talking about sustainability is our staff. We have recently launched a pulse survey we call **Weekly Workflow**, where we e-mail staff each week to check how their workload is looking. We do this to ensure that any function requiring additional support to prevent stress is identified at an early point.

”We can also supply automated storage units to our customers on the market that they can set up at their workplaces. This is a cabinet with a number of doors and compartments where you can store and retrieve materials or valuable tools using your ID06 card as a key, for example. These enable businesses to reduce consumption and make it easy to analyse consumption. This type of automated storage unit has proven to help reduce consumption.”

3. What challenges do you foresee for the year ahead in your sustainability work?

”Any decisions made often entail a change for our employees. So it’s essential that every decision is well rooted so that everyone involved understands why the change is being made and what benefits it will bring. Within the business, we also need to improve how we go about communicating aspects of our sustainability work to customers.”



Laitis Handels AB

Laitis is a subsidiary of KGK, which is operated under the business concept of supplying industrial firms, workshops, filling stations and consumers with tools and spare parts. From having been a basement business, Laitis has developed into a strong player, locally and regionally in northern Sweden, with a turnover of more than SEK 385 million. Laitis has 131 employees and is known in northern Sweden for good industry knowledge, high-quality products and personal service.

Objectives and outcomes

KG Knutsson AB* aims to operate a long-term, sustainable enterprise. In order to ensure we achieve this, in 2021 we adopted eight KPIs¹⁾ to guide our operational development. These are divided into four business KPIs and four efficiency KPIs.

* Excludes subsidiaries.

Four Business KPIs

- Increase in sales
- Profit margin
- Cost base
- Revenue per employee

Four Efficiency KPIs

- Obsolescence
- 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.

The pandemic continued throughout 2021, meaning that customer visits were still restricted.

We set a reasonable but somewhat cautious target for the year. However, this was far surpassed. All business areas succeeded in upping their sales from the previous year, despite the pandemic and a whole host of delivery issues.

• Profit margin

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

We achieved our target for 2021. This was thanks to good sales levels, a good margin and favourable exchange rates. We have also been striving to keep costs down and to work more efficiently.

• Cost base

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

Owing to the pandemic certain costs, such as attendance at trade fairs and other events, vehicle costs and travel, have been relatively low. We have become familiar with meeting via Teams, which saves a great deal of time and money and is also better for the environment. However, we are pleased to be able to meet with customers, suppliers and our colleagues face to face once again now restrictions have been lifted.

We are continuing to work on projects to streamline our operations. These include:

ABS Autoassist new DMS for workshops and same-day delivery via Autoexperthen to all KGK customers, and we have initiated a change of system for managing our accounts payable.

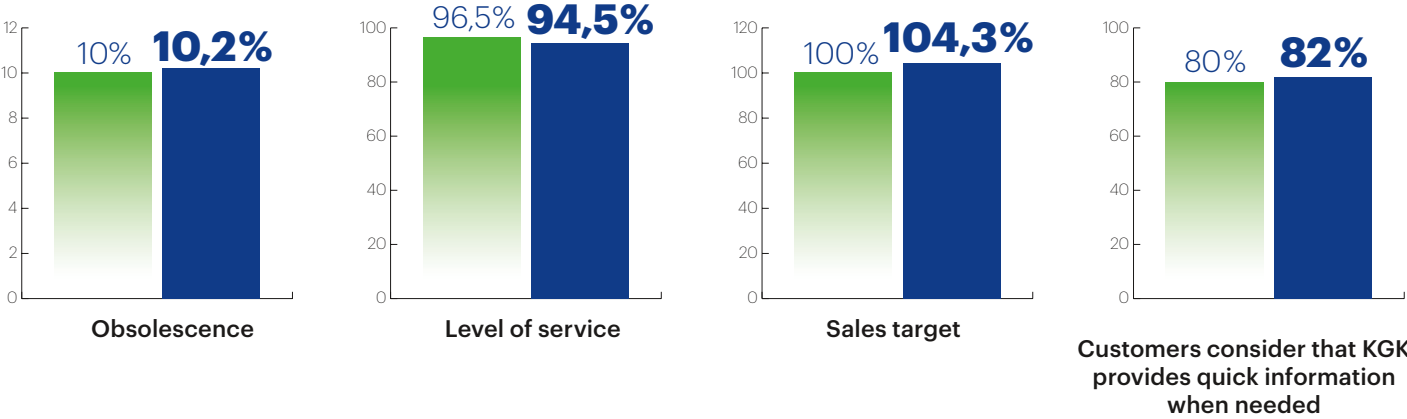
We didn't quite achieve our target for 2021.

• Revenue per employee

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

We achieved our target this year, primarily due to our excellent increase in turnover. The number of employees remained fairly constant over the year, but we have all had to work hard to handle the workload with a large part of our workforce at home due to Covid.

Outcome
Objective



EFFICIENCY KPIs

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

• Obsolescence

The key figure is that obsolescence should be less than 10% of total inventory value. We started at 12.9% in January 2021 and by December the obsolescence rate was 10.2%.

Examples of activities during the year

During the year we have used our new inventory optimisation system to calculate and optimise our inventory. In addition, we have made use of the system's new inventory balancing function. Inventory balancing means that individual items and ranges are transferred within the Group's various central warehouses closest to the customer who needs them. In practice this means that a product with reduced demand on one company's market will be transferred if possible to a central warehouse where demand is greater.

• 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 2021.

We continued to have problems in achieving this in 2021, chiefly due to the pandemic. The root cause of the problems has been a shortage of semiconductors, as well as a lack of containers and problems with transport from Asia. This has affected us both directly and indirectly. As society gradually opened up during the year the resulting pent-up demand created a global shortage of raw materials and energy that had a negative impact on our level of service. In spite of this we successfully boosted our result to 94.5% in 2021, from an average of 92.9% during the first year of the pandemic.

• 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 2021 was to achieve 100% of set sales targets.

Our actual result was 104.3%. We are extremely satisfied with the increase in sales and with the fact that we are gaining market shares. We are expanding within all business areas.

