


Sustainability report 2020





This is the company's statutory sustainability report for the 2020 financial year. The report covers Väderstad Holding AB, Väderstad AB and all of the subsidiaries included in the Väderstad Group.

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Production: Väderstad



Sustainability has been part of Väderstad's philosophy right from the start. With care for the soil and agriculture, the driving force has always been to make things better for the world's farmers. Then, almost 60 years ago, sustainability was primarily about ensuring that the machines lasted a long time. Today we put so much more into the concept. Väderstad makes, and has over the years made, a big difference in a number of sustainability areas.

Since agriculture is our *raison d'être*, it is also where we focus the majority of our sustainability work – so that the world's farmers can provide a growing population with nutritious and sustainably grown food. The mission we have set ourselves for our strategic sustainability work is to be a driving force in the transition towards long-term sustainable food production. Our most important contribution to date in the field of sustainability is that through our machines and methods we help farmers to significantly reduce their fuel consumption and therefore carbon dioxide emissions.

From an environmental and climate perspective, I think it is innovations and new technologies that will save the world. We at Väderstad work every day to develop new technical solutions that reduce the environmental impact of agriculture. In several ways, agriculture already contributes positively to our climate, including through photosynthesis – where crops convert carbon dioxide into oxygen. There are very exciting developments in new methods of farming the soil that capture even more carbon dioxide and sequester carbon in the soil. Here we have an important role to play.

Over the past year, we have developed a vision and mission for our continued sustainability work. We have also appointed an HSE Manager who has started a current situation analysis. The next step will be to develop a five-year plan and concrete goals based on the UN's Global Sustainable Development Goals and then develop action plans based on these goals. Going forward, this will give us good opportunities to work systematically with sustainability. It will require changes for all of us, but I am convinced that we, together with Väderstad's owners, employees, suppliers, dealers and customers, will succeed.

“

We are in a period of transition where the decisions we make today will be crucial for future generations.

Mats Båverud
President and CEO Väderstad Group



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With systematic sustainability work, we can ensure that we put energy into the right things - and get the most impact from our efforts.

Fact box

Grew up in: Umeå

Education: Biologist with specialisation in human ecology

Previous jobs: Environmental specialist at Volvo Construction Equipment, Environmental and Work Environment Consultant at Askengren&Co, HSE Manager at Ahlstrom-Munksjö.

Personal sustainability efforts: Growing her own food, a year without shopping or using a car.

Meet Natalie Andersson, HSE Manager for the Väderstad Group

Now the journey towards more systematic sustainability work has begun

Natalie Andersson is a biologist with a focus on strategic environmental work and has worked as an environmental specialist at Volvo Construction Equipment and at Ahlstrom-Munksjö. Since March 2020 she has been the HSE Manager at Väderstad, where HSE stands for Health, Safety and Environment. The role entails, among other things, that she is responsible for managing, developing and coordinating the overall sustainability work of the Väderstad Group.

“I’ve been interested in growing things for as long as I can remember. It started with houseplants and then when I got my first balcony, the interest developed into urban cultivation. Now my husband and I have got our first house with some land and suddenly the possibilities feel endless. To have also become a part of Väderstad, where everything is basically about cultivation, and being able to work with the issues I’m passionate about feels amazing”, says Natalie.

Although Natalie took on her role at the same time that the Corona pandemic broke out, she does not think that her initial period at the company has been significantly affected. Now, after just less than a year, a vision, mission and plan for how Väderstad will work with sustainability in a more systematic way are in place.

“We have developed a roadmap for our sustainability work with the aim of developing and systematising our approach to sustainability. It is only when we work systematically on these issues that we can also ensure that we put energy into the right things”, says Natalie.

The global goals

In order to identify which sustainability issues are most important to invest in for Väderstad, a thorough analysis will be carried out. The work consists of a solid stakeholder analysis of employees, customers and suppliers, but also a current situation analysis of the business’s present sustainability work. Together, they will form the basis for the company’s materiality analysis.

“The materiality analysis forms the basis for all the sustainability work. It is the basis that allows us to weight and prioritise the various sustainability issues. Once we have set our priorities, we can set measurable goals and look at how our goals contribute to the UN’s global sustainable development goals”, Natalie explains.

It is not yet clear which of the global goals that Väderstad’s sustainability work contributes to. But one goal that Natalie envisages being a given is Number 2, which is about eliminating hunger, achieving food security and promoting sustainable agriculture.

“It feels like an obvious goal for us at Väderstad. Our mission for the sustainability work is to be a driving force in the transition towards long-term sustainable food production. But there are several global sustainability goals and we are certainly able to contribute to more”, she says.

Quality over quantity

Although Väderstad’s sustainability work has not been as systematised in the past, Natalie believes that the company makes and has made many important

contributions in the field of sustainability. “Already, most things that are done have a basis in sustainability. Look at all the innovative machines and methods that have made the work for farmers so much easier and more efficient, while reducing the impact on the soil and the environment”, she says.

According to Natalie, the big challenge in the sustainability work ahead is to prioritise.

“Like for many other companies, it is a challenge for us to set the right priorities. There are so many ideas and different initiatives. It is important that we now choose the improvements that have the most sustainability benefits and push them through. It is about quality over quantity”, she concludes.

Practicing what she preaches

It is obvious that Natalie is passionate about the issues she is working on. Ideally, she would travel to work by bicycle or public transport, but with a 50 km journey to Väderstad it had to be an electric car. She has also spent a year without shopping, something she can highly recommend.

“At one of my previous workplaces, we were given the task of setting ourselves a personal sustainability goal, which is when I got the idea to not shop for a year. I put the idea to my husband who was a bit more sceptical, but it turned out being much easier than we had imagined. Just think about how much time we saved by not shopping for a lot of unnecessary things”, she concludes.



Sustainability at Väderstad

Our approach

At Väderstad we work from the definition of sustainable development that was formulated in 1987 in the Brundtland Commission's report *Our Common Future*:

“Sustainable development is development that meets today's needs without compromising opportunities for future generations to satisfy their needs.”

We see sustainable development as being based on three dimensions; one economic, one ecological and one social. In this report we describe how we work to promote each of these dimensions. Here we also describe Väderstad's sustainability vision and mission for sustainability and the way we work:



We help to simplify work and improve yields so that the world's farmers can provide the world's population with food.

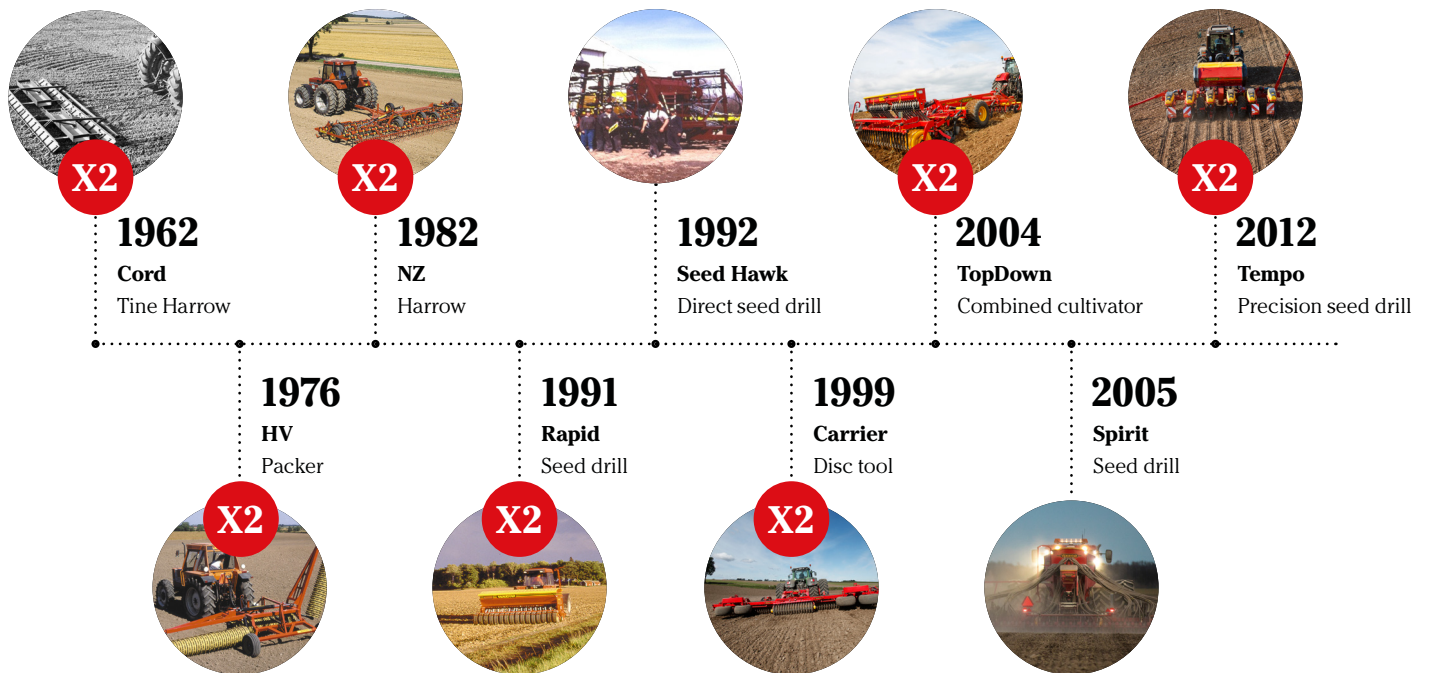


We want to be a driving force in the transition towards long-term sustainable food production.



We strive for long-term sustainability – in everything from material selection and environmental impact to how we take care of our customers and employees.

For almost 60 years, we have been introducing agricultural machinery that has doubled capacity and improved work results for the world's farmers.



About the Väderstad Group

Business model

Since we were founded in 1962, we have strived to contribute to the establishment and emergence of crops – all so that the world's farmers can provide the world's population with food. As the population continues to grow, the need for food increases, which means that a heavy burden of responsibility rests on the shoulders of our farmers, who need to produce even more nutritious food, as efficiently and sustainably as possible.

Väderstad wants to be a driving force in the transition towards long-term sustainable food production.

Our vision is to become the world's leading partner for outstanding crop emergence. We want to simplify the work and improve the performance of farmers around the world. We do this by offering our customers high-efficiency machines and methods that help to ensure the establishment and emergence of crops. Farmers all over the world are constantly looking for new ways to cultivate the soil in a more efficient way. Everyone who works at Väderstad considers developing new solutions that contribute to long-term sustainable and efficient cultivation our most important task. Simplifying the work and improving the yields of the world's farmers

is our ultimate driving force and is precisely where we at Väderstad can do the most good for farmers and the climate. The machines and methods that we have developed over the years have significantly reduced the farmers' fuel consumption, as they are able to carry out several tasks in a single pass. In addition, quality and high durability have always characterised Väderstad's machines.

In this way, you might say that sustainability has been part of our business strategy since the beginning. Väderstad has a strong focus on innovation. For almost 60 years, Väderstad has been a part of agricultural development and during this time we have on several occasions developed new machines that have doubled capacity while at the same time providing an improved end result.

Vision
To become
the world's leading partner for
outstanding crop emergence

Väderstad operates in a global market and a high-tech world. Our business model is based on developing machines for soil cultivation and seeding. These machines are produced in our own production units located in Sweden (Väderstad and Överum) and Canada (Langbank, Saskatchewan). Here we use efficient production methods and do everything from machining and welding sheet metal and steel to painting and assembling finished machines.



