

Sustainability report 2022



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WORDS FROM CEO



”As a global player in the hydraulic industry, with strong local roots in Hudiksvall, we have an important role to play in contributing to a more sustainable society.”

Our long-term sustainability strategy is to integrate sustainability into our business model and overall corporate strategy. By this integration, we are taking responsibility in every part of our value chain. Sunfab’s essential sustainability areas were first defined in 2021, and we have now set goals and positions for 2025 in each area, aligned with Agenda 2030 (SDG).

SIGNIFICANT PROGRESS IN ESSENTIAL AREAS

For Sunfab, **electrification** means a heightened focus on improving the efficiency of our products as well as minimising their operational noise. In 2022 we launched a pump series, SAP Optimised, to meet these new requirements.

Sunfab aims to be a company where **innovative** solutions generate profitability, social benefits and reduced environmental impact. To systematically drive technical innovation, our employees have undergone training in innovation management and patent-based methods during the year.

We are delighted to see the increasing importance of sustainability when it comes to business and customer relationships. There is a growing customer demand for transparency surrounding our sustainability efforts, a trend we view positively as it reflects our dedication to sustainable business practices. High **ethical standards** and a sustainable core value system should pervade our corporate culture and relationship with the world.

Regarding **greenhouse gas emissions**, we have implemented several improvements during the year, such as replacing oil heating with district heating for peak demand during the cold season. Moreover, we have calculated the CO2 footprint in scope 3, which has provided us with valuable improvement suggestions for the coming years.

Professional development of our employees and external competence supply are crucial factors for Sunfab’s growth as a company. We continuously invest in targeted training initiatives and collaborate with various educational institutions to offer opportunities such as internships.

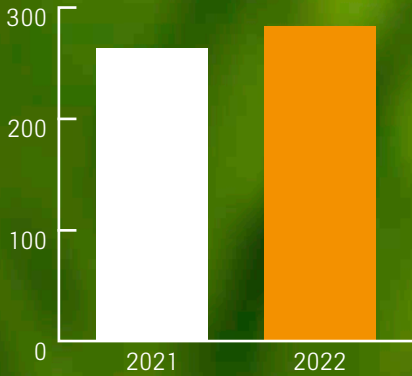
At Sunfab, the **health and safety** of our employees always take top priority. We have further developed our systematic work environment efforts by identifying potential risks early on and conducting ongoing risk observations that serve as a basis for improvements in this area. Our goal for 2025 is to achieve ISO 45 001 certification.

Marie Nilsson, CEO Sunfab Hydraulics AB

Revenue 2022

282 MSEK

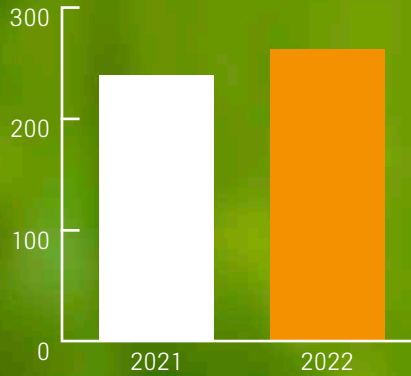
Revenue MSEK



Balance sheet total 2022

262 MSEK

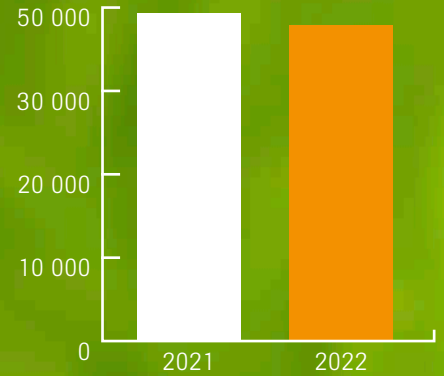
Balance sheet total MSEK



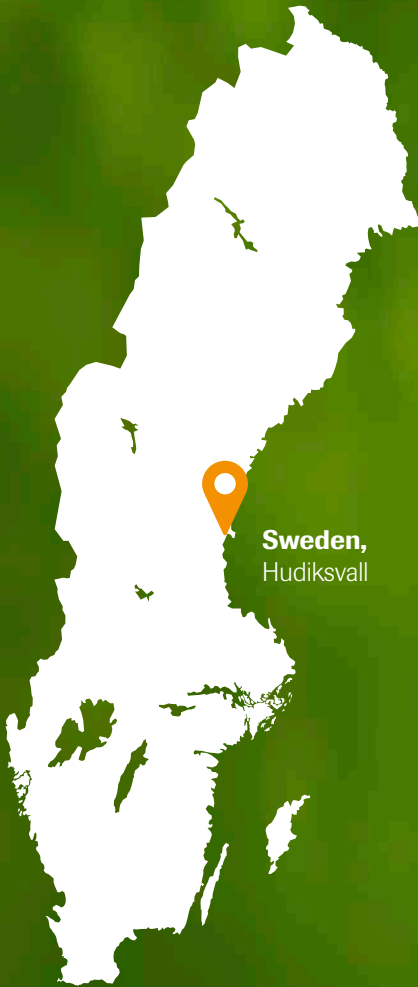
Total units sold 2022

47 237

Total units sold PCS



Head office and production



Subsidiaries



Key markets



Vision

Together we create the future of hydraulics

FROM SKIS TO HYDRAULICS



Sunfab's founder, Eric Sundin, established a ski factory in the rural community of Arbrå in 1925 under the name Sundins Skidor. Following a fire in 1927, the ski factory relocated from Arbrå to the nearest larger town, Hudiksvall. The company quickly outgrew its premises, and yet again set a new location in Hudiksvall, where it still remains today.



Eric was an innovative visionary, constantly exploring new inventions. As they used more and more hydraulics in the ski production and their knowledge increased, Eric Sundin together with the builder Einar Frisk founded Hydrauliska Industriaktiebolaget (Hiab). A significant breakthrough came in 1947 when they created the world's first mobile hydraulic crane. Hiab is still a major player in the hydraulic crane industry today.

In the following years product development continued and soon new technology was needed to increase the performance of the cranes. In 1952, Eric established a new company dedicated to the development of hydraulic products, which was named Sunfab. Two years later, Sunfab created its first hydraulic piston pump for trucks. Concurrently with the growth of Sunfab and Hiab, Sundins Skidor remained in operation, and in the 1960s, it became one of the world's largest ski manufacturers. However, managing all three companies became overwhelming for the family, leading to the sale of Hiab to an investment company in 1965.

In the 1980s, competition from ski manufacturers across Europe was intensified, resulting in the closure of Sundins Skidor in 1989. However, the business thrived for the hydraulic pump, and in the early 1990s, Sunfab Hydraulics AB was established. The recognised SC pump was developed, and a hydraulic motor was also introduced. During this time, approximately 8,000 pumps were delivered to customers annually.

Today, Sunfab is a well-known brand with approximately 90 percent of its production exported to around 60 countries worldwide. The annual production now amounts to about 50,000 pumps and motors. A new production facility was inaugurated in 2006, located next to the old ski factory. Being a locally manufacturing company is important for Sunfab, considering it is a fundamental principle that drives our continuous development and fosters new innovations.

PRODUCTS



Sunfab's business model is based on development, production, and sale of system components for hydraulic equipment in mobile hydraulics. The parent company is still headquartered in Hudiksvall, Sweden, where the products are developed, manufactured, and distributed to customers. Sunfab also has subsidiaries in Germany, France, the UK, Spain, the USA, and Malaysia. The subsidiaries are responsible for the procurement and sales of hydraulic components.

Our hydraulic pumps are primarily used in trucks to power hydraulics attachments such as forestry or material handling cranes, tipper bodies, and roll-off systems. The hydraulic motors are used to drive various hydraulic powered rotating equipment such as fans, asphalt or stump grinders, winches, and saws. The motors can be installed on vehicles and equipment used in on-road, off-road, or marine applications.

Our customers mainly consist of equipment distributors and manufacturers of mobile systems, as for example OEMs, crane manufacturers, and bodybuilders. We also sell directly to end customers. Sunfab's markets are the Nordic countries, Europe, Asia, North America, and the Middle East. We assess our customers based on their operations to ensure they meet our requirements for good business ethics. We do not engage in business relationships that violate human rights, involve corruption, trade embargoes, or violate laws and regulations.

We provide our customer with high-quality products, carefully engineered for a long lifespan and reliable operation. We offer warranties to ensure our customers feel our commitment and that our products deliver excellent performance, meet expected functionality, and require minimal repairs and consumables. Our products are meticulously calculated and manufactured with tight tolerances, contributing to reduced losses and increased efficiency in the customers' application.

We have strict procedures for quality control of incoming goods, continuous measurement during manufacturing, leak testing and final testing of both our components and finished products. Additionally, we conduct regular product reviews to ensure our high-quality standards.

We provide clear instructions and installation guidelines to prevent any potential failures. Potential risks such as oil leaks are mitigated through our emphasis on quality and reliability.

Approved warranty claims 2021: 0,05 %

Approved warranty claims 2022: 0,05 %

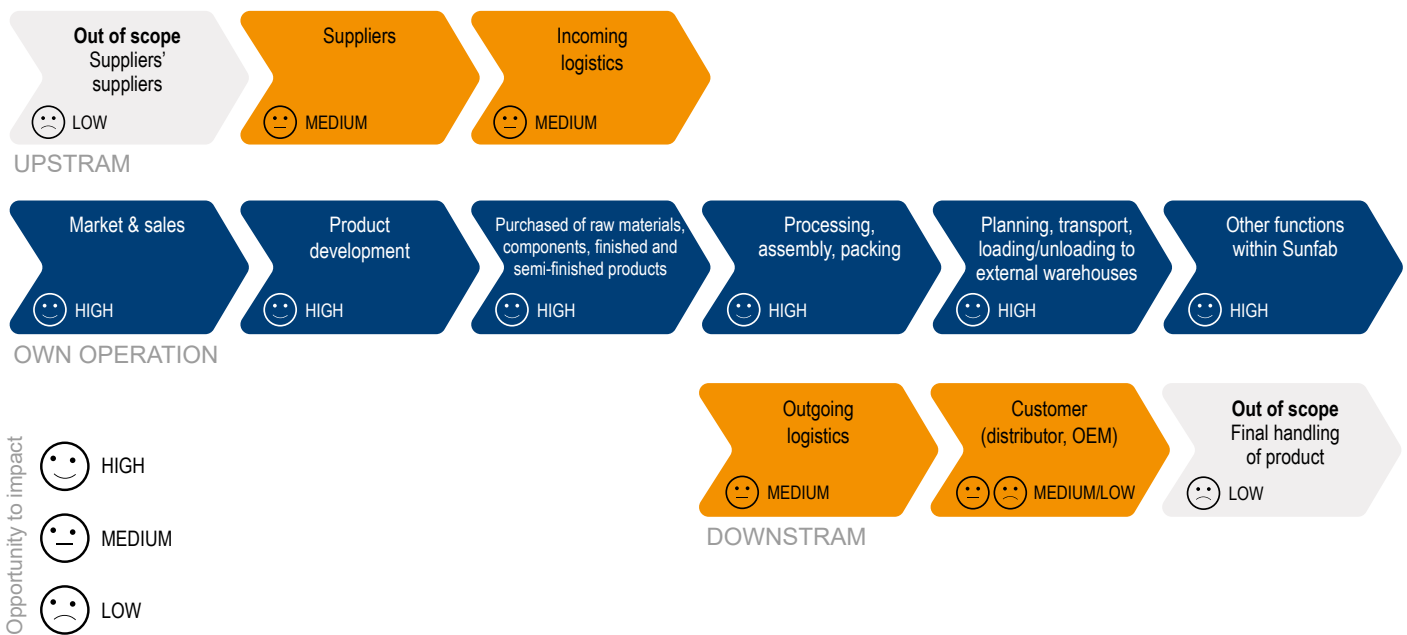


MATERIALITY ANALYSIS

The principle of materiality means that the company can choose which sustainability areas to prioritise and report on. To understand which sustainability aspects Sunfab should focus on, the first materiality analysis was conducted during the autumn of 2021. The analysis was undertaken in three steps.

STEP 1: SUNFAB'S VALUE CHAIN

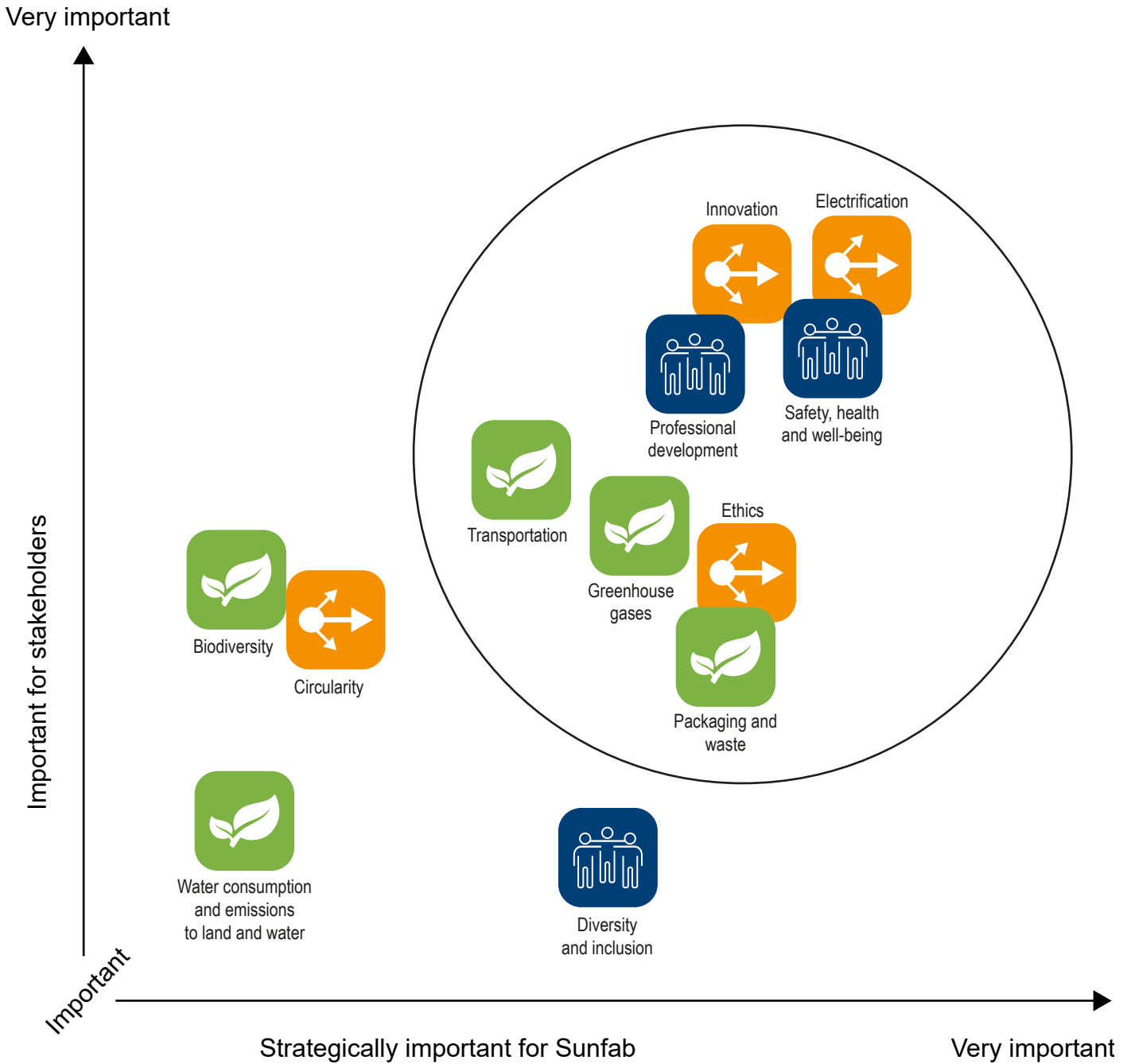
The value chain was mapped to identify our greatest impact and influence on sustainability. In the initial phase, we have chosen to focus on direct suppliers, our own operations, and our closest target customers. The activities corresponding to these areas of the value chain are included in this sustainability report.



STEP 2: STAKEHOLDER DIALOGUES

To understand our stakeholders and their expectations is a central part of our sustainability work. During the autumn of 2021, we conducted stakeholder dialogues with selected customers, suppliers, employees, and owners. The stakeholders were invited to provide insights by responding to a comprehensive set of questions, categorised into twelve sustainability aspects and adapted to each stakeholder group.

Stakeholder group	Question	Dialogue and selection
Customers	What expectations do customers have of us as a company?	A total of eleven customers and their responsible manager were selected. We interviewed customers who represented the company well, and the sales managers themselves participated in the selection of customers.
Suppliers	Level of maturity and how they work with sustainability.	Dialogue between a total of five suppliers and our responsible purchaser. The purchasers participated in the selection to find a group of suppliers that reflects the company's purchases.
Employees	How important is sustainability to them?	A survey was distributed to all employees in the Sunfab group. The response rate was 78 percent.
Owners	What expectations do they have of us as a company?	Dialogue between Sunfab's four main owners, sustainability coordinator, and the manager of quality, environment and business development.



STEP 3: ESSENTIAL SUSTAINABILITY ASPECTS

Our stakeholder dialogues and the company’s strategically important areas form the basis of our materiality matrix. This matrix ranks our sustainability aspects from important to very important, based on their significance to us and our stakeholders. We have divided these aspects into three focus areas: management, environment, and social. Eight sustainability aspects emerge as particularly important for both Sunfab and our stakeholders. Initially, ethics was considered a managing issue, but is now also included in the social focus area.

MANAGEMENT

Read more about how we address the management aspects on the pages 11-20.

- Innovation
- Electrification
- Ethics

ENVIRONMENT

Read more about how we address environmental aspects on the pages 22-26.

- Greenhouse gases
- Transportation
- Packaging and waste

SOCIAL

Read more about how we address social aspects on the pages 27-31.

- Safety, health and well-being
- Professional development
- Ethics

MANAGEMENT



SUSTAINABILITY STRATEGY



Sunfab’s sustainability strategy is to integrate sustainability efforts into our business model, based on our identified essential sustainability areas. This means that:

- We actively work to reduce greenhouse gas emissions, as well as packaging and waste throughout the entire value chain.
- Our product offering should be characterised by innovation based on customers’ new requirements and future needs.
- Sunfab strives for good business ethics grounded in our code of conduct, emphasising our commitment to ethical conduct and human rights.

OWNERS’ DIRECTIVES:

- Management should strive for steady company growth
- Sunfab should be a sustainable company (financially, socially, technically, and environmentally)
- Increase Sunfab’s market presence through wholly-owned subsidiaries
- In-house production of components for hydraulic pumps and motors in the parent company
- Integration of electronics and electric propulsion in hydraulic pumps and motors for sustainable mobile applications
- Sunfab should be recognised as a high-quality company
- Sunfab should be an attractive employer
- The management should guide and work to ensure that all employees live according to Sunfab’s core values: Commitment, Respect, and Professionalism

MANAGEMENT OF SUSTAINABILITY EFFORTS

The board of directors at Sunfab Hydraulics AB oversees the company at a strategic level, with the CEO reporting to the board on important matters such as the process of sustainability initiatives within the company. The CEO is also responsible for translating the owners’ directives into a three-year strategic plan, which is then approved by the board. The agreed-upon strategy, along with long-term goals, is implemented by the management team, where the quality and environment manager holds delegated responsibility for sustainability issues, including leading and developing sustainability efforts. Performance and reporting of activities are mainly planned and carried out by Sunfab’s sustainability coordinator.

The company’s management team is accountable for formulating goals, implementing actions, and monitoring progress. All employees have individual responsibility to actively contribute to sustainability efforts.

ISO CERTIFICATIONS



OUR QUALITY AND ENVIRONMENTAL MANAGEMENT SYSTEM

Integrating sustainability efforts with the quality and environmental management systems is crucial to ensure that sustainability issued pervade the entire company. Sunfab’s management system has been ISO 9001 and ISO 14001 certified since 1995. By meeting the environmental and quality requirements, the organisation’s strategy and goal-setting process become clearer, leading to improved environmental performance and increased customer satisfaction. Our certifications serve as evidence that we take responsibility for good quality and environmental considerations towards our employees, customers, suppliers, and other stakeholders. Within the framework of the management systems, we also ensure compliance with applicable laws and regulations.

The strategic plan for Sunfab includes the certification of occupational health and safety management according to ISO 45001 by 2025.

EXTERNAL AND INTERNAL AUDITS

Audits are a vital activity in monitoring and improving our operations. Processes within our management system are audited internally or externally based on a plan derived from requirements and analysis of previous audits.

The results of the annual external audit identified two minor non-conformities, which were resolved through corrective actions. The overall assessment was that Sunfab has made progress in developing operational processes in recent years, but opportunities for further improvement efforts were also discussed.

The theme for the internal audits in 2022 focused on examining how environmental aspects are integrated into the processes. Five out of the six planned audits were conducted during the year, and the experience was that the internal audit work has evolved and adopted a more process-oriented approach.

A STABLE ECONOMY



Sunfab's long-term financial conditions and drivers are established annually in the owners' directives and financial goals. Among other things, these directives include the management's commitment to achieving stable growth and ensuring Sunfab's sustainability as a company.

The financial goals are set for the upcoming three-year period and include Profit Margin, Revenue Growth, Solvency, and Debt Ratio. The aim is to maintain a strong financial position that provides the flexibility to make long-term business decisions. The favourable outcomes in these parameters over the years serve as evidence that Sunfab's operations have generated sustainable financial value. The results for 2022 were also positive and are presented in the table of key performance indicators.

COUNTERING CORRUPTION

Our company and its representatives are expected to always conduct themselves in a business-ethical, correct, and professional manner, in accordance with legal requirements and high ethical standards. Sunfab is committed to acting in a way that eliminated any risk of suspicion regarding bribery, corruption, or other improprieties.

It is in the company's interest that any suspected improprieties are reported and promptly investigated. In 2022, no cases of improprieties were reported.

In addition to Sunfab's policy against improprieties and bribery, several internal regulations, procedures, and practices are in place to counteract deceptive behaviour, such as:

- Authorisation instructions
- Payroll controls
- Dual authorisation for all payments

SUPPLIERS



Sunfab collaborates with reliable suppliers who have systematic quality and environmental practices. Close and long-term relationships are essential for success. The requirement we place on all suppliers of direct materials is for them to sign Sunfab’s code of conduct. It includes provisions regarding human rights, corruption, working conditions, and the environment.

Sunfab’s purchasing strategy aims for the supplier base to be geographically close to our production facilities. 85 percent of the purchasing value is sourced from within Scandinavia. No purchase orders are placed directly from suppliers outside of Europe, and less than 5 percent of the purchasing value originated from Asia through third parties.

SUPPLIER REVIEWS

Approximately ten existing suppliers, accounting for approximately 80 percent of our purchasing value, are audited each year. In 2022, twelve supplier evaluations were conducted. The evaluations are carried out on-site or through self-assessments. We aim to further develop these supplier evaluations to include sustainability criteria in addition to the traditional criteria of finance, deliveries, and quality.

New suppliers are assessed before initiating a collaboration. Suppliers of direct materials undergo a comprehensive supplier assessment conducted on-site before they are approved. In recent years, sustainability has become an increasingly important part of these audits and plays a more decisive role in the supplier selection process today. In 2022, one new supplier was assessed and registered.



”The collaboration with our suppliers is crucial as many of us are at the beginning of our sustainability journey. Good communication and planning in these matters create opportunities for making informed decisions.”

Magnus Jacobsson,
Manager Logistics & Purchase

STRATEGIC ACTIVITIES FOR 2023:

- Reviewing inventory turnover rate to reduce the number of transports
- Incorporating sustainability criteria into supplier evaluations

ENVIRONMENTAL ANALYSIS

The world around us has undergone drastic changes in recent years. Russia's invasion of Ukraine, inflation, climate change, and an uncertain geopolitical situation are making the world increasingly unpredictable. Environmental analysis is part of Sunfab's strategic work and is conducted annually to create an overall assessment of external factors that may affect Sunfab.

POLITICAL FACTORS

Security and resilience have long been important factors, and in the current situation, they are gaining an even greater significance. Russia's war in Ukraine and the aftermath of COVID-19 have contributed to a slowdown in global growth and further increased the already high inflation. Cost increases, primarily in the form of rising energy costs and a shortage of input materials, are causing concerns globally and also affect technology companies like Sunfab, which is part of various value chains.

SOCIAL FACTORS

One issue that is gaining increasing prominence is that companies should take greater social and ethical responsibility. There are also signs that higher demands will be placed on companies regarding social engagement, particularly when it comes to the recruitment of younger individuals. This target group is attracted to companies with a clear gender equality policy, the use of renewable energy, values and guidelines that align with their own, and a desire to understand why the company is a good workplace. As a proud employer in Hudiksvall, we highly value our employees and have a strong focus on health and well-being.

TECHNICAL FACTORS

Technical factors, such as electrification, impact Sunfab. It is important for us to be part of this development and understand what it means to us, our customers, and our suppliers.

The electrification of vehicles means that machines with rotary motions can have electric motors as power sources instead of hydraulic motors. Hydraulic motors are still very power-dense compared to electric motors, but this may change in the long run. For hydraulic pumps, vehicle electrification increases the demands for low noise levels and high efficiency.

Additionally, legal and customer requirements regarding sustainability and the environment may also necessitate product redesign to meet new regulations. This may include the use of new materials, such as carbon-neutral steel, or stricter environmental regulations that can impact the use of hydraulic oil as a pressure medium.

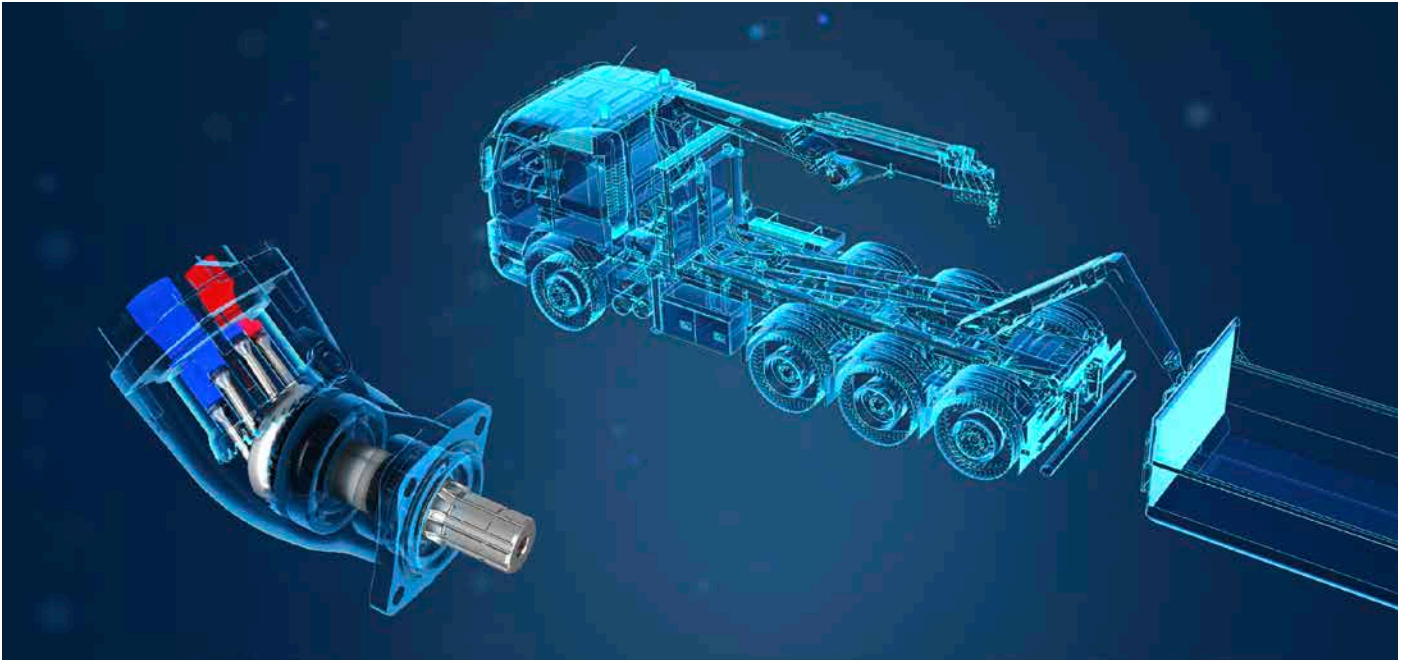
ENVIRONMENTAL FACTORS

The Paris Agreement and the stricter legislation have elevated the priority of reducing greenhouse gas emissions, not only for politicians but also for Sunfab, our customers, and our suppliers. The European Union's overall climate goal is to be climate-neutral by 2050, with the EU's net emissions being at least 55 percent lower than the 1990 levels by 2030, according to the Climate Law adopted in June 2021.

We believe that future customer demands concerning greenhouse gas reduction throughout the value chain will increase, both in terms of reporting and concrete actions. It is also likely that customers will require Sunfab to demonstrate continuous improvement in environmental and sustainability areas. Therefore, it is important for us to calculate and report our carbon footprint, among other essential measures.

The European Union's tool for identifying environmentally sustainable investments, the taxonomy, came into effect in January 2022 and primarily affects larger companies. In the initial stage, Sunfab will not be included in the taxonomy, but smaller companies like Sunfab will eventually be affected, for example when supplying to larger companies.

ELECTRIFICATION & INNOVATION



ELECTRIFICATION

In 2022, Sunfab introduced a pump series called SAP Optimised, where the noise level is lower and the efficiency and speed properties are higher compared to existing products. Lower noise levels from the products provide a better working environment for the vehicle operator and enable work in noise-sensitive surroundings. The pump series can be used in vehicles powered by both combustion and electric motors, although the product series is designed primarily for the latter. Tests on various pump concepts have been conducted to evaluate which one is best suited for electrified systems.

Sunfab has a close collaboration with companies and educational institutions that are part of the Hudiksvall's Hydraulic Cluster, where vehicle electrification is an area of ongoing joint research projects. Sunfab has also attended several industry fairs throughout the year to learn how our customers, suppliers, and industry colleagues are handling the ongoing technological shift.

INNOVATION

Innovation was a highly valued aspect in the stakeholder dialogues, and in 2022, some of Sunfab's employees participated in an education titled "Patent and Research-Based Innovation". This gave a comprehensive understanding of innovation management and patent-driven methodologies, which will be used in the work forward to find innovative product-related solutions.



"For Sunfab, electrification entails an intensified focus on enhancing the efficiency of our products and minimising their operational noise. A higher efficiency will lead to a reduced energy consumption and provide the end customers with an opportunity to reduce their environmental footprint."

Andreas Wiberg, Product Development Manager

STRATEGIC ACTIVITIES FOR 2023:

- Methodology for innovative problem-solving
- Evaluate alternative business models

KEY PERFORMANCE INDICATORS

MANAGEMENT

KPI	What	Outcome 2022	Outcome 2021	Comment on outcome 2022
> 7%	Profit after financial expenses in relation to the revenue	9	9,1	High sales volume and revenue with stable cost levels. Weak currency provides a positive effect on exports.
> 3%	Revenue growth over a 10-year business cycle	4,8	3,7	Good and stable development of sales volume and revenue over the past 10 years.
> 45%	Equity ratio	79	78	Very strong equity ratio resulting from stable results and good liquidity.
> 0,5	Debt ratio	-0,3	-0,3	Very low leverage ratio for an extended time period.
< 90%	Supplier delivery precision	87	91,5	Due to capacity constraints from several key suppliers, the target for 2022 was not met.

No key performance indicators have been formulated for the essential area of countering corruption.

Key performance indicators for innovation and electrification are internally monitored.

ENVIRONMENT

KPI	What	Outcome 2022	Outcome 2021	Comment on outcome 2022
61,3 kWh/unit	Energy consumption	56,7	57,8	Same level as the previous year. No major changes were made in 2022.
1,9 kg/unit	Hazardous waste	2,0	2,2	Reduction since 2021, but the target was not achieved.
11 kg/unit	Total waste	10,1	11,4	Reduction compared to the previous year, and the target was achieved.
60 SEK/unit	Shipping cost for materials and assembled articles per unit produced	64,6	60,3	Increased shipping prices, fewer units produced, and inventory buildup at the end of the year resulted in not meeting the target for 2022.

SOCIAL

KPI	What	Outcome 2022	Outcome 2021	Comment on outcome 2022
100%	Employee performance review once a year	55	98	The low outcome was influenced by turnover of staff in production management positions.
3,9%	Sick leave	4,4	4,6	To further improve sick leave rates, we are now actively working with occupational health care. The performance indicator is compared to sick leave in the manufacturing industry in Sweden.
0 pcs	Number of recorded near-miss incidents	17	21	The decrease in the number shows the effect of the systematic work environment efforts being conducted.
0 pcs	Number of recorded accidents	4	5	The decrease in the number shows the effect of the systematic work environment efforts being conducted.

Key performance indicators for the coming years are formulated during the management team's annual strategic work. The key performance indicators are regularly monitored, either on a monthly or a quarterly basis, and reported continuously to the employees in the company.

MANAGEMENT DOCUMENTS

MANAGEMENT

Document	Responsible
Policy on irregularities and bribery	HR manager
IT Policy	CFO
Credit policy	CFO
Supplier Code of Conduct	Manager logistics & purchase

ENVIRONMENT

Document	Responsible
Quality and environment policy	Manager Quality, Environment And Operational Development
Waste plan	Manager Quality, Environment And Operational Development
Chemicals plan	Manager Production Engineering & Support
Guidelines for company cars	HR manager
Routine for business travel	Sales And Marketing Director

SOCIAL

Document	Responsible
Drug policy	HR Manager
Personnel policy	HR Manager
Work environment policy	MD
Equal opportunities plan	MD

Our instructions, plans, routines, and policies are managing documents that exist in our document management system, accessible to all employees. The documents are reviewed and updated on a regular basis.

RISK MANAGEMENT



The operations conducted at Sunfab, including development, production, and sales, entails risks associated with various aspects of sustainability. We consider these sustainability risks in both our strategic planning and our daily work.

As we are certified according to ISO 9001 and ISO 14001, risk management is an integrated part of our operations and is carried out at both strategic and operational levels, as well as within our projects. By defining processes and procedures to support the achievement of our goals with minimal disruptions, we have embedded risk management into our daily work. These processes and procedures are continuously improved as new risks are identified and addressed.

All employees within the organisation share responsibility for managing risks, with the CEO being ultimately accountable. Risks are managed in different ways depending on the area and situation. At the overall and strategic level, the management team conducts an annual analysis of the internal and external environment. This analysis is then linked to a SWOT analysis, where strengths, weaknesses, opportunities, and threats are identified and prioritised. If necessary, extraordinary incidents are assessed and managed separately, and an action plan is developed to address them.

Our financial routines largely focus on controlling and minimising the company’s financial risks. Rules for approval and disbursements are governed by a hierarchical approval structure and require approval from two individuals. Our policy for irregularities and bribery describes how we handle currency risks. When developing the annual budget, sensitivity analyses are conducted with different scenarios, and a plan for activities in case of deviations is developed.

Within the environmental area, risk assessments are conducted for the chemicals handled in our operations. The environmental coordinator is responsible for the self-assessment which is performed four times a year. An environmental review has identified the company’s significant environmental aspects, for which environmental goals have been defined and regularly monitored. Our quality and environmental policy state that environmental aspects should be considered whenever decisions are made.

The company’s occupational health and safety work includes various methods for managing risks, such as safety inspections, employee dialogues, and daily follow-up. The work is evaluated at regular meetings twice a year and within the occupational health and safety committee four times a year, among other methods. Examples of risk factors include noise, ergonomics, and vibrations.

SUSTAINABILITY RISKS

MANAGEMENT

Significant risk	Description of risk	Risk management
Material shortage	In the case of material shortage, we may need to transport materials over longer distances than desired. Material shortage can also result in reduced access to recycled materials, both of which would lead to higher environment impact.	Effective communication and planning with our existing suppliers, as well as good knowledge of complementary suppliers.
Electrification of the automotive industry	During the transition to electrified vehicles, we need to contribute with our products to enable this transition.	Development initiatives are identified and planned for to meet future market demands.
Anti-corruption	In all operations, there is a potential risk that employees may face situations involving corruption that are inconsistent with the company's code of conduct and values.	Corruption is partially regulated by different laws in various countries. Sunfab's stance against corruption is expressed in our policy for irregularities and bribery, our code of conduct for suppliers, and our customer assessments.

ENVIRONMENT

Significant risk	Description of risk	Risk management
Increased reporting requirements	The entire value chain plays a role in sustainability issues. If our stakeholders face increased reporting requirements, the need for reporting from our operations will also increase.	We are developing our sustainability initiatives based on anticipated future demands rather than current demands. This approach ensures that our operations are well-prepared to meet upcoming requirements, as sustainability becomes increasingly integrated into our work.
Environmental impact	Environmental impact in the form of CO2 emissions is a risk from transportation, material usage, energy consumption, and the use of our products.	We raise awareness of our environmental aspects within the environmental management system ISO14001 and proactively address our risks and make improvements in areas of high risks.

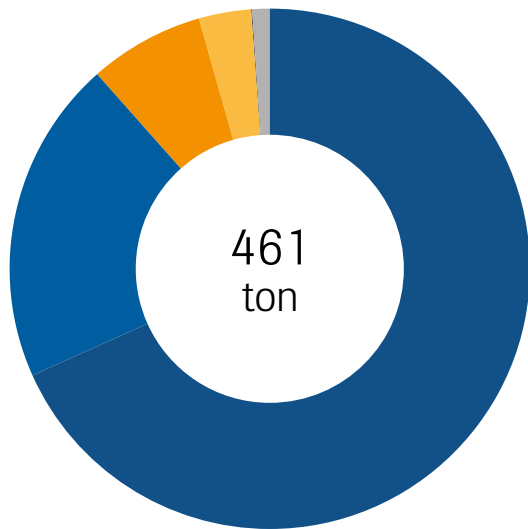
SOCIAL

Significant risk	Description of risk	Risk management
Competence shortage	Difficulties in recruiting employees with competence sought for to meet future challenges.	Participation in networks with universities and local educational institutions at the high school level for potential competence supply. To retain the unique expertise within our company, internal competence development is crucial.
Gender equality and discrimination - societal balance	The manufacturing industry is traditional male-dominated, including Sunfab as a workplace. This may mean that we do not contribute to society's need for increased gender equality and integration.	We strive for a gender-equal workplace. In recruitment, we view it positively if a new hire helps to balance the gender distribution in the company as a whole or in specific workgroups.
Health and safety	Being in the manufacturing industry is associated with certain risks. Risks can be both physical and psychosocial.	Our systematic occupational health and safety work contributes to identify potential risks that need to be addressed and improved in this area. We actively collaborate with our occupational health care in health-related issues.

ENVIRONMENT



WASTE AND PACKAGING



Waste	2022	2021
Total waste(ton)	461	537
Metals	315	375
Hazardous waste	93	103
Wood & combustibles	33	36
Paper	15	15
Plastic	0,3	-
Others	5	7

ENVIRONMENT

Sunfab has a permission to operate in the engineering industry with metal processing and surface treatment. According to this permit, the company is obliged to immediately notify the supervisory authority in the event of any operational disruptions or similar incidents that could be detrimental to human health or the environment. In 2022, no such incidents requiring reporting occurred. The company submits an annual environmental report.

WASTE

In a circular economy, it is important to view waste as a potential resource for someone else. Sunfab takes a great responsibility for managing the waste generated in the operations. Handling of waste fractions is organised in a well-structured manner, aiming to facilitate proper sorting. The waste is managed through an external supplier, which also includes monitoring and reporting statistics on waste quantities, recycling rates, carbon footprint, and costs. A reduction in waste quantities from the previous year has been achieved both in real tons and per unit product produced. The diagram represents the waste generated in 2022.

Waste primarily occurs when raw materials, such as iron and steel, are processed into the components of our products. We continuously work on improving our processes and manufacturing methods to minimise waste generation in our production and enhance raw material utilisation.

In metal processing, metalworking fluids are utilised. Used fluid is purified by filtration before reuse. After multiple cycles of reuse, they lose quality and need to be removed. Towards the end of 2022, Sunfab installed a new central tank with a purification system for parts of the metalworking fluid flow, with the intention of increasing reusability and reducing waste.

The metalworking fluid is classified as hazardous waste and transported to an external treatment facility where oil emulsions are filtered out in several stages, resulting in ultrapure water that can be released back into the sea.

In May 2021, the Swedish Environmental Protection Agency released a roadmap for sustainable plastic usage. One of the focus areas in the roadmap is significantly increased and high-quality material recycling. When used correctly, plastics are important and valuable materials. Therefore, it is crucial that we address the environmental challenges associated with current plastic management so that we can continue to utilise the material in a sustainable manner. During the year, Sunfab initiated sorting of two fractions of plastics waste.

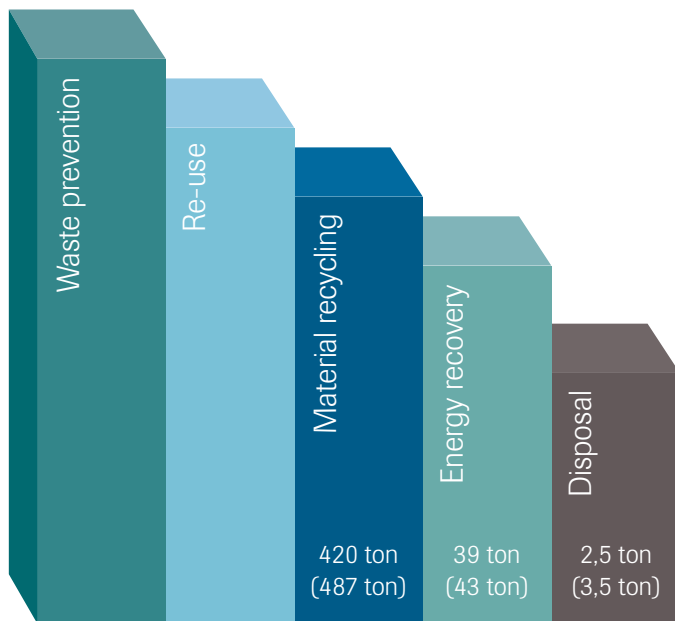
WASTE HIERARCHY

The waste hierarchy is based on an EU directive that describes how waste management affects the climate. The traditional waste hierarchical consists of five levels:

- Waste prevention
- Re-use
- Material recycling
- Energy recovery
- Disposal

Sunfab strives to prioritise the waste fractions in the upper part of the waste hierarchy. Re-usage of Metal fractions returned to their respective industries categorises as re-use. Steel is reused in steel mills, aluminium is used in the production of aircrafts bodies and aluminium cans, and corrugated cardboards is recycled as raw material in the paper industry. Energy recovery occurs at the municipal recycling centre or at nearby incineration plants.

In 2022, only 0.5 percent of the waste generated at Sunfab was sent for disposal.



Waste hierarchy 2022 (2021)

PACKAGING

Our products are packaged before delivered to the customer. As a company, we are responsible for the collection and recycling of the packaging since we add packages to the Swedish market. In 2021, we began reporting the amount of packaging we put on the Swedish market in accordance with the producer responsibility law. To fulfil our responsibility, we are affiliated with FTI, the packaging collection organisation. This ensures that our packaging is recycled and that proper reporting and documentation of our waste quantities are in place.

GREENHOUSE GAS EMISSIONS

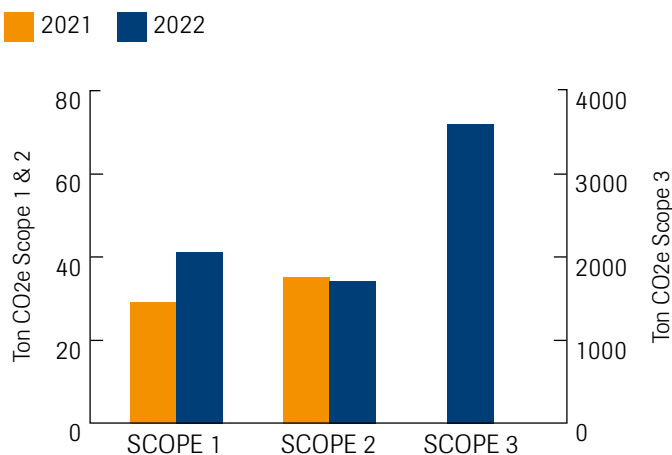


At Sunfab we calculate our environmental impact from our operations using the international standard Greenhouse Gas Protocol (GHG Protocol), where emissions are divided into three scopes.

The calculations for greenhouse gas emissions in 2021 have been adjusted for scope 1 and scope 2 in this report, as new knowledge and emission factors have been used for 2022. The current calculations now better reflect our operations, while the original data for 2021 calculations remains unchanged.

We have not yet established a baseline for our calculations.

TOTAL GREENHOUSE GAS EMISSIONS 2021 & 2022



GREENHOUSE GAS EMISSIONS SCOPE 1

Scope 1 consists of the direct emissions from our operations, this is where we have the greatest control. Scope 1 includes emissions from vehicles and facilities that we own and use. We calculate scope 1 emissions using the “Financial control approach”, which means we include emissions from all activities where we have financial control. This includes vehicles and company cars at the parent company and the subsidiaries.

SCOPE 1	Ton CO2e 2022	Ton CO2e 2021
Vehicles (company cars and work vehicles)	29	19
Oil boiler	12	10

Sunfab has a total of 15 company cars, four of them being plug-in hybrid cars that are classified as low emission vehicles. An updated policy for company cars will be developed in 2023. Travel during 2021 was low due to the COVID-19 pandemic, and in 2022, travel has resumed to a somewhat higher extent.

Internal heat production is also reported in scope 1. Sunfab’s main heating solution for the facilities at the parent company in Hudiksvall is a geothermal system. During the coldest periods of the year, we have had the option of using oil burning when the geothermal heat pumps have not had sufficient capacity. This oil boiler was replaced at the end of 2022 with a district heating system.

GREENHOUSE GAS EMISSIONS SCOPE 2

Scope 2 consists of the company’s indirect emissions from purchased energy. For Sunfab, these emissions come from the electricity and heat used in our offices, manufacturing, and warehouse facilities. We calculate scope 2 emissions using the “Market-based method”, which means the emissions are calculated based on the emission factors for the energy we purchase. The scope 2 calculations include the operations of the parent company in Hudiksvall, as well as the offices and warehouses of the subsidiaries in the USA and Germany.

SCOPE 2	Ton CO2e 2022	Ton CO2e 2021
ELECTRICITY	21	21
Hudiksvall	19	19
USA	3	3
Germany	0,1	0,1
HEAT	13	14
District heating Hudiksvall	0,01	-
Fossil gas USA	9	8
Fossil gas Germany	4	6

The electricity used in the facilities of the parent company in Hudiksvall and the subsidiary in Germany is 100% renewable. However, the electricity used by the subsidiary in the USA is not 100% renewable, so the emissions from their electricity consumption are calculated based on a residual mix.

Sunfab owns and manages the facilities at the parent company in Hudiksvall. During the year, window replacements have been carried out in production areas and older parts of the facilities. Extensive replacement of lighting fixtures with energy-efficient LET lighting has also been done in certain areas of the production facilities.

Towards the end of 2022, new electricity consumption measurement equipment was installed at the properties at the head quarter in Hudiksvall. This provides better opportunities for monitoring energy consumption in specific areas of the premises and priorities energy efficiency activities. The new electricity measurement equipment is integrated into Sunfab’s overall energy monitoring system.



GREENHOUSE GAS EMISSIONS SCOPE 3

Scope 3 consists of the company’s other indirect emissions, which are emissions from activities that provide us with services or products. This emission category often includes emissions that are beyond or far beyond our direct control and can potentially be substantial. The emissions included in the company’s scope 3 are also included in scope 1 for another entity. Only the scope 3 emissions of the parent company have been calculated, and the emissions of the subsidiaries are not included in this scope.

SCOPE 3	Ton CO2e
PURCHASED GOODS AND SERVICES	3 170
Iron	1721
Steel	826
Steel - recycled	528
Aluminium - recycled	71
Corrugated cardboard	6
Corrugated cardboard - recycled	16
UPSTREAM TRANSPORT AND DISTRIBUTION	249
Air	148
Truck	81
Sea	20
WASTE	9
Waste for material recycling/incineration	9
Waste for landfill	0,02
BUSINESS TRAVEL	80
Air	76
Company-owned vehicle	1
Train, bus, boat	0,06
Hotel accommodations	3
EMPLOYEE COMMUTING	103
Parent company in Hudiksvall	103

STRATEGIC ACTIVITIES FOR 2023:

- Identify activities to reduce emissions in scope 3

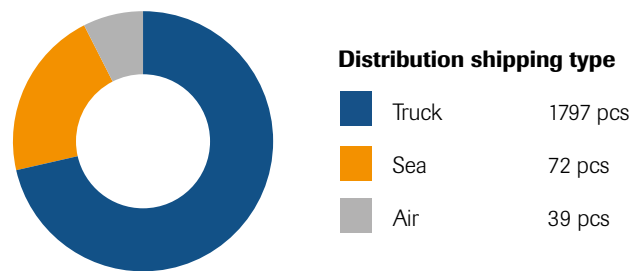
FOLLOWING ITEMS ARE CALCULATED IN SCOPE 3:

Purchased goods and services

Iron, steel and packaging materials account for the majority of purchased materials. These account for approximately 74 percent of the total material purchases in 2022. Using recycled materials always results in a lower carbon footprint as their production requires significantly less energy than producing virgin materials. All aluminium used is recycled. By using recycled steel instead of virgin steel, we have reduced emissions of CO2 by 400 tons.

Upstream transport and distribution

Upstream transportation includes all transportation purchased by Sunfab, primarily inbound transportation but also parts of outbound transportation to customers or external warehouses. The pie chart shows the distribution among different modes of transportation. Despite the low percentage of air freight (2 percent of the total), CO2 emissions from air freight accounts for 59 percent of the emissions in this category.



Waste

This category includes production of waste generated at Sunfab’s operations in Hudiksvall which are managed by our external waste service provider. For material recycling and incineration, only emissions from the transport of the waste are included according to the GHG protocol standard.

Business travel

According to Sunfab’s routine for business travel, all travel in the line of duty should be done in a sustainable manner, considering environment, health, and economical aspects. Air travel is the largest component among the parent company’s business travels. The routine states that air travel should be used for distances exceeding 50 miles. In 2022, no air travel was conducted for distances below 50 miles.

Employee commuting

A compilation of all employees’ commuting journeys to and from work was made in March 2023 and refers to commuting in 2022. All modes of transportation are represented, with the majority of employees commuting by diesel or gasoline cars.

SOCIAL

TRADE UNION ACTIVITIES

At Sunfab, there are collective agreements that ensure fair and consistent treatment of employees and provide stability in the workplace. The company and the trade unions meet regularly to maintain a constructive and trustful collaboration.

We respect the freedom of association, and all employees have the right to form, join, or refrain from joining trade unions or similar organisations. Employees also have the right to engage in individual or collective negotiations.

The Swedish Co-determination Act applies to all significant changes in the organisation. Its purpose is to give the employee party influence and co-determination in important matters. In the case of major organisational changes or for individual employees, the employer is obligated to engage in negotiations before making decisions. The trade units have the right to access information, analyse the consequences, and express their opinions before decisions are made.

Number of employees in the parent company (average)

102 PCS 

Women 16% (17 pcs) - Men 84% (85 pcs)

Employment types: permanent employment and fixed-term employment

Board of directors

7 PCS 

Women 0% (0 pcs) - Men 100% (7 pcs)

Management team

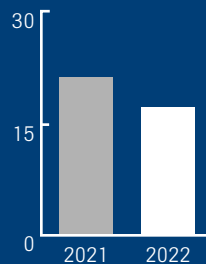
9 PCS 

Women 33% (3 pcs) - Men 67% (6 pcs)

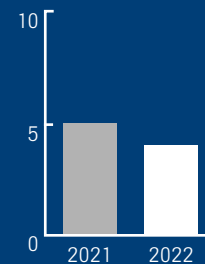
Near misses 2022 Accidents 2022 Sick leave 2022

17 PCS **4 PCS** **5 %**

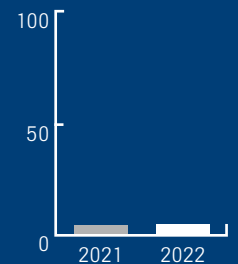
Near misses PCS



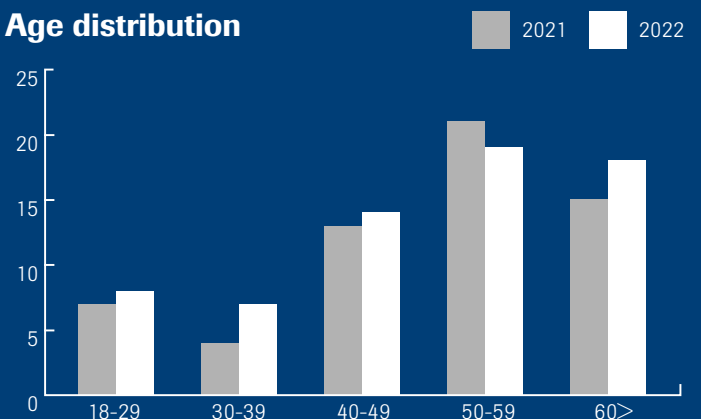
Accidents PCS



Sick leave %



Age distribution



COMMUNITY INVOLVEMENT



Foto: Peter Scott

Sunfab wants to contribute to the local community and with strong local roots, Sunfab is a stable employer in the municipality, employing people with diverse background and experiences. Sunfab aims to promote a society where people with different backgrounds and life situations can work, live, and thrive. We do this both directly through our operations and by promoting valuable initiatives, such as through sponsorships and other forms of engagement.

In order to contribute to entrepreneurship in our municipality, Sunfab participates in various networks with different focuses. We are involved in forums such as the sustainability network, procurement network, and the technology companies' employer group. In these networks, small and medium-sized companies share experiences and strengthen the business culture in the region.

Sunfab considers it strategically important to promote education and learning in the region. This is done both to meet the competence needs within our operations and to contribute

to educational and developmental opportunities within our town, Hudiksvall. One example is our involvement in the Teknik College, where a Teknik College-certified education means that companies have been involved in quality assurance of the content to ensure that it meets the future competence needs of the companies. We also participate in collaborations with colleges and universities where hydraulic development issues are discussed. Through these partnerships with universities, high schools, and primary schools, we offer internships of various lengths and summer jobs.

In addition to our business and technology-oriented involvement in the community, we also support associations and organisations through traditional sponsorship. We want to support and develop good initiatives, and some examples of the organisations we support are the Woman's Shelter in Hudiksvall and several sports clubs with the primary focus on children and youth activities.

OUR CORE VALUES



An inclusive working environment characterised by equal value for all is the foundation of Sunfab’s operations. Our core values should guide us with the principles of respect, commitment, and professionalism.

RESPECT

We create respect by:

- Listening and accepting each other’s differences
- Leading by example
- Keeping our promises

COMMITMENT

We create commitment by:

- Having the willingness to improve and grow
- Encouraging participation
- Cultivating a sense of joy in our work

PROFESSIONALISM

We create professionalism by:

- Showing attentiveness towards customers and colleagues
- Possessing the right expertise and delivering quality
- Being fact-based
- Taking responsibility

WE CHERISH RESPECT, COMMITMENT, AND PROFESSIONALISM IN OUR INTERACTIONS WITH ONE ANOTHER AND OUR CLIENTS.



SAFETY, HEALTH AND WELL-BEING



OCCUPATIONAL HEALTHCARE

Sunfab provides support and assistance in occupational health and rehabilitation through occupational healthcare services. Every second year, the company offers all employees the opportunity for health examinations to continuously prevent and address health issues in collaboration with occupational healthcare. It is the company's belief that good dietary and lifestyle habits, along with regular exercise and movement, are essential for maintaining a healthy work life. Everyone in the company has access to one hour of wellness time per week, which can be allocated based on individual choices and circumstances. For example, employees can make use of the company's gym, and the head office is conveniently located near beautiful walking trails and jogging tracks. At Sunfab, we have a wellness committee that promotes and encourages participation in various activities, such as different exercise races.

In 2022, all employees conducted CPR training along with crisis exercise. In 2023, plans are underway for a comprehensive fire safety training for all employees within the company. We also provide continuous training for managers and safety representatives in BAM (Better Working Environment) and SAM (Systematic Health and Safety Management).

EMPLOYEE SURVEY

An employee survey provides an opportunity for employees to anonymously express their opinions. By listening to what our employees truly think, the company can take relevant actions to enhance well-being, contentment, and development. In 2022, a survey was conducted within the company, resulting in an

Employee Satisfaction Index (ESI) of 60, with the benchmark at 67. Feedback has been provided to all employees, and activities and measures have been developed in collaboration with labour unions. The focus areas will be job satisfaction, participation, and continued work on developing the leadership skills in the management teams.

PROFESSIONAL DEVELOPMENT

Competence development is an important aspect for our employees, and significant resources are allocated each year to enhance further skills. Our primary focus is to strengthen and develop the employees' competence within their existing roles and to become more proficient, but also for employees to take on new responsibilities. Everyday learning occurs through close collaboration among colleagues at the company. This may involve learning new technologies, participating in projects, or taking on roles as mentors or supervisors. Participation in industry-related networks is also considered as competence development. Long-term and structured competence development is facilitated through qualitative employee discussions, where managers and employees create continuity and progress in competence development.

During spring 2022, the entire staff, including subsidiary employees, received training in sustainability to enhance competence and strengthen sustainability efforts across the entire company.

STRATEGIC ACTIVITIES FOR 2023:

- Basic fire safety training
- Implement regular competence mapping and analysis
- Establish a trainee program for CNC operators

ETHICS



EQUALITY, NON-DISCRIMINATION, DIVERSITY

Sunfab strives for a good working environment and works to prevent accidents, illness, and injuries. We are all responsible for safeguarding each other’s health and safety, both physically and mentally, and for creating a positive work environment. We do not tolerate any form of harassment, retaliation, bullying, or other physically or verbally abusive actions towards colleagues or business partner. No cases of discrimination were reported in 2022.

We firmly believe that a workplace characterised by diversity provides a better foundation for creativity and innovation. Sunfab is committed to offering equal employment opportunities to all individuals, regardless of gender, religion, age, disability, sexual orientation, nationality, social or ethnic origin, union affiliation, political opinion, or other protected characteristics as defined by legislation.

STRATEGIC ACTIVITIES FOR 2023:

- Establish a code of conduct and education
- Implement a whistleblower function

ABOUT THE SUSTAINABILITY REPORT

Sunfab reports in accordance with the Swedish Annual Accounts Act for sustainable reporting and applies the sustainability reporting guidelines of the Global Reporting Initiative (GRI), as well as the materiality principle. We do this by identifying the areas where Sunfab has the greatest impact on the economy, environment, and society, as well as the factors that have the greatest influence on our stakeholders.

During the year, there have been no changes in Sunfab's corporate structure, ownership relationships, or supply chain. There have also been no rephrasing of information or significant changes compared to previous reporting periods in the list of material topics in Sunfab's 2022 sustainability disclosure. The climate calculations for 2022 include significant categories for scope 3, and the report has been partially revised from the previous year to better meet the criteria for "GRI-reference to". We strive to present our sustainability efforts in a comprehensive, balanced, and comparable manner.

The entire Sunfab management team has been involved in the development of the sustainability report, and it was presented to the board of directors at the board meeting in June. The report has not undergone external auditing.

The complete sustainability report is available on Sunfab's website, www.sunfab.se, and is published in Swedish and English.



Lina Wiberg Manager Quality, Environment and Operational Development, Sustainability Manager

Anna Sundin Sustainability Coordinator

For more information about our sustainability work, please feel free to contact us.

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GRI STANDARD	DISCLOSURE	PAGES/NOTES	
GRI 2: General Disclosures 2021	2-1	Organizational details	4
	2-2	Entities included in the organization's sustainability reporting	32
	2-3	Reporting period, frequency and contact point	32
	2-4	Restatements of information	32
	2-5	External assurance	32
	2-6	Activities, value chain and other business relationships	6, 8, 14
	2-7	Employees	27
	2-13	Delegation of responsibility for managing impacts	11
	2-14	Role of the highest governance body in sustainability reporting	11
	2-22	Statement on sustainable development strategy	11
	2-23	Policy commitments	18
	2-24	Embedding policy commitments	18
	2-26	Mechanisms for seeking advice and raising concerns	15, 19
	2-27	Compliance with laws and regulations	12
	2-28	Membership associations	Hudiksvalls Hydraulics Cluster, The German-Swedish Chamber of Commerce, Swedish Fluid Motion Association, Swedish Foundry Association, The Swedish Society of Mechanical Engineers, The Swedish Confederation of Small Businesses, The Swedish Federation of Business Owners, Confederation of Swedish Enterprise
	2-29	Approach to stakeholder engagement	8, 9
2-30	Collective bargaining agreements	27	
GRI 3: Material Topics 2021	3-1	Process to determine material topics	8, 9
	3-3	Management of material topics	3, 11
GRI 201: Economic performance 2016	201-1	Direct economic value generated and distributed	13, 17
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	6, 14, 20
	205-3	Confirmed incidents of corruption and actions taken	13

GRI STANDARD	DISCLOSURE	PAGES/NOTES
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Metal: 3100 ton Corrugated cardboard: 30 ton
	301-2 Recycled input materials used	Metal: 375 ton Corrugated cardboard: 22 ton
GRI 302: Energy 2016	302-1 Energy consumption within the organization	2,6 GWh
	302-2 Energy consumption outside of the organization	16 MWh
	302-3 Energy intensity	55 kWh/sold unit
	302-4 Reduction of energy consumption	25
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	24
	305-2 Energy indirect (Scope 2) GHG emissions	25
	305-3 Other indirect (Scope 3) GHG emissions	26
	305-5 Reduction of GHG emissions	26
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	22, 23, 26
	306-2 Management of significant waste-related impacts	22, 23
	306-3 Waste generated	22
	306-4 Waste diverted from disposal	23
	306-5 Waste directed to disposal	23
GRI 308: Supplier environmental assesment 2016	308-1 New suppliers that were screened using environmental criteria	14
	308-2 Negative environmental impacts in the supply chain and actions taken	14
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	3, 12
	403-2 Hazard identification, risk assessment, and incident investigation	17, 19, 27
	403-3 Occupational health services	30
	403-4 Worker participation, consultation, and communication on occupational health and safety	19
	403-5 Worker training on occupational health and safety	30

GRI STANDARD	DISCLOSURE	PAGES/NOTES
GRI 403: Occupational Health and Safety 2018	403-6 Promotion of worker health	15, 30
	403-8 Workers covered by an occupational health and safety management system	Certification is planned for 2025
	403-9 Work-related injuries	17, 27
	403-10 Work-related ill health	17, 27
GRI 404: Training and education 2018	404-2 Programs for upgrading employee skills and transition assistance programs	30
	404-3 Percentage of employees receiving regular performance and career development reviews	17, 30
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	31
GRI 407: Freedom of association and collective bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	6, 14
GRI 408: Child labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	6, 14
GRI 409: Forced or compulsory labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	6, 14
GRI 414: Supplier social assessment 2016	414-1 New suppliers that were screened using social criteria	14
	414-2 Negative social impacts in the supply chain and actions taken	No cases in 2022