Examples of activities during the year

Examples of activities during the year include smart canvassing, recruitment of new Autoexperthen workshops, successful campaigns and continued 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 4 or 5 on a 5-point scale. We achieved the set target. 82% of our customers gave us 4 or 5, which is an improvement on the level in recent years.

Examples of activities during the year

We have worked on improving our customer focus during the year and have also developed our case management system.

1) KPI – Key Performance Indicators

Towards more sustainable business

At KGK we are constantly striving to make small but significant improvements. For our customers, suppliers, employees and the wider world. 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.

Functions

In 2021 we have focused on process owner roles by making them full-time positions for commercial and business support processes. At the same time we have phased out the roles of process manager and efficiency owner. The process owners instead work together with function owners, who have specific function areas, and collaborate closely when deciding what is the best working method for achieving our KPIs.

We now have ten functions collectively aiming to deliver value to our stakeholders via our processes.

System management

We have introduced a new management model for our system support processes, with each one linked to a function. Each system support process must have a management organisation that essentially consists of a system owner, administrative manager (operational) and administrative manager (IT). The purpose of this is to optimise our system support processes and to ensure good cooperation between the needs of the business and the technical system solutions, coming together to create a management plan.

The change process

In order to fine-tune change process work, we have an analysis group made up of representatives from Business Development and IT, whose aim is to ensure that our proposals for improvements are implemented correctly and can be reviewed as soon as possible. The proposals are allocated to the right process, function and administrator.

We have also developed a new, simplified project model that better reflects our needs and our business. It will be launched in 2022.

In order to ensure that our project portfolio is managed effectively and sustainably, we now have a role within the Business Development department responsible for managing and coordinating the project portfolio and serving as a link between the business and IT.

Another change is that the project office is responsible for producing the tactical plan for our project portfolio, which covers internal/external resources linked to our projects as well as proposals for project prioritisation that the management team then approves.

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. In 2021 we began risk assessment work based on processes associated with the business, including sustainability risks. This work is ongoing.

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, a cross-functional team established at the end of 2019 to improve coordination and knowledge of sustainability matters.

Focus areas for 2022

- Embedding the project model.
- Continuing to improve awareness of sustainability issues within our business.
- Embedding our model for system management.

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

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. This is in line with Sweden’s strategy for a circular economy that was presented in summer 2020 and accompanied by an action plan.

The action plan specifies that 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



PROTECTING LIFE



CIRCULAR ECONOMY



Long-term sustainable growth

In order for KGK to maintain its future competitiveness, 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.



Graphics: Jerker Lokrantz/Azote for Stockholm Resilience Centre.

Our contribution to fulfilling the goals of Agenda 2030

As a general agent, 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 installed ignition interlocks in our company cars. Ignition interlocks are also included in our product range. 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.

KGK enables customers of Carsmart to monitor CO² and energy consumption by means of a “Fuel cost and environmental report”. This report facilitates monitoring of fuel consumption in vehicles, for example, which is a huge help to customers wanting to keep an eye on their own environmental objectives. 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 for imported energy from less sustainable sources is reduced. In 2021 we launched a project to look at which distribution vehicles within Autoexperten can be replaced with plug-in hybrids or electric vehicles. The vehicles were fitted with telematics, and driving patterns were analysed after several months to see which vehicles could be switched for electric options. 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. We have our own refurbishment and spares system for ZF gearboxes and axles for buses and a variety of work machines.

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 at an early point. 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.

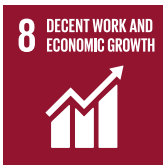
We also handle refrigerants. These have substantial negative environmental impact if not recovered and destroyed correctly in connection with repair and replacement of air conditioning systems. Correct handling and checking of workshops’ certificates is a key element of our environmental work.

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.

KGK has an express objective to increase the diversity of its workforce, with the target of 40% of new employees being female. One method being trialled is adjusting the wording of recruitment ads to include words that research shows are female-coded. Knowledge about the impact of choice of words in recruitment ads comes from the Swedish Confederation of Transport Enterprises’ equality project Framfart.



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 of poor working conditions 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, some of our Autoexperten workshops that have completed training offer type-approved conversion kits for passenger cars to convert them to run on ethanol or biogas. 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 and checks/inspections of gearboxes for trams 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 were able to offer charging facilities for plug-in vehicles for staff and customers. Our logistics centre is continuously working to optimise the pack sizes for goods that require single-use packaging. This reduces the quantity of waste for our customers to deal with in addition to helping to consolidate goods.



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. A channel for whistleblowing regarding misconduct is also available to staff.



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, and it leads to improvement, development and 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 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 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.

Autoexperten evaluates use of electric delivery vehicles

Autoexperten Detaljist AB has almost 90 vehicles carrying out deliveries to workshops from the company’s stores. The majority of these are currently diesel powered, but this may be set to change in the future thanks to a project evaluating whether courier rounds can be covered by electric vehicles.

The project evaluating courier rounds originates from an earlier initiative launched in 2018, which used a logbook service to look at the possibility of streamlining courier routes. One of the discoveries made was that in some cases two different stores were sometimes delivering to the exact same location. As a result of this knowledge, any such areas could be removed from one of the courier’s routes, thus saving fuel. And in Nyköping, for example, alternative routes were found that reduced the time vans were out on the road, again cutting down on fuel consumption. This project gave Autoexperten Detaljist an insight into what could be accomplished by collecting and analysing data from courier vans.


The next project commenced in 2021, to evaluate whether the existing diesel vehicles can be replaced with electric vehicles. Collection of data from 6 courier vans began using hardware and software from company Geotab. Geotab supplies a tracking device that plugs into the vehicles’ OBD port. It records how the vehicles are driven and uses software to evaluate which routes may be suited to use of electric vehicles.

“The project began with us speculating whether it was possible to reduce costs for deliveries. Fuel represents a large portion of our costs and so it was natural for us to start there and investigate if electric vans might be a sustainable alternative. However, before we can make a decision we need to have relevant data to back it up,” says Andreas Rosell, CEO of Autoexperten Detaljist.

This current project is not the chain’s first attempt to introduce electric vehicles into the business. They already run electric vehicles in Bromma. In urban areas they know that an electric vehicle will be able to cope, as it rarely drives further than 200 km and there are plenty of charging points. Andreas continues:


“The big challenge for electric vehicles comes when they have to cover longer distances. Our vans are out driving from 8.00 in the morning until 15.00 in the afternoon. The advantage of this schedule is that they can always charge overnight. The disadvantage is that certain rounds are longer, covering up to 200 km in one day in a cold climate. The data collection project will show how factors like this play out.”

TARGET7-2



INCREASE GLOBAL PERCENTAGE OF RENEWABLE ENERGY

TARGET11-6



REDUCE THE ENVIRONMENTAL IMPACT OF CITIES

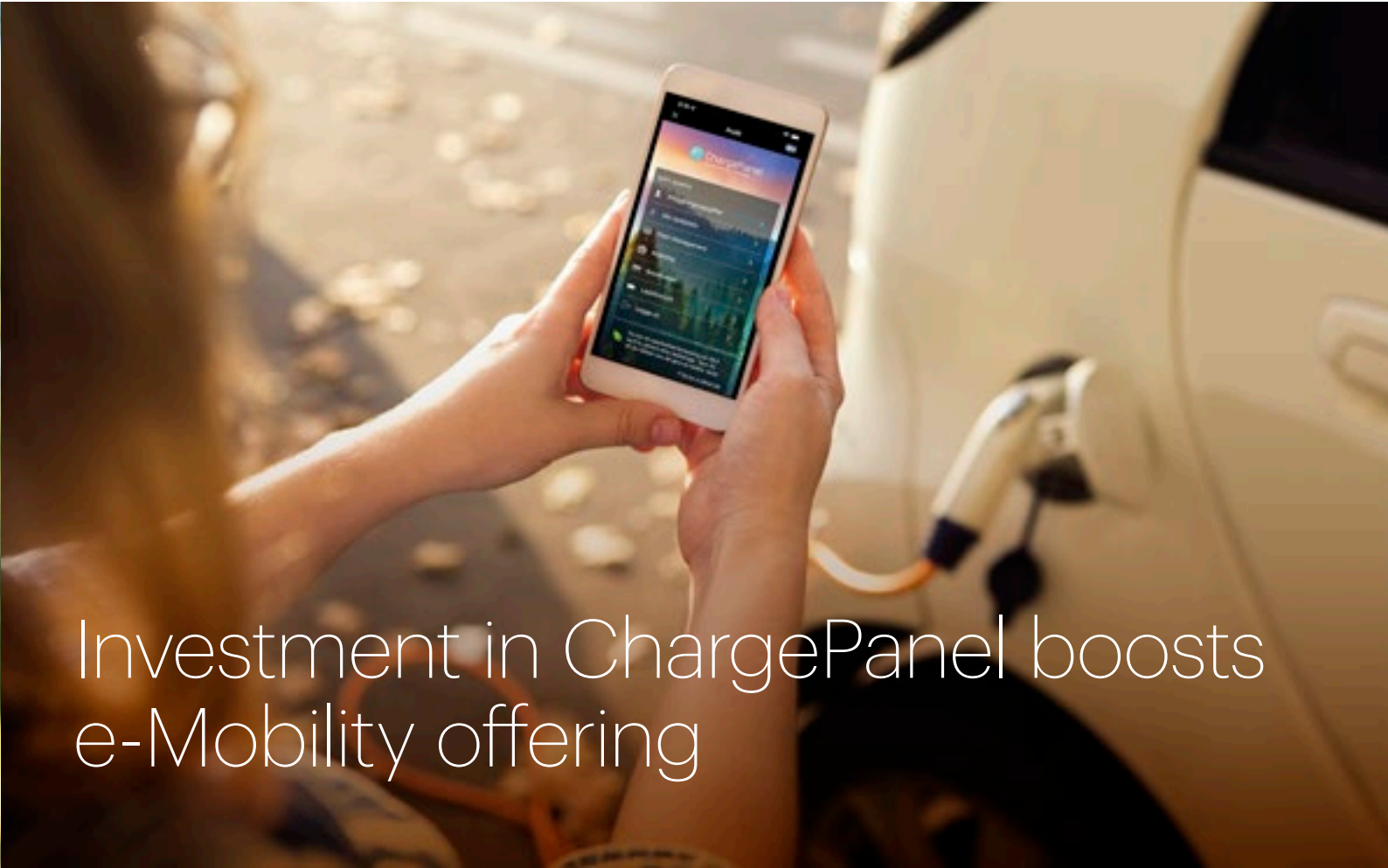


Drivers keen for change

The courier van drivers take a positive view of the project and think the new technology is great. This has not always been the case at the chain when previously discussing the topic of electric vehicles. The feeling had been that vehicles should have an engine that you can hear. However, this has changed in recent years and the general attitude regarding potential electrification is now very positive. And that positivity increases further still when site managers and courier van drivers see that money can possibly be saved by switching to electric.

The vehicle driven furthest during the test drove 55,559 km over nine months and consumed 1,806 litres of diesel. Over a full year of similar usage it would discharge 13 tonnes of CO². Preliminary data shows a big environmental gain if powered by electric instead, and a saving of between SEK 310,000 and 508,000 over the entire service life of a vehicle.

“The project and all collected data will be evaluated in early 2022. If the end result shows a favourable outcome for electric vehicles, it’s entirely possible that we’ll introduce electric vehicles for our courier rounds,” concludes Andreas.



Investment in ChargePanel boosts e-Mobility offering

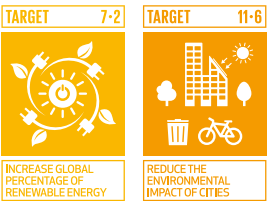
In 2021, KGK acquired 18% of the shares in ChargePanel AB. KGK undertook one of the bigger subscription commitments in connection with the listing of the company on the stock exchange. This investment means that KGK is an anchor investor and sits on ChargePanel’s new board.

ChargePanel AB is a Greentech company that offers B2B solutions within the fast-growing e-Mobility sector. The company supplies customers with a white-label SaaS platform for operation and management of charging networks, regardless of geographical market. The platform is independent of both electricity companies and manufacturers of charging infrastructure.

End users gain access to ChargePanel’s user-friendly app to manage charging of vehicles. For those who drive company cars or service vehicles and charge them at home, ChargePanel’s service offers complete management for splitting expenses according to which vehicle is being charged.

The investment represents part of KGK’s commitment to contributing to the energy transition for the country’s vehicle fleet. This commitment is governed by the goals adopted by the UN under Agenda 2030. Johan Haack, CDO of the KGK Group, explains further:

“The investment is an element in KGK’s mission to contribute to an emission-free future for the transport sector. A future in which electricity makes up a large share of the energy mix for the country’s vehicle fleet and where charging infrastructure is simple to use and accessible to all. Our investment aims to support the company in its development so that more charging operators gain access to this fantastic platform.”



3 Questions

Jessica Dymén
Sustainability Manager

1. Why is the sustainability perspective important to KGK?

“It’s important because our customers and employees demand that we ensure our business activities are sustainable for the environment, customers and ourselves. In order to survive and do business in the future we need to take an active approach to sustainability that helps us to be economical with the Earth’s resources and creates a good work environment for our employees, and do it in such a way that it is also economically sustainable. Sustainability work should result in more profitable business in the long term!”

2. What will you focus on first in your new job?

“I will be focusing on the areas where we have the greatest sustainability impact and can gain the most in commercial terms. The first thing is to integrate sustainability work into everything from business deals to processes and to increase awareness among employees. Sustainability should not be centralised and in an ideal world every individual at KG Knutsson AB and its subsidiaries should understand how we can all contribute to sustainability. I will also continue focusing on our areas of *circular economy and protecting life*.”

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

“My hope is that in five years’ time we’ll have reached a point where the sustainability perspective is well integrated into day-to-day operations and the business. Industry collaboration for sustainable business will probably be even more important, and legal requirements will doubtlessly increase for both producers and commerce. We will need to rapidly pick up on changes and adapt the business. Discussion with customers and suppliers will also be more extensive and focus heavily on the sustainability perspective within our products and services.”

e-Mobility offering strengthened by three solid business segments

There are eight years to go for Sweden to achieve one of the most ambitious climate goals in the world – having a fossil-free vehicle fleet by 2030. At the time of writing, the rate of progress differs between different types of vehicles, but for road transport electric is an alternative that has gained a strong foothold.

For a number of years KGK has been developing its range and services to satisfy increased demand on the transport market occasioned by the transformation to electric vehicles. From 2021 our offering is more complete, as we now offer customers payment and administration services, a broad range of charging products for both AC and DC charging (fast charging), as well as installation services at around 100 locations, with support. At present, KGK is one of only a few players providing all three of these services under one roof.

In 2021 we appointed two new field sales representatives, whose areas of focus going forward will include reaching out to housing cooperatives and organisations with commercial properties in their portfolio. A trained electrician has also been hired in the role of product specialist. He will provide specialist expertise within electrics and electrical installation and ensure that we have the right products to suit the needs of electricians.

On the supplier side we entered into a partnership with ABB, which, among other things, is the world’s largest supplier of DC fast-charging products. ABB as a brand stands for Swedish quality and gives us new scope for canvassing the market for fast charging. This partnership goes hand in hand with the increasing electrification of heavy-duty traffic. Both truck manufacturers and bus manufacturers will very soon be selling more plug-in vehicles than today. It will probably only be possible to charge these with direct current, which means that depots and garages will need to install DC chargers moving forward.

Investment in administration and payment solutions

In order to offer customers a flexible and reliable administration and payment platform for charging points, KGK invested in ChargePanel AB in 2021. At its IPO, KGK purchased a total of 18% of the shares in the company. KGK is also using this SaaS platform for its billing service for charging points known as Carsmart EVCharge.

A fast-moving market

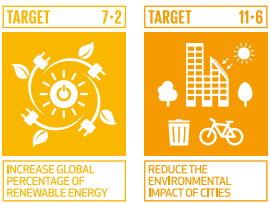
As the market is relatively young and fast-moving, it is constantly evolving. Jens Holmström, Business Developer, explains:

“The entire market is new, which means that conditions are changing rapidly. New manufacturers are emerging, new customer groups are coming to light and new players want to compete with new business and price models. The challenge for us is to transition our organisation and to keep up with the market.”

One relevant change that came into force in 2021 was that the government decided to entrust the Swedish Tax Agency with administering the grant scheme for charging boxes. This was previously managed by the Swedish Environmental Protection Agency. Prior to this change private customers could apply for this grant from the Swedish Environmental Protection Agency. Jens continues:

“When the Swedish Tax Agency took over, this meant that the grant was changed into a tax deduction and became part of the system of ROT deductions. This change meant that responsibility for applying for support for installation transferred to KGK. Processes and procedures have been developed to manage this, and several full-time employees are now involved in dealing with administration of the charging box scheme.”

e-Mobility is a part of KGK’s business that is still in its infancy. There is a great deal of uncertainty as to how the market will look down the line, but one thing is certain: electrification of Sweden’s vehicle fleet is forging ahead.



Carton shredder increases recycling at KGK’s warehouse in Enköping

The warehouse in Enköping sees a constant flow of deliveries in and out. Many of the deliveries arrive at the warehouse in robust packaging in the form of cartons, which were previously sent direct for recycling. A while ago, however, a new approach was suggested: can we deal with the incoming packaging material in a smarter way?



This issue was discussed back and forth for a while and we began investigating the options for dealing with the material. One of the logistics centre technicians hunted around and came across a carton shredder. The manufacturer was contacted, with the aim of having a test machine on site. After a period of testing it was concluded that the carton shredder was the ideal way forward. Warehouse manager Patrik Enberg explains further:

“Every year we purchased packing material at a cost of roughly SEK 0.5 million. The carton shredder costs less than one fifth of that and now supplies the logistics centre with the majority of the packing material needed for outgoing deliveries.”

Challenges are there to be solved

When the team began using the carton shredder, it was discovered that the shredding process generates a great deal of paper dust. When a carton is shredded, it flakes apart and paper dust is released. This problem needed solving, and on the advice of the manufacturer a vacuum was connected to the shredder. Once this had been done, the volume of dust in the air reduced.

Another challenge that needed solving was configuring packing stations in a way that promotes the use of recycled packing material. In the introductory phase, three of eight packing stations are trialling the recycled material. They are experimenting with a variety of containers to hold the shredded cartons placed at various points, to make it easy for staff to choose the recycled material.

When choosing carton material to be reused, we want it to be as clean as possible and of a high standard. Therese Bjurling, who is a team leader at the warehouse, says:

“Not all carton material is suitable for shredding. It must be clean and without any plastic printing. Dry material creates more dust. The shredded carton material that we subsequently use in deliveries has very useful characteristics. It’s flexible, can easily wrap around products and is thick enough to withstand impacts. We believe that we’ll have fewer instances of damage to deliveries thanks to these characteristics.”

Supply of cartons

There is a good supply of cartons to produce packing material using the carton shredder. At present more cartons come in than the business has use for. Around 30% of the carton material that comes in today goes through the carton shredder and the remainder is sent for recycling.

TARGET 11-6

REDUCE THE ENVIRONMENTAL IMPACT OF CITIES

TARGET 12-2

SUSTAINABLE MANAGEMENT AND USE OF NATURAL RESOURCES

TARGET 12-5

SUBSTANTIALLY REDUCE WASTE GENERATION

KGK Norge

KGK’s operation in Norway is similar to that in Sweden, having autokatalogen.no and selling and distributing products for passenger cars, trucks, work vehicles and the marine sector. The latest addition to the Norwegian market is the establishment of Autoexperten.

However, the Norwegian market differs from the Swedish market, as for one thing, the proportion of electric vehicles on the roads is much higher. We put three questions to business developer Muath El Noaimi, who is working on KGK’s Norwegian project.

3 Questions

Muath El Noaimi

KGK in Norway

1. What has been done in Norway to achieve the high percentage of electric vehicles on the roads?

“The Norwegian government has removed VAT on vehicles that are fully electric to make electric vehicles more easily accessible. Moreover, electric vehicle owners don’t have to pay congestion charges and can travel free on ferries. But that’s not all, electric vehicles can also use bus lanes if carrying more than two people, and tax benefits are available if using electric vehicles for business purposes.”

2. What will KGK in Norway be focusing on over the next three years?

“We are aiming to broaden our expertise within electric and hybrid vehicles, with a focus on operational challenges in the Nordic climate. We want to understand which parts are prone to failing over and above normal wear and tear. We also want to look into refurbishment possibilities for components such as AC compressors, built-in chargers, AC/AC-DC/DC splitters, etc. This work will take place at our development hub, which we are in the process of establishing. We have recruited specialist expertise and will continue to steadily expand the business.

“The Norwegian workshops will also supplement their offering with work on electric and hybrid vehicles. Hand in hand with this, KGK Academy will also expand its training programme for electric vehicles.”

3. What do workshops need to do to transition to working on electric vehicles?

“It’s important to assimilate the new technology and learn about hybrid and electric vehicles. In addition, you have to invest in equipment to be able to deal with high-voltage vehicles and ideally get support from a workshop concept.”



New smaller carton improves transport fill rate



Packages both large and small are dispatched from the KGK warehouse in Enköping. For more efficient shipping of products with small dimensions, a carton size designated *KGK ettan* has long been used. This carton has worked well, but is not necessarily ideal, since despite its small size it is still too big for some deliveries.

In order to maintain an environmentally sound and economically sustainable delivery chain, one of the key factors is a high fill rate in trucks and containers. Empty space should be filled to make transport journeys as environmentally sound as possible and also economically sustainable.

KGK ettan has dimensions of 26.5 x 21 x 13 centimetres and is too large for deliveries of small items such as screws and bolts. So after some research a carton was found on the market that could be used instead, with dimensions of just 20 x 9 x 11 centimetres. In 2021, we shipped a total of 7,380 of these small cartons, known internally as *Tejpkartong*. Since we introduced this solution, carbon dioxide emissions from our transport activities have been reduced by 180 kg. Not a huge figure in relation to other emission sources, but nevertheless important, since all savings contribute to efficient and more environmentally sound transport activities.

The benefits of the new carton are that it helps in raising the transport fill rate and reducing material consumption, e.g. less packing material. However, it has not been a totally problem-free introduction. One immediate challenge encountered was that the smaller cartons got stuck on the conveyor belts in the warehouse. They would catch at turns and bends in the conveyor, designed with ball-bearing rollers, due to their low mass. The solution to this has been for the workers at the packing stations to transfer a number of the smaller cartons to larger transport boxes and send these through on the conveyor belt once filled.

The new solution has proved a success on the whole and it will continue to be used for smaller consignments going forward.

After a two-year pause due to the coronavirus crisis, Team Sustainability has begun meeting up once again to resume the work of improving knowledge and coordination of sustainability issues. Team Sustainability is a cross-functional team with individuals from various parts of the company. They work together to both share and gather knowledge about issues linked to efficiency and sustainable business. The team meets up at least four times a year and is coordinated by the Business Development department.

3 Questions

Sara Forsberg,
member of Team Sustainability & warehouse worker in Enköping

1. What motivates you to be involved in Team Sustainability?

"It feels like now is the time to encourage a more sustainable approach throughout the business and among all employees. Thinking and acting sustainably is important for the company, employee health, road safety and for future generations."

2. What does sustainability mean to you in your job?

"Constantly questioning if we can work smarter, so that we are wasting less time and resources. It should be easy to do the right thing and fun to go to work. If everyone helps out, things go more smoothly, you get more out of your job, and we can compete better. Here at KGK we need to constantly try to think of the big picture in every work process, so that things work well right through to the customer."

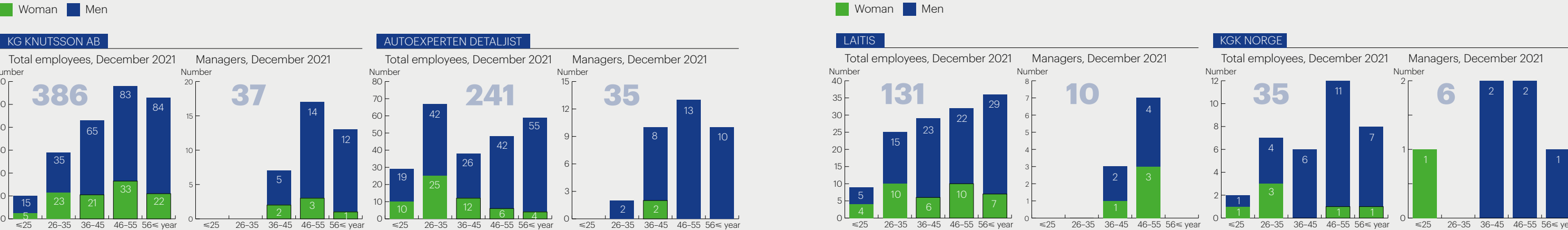
3. What sustainability challenges does KGK's logistics operation face?

"I think mostly all the transport involved in the operation – that it should be as resource-efficient as possible. And not just those of us at the company, but all drivers and suppliers should also have fair working conditions."



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.



Sustainable business of the future aided by employees



Society and those of us in the automotive industry are facing major challenges, including the transition to a fossil-free vehicle fleet, increased digitalisation and increasing demands for sustainability. The issue many people are pondering is how should KGK address this and what role will we have in the future?

In order to find answers, CEO Johan Regefalk and representatives from the Business Development department turned to KGK’s staff in a series of workshops entitled *Var med och forma framtiden* (Helping to shape the future). These three-hour workshop sessions gave employees the chance to discuss and chat with Johan about the challenges that KGK is facing as we look ahead.

Preliminary planning for the sessions came up with three themes focusing on issues relevant to the industry, which the employees then discussed:

- 1. KGK, the industry and the future.** The employees should think freely and reflect on how KGK should tackle the transition from fossil-based transport to transport that is electric and powered by renewable fuels.
- 2. More efficient workflows.** A challenge for us, as we have many different channels to customers. We should make use of the fact that we operate as a team and do business in many different ways. The groups discussed how our internal processes and working methods can facilitate working more efficiently together.
- 3. KGK for all.** Diversity in the workforce is a challenge that we and large segments of the transport sector are grappling with. Under this theme, the employees discussed what KGK can do to increase the proportion of women, individuals with a foreign background and individuals from other industries in our workforce.

There were many interesting discussions, resulting in valuable feedback and tangible suggestions as to where KGK should direct its efforts. After all the workshops had been completed, all the suggestions and ideas were compiled. This provided an overall list of 172 points. These are to be presented to relevant functions in early 2022. The functions will then be instructed to implement the suggestions deemed to be most productive.

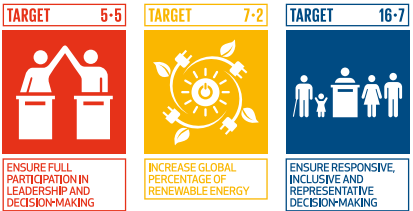
How it began

The original idea for these workshops, referred to internally as ‘Johan’s workshops’, came about when presenting the business plan in 2018. Johan explains further:

“To start with it was a spontaneous initiative. I decided it was a better idea to talk about the business plan in small groups and generate discussion with all employees. At the same time we had a workshop where everyone got to give their opinion about our SWOT analysis. We had great results and so the idea of conducting more workshops in the future was born. And we’ve done that. In 2019, the workshop looked at identifying the bottlenecks present in our processes and what we can learn from the processes that work best.”

The aim of holding these workshops is for employees to have a dialogue with management. Johan continues:

“Commitment within the company is crucial for success. In order to foster this commitment, it’s essential for everyone to feel involved and that they can influence things. Then we collectively have belief in the future. In addition, it gives all employees the chance to meet and better get to know colleagues from other parts of the business that they don’t work with on a day-to-day basis.”



Whistleblowing tool to report any misconduct

The concept of a whistleblower has traditionally been used for employees who go to the media with information. Nowadays it's used in a broader sense for the reporting of misconduct within an organisation. In 2021 KGK set up a channel for whistleblowing in preparation for forthcoming legal requirements.

The Swedish Whistleblowing Act came into force on 17 December 2021. This means that any employer with at least 250 employees is obliged to set up an internal whistleblowing function by 17 July 2022. Therefore in 2021 KGK established an internal digital whistleblowing channel via which employees can report misconduct within the company. The legal requirement aims to give employees a channel that allows anonymous reporting of serious irregularities such as environmental crimes, financial crimes or bribery. A manual for how to submit a whistleblowing report is available on KGK's intranet.

“The work of establishing a whistleblowing channel was presented at a meeting for all KGK managers in February 2021 and on the intranet. The reactions were positive. In connection with this we developed procedures for how any cases are to be handled and informed employees via the news feed on the intranet.”

Ann-Helen Wallrud, HR Manager

Whistleblowing – how it works

KGK uses a service from company 2Secure for whistleblowing. If an employee submits a whistleblowing report, this is sent as a case via the whistleblowing tool that can be accessed via a link on KGK's intranet. Staff from 2Secure then review the case and pass relevant cases on to KGK. A newly established internal committee for whistleblowing receives the case and takes further action as required. The committee is made up of representatives from HR, trade unions and the board as per recommendations from 2Secure.

KGK will also be going one step further than stipulated by the legal requirement. In 2022 the tool will be published externally on KGK's website to make it available to customers and suppliers.



Medarbetarundersökningen visar att vi tror på framtiden



Satisfied with KGK as an employer



Would recommend KGK as an employer



Clear objective and visions

The employee survey conducted at the end of 2021 shows that we are a committed organisation. We have faith in the future, our adaptation to the transport sector's energy transition, and many would recommend KGK as an employer to someone they know.

The statement *“I am generally satisfied with KGK as an employer”* shows an index of 81 out of 100, while the question of *whether you would recommend KGK to a friend or acquaintance* received a score of 26 on a scale from -100 to 100. These results are above research company Netigate's benchmark and are something we should be proud of!

“What we can take from the survey is that those of us working at KGK feel a strong sense of community with our colleagues and that cooperation works well. We feel appreciated for the work we do.

The managers generally receive high marks and many people view their managers as good role models,” says Ann-Helen Wallrud, HR Manager.

The statements *“I feel that we as a company have a positive evolution ahead of us”* and *“The company's objectives and visions are clear to me”* show excellent results, with 4.27 and 4.29 respectively on a five-point scale.

“Achieving such strong results for statements about our objectives, visions and faith in the future is gratifying. Faith in the future is an attitude that is needed if we are to implement lasting change in our current and future business activities,” says Johan Regefalk, CEO of KG Knutsson AB.

Even though the survey results were positive, there are naturally also areas for development. One such area is stress, as Johan says:

“Our employees and colleagues feel that they don't have enough time for their allotted tasks. The corporate management team believes that this is partly due to a need to improve collaboration between different departments, to be more cross-functional. Neither should we overlook the fact that some of our current systems in use are old and obsolete. We need to modernise these, so that they can contribute to an efficient workflow that does not elevate the stress level.”

In order to move forward with the stress issues we will educate managers in how we can work together to protect ourselves against unhealthy stress and how we can be more proactive in alleviating work-related stress.

We will also invite all employees to attend a talk about how to prevent and manage stress with the aid of tools, knowledge and inspiring thoughts.

Looking ahead, we will take short ‘temperature measurements’ during the year to get an indication of how we are doing and take action quickly if required.

We feel that this will promote a healthier working life and contribute to an even higher level of job satisfaction!



Index

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.

| Description | Comments | Page |
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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, 6, 7 |
| Main brands, products and/or services | | 2, 4, 5 |
| Location of head office | Sollentuna. | 2, 32 |
| Location of operations | Sweden and Norway. | 32 |
| Markets served | | 4, 5 |
| Number of products | A total of 67,000 different products are stocked at the central warehouse in Enköping, but only 49,000 are part of active product planning. Laitis Handels AB: 13,699. | 32 |
| Supply chain | Active suppliers. We purchased from 484 different suppliers in 2021. Laitis Handels AB: 1,749 repeat suppliers. | 32 |
| External principles or other initiatives supported by the organisation | KG Knutsson AB is a member of the Swedish 2030-secretariat. 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). | 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, the Swedish Association for Motor Retail Trades and Repairs, and Sveriges Bildelsgrossistförening. | 32 |
| A message from the CEO | | 3 |
| FINANCIAL RESULTS | | |
| Turnover | KG Knutsson AB: SEK 1,692,160,000. Autoexperten Detaljist, incl. Laitis Handels AB, HPM Distribution and other majority-owned Autoexperten Detaljist companies: SEK 1,195,795,000. | 2, 32 |

| Description | Comments | Page |
|--|---|-------|
| INFORMATION ABOUT EMPLOYEES | | |
| Number of employees | KG Knutsson AB and Autoexperten Detaljist: 627 employees. KGK Norge: 35 employees. Laitis Handels AB: 131 employees. | 2, 32 |
| Number of new employees during the year, divided by forms of employment permanent/probationary and temporary | KG Knutsson AB: Total 44, of which permanent/probationary: 32, and 12 temporary. Within Autoexperten Detaljist companies: Total 52, of which permanent/probationary: 41, and 11 temporary. Laitis Handels AB: Probationary: 39, Permanent: 6, Temporary: 5. | 32 |
| Number of permanent and probationary employees who left at their own request during the year | KG Knutsson AB: 17 who left at their own request. Autoexperten Detaljist companies: Total 33, of which 21 women and 12 men. KGK Norge: 2. | 32 |
| Parental leave | KG Knutsson AB: Total 41, of which 14 women and 27 men. Autoexperten Detaljist companies: Total 33, of which 21 women and 12 men. KGK Norge: 2. | 32 |
| Scope of injuries and sick leave ¹⁾ | 31 incidents, resulting in 17 instances of personal injury. Total absence due to illness for the year at KG Knutsson AB 4.44%, and at Autoexperten Detaljist Sverige AB 6.73%. | 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: The management team consists of 1 woman and 9 men. Autoexperten Detaljist i Sverige AB: 2 women and 3 men. KGK Norge: The board is made up of 3 people, all men. The management team consists of 7 people, all men. Laitis Handels AB: The board is made up of 6 people, all men. The management team, Laitis Handels AB: 3 women, 8 men. | 32 |
| The number of employees who received a regular performance and career development review during the reporting period | KG Knutsson AB: 77% have had a performance and career development review during the reporting period. 13% have not had a review. 10% 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: 47 % have had a performance and career development review during the reporting period. 41% have not had a review. 12% have not yet been employed for one year and so have not had any performance and career development review during the reporting period. KGK Norge: 100% Laitis Handels AB: Approx. 85 %, with a high level of staff turnover during the year, including a number of managers having left. | 32 |

| Description | Comments | Page |
|---|--|--------|
| BUSINESS ETHICS | | |
| Financial support received from public-sector parties | Lay-off subsidy. Laitis Handels AB: wage subsidy for some employees, compensation for high level of absence due to illness. | 33 |
| Confirmed incidents of corruption and actions taken | No corruption incidents have occurred. | 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. ¹⁾ | 61%, 245 out of a total of 403 suppliers who we contacted, have viewed and accepted our code of conduct for suppliers. | 15, 33 |
| The organisation's values, principles and code of conduct | Our code of conduct “The KGK way” is communicated internally. “The KGK way” clarifies laws and regulations that we naturally must adhere to, but also how we approach issues that go beyond the statutory obligation. Laitis Handels AB: Code of conduct, customer service policy, equality policy, communication policy, harassment policy. Available for everyone to view on the intranet. To be discussed with all new employees. | 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. KGK Norge has a “HSE and safety representative”. Responsibility for the work environment at Laitis Handels AB is delegated to the respective site manager. Safety inspections are conducted annually by the site manager together with a safety representative. Autoexperten Detaljist also conducts annual safety inspections. | 33 |
| Significant risks in the supply chain ¹⁾ | KG Knutsson AB: 462 suppliers were reviewed based on product categories and manufacturing countries. | 15, 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 | KG Knutsson AB and Autoexperten Detaljist: No incidents during the year. Laitis Handels AB: Hammer-effect metal paint and hammer-effect spray paint that were incorrectly labelled. Some products could be re-labelled; others were returned, as they could not be sold after 1 March 2022. Lamp oil with incorrect description. | 33 |
| Incidents of non-compliance with rules and/or voluntary codes concerning marketing communications, including advertising, marketing and sponsorship | No reported cases during the year. | 33 |
| Substantiated complaints concerning breaches of customer privacy and leaks of customer data | No reported cases during the year. | 33 |

1) Excluding Laitis Handels AB and KGK Norge.

| Description | Comments | Page |
|--|---|---------------|
| ENVIRONMENTAL IMPACT | | |
| Use of recycled material | The goods flow to/from Autoexperten uses return packaging (pallets, pallet collars and plastic boxes). In 2021, we trialled making our own packing material from corrugated cardboard packaging that comes from our suppliers, with positive results. During 2021, the ZF service workshop refurbished: 15 axles, 117 gearboxes, 107 tram gearboxes and 47 marine transmissions for customers. 121 gearboxes and 19 axles, plus 58 hubs have been refurbished for our stock of replacement parts. 119 service visits have been made to customers for diagnosis and troubleshooting. KGK Norge: A total of 185 refurbishments/repairs to gearboxes, transmissions and axles for commercial vehicles and marine applications (ZF department). Laitis Handels AB: 837 vehicle parts were returned for refurbishment. | 14-15, 22, 34 |
| Energy consumption within the organisation | During the year 5,161 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 3,202 MWh. The electrical energy is climate neutral. Thermal energy totalled 1,959 MWh. All electricity we buy comes from renewable energy sources. KGK Norge's energy use totalled 350 MWh. Electricity consumption at Autoexperten Detaljist stores for 2021 was 1,016 MWh, and for Laitis Handels AB: 1,940 MWh. | 34 |
| Direct emissions from consumed refrigerants | We replenished 11.5 kg of refrigerant at our Segeholm property. | 34 |
| Indirect emissions of CO² equivalents from refrigerants sold | Refrigerant sold equated to 31,860,400 CO² equivalents, calculated as (no. of kg) × (GWP (Global warming potential)). Laitis Handels AB: 340,620 CO²e. | 34 |
| Hazardous waste ¹⁾ | KG Knutsson AB: 18,319 kg. Laitis Handels AB: 2,850 kg. | 34 |
| Non-hazardous waste ¹⁾ | KG Knutsson AB: 134,814 kg. Laitis Handels AB: 9,811 kg. | 34 |
| Recycling ¹⁾ | KG Knutsson AB: 174,187 kg. Laitis Handels AB: 34,363 kg. | 34 |
| Non-compliance with environmental regulations and laws | At an inspection at Autoexperten i Kronoberg AB a missing phrase was spotted in the labelling of a barbecue lighter fluid, that 'even very small quantities can result in life-threatening lung damage'. Barbecue lighter fluid without this phrase on the label may not be sold. | 34 |
| Suppliers reviewed using environmental criteria | 462 suppliers were reviewed based on product categories and manufacturing countries. | 34 |
| Direct emissions of greenhouse gases ²⁾ | 1,124 tonnes of CO² from our company vehicles. Of this, 315.7 tonnes comes from company cars. The majority, 808.3 tonnes, comes from Autoexperten's courier vans. Laitis Handels AB: 69 tonnes of CO² from company vehicles. | 34 |

| Description | Comments | Page |
|--|--|----------|
| Indirect emissions of greenhouse gases ²⁾ | During the year our transport activities resulted in emissions of 822 tonnes of CO², measured as per WTW (Well to Wheels). Our business travel during the year resulted in emissions of 43,685 tonnes of CO². Laitis Handels AB: 27.8 tonnes of CO². | 34 |
| ABOUT THE SUSTAINABILITY REPORT | | |
| Reporting period | 2021 | 1, 34 |
| Date of publication of latest report | 31-05-2021 | 34 |
| Reporting cycle | Annually, 1 January–31 December | 34 |
| Contact person | Jessica Dymén, jessica.dymen@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 |

1) Excluding Autoexperten Detaljist and KGK Norge, for which we are lacking uniform reporting.

2) Excluding KGK Norge, for which we are lacking uniform data reporting.

Priority goals – Agenda 2030

| PRIORITY GOALS | TARGETS | ESSENTIAL TO KGK’S STAKEHOLDERS | A SELECTION OF KGK’S CONTRIBUTIONS TO AGENDA 2030 |
|--|---------|--|--|
|  3 GOOD HEALTH AND WELL-BEING | 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 |
|  5 GENDER EQUALITY | 5.5 | Equal opportunities for women and men | KGK has an express objective to increase the diversity of its workforce and focus on attracting more female applicants for vacancies. The target for 2023 is for at least 40 % of new employees at the company to be female |
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| | | | |
|  7 AFFORDABLE AND CLEAN ENERGY | 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 | Energy optimisation at our properties. KGK enables customers of Carsmart to monitor CO² and energy consumption in a Fuel cost and environmental report. We supply solutions for the electric car market in the form of sales of charging posts and boxes and other accessories for electric cars |
|  8 DECENT WORK AND ECONOMIC GROWTH | 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 |
|  11 SUSTAINABLE CITIES AND COMMUNITIES | 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.B | Inclusive societies | Aids in vehicles for people with physical disabilities |
|  12 RESPONSIBLE CONSUMPTION AND PRODUCTION | 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 |
|  13 CLIMATE ACTION | 13.1 | Limit climate change | Products that contribute to reduced fuel consumption, e.g. engine heaters. Reusing packaging material at the logistics centre. We supply solutions for the electric car market in the form of sales of charging posts and boxes and other accessories for electric cars |
| | | | |
|  16 PEACE, JUSTICE AND STRONG INSTITUTIONS | 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 |
|  17 PARTNERSHIPS FOR THE GOALS | 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