The machines are then sold in about 40 countries through our own sales companies in England, Germany, France, Poland, Denmark, Hungary, Serbia, Romania, Ukraine, Russia, Estonia, Latvia, Lithuania, Canada and Australia. Sales are also made through long-term relationships with reputable external sales channels. We both manufacture and buy in wearing and spare parts for our machines that we then

sell to our customers so that they can get the optimum use from their machines. We strive for long-term sustainability – in everything from material choices and environmental impact to how we take care of our customers and employees. Our constant ambition is to develop machines that carry out several tasks in a single pass. There are many advantages to this since it saves time, energy and money.



Cultivation



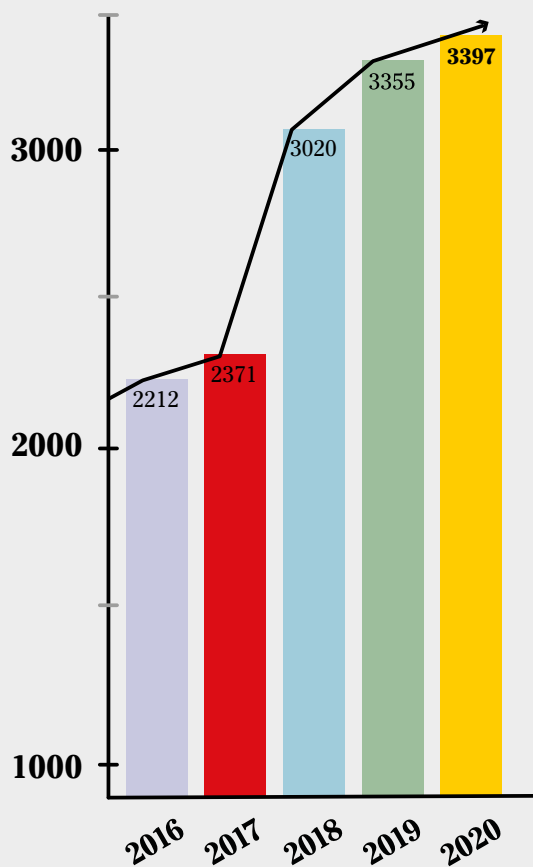
Seed drilling



Precision drilling

Finance

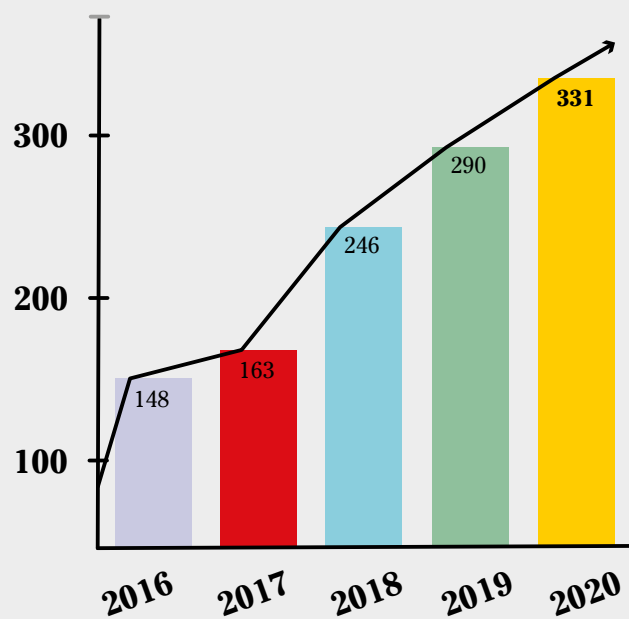
Turnover, MSEK



Väderstad is represented in 40 countries and on all continents

Results in SEK million

(EBITDA=earnings before interest, tax, depreciation, and amortisation)



48%

Equity Ratio

16

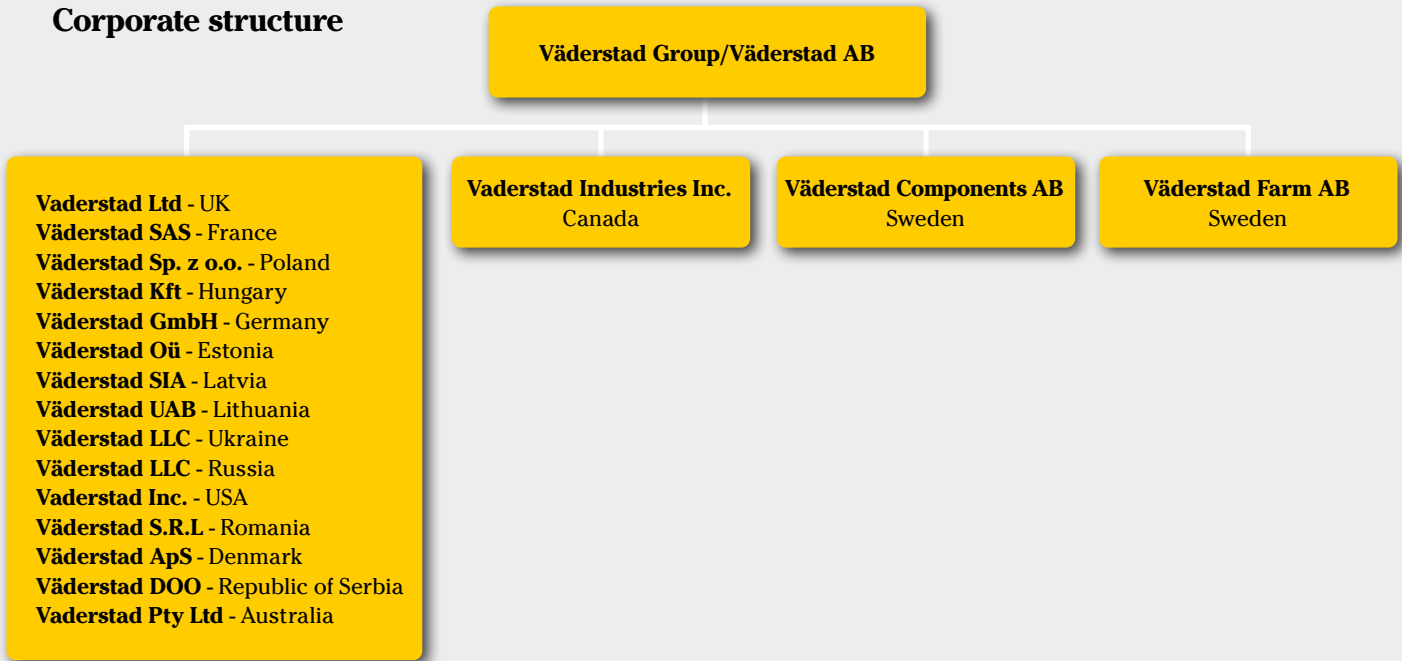
Wholly-owned sales companies

Customer satisfaction

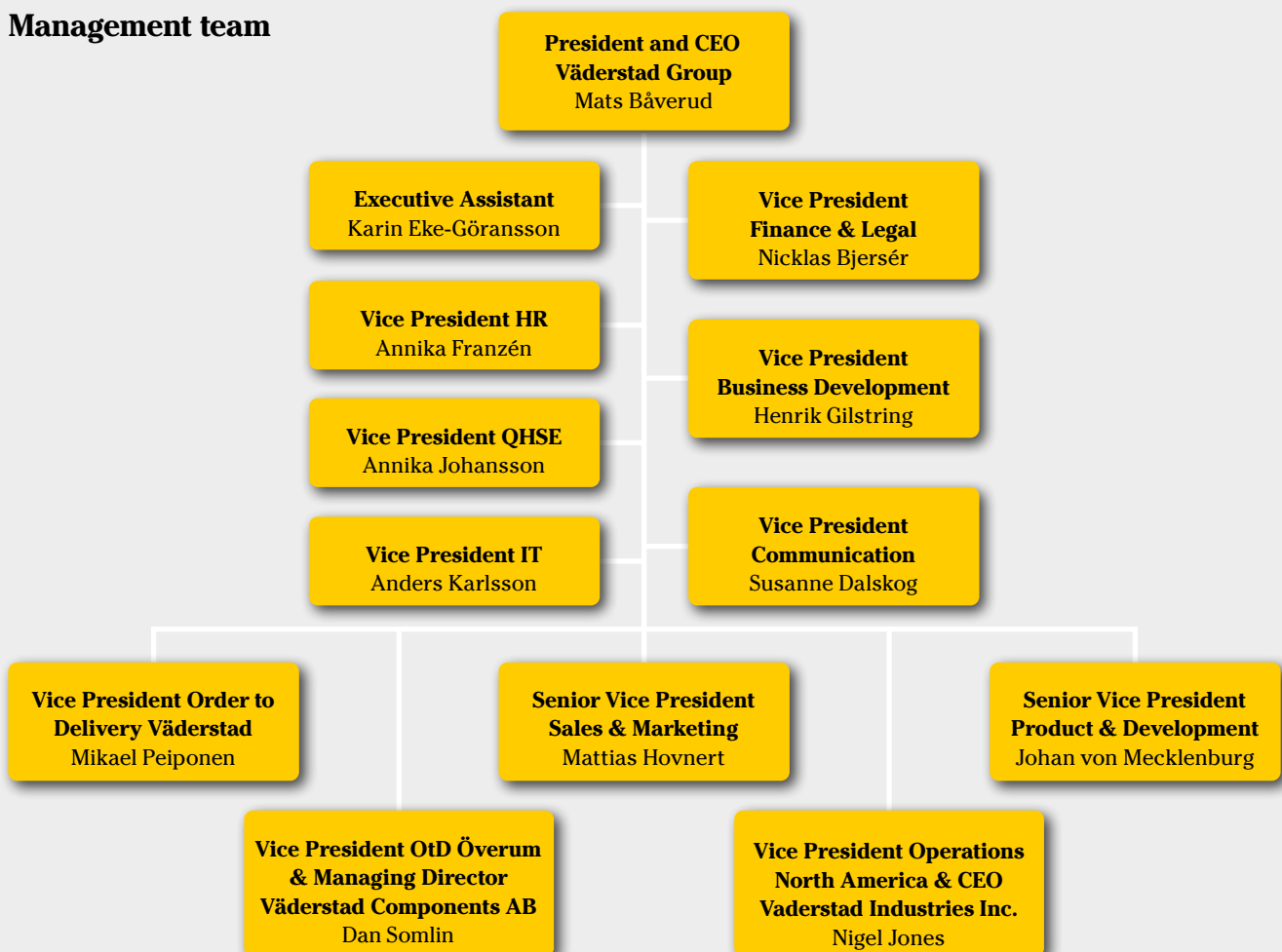
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Direct selling companies

Corporate structure



Management team



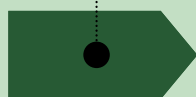
The Board of Väderstad has overall responsibility for sustainability issues. It consists of several members from the ownership group, two union-elected members and two external members. We therefore believe that the Board represents and has knowledge of all parts of the company, our environment and its requirements and possibilities. This gives us a well-composed board that is well positioned to be responsible for the Group's long-term sustainability.

Sustainability is a focus area defined in the Owner's Directive and in the Group's 5-year plan. Väderstad Group shall undertake systematic sustainability work, with concrete goals and activities, linked to the UN's global goals for sustainable development. During the past year, our newly appointed HSE Manager has developed a roadmap for this work, our "sustainability roadmap", which we intend to follow during FY 2021.

Sustainability roadmap

1. Analysis of the current situation

Internal assessment



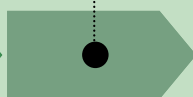
2. Stakeholder analysis

External assessment



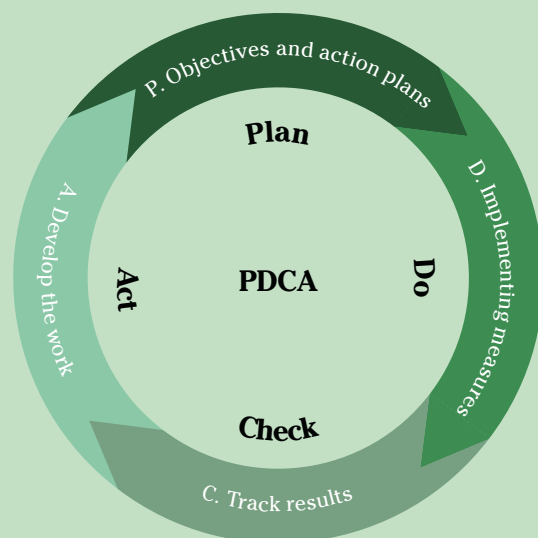
3. Materiality analysis

Overall assessment of what is most important



4. Sustainability policy

Setting the direction



How we manage the company is based on and imbued with our values, The Väderstad Way (TVW). Our common values serve as our roots, and form the basis for how we treat our customers and each other. Our values are the compass in our daily work, in our decision-making and for how we choose to prioritise. Our values are also an aid when written rules and policies do not exist.

An important part of The Väderstad Way is that we work as a global team - One team for global growth. The work on developing a global intranet, global processes and working methods is underway so that we will be able to work together according to best practice. We will also be able to benefit from the experience and expertise that exists throughout Väderstad Group.

Policies

- Owners' directive
- The Väderstad Way
- Work environment policy
- Fire Protection Policy
- HR policy
- Equal opportunities plan
- Väderstad Group's Policy for the Processing of Personal Data
- Integrated Privacy Policy
- Privacy Policy - Väderstad AB
- Quality Policy

Routines (selection)

- Definition & procedure: risk observations, incidents and accidents
- Procedure in case of suspected victimisation
- Routine for drugs and alcohol
- Routine for sickness absence and rehabilitation

Anti-corruption

Corruption negatively impacts people, the environment, organisations, businesses and countries. Väderstad dissociates itself from all forms of corruption, bribery and money laundering, as well as illegal restriction of competition. We work actively and try to be close to and understand our business throughout the entire chain from order to final delivery to our end customers, i.e. the farmers. Through this approach, we try to minimise the risks of corruption, bribery and other types of non-acceptable business practice.

We are working to bring our guidelines and working methods together in this area in a Code of Conduct applicable to Väderstad. This will ensure we have an overview of this area and are better able to educate our staff as well as follow up on and correct any deviations in the area.

We are not aware of and do not have any indications or concerns that we have experienced or been involved in, or indirectly been involved in, bribery or similar within our business. This applies as far as we can reasonably assess it at present.



Risks & risk management

Risks, and how we manage these risks, are reviewed at least once a year by the board. This is a fixed point in the Board's rules of procedure. In addition, risks are managed continuously within our operations, from group management level and within the organisation. During the coming year, parts of the Board, and parts of group management, will carry out more thorough work to identify any new risks and also evaluate our risk management. Among other things, we see an increasing risk in the field of IT technology, with everything from cyber security and intrusion, to the increasing digitisation of our machines and our operations.

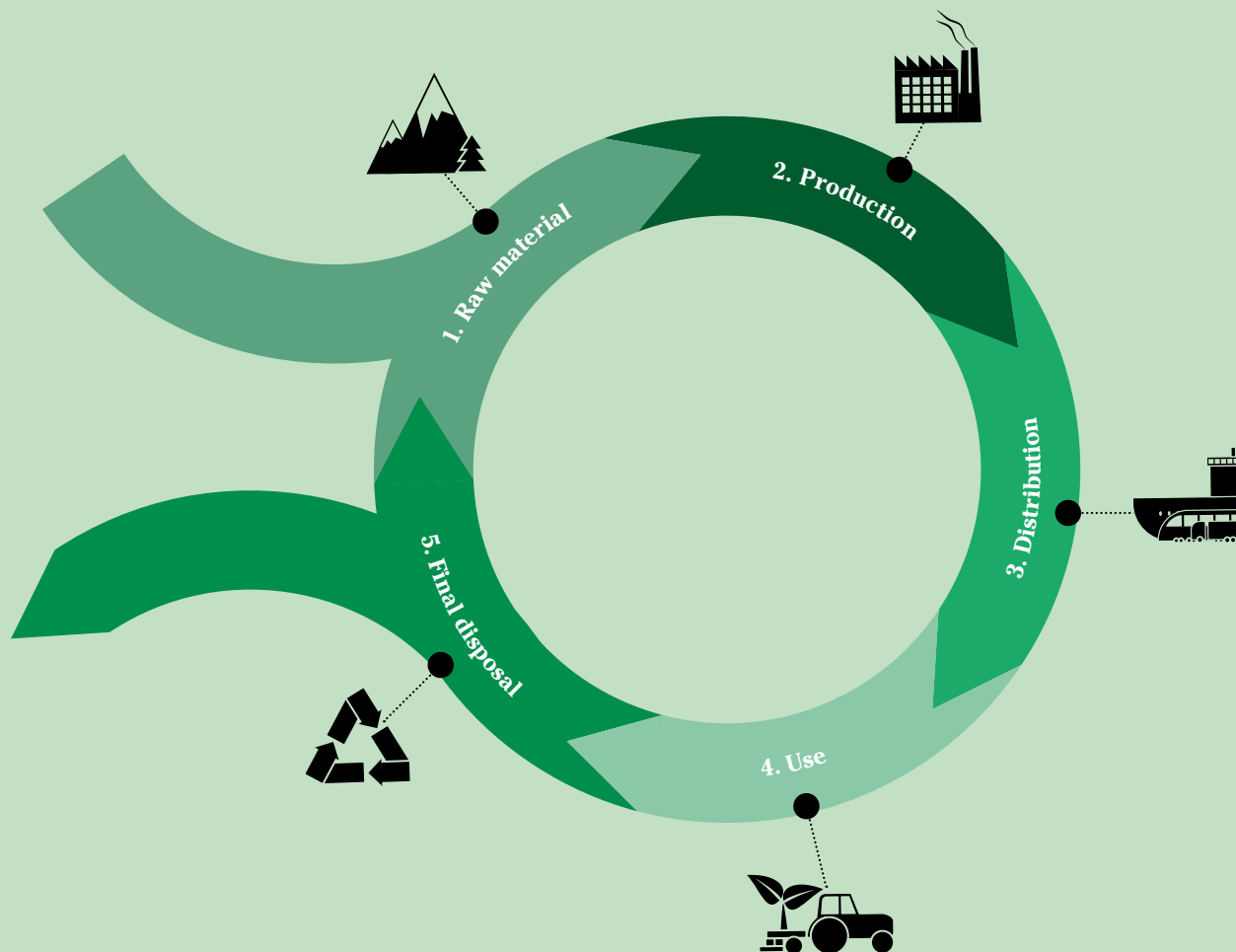
The ongoing Corona pandemic has so far had a relatively small impact on Väderstad's operations. We have a working group, which during parts of 2020 held daily meetings. Currently, meetings are held approximately every two weeks in order to manage risks related to the Corona pandemic. This working group consists of people who represent all functions within Väderstad. The main risks we identified related to this, are if we were to have a large outbreak at the company and if our suppliers for various reasons were not able to deliver raw materials for our production. We have taken steps to minimise the spread of infection and we have increased our safety stocks and identified alternative procurement channels.

Väderstad has a large market share in the EU. This means that we consider the political risk to be considerable, because agriculture in the EU is highly politicised. Areas of risk include new directives under the Common Agriculture Policy (CAP) and the use of the pesticide Glyphosate. These can have a major impact on our business and give rise to both risks and new business opportunities. In our innovations, we take into account the risks and opportunities, including developing machines for ultra-shallow cultivation. This also leads to a reduction in CO2 emissions.

We are also facing issues relating to Brexit and various political groupings within the EU that affect our industry and therefore us specifically. It is likely that we will have an answer to Brexit in the near future and thus be able to deal with this uncertainty and also remove it from our risk management. At present, we do not see a direct increase in risk, irrespective of whether there is a no-deal exit. We are prepared to deal with both scenarios.

Other major risks include the prices of products from agriculture, especially cereals, since these affect our customers' profitability and willingness to invest. In our concept, we have therefore developed modular machines, where certain parts can be purchased for those who want to. Cereal prices are slightly up, which tends to benefit our sales, as our customers often have better profitability and a stronger belief in the future and increasing willingness to invest.

Of course the global climate issue and future food security also affects us. Even today we can see the consequences of climate change up close, with extreme weather and shifts in climate zones affecting agriculture and our customers. These are changes we need to adapt to and stay one step ahead of in the development of machines and methods that make it easier for farmers.



Environment

Väderstad has its roots in agriculture and the soil, and protecting our environment has always been a given, long before we had even heard of climate change or Agenda 2030. For us, caring for the environment means working to increase our positive environmental impact while at the same time working to reduce our negative environmental impact along the entire value chain.

1. Raw materials

When procuring products, requirements are placed on suppliers, including the supplier’s work to reduce their environmental impact, and there are restrictions on which chemical substances are permitted in goods delivered to us. These requirements may be monitored during any supplier audits.

2. Production

Our largest direct environmental impact is in our production installations. **Väderstad Group’s** operations have generally run normally, with no disruptions or events of environmental importance occurring during the year. Work on an environmental management system according to ISO 14001 is ongoing, with a focus on implementing working methods in line with the standard requirements. This work also includes the development

of common working methods and processes, as part of the efforts to work according to best practice. Among other things, work is ongoing to introduce TIA system support in all facilities where environmental risks and any incidents can be recorded and managed.

Väderstad AB (VAB) is the largest unit and accounts for 85 percent of Väderstad Group’s production. These activities are subject to a licence under the Swedish Environmental Code and there are permits for the manufacture of agricultural machinery. The restriction in the permit is linked to volatile organic solvents. During the past year, the use of these has by a good margin been within the current permit. Other conditions are deemed to have been fulfilled during the year. A periodic survey of the activities is planned during the FY 2021.

Väderstad Components AB (VCAB) conducts activities that are notifiable in accordance with the Swedish Environmental Code and there is a notice regarding the existence of precautionary measures. Included in the notice are: precautions for noise, chemical and waste management and the annual inspection of the business. These are deemed to have been

fulfilled by the company during the year. Annual inspections are carried out by the environmental office.

Energy

The business's energy use impacts the environment and therefore there are ongoing efforts to reduce this. Over the past year, VII has implemented an environmental committee as a commitment from management to focus on the sustainability there and reduce energy consumption in the business. The committee increases environmental awareness among staff and works with the rest of the group, for example on the reduction of energy use. The Väderstad Group is subject to the rules concerning energy surveys in large companies. A new survey covering VAB and VCAB is planned during FY 2021. The energy is used for many different things in the business, such as lighting, ventilation and compressed air. In the VII plant, all lighting is LED.

At VAB lighting is being changed according to a designed plan and during the year the lighting adjacent to the assembly lines has been replaced. At VAB, we have connected additional ventilation equipment to our main facility system so that we can control running times and streamline the operation of our ventilation systems more optimally. At VCAB, an air compressor has been replaced with a frequency-controlled model and the control of the air compressors has been changed to a more energy efficient solution. VAB conducts an annual check of any compressed air leaks and fixes the leaks detected. At VAB, we have also changed to 100% renewable electricity.

Waste

We have streamlined our processes and manufacturing methods to minimise the waste from production and to improve raw material utilisation. Among other things, VCAB strives to use formed steel

sheet and reduce waste. For the waste that occurs, the focus is to recycle this, with metal recycling being a major part of this.

3. Distribution

Väderstad is working to optimise transport and delivery processes in order to minimise environmental impact. VCAB strives, among other things, to fill every truck and trailer when transporting goods. During the year, VCAB signed an agreement with an environmentally certified and fossil-free transport company for the transport of goods. At VAB, there is ongoing work on both inbound and outbound transport. For transport, we are constantly working to see if new suppliers fit into our milk run structure and if we can optimise the degree to which we fill milk run vehicles.

The haulage companies that we primarily use for transport are environmentally certified or fossil-free, VAB also has fixed delivery days for suppliers with smaller volumes in order to optimise these deliveries. Work is underway to develop a milk run structure from Denmark to also optimise certain imports. With regard to outbound transportation, we are looking at consolidating shipments from our spare parts warehouse and also having fixed delivery days for each market in order to be able to coordinate larger shipments.

4. Use

Väderstad has a considerable positive environmental impact when our machines are used by the farmer. In our innovations, we have focused on developing machines that perform several tasks at the same time, and that have lower traction requirements per work metre in order to save on diesel consumption by our customers. We also see that soil tillage improves soil and water protection at the same time as promoting carbon sequestration in the soil, which in turn reduces CO₂ emissions.

5. Final disposal

Making machines with a long service life and minimal maintenance is a hallmark of Väderstad. At VCAB, we manufacture high-quality wear parts through an optimised hardening process to increase service life. Through investment in a new high-tech material lab and participation in various research projects, including Vinnova, we are working to further develop and extend the life of our wear parts.

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Making high performance machines with a long lifespan and minimal maintenance is a hallmark of Väderstad.



Social sustainability

Human resources

Väderstad is a family business where relationships and care towards each other are core parts of the corporate culture. The Väderstad Way states that safety is our top priority. Together we will strive to achieve a safe and pleasant workplace where all employees have the opportunity to develop. Väderstad has a vision that there will be no work-related accidents in our operations.

Systematic work environment management involves paying attention to and taking into account all conditions in the work environment that may affect the health and safety of employees. At Väderstad AB, the TIA system support is used to record and manage risk observations, incidents and accidents. In this system, root cause analyses are carried out, measures are registered and follow-up is carried out as to whether

the measures have had the intended effect. The system also registers risk assessments and safety rounds in order to be able to work systematically with possible measures. Work is underway to implement this system support for the entire Väderstad Group. The number of accidents with absences is followed up monthly by the management team.

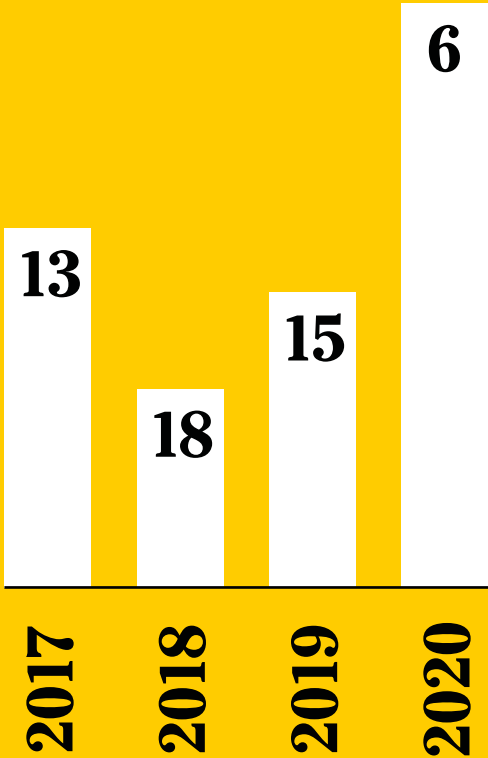
The Väderstad Way is the values the company is based on and the basis of our corporate culture. It is the culture that governs how we work and act. In order to achieve our zero vision, a good safety culture is an important piece of the puzzle. Therefore, work aimed at improving our safety culture has been started during the year.

Väderstad strives to be an attractive employer where our employees feel

respected, safe and appreciated. We view proactive health work as an important factor for sustainable performance and a profitable business. The management team monitors sickness absence and completed development appraisals on a monthly basis.

In our internal employee index, Väderstad Group has a steadily high result, in terms of satisfaction with us as an employer (3.6 out of 4.0). Väderstad AB has also gone up in the poll "Sweden's best employer", which is carried out by the company Universum, and asks questions about well-being, culture, loyalty and development opportunities for different employees.

Väderstad AB
recent placements in
Sweden's best employers



50%

of Väderstad's Board members
are women.

31%

of Väderstad's Management team
are women.

15%

of Väderstad's employees
are women.

90%

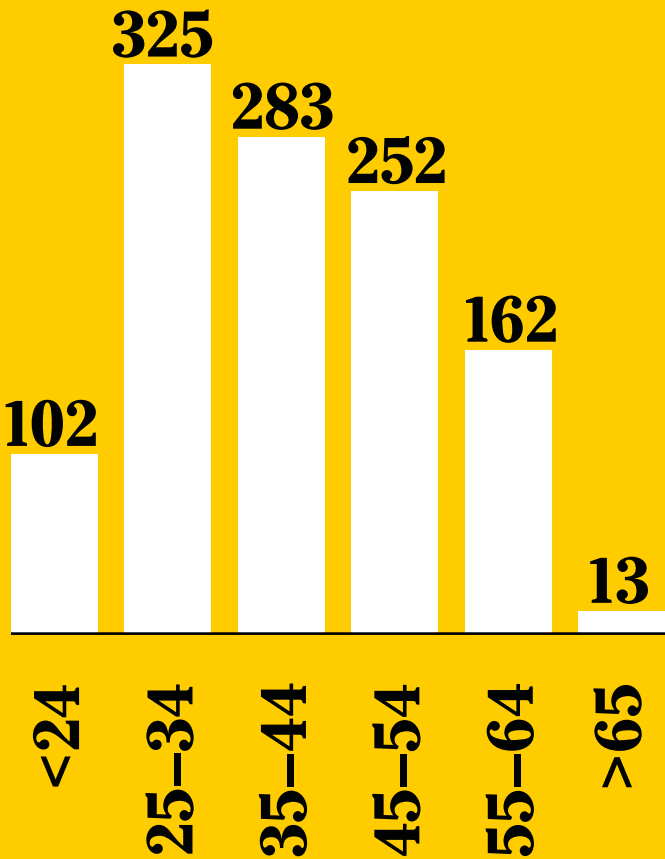
of Väderstad's employees are
very satisfied or satisfied with
Väderstad as an employer
(Väderstad Employee Index).



7 years 11 months

The average length of employment
of all employees at VAB and VCAB.

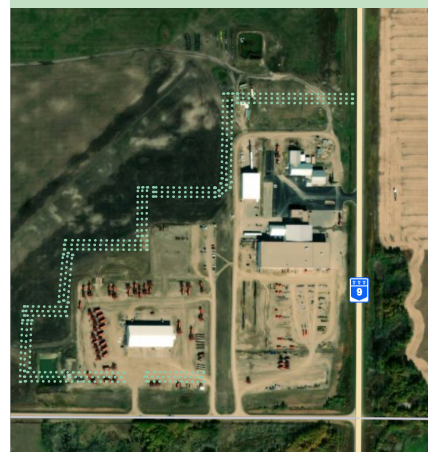
Age distribution of employees at Väderstad AB
and Väderstad Components AB





At Vaderstad Industries Inc, a tree project is underway which will consist of three rows of trees being planted along the outer perimeter of the facility. The tree line will include 1,732 trees, which will stretch for about 5.1 km. Tree types have been chosen based on what gives long-term sustainable results to maximise protection against wind, dust and snow. 5.7 hectares of shallow rooted grass will be sown out between the trees to keep away large weeds. This type of grass represents the least fire risk compared to other types of grass, as it does not die during drought and remains green well into November.

The tree line next to the highway, in addition to its aesthetic qualities, will improve visibility on the highway in blizzard-like conditions in winter, helping to save lives. Trees improve our air quality by filtering harmful dust and pollutants such as ozone, carbon monoxide and sulphur dioxide from the air we breathe in. In addition, they emit oxygen and provide habitats for birds and other wildlife.



Social issues

For Vaderstad it is important to contribute to the community we are a part of. During the year, Covid-19 has shaken the world we live in. From day one, we have worked in a structured way to reduce the risks and negative effects of the pandemic. For example, in order to support the community in Vaderstad, we have delivered facemasks to Mjölby municipality and changed our routines regarding breakfast and lunch. This is so that we can continue to order sandwiches and food from our local suppliers. We have also used dedicated funds for profit-sharing to furlough our employees, thus avoiding layoffs as a measure, when material shortages have arisen due to the Corona pandemic.

During the year we have also started a Graduate programme for third generation owners. The goal is to provide information and knowledge about different areas within Vaderstad Group in order for our participants to develop into competent and safe owners in the future. The idea is also to perpetuate this approach as a general graduate (trainee) program.

Vaderstad also contributes to research in, among other things, welding. Welding fumes are a complex exposure that contains many different substances that can be harmful to us humans and there are knowledge gaps about the risks of working in welding environments. For example, we are part of research studies to increase knowledge about health risks, how best to measure exposure in welding environments, which measures are most effective and the effect of different types of protective equipment. Participation can therefore in the long run make a difference for the 250,000 people who work daily in welding environments around Sweden.

Another important aspect of our social responsibility is that we are doing the right thing, in that we pay statutory tax and social security contributions for our staff and statutory corporation tax on profits from the business. It contributes to a strong and sustainable society in which we operate. All our business is undertaken on a commercial basis, and we do not work with arrangements solely intended to minimise tax, for example.



Human rights

We support and respect internationally declared human rights. Väderstad is a global company with customers and employees in a large number of countries. We actively work to ensure that our employees, partners and customers are treated fairly, equally and with respect. This work promotes the development of both employees and the company as a whole. The procedure applicable in cases of suspected victimisation describes how to proceed in Sweden and how the company acts in these cases. The procedure is available to all employees in the company's business system.

We are not aware of, nor do we have any indications or concerns of, having been exposed to or involved in, or indirectly participated in, any human rights abuses. This applies as far as we can reasonably assess it at present.

The equal opportunities plan is followed up and revised annually in September by joint groups consisting of representatives of the company and the trade unions. In connection with our annual salary surveys, we immediately address the few cases of unjustified pay difference that may occur.



VÄDERSTAD

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