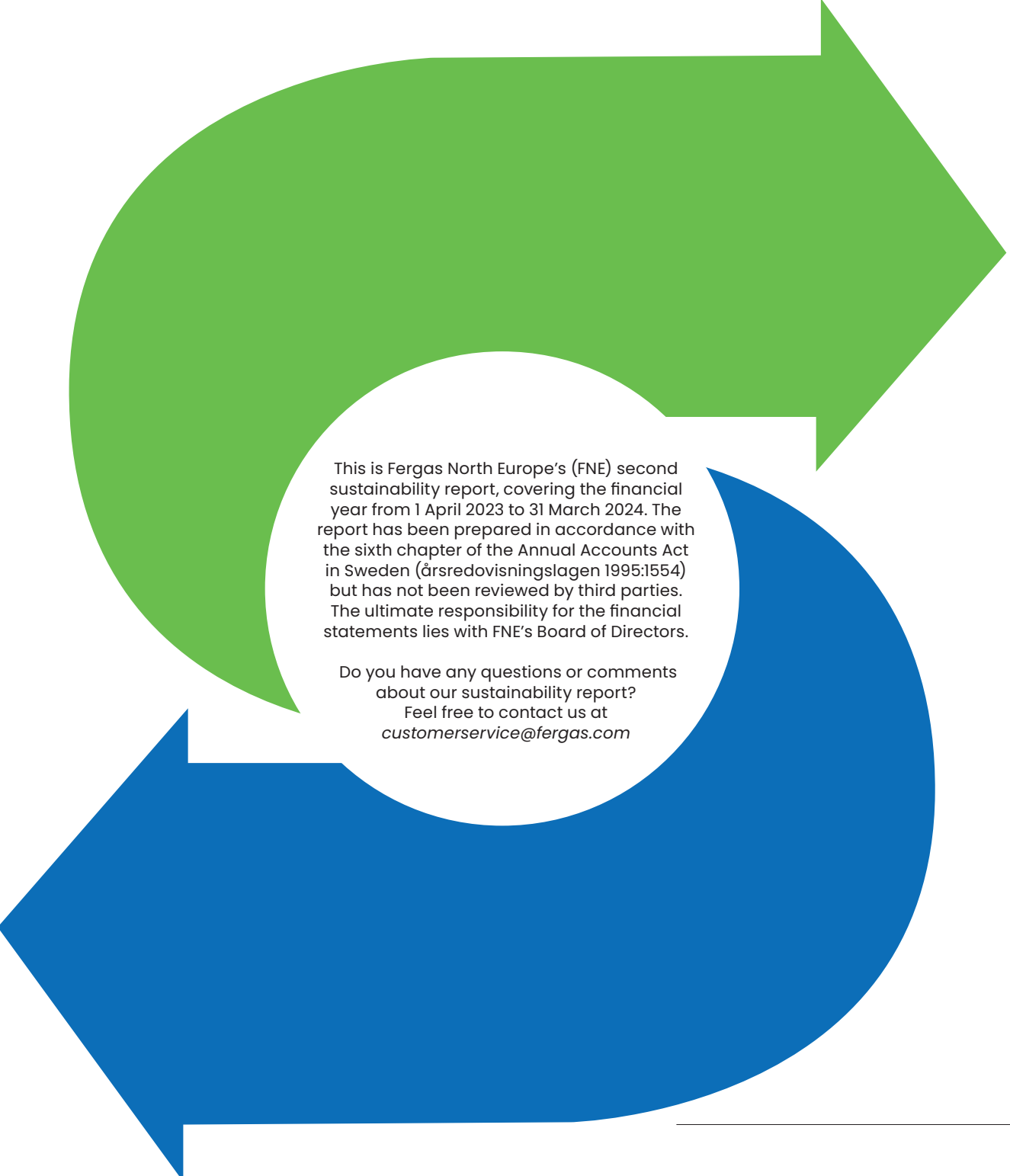


# Fergas North Europe Sustainability Report 2023/24



This is Fergas North Europe's (FNE) second sustainability report, covering the financial year from 1 April 2023 to 31 March 2024. The report has been prepared in accordance with the sixth chapter of the Annual Accounts Act in Sweden (årsredovisningslagen 1995:1554) but has not been reviewed by third parties. The ultimate responsibility for the financial statements lies with FNE's Board of Directors.

