

# How to accelerate Sustainability?

Pocket guide on sustainability

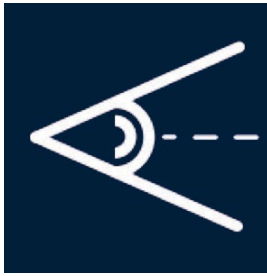


NO.1 IN A SERIES ON SUSTAINABILITY  
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**LESJÖFORS**  
Springs & Pressings

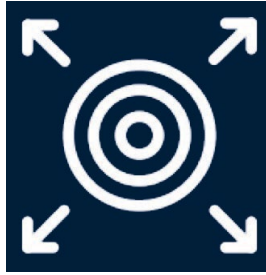
## Successful management of Sustainability

The United Nations 17 Global Goals with its 169 targets have provided us with a detailed map for sustainability that every business should study and apply in their work. But how do we practically support the transformation towards more sustainable, long-term profitable business models?



### 1. Lead with a sustainable vision

The role of business has changed, and now so must leadership. Leaders worldwide are beginning to understand how their actions impact the lives of coming generations and wish to build a legacy that they can be proud to leave behind. A first step is to clearly define how your leadership will contribute to a more sustainable world and how this can be measured. Visions then need to be supported by clearly defined incentive programs and preferably also in corporate valuation.



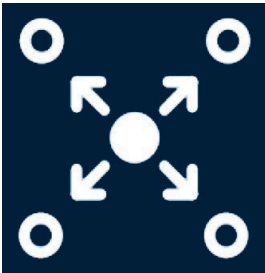
### 2. Make your purpose clear

Future employees and customers alike increasingly want to know why a company exists and why it will still be relevant in 20 years, in a more sustainable economy. Communicating the why is becoming essential for every leader.



### 3. Innovate for resilience

To future-proof an organization, we must actively foster a culture of innovation where failure is allowed, and learning is used as a tool to better understand the challenges we are facing. A culture of curiosity encourages the development of new business areas and creates better conditions for responding and sustaining operations in crises similar to the challenge of COVID-19.



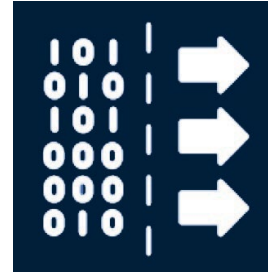
#### 4. Include multiple stakeholders in your strategy

One concrete way to integrate sustainability into business strategy and assure that it's not treated as a separate, detachable issue is by focusing part of your strategy work on how your organization can be the solution to other organizations' sustainability challenges. Another way to integrate sustainability into core business strategy is to ensure that it has strategic advantages for consumers. What kind of problems can we help our consumers to solve?



#### 5. Think exponentially

Exponential thinking is vital for scaling up technologies that can contribute to halving emissions every decade and for reaching the 1.5C goal of the Paris Agreement. But exponential thinking is also vital for corporate leaders. Without understanding the corporate effects of exponential developments, leaders will not be able to future-proof their organizations.



#### 6. Information is not communication

The sustainability agenda in general and the SDGs in particular, are complex and interdependent. Information is not enough to motivate action – the goal, aim, and interdependence needs to be explained in a compelling way. The most complex problems demand inclusive and positive thinking to reach the most elegant solutions. The need for engaging communication from leaders will increase vastly.

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## 8 questions on Sustainability

### 1. What is the definition of Sustainability?

The most often quoted definition comes from the UN World Commission on Environment and Development: "sustainable development is the development that meets the needs of the present without compromising the ability of future generations to meet their own needs. Sustainability is often broken into three core concepts or "pillars": PEOPLE, PLANET, PROFIT. Sustainability consider stakeholders' expectations and business significance while identifying the material topics across the pillars.

### 2. Which are the main movements within Sustainability?

Today you need to be a strong sustainability player in order to be attractive to employees, customers, investors & other stakeholders.

The change that is taking place is mainly something that is happening throughout the industry and not something that is theirs or other companies "initiative".

Developing sustainable products and services based on a life-cycle perspective is seen as differentiating. It is something customers seek and is considered to be a competitive advantage if one succeeds. To do this, one needs to understand product life-cycles, Scope 3 emissions, and new technological solutions that can reduce the emissions and environmental impacts of products.

Sustainable funds and investments continues to grow. Environmental, Social and Governance (ESG) is a globally established term used by investors and financial institutions they look at when investing in a company, "ESG performance".

Key to have governance structure in place to ensure a responsible business, e.g. "ethics" with an increase focus on navigating within human rights and sanctions.

### 3. What does it mean to do business in a Sustainable way?

We take responsibility for our financial, human and environmental resources.

- We work together to make it happen.
- We live by sound ethical standards.
- We make products and offer solutions with sustainability in mind.
- We look after each other's safety and well-being.
- We make sure our production reduces impact on the environment.
- We measure success against the triple bottom line of people, planet and profit.
- We see this as the way forward to modernise and grow our business for a healthier, happier and better place to work and live.

### 4. Which international commitments do we support?

Climate change is a global commons issue, and to tackle it, we need all countries committing to the most important initiatives, such as the Paris Climate Agreement and other agreements by the UN and WTO.

We endorse the SDGs and directly contribute to seven of the 17 goals.

We are a signatory of Global Compact. Beijer Alma has been a signatory of the Global Compact, a UN initiative to promote and implement corporate social responsibility (CSR), since 2015 and adheres to these fundamental principles.

## 5. What is EU Sustainable Finance & Taxonomy?

Sustainable finance refers to the process of taking environmental, social and governance (ESG) considerations into account when making investment decisions in the financial sector, leading to more long-term investments in sustainable economic activities and projects.

The EU taxonomy is a classification system establishing a unified definition of economic activities that are considered environmentally sustainable. All actors that sell or provide investment products will be required to publish their application of, or alignment with, the EU Taxonomy on product level. The taxonomy consists of six environmental objectives:

- Climate change mitigation
- Climate change adaptation
- The sustainable use and protection of water and marine resources
- The transition to a circular economy
- Pollution prevention and control
- The protection and restoration of biodiversity and ecosystems

## 6. Climate change is driving global technology shifts in areas such as electrification. How does this affect us?

Today, climate change is the most important sustainability issue for industrial companies, including Lesjöfors. Taking a forward-thinking approach to climate change is becoming an increasingly integral part of basic business know-how in order to create customer value and grow in relevant customer segments. At the same time, reporting of the climate impact through the entire value chain is evolving.

We are well equipped to respond to these changes. Many of the components that we manufacture are customized to customers' unique needs. This means that we enter the development process early on, and can adapt technical solutions to changes in requirements and take advantage of opportunities that arise. We are also well diversified, with customers in different industries, which means that we don't have any significant exposure to individual sectors that might suffer negative impacts from these expected technology shifts. Our products are also included in products that are part of the transition.

## 7. Sustainability regulations and reporting requirements are going to become more stringent in the next few years. Is this a challenge?

We have solid fundamental procedures that we can build upon further as new laws, regulations and frameworks are developed. While expanded reporting is always a challenge, there are advantages because it will be standardized in the future. The collection of sustainability data has now been digitized, which has facilitated data management.

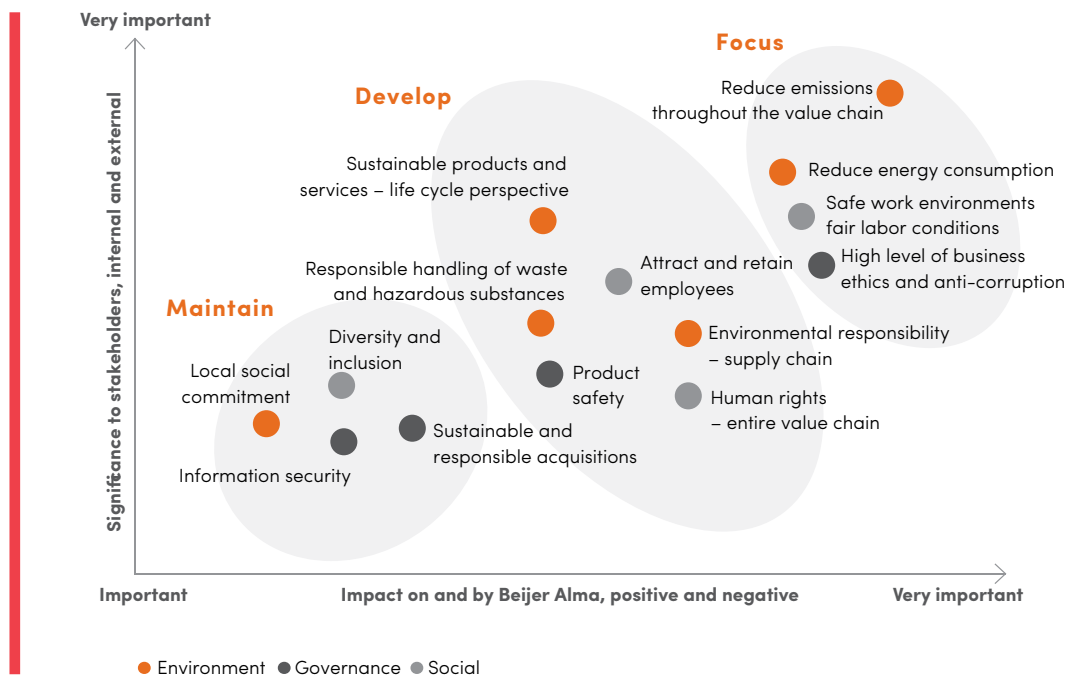
Regulations on the horizon and next steps are the Sustainability Reporting Directive (increased reporting requirements) and mandatory Human Rights Due Diligence Corporate Governance (increased due diligence duties).

## 8. Where can I read more about our sustainability work?

You can find more information in Lesjöfors' and Beijer Alma's Annual and Sustainability reports. The first Sustainability report was published in 2013. Since 2018, it has been integrated into the annual report.

# Our focus areas for sustainable growth

Lesjöfors Group have an impact on people, society and the environment. All of our stakeholders have opinions and expectations when it comes to how our operations are conducted. Our success depends on our ability to create value that meets the needs of our stakeholders while also taking financial, environmental and social consequences into consideration. The materiality analysis and stakeholder analysis thus serve as a combined sustainability agenda. The updated materiality analysis from 2021 shows the most important areas to address.



# Sustainability objectives 2022–2030



## Objective 1 – Sound business ethics with social commitment

### Objectives

- Zero tolerance for any type of corruption or anti-competitive practices
- Engaged and assume social responsibility in the communities where we operate
- Business Partners Code of Conduct Principles & Due Diligence

### Main Activities

- Code of Conduct
- Business Partner Code of Conduct principles NEW
- ESG due diligence process in supply chain
- Misconduct reporting system
- Sanction policy & instruction NEW



## Objective 2 – Circular solutions and more efficient use of resources

### Objectives

- Reduce energy consumption
- Establish circular material flows and ensure an efficient reuse and recycling

### Main Activities

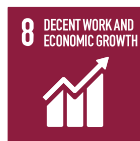
- Energy reduction plans and increase the use of renewable energy sources
- Circular waste solutions
- Design products and offer solutions with sustainability in mind



### Objective 3 – Reduced climate impact

- Objectives**
- Reduce emissions, direct and indirect, within our operations (Scope 1 & 2)
  - Reduce emission footprint of our products and services in the value chain (Scope 3)

- Main Activities**
- SBT near-term targets
  - Projects and investments with a reduced climate impact
  - Value chain perspective, focus on scope 3 from raw material suppliers and transportation
  - CO<sub>2</sub> footprint methodology for our products



### Objective 4 – Safe and stimulating work environment

- Objectives**
- Vision of zero tolerance for workplace accidents
  - Combat discrimination and encourage diversity in all forms

- Main Activities**
- Stimulating work environment, opportunity to learn & grow
  - Work culture of respect, fairness and openness
  - Balanced safety pyramid, meaning that more near misses than actual incidents/injuries are reported



### Objective 5 – Innovation with sustainability in mind

**Objectives**

- Integrate life cycle aspects during development of products and services
- Develop products and services with a low product carbon footprint (PCF)

**Main Activities**

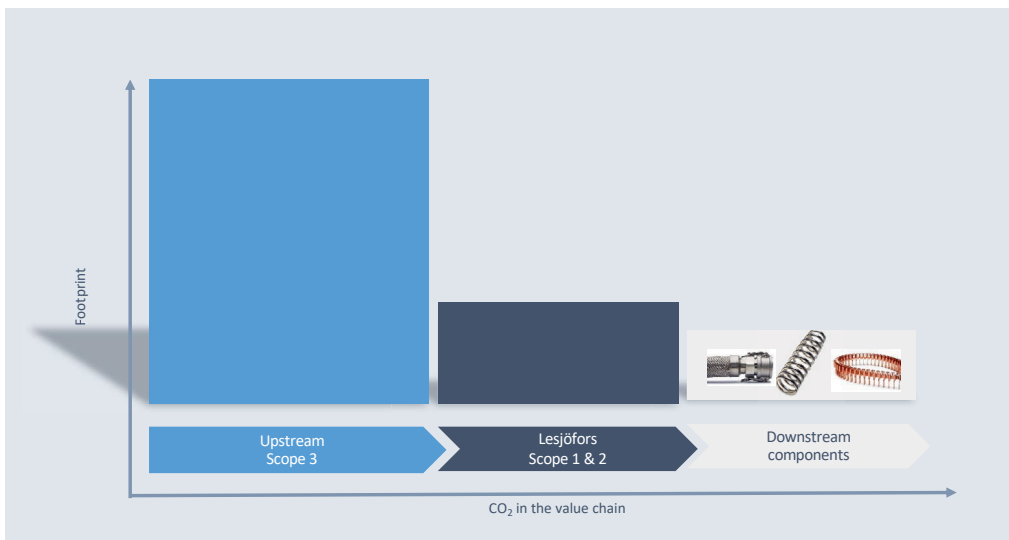
- Development of a common approach to Eco-Design strategies and principles
- Working with life-cycle assessments
- Expanding our customer offer regarding product carbon footprint and Eco-Design
- Integrate Eco-Design strategies during development of products and services

## Value chain perspective

Today, climate change is the most important sustainability issue for industrial companies, including Lesjöfors. Taking a forward-thinking approach to climate change is becoming an increasingly integral part of basic business know-how in order to create customer value and grow in relevant customer segments. At the same time, reporting of the climate impact through the entire value chain is evolving.

$$\text{CO}_2 = \text{Direct emissions (from combustion in owned furnaces and vehicles)} + \text{Indirect emission (purchased electricity consumed)} + \text{Purchased material \& transports and business travel. (Raw material, transport of goods, business travel)}$$

In 2021, an analysis of the Group's Scope 3 CO<sub>2</sub> emissions commenced. These emissions are associated with the use of raw materials, mainly metals and plastic in component manufacturing, the use of which has been deemed to have a material impact on Scope 3 emissions.



Illustrative picture of Lesjöfors Group footprint in the value chain.

## Design with Sustainability in mind

Eco-Design goes by many different names – green design, design for the environment, sustainable design, environmentally conscious design, life-cycle design, life-cycle engineering, and clean design.

Eco-Design concepts are applied early in a product's design or upgrade phase to ensure that the environmental consequences are fully understood prior to going ahead with the product.

The aim is to reduce environmental impact during the three phases of the product's life cycle: production, use, and end-of-life. For the production stage, Eco-Design objectives include design for energy conservation and minimizing waste during production. Eco-Design for the use phase is normally focused on reducing energy consumption and involves designing optimized, energy efficient products.

### *Eco-Design*

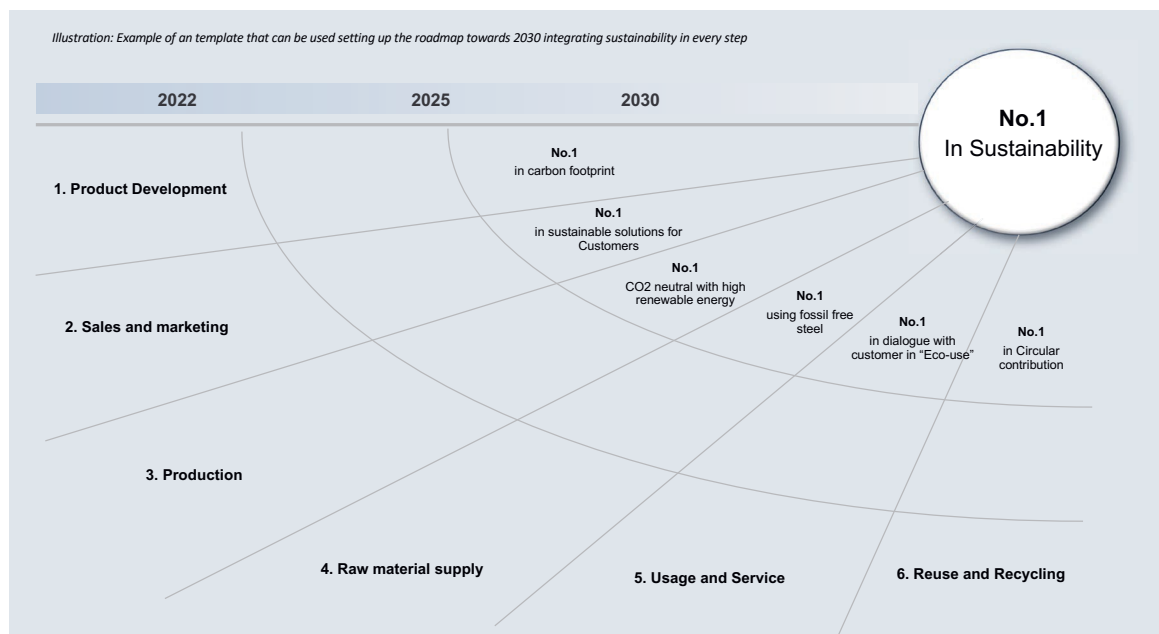


## Sustainability in every step

To become the most sustainable springs and pressing company in our industry we need to ensure that sustainability is integrated in all the many small steps of our daily operation and that is defined per process and function. We also need to define how our business can work together with corporate, government, and non-profit actors to bring about large-scale change in the sustainability space.

### How does our roadmap towards 2030 look like?

Below is an illustrative template that can be used when setting up the roadmap towards 2030 ensuring sustainability in every step.



### 1. PRODUCT DEVELOPMENT

The role of innovative design, planning, and technology is one of the key success factors facilitating sustainable business. How can we design with sustainability in mind. Each product should be designed with the full impact in mind – from the carbon impact of the materials and transports used, to its energy consumption and what happens to it at the end of its life. Modular design can also support sustainability as it enables easy disassembly so that parts can be replaced, prolonging the life of the product and reducing waste. Strong service offerings also minimize waste and maximize the value of customers' investments.

Focus on; Integrating the sustainability mindset and checkpoints in the design process. Learn more about life cycle data from a cradle to gate perspective and investigate a way to define the CO2 footprint of the product that can be used as information further in the value chain to the customer.

## 2. COMMUNICATION AND MARKETING

How to effectively communicate sustainability strategies and goals to internal and external stakeholders. The sustainability agenda in general and the SDGs in particular, are complex and interdependent. Information is not enough to motivate action – the goal, aim, and interdependence needs to be explained in a compelling way. The most complex problems demand inclusive and positive thinking to reach the most elegant solutions. The need for engaging communication from leaders will increase vastly. How can we reach out to our customers with a sustainable offer? How can we package and ensure that our sales organization have easy access to sustainability information that they can talk about and present for the customers.

Focus on; Defining what the offer is? Footprint, other? How to package and reach out to the customers, meetings with the customers sustainability managers, Understand and observe the sales persons needs.

## 3. PRODUCTION

Ensure an efficient use of energy in the production process. Analyse where the main energy drivers are and try to find ways to reduce the energy consumption. Investigate what you can do to transfer to renewable energy sources and/or fossil-free energy sources.

Focus on; Energy saving programs. Investigate use of biogas, solar panels, certified renewable energy. Follow the progress on CO<sub>2</sub> emissions in relation to used MWh as a performance indicator.

## 4. RAW MATERIAL SUPPLIERS

Initiate a dialogue with your raw material suppliers about their energy consumption and actions to cut energy and emissions. We value collaboration with our business partners, including suppliers, subcontractors, partners, agents and distributors. Having a business climate in which sustainability is integrated into our way of doing business requires a team effort. In the Lesjöfors Business Partner Code of Conduct you can find more information.

Focus on; Establish contact, open doors for using fossil free steel in the future. Investigate if share of recycled material can be increased. Encourage the suppliers to provide their CO<sub>2</sub> data directly to us.

## 5. USAGE AND SERVICE

Understand and observe the customers knowledge level in “Eco-use” of products & solutions. How can we be part of their solutions towards being more sustainable?

Focus on the having a dialogue with the customers around the use and circularity.

## 6. REUSE AND RECYCLING

How can we increase our circular contribution? This applies both for our own production process but also for the raw material that we use. How much of the raw material comes from recycled materials? We can also discuss with the customer about the reuse and recycling of our products.

Focus on; Finding efficient recycling and reuse solutions. Have an dialogue with the waste handling company to find new ways. Learn more about circular contributions from a full value chain perspective.

## Definitions

<b>Environmental Social and Governance</b>	<p>ESG points to a specific set of criteria within environmental, social, and governance. The three pillars help companies accurately measure and transparently disclose their performance. ESG is synonymous with sustainability; which is defined by UN Global Compact as; Human Rights, Labour rights, Environment, Anti-corruption. And the governance of these four areas.</p> <ul style="list-style-type: none"> <li>• Companies with high ESG performance have proven to have lower risks, higher returns, and are more resilient in times of crisis.</li> <li>• The way many of the ESG criteria's are evaluated is based on how it's integrated into the company's risk management process.</li> <li>• A company need to do an analysis of how the ESG aspects impact the value chain and what the risks are both on planet and society but also on the financial performance. Example climate risks and the company's resilience to them.</li> </ul>
<b>Environment</b>	<p>How companies manage their environmental impact with consequences on society and the planet.</p> <ul style="list-style-type: none"> <li>• Greenhouse gas emissions</li> <li>• Energy consumption</li> <li>• Resource consumption</li> <li>• Waste management</li> <li>• Transition towards circular economy</li> <li>• Protection of biodiversity</li> <li>• Water consumption</li> <li>• Biodiversity impact</li> </ul>
<b>Social</b>	<p>How a company develop its people and is seen as a modern attractive employer.</p> <ul style="list-style-type: none"> <li>• Gender equality and diversity</li> <li>• Talent attraction and retention</li> <li>• Occupational health</li> <li>• Data protection and privacy</li> <li>• Child and slave labour</li> <li>• Human rights violations</li> </ul>
<b>Governance</b>	<p>How companies can stay compliant, ensuring transparency and industry best practices, and dialogue with regulators.</p> <ul style="list-style-type: none"> <li>• Bribery and corruption</li> <li>• Lobbying</li> <li>• Political contributions</li> <li>• Whistle-blowing programs</li> <li>• Competence in governance bodies</li> <li>• Remuneration</li> <li>• Internal controls</li> <li>• Tax</li> </ul>

<p><b>Science based targets</b></p>	<p>Focused on accelerating companies across the world to halve emissions before 2030 and achieve net-zero emissions before 2050.</p> <p>Greenhouse gas (GHG) emissions reduction targets are considered “science-based” if they are in line with what the latest climate science says is necessary to meet the goals of the Paris Agreement – to limit global warming to well-below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C.</p>
<p><b>Global ESG ratings</b></p>	<p>Global ESG ratings wants to sort companies into different categories, “green” or “sustainable” companies. The evaluation methods developed today by third-party companies and financial rating companies differ from each other. On an overall level, they treat evaluations in a similar way, with a focus on ESG aspects, but on a more detailed level, the evaluations are carried out according to different methods, which means that the results can be difficult to compare. See two examples below:</p> <p>CDP is a global non-profit that runs the world’s environmental disclosure system for companies, cities, states and regions. Founded in 2000 and working with more than 590 investors with over \$110 trillion in assets, CDP pioneered using capital markets and corporate procurement to motivate companies to disclose their environmental impacts, and to reduce greenhouse gas emissions, safeguard water resources and protect forests.</p> <p>Sustainalytics ESG Risk Rating of Morningstar. Sustainalytics evaluates companies based on what risk they may pose from an ESG perspective on a scale from no risk to a serious risk (0-40+). The risk evaluation is done according to six areas, four of which are estimated to be at a low risk level. Its areas are operational management, environmental emissions and waste, bribery and corruption, as well as carbon dioxide emissions from own operations.</p>

<p><b>Worldfavor</b></p>	<p>Sustainability reporting system. Annual report to Beijer Alma. Reporting start in mid November and close in mid December.</p>
<p><b>LCA-Life Cycle Assessment</b></p>	<p>Life cycle assessment (LCA), also called environmental LCA, is a systematic, standardized approach to quantifying the potential environmental impacts of a product or process that occur from raw materials extraction to end of life. The methodologies for LCA are defined by the International Organization for Standardization (ISO) 14,040 series (ISO 2006a; ISO 2006b). LCA quantifications can be carried out in many forms, which are labelled as variants of LCA. Following are the most popular of these variants:</p> <ul style="list-style-type: none"> <li>• Cradle to grave – a full life cycle assessment that includes all the stages of a life cycle.</li> <li>• Cradle to gate – an LCA that deals only with the raw material extraction, production, manufacturing, packaging and transportation processes. It assesses only the activities that occur within the factory. It will not include the distribution, consumer use and disposal phases.</li> <li>• Cradle to cradle – typically a cradle to grave assessment, where the end-of-life stage of a product is a recycling process, thereby the product will not be discarded after the end of life.</li> </ul>
<p><b>Climate agreements</b></p>	<p>The agreement is a driving force within UN and was adopted in 2015, legally binding international treaty on climate change. 192 countries and the European Union to limit the global temperature increase in this century to 2 degrees Celsius while pursuing efforts to limit the increase to 1,5 degrees.</p> <p>The European Green Deal = The Green deal is a driving force within EU and was launched in 2019. It aims to transform the EU into a fair and prosperous society, with a modern, resource efficient and competitive economy where there are no net emissions of green house gases in 2050 and where economic growth is decoupled from resource use. It also aims to protect, conserve and enhance the EU’s natural capital, and protect the health and well-being of citizens from environment-related risks and impacts.</p> <p>The Green New Deal = This framework is a driving force in US and introduced in 2019 for mobilizing the federal government to create jobs and fight the climate crisis at the same time. It aims to provide a job guarantee to all Americans, along with access to nature, clean air and water, healthy food, a sustainable environment, and community resiliency.</p>





# For more information or in case of any questions, please contact:

**Head of Sustainability – Anna Haesert**

Mail: [Anna.Haesert@lesjoforsab.com](mailto:Anna.Haesert@lesjoforsab.com);

Phone: +46 701900439

**Sustainability Manager – Bianca Plankenhorn**

Mail: [Bianca.Plankenhorn@lesjoforsab.com](mailto:Bianca.Plankenhorn@lesjoforsab.com);

Phone: +49 15110946931



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