Do you have any questions or comments about our sustainability report?  
Feel free to contact us at  
[customerservice@fergas.com](mailto:customerservice@fergas.com)

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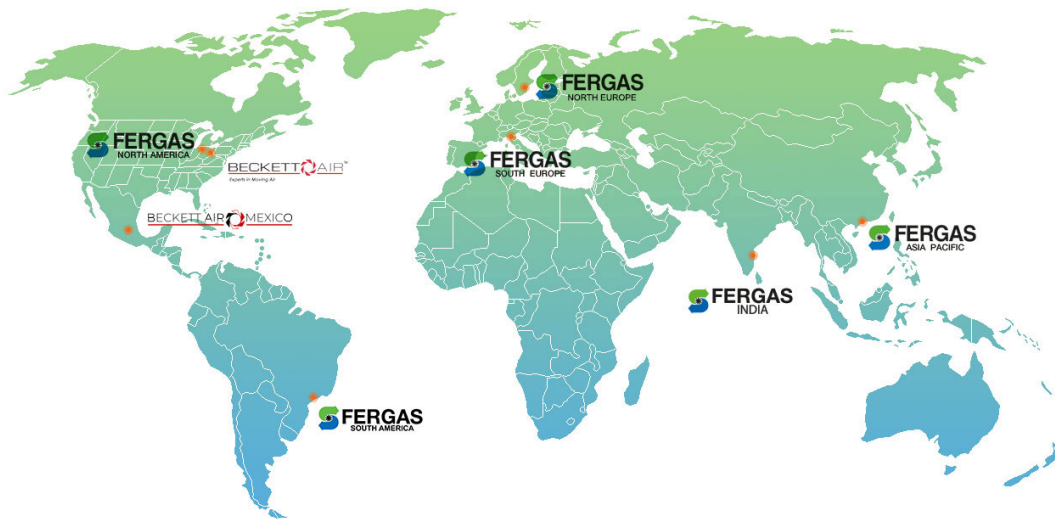
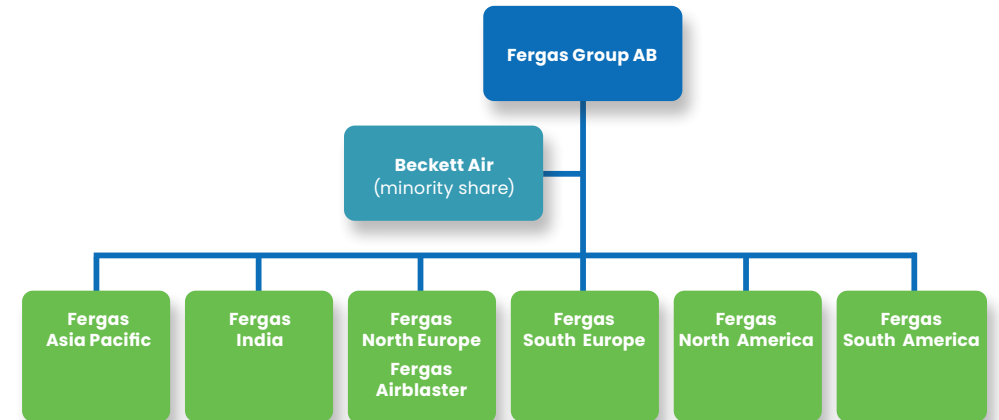
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# Welcome to FNE

Fergas North Europe (hereafter FNE) was founded in 1949 by Lennart Wallman in Linköping, Sweden and is the original Fergas factory. Today, FNE is a subsidiary within the global corporate group Fergas Group AB, with its manufacturing site located in Linköping. Fergas Group AB is in turn owned by Walinov AB. Fergas Group has production units in Sweden, China and Italy as well as sales offices in the USA, Brazil and India. Since 1988, the Fergas Group has been a partner with Beckett Air, for production in North America.

FNE, which serves the northern European market, has an annual turnover of approximately 130 million SEK and employs around 66 employees. The company specializes in the development, production, and sale of blowers and blower systems. The manufacturing site produces approximately 4 million blowers per year, with 90% of them being exported outside of Sweden.



# 2023/24 in brief

The last year has been a year of change for FNE. We have, in a troubled environment including the war in Ukraine and the general downturn in the economy, been challenged with reduced sales. We have been fortunate enough to not have had any serious shortages regarding materials and input goods, and we have succeeded in fully compensating ourselves for increased costs of inputs, freight, energy, etc. The company's management's continued work for increased profitability has borne fruit as our total product knowledge has increased.

Furthermore, we have started our journey for a more optimized production that will be better for the people, planet, product and profit. We have also clarified our goals and strategies for the employees. To focus on the employees has not only been prioritized for the company but also better incorporated throughout the business. During the year we have developed the process for HR as a supporting function, we have worked harder with issues related to preventive health.

## Comments from the CEO

*Our focus areas during 2023/24 have been Employee ship, Energy/Sustainability, Standardization, "Right from me" and Pull flow/SMED. When we sum up the year, we can confidently say that we have achieved great success.*

### What happened?

Not everything has been positive this year. War, material shortages, inflation, and interest rate increases – the list goes on. For us at FNE, the decline in order intake and reduced sales have unfortunately resulted in employee layoffs.

However, despite these challenges, we have achieved significant success. We have successfully implemented the major changes we planned and have achieved the goals we set for our focus areas with over 27 %.

### We invest!

We had a large investment budget for this financial year. We didn't succeed with our budget due to the fact of lack of resources. Doubling the investment rate requires more skills and resources than commonly believed. However, the objective is to substantially increase it in the future.

### Changes!

We have worked and succeeded well with employee ship. We have involved and engaged our employees in the company's continued development. We have succeeded in improving the individual's health through good wellness work.

### Development of processes!

Throughout the year, we have devoted significant efforts to developing our processes in various aspects. Our working methods are becoming increasingly standardized across all areas of our operations, and we are streamlining our product range to minimize inventory and enhance quality. Additionally, we are committed to the crucial principle of "Right from me," which emphasizes a customer-centric process orientation.

Through these changes, we are witnessing numerous benefits, including improved internal operations, enhanced customer experiences, and strengthened aspects of quality and sustainability within our business.

### Purpose!

Fergas' 4P framework for sustainability – Planet, People, Profit, and Purpose – is deeply rooted. Since our inception in 1949, our business has been driven by the fundamental question of why we exist. We are committed to fulfilling our social responsibilities and nurturing our employees and the local community.

We remain steadfast in our longstanding and clear purpose, which compels us to continuously evolve our business and products. In a world that is constantly evolving, the key to long-term sustainability lies in learning at a faster pace than the changes around us and translating those lessons into meaningful innovation. Ultimately, it's only what we do that counts.

We eagerly anticipate furthering our efforts in all dimensions of sustainability and actively involving every employee on this transformative journey. We hope that you, as readers, will be interested in learning about our sustainability initiatives from the past year and that you will join us as we continue to progress and evolve.

**Patrik Jonsson**  
CEO Fergas North Europé



# Sustainability at FNE

Since its foundation in 1949, Fergas has been committed to corporate responsibility by caring for employees and supporting those in need in the local area. This commitment is also one of the core principles of Fergas' foundations.

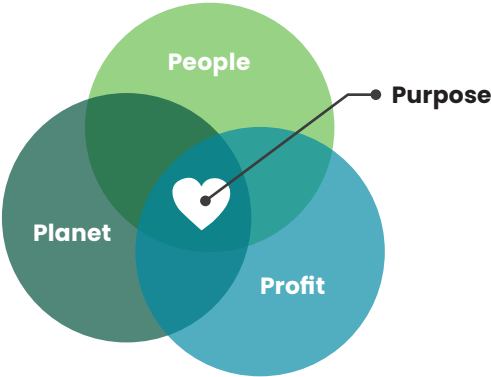
We have adhered to the United Nation's definition of sustainable development, as defined in 1987. For Fergas, sustainability is when we can satisfy our needs today – socially, environmentally, and economically – while at the same time providing the conditions for future generations to meet their needs.

The various aspects of sustainability interact in a multitude of processes and cannot be handled individually. We need to find the sweet spot where they all interact.

To ensure a comprehensive approach to sustainability, we have chosen to categorize our sustainability matters into four P's – People, Planet, Profit and Purpose – enabling us to actively address sustainability across multiple dimensions.

In recent years, we have observed an increasing demand from our stakeholders for us to address all aspects of sustainability and to provide information about our efforts. Consequently, we have dedicated our focus to this area, aiming to understand our current position and communicate our actions to others.

**Robert Leuchovius**  
Quality and Sustainability  
Manager, FNE



- People** Social aspects, inside and outside the company
- Planet** Ecological aspects
- Profit** Healthy financial that aligns with ecological and social sustainability
- Purpose** Being and acting well

# Fergas' vision and foundation

Fergas Group is a multinational corporation with global operations, leveraging local expertise and strategically placed production facilities near our customers' manufacturing sites. Our vision is to support our customers' international market expansion, strengthening their global business efforts.

## FERGAS VISION

**We want to make our customers successful with our air moving solutions.**

- by being close to our customers as a true global supplier
- by thriving on longterm relationships
- by applying innovative technology in all aspects of our business

At FNE, we cultivate an inclusive corporate culture, empowering employees with significant responsibilities and streamlined decision-making. Rooted in the 75 year history of the company, we embody the value of Fergas Foundation in every operation. Currently, we are focused on transformative growth, prioritizing our workforce, and embracing sustainability to align with our global objectives.

## THE FERGAS FOUNDATION

- CUSTOMER**  
We strive towards long term relationships by devotedly serving our customers
- OPERATIONS**  
Production processes should be customer focused and should utilize world class technology
- The FERGAS TEAM**  
The heart of the Fergas Culture is our dedicated team members who want to cooperate and take responsibility
- INNOVATION & SUSTAINABILITY**  
We should be innovative and sustainable in all aspects of our business.
- FORCE OF GOOD**  
We are a "force of good" in the Workplace and in our local communities that we serve.
- PROFITABILITY**  
The company has profitable growth that fuels future prosperity.

Sustainability management

To achieve our sustainability goals, we implement strategies across all three sustainability aspects, emphasizing employee inclusion through a methodology called Concept K.

For many years, Fergas North Europe has held management system's certificates regarding quality and environment, ensuring our management system supports standards and continuous improvement. During last year, we successfully obtained certification according to ISO 45001, the standard for occupational health and safety. It was an important step for us and a way to demonstrate that we always put safety first.

Policies and routines, integrated into our management system, are crucial tools for driving overall improvement and addressing sustainability issues in our business. Our goal is to create an efficient management system that actively engages all employees and processes within the company, rather than just drafting policies for their own sake. We aim to create an efficient system that involves all employees and processes, adhering to LEAN principles for standardization and waste reduction. n.



FERGAS NORTH EUROPE HOLDS THE FOLLOWING MANAGEMENT SYSTEMS CERTIFICATES:

|            |                                |
|------------|--------------------------------|
| ISO 9001   | Quality                        |
| IATF 16949 | Quality in automotive business |
| ISO 14001  | Environment                    |
| ISO 45001  | Health and safety              |

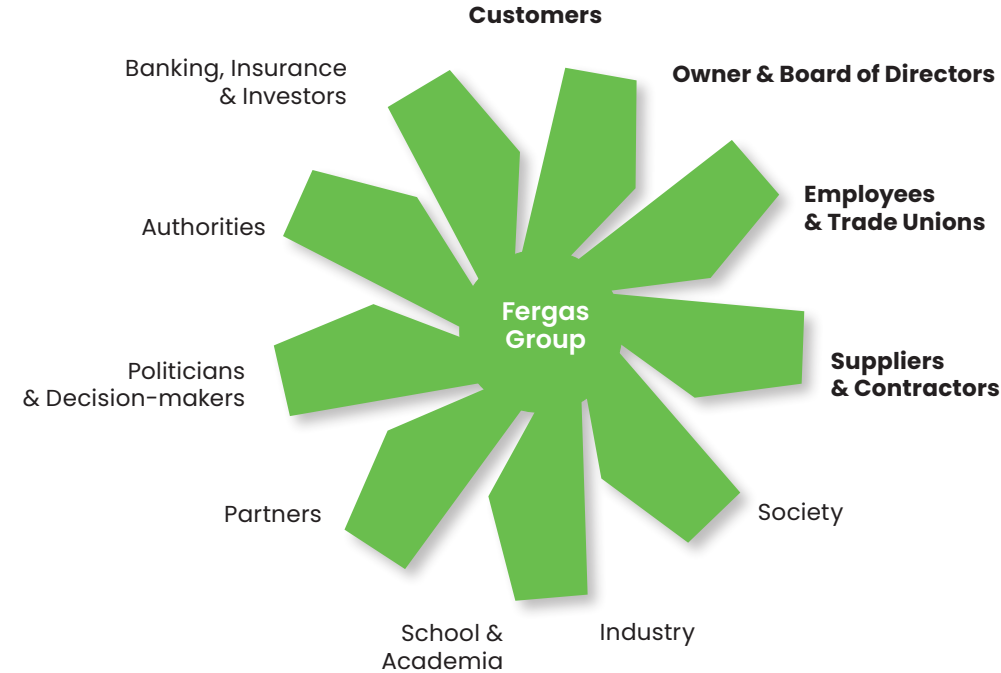
Stakeholders

It is not solely our own goals and expectations that determines what is driving our sustainability work – the outside world and our stakeholders impacts us, just as we impact them.

Value chain, stakeholders and the world around us

Fergas has made the decision to undertake a comprehensive review of the sustainability matters that hold the utmost importance for Fergas Group in terms of management, monitoring, and reporting. To identify and prioritize these issues, we conducted several analyses that now serve as the foundation for our sustainability initiatives. These analyses encompassed a materiality analysis, a stakeholder analysis, an external analysis, as well as a thorough assessment of our current sustainability practices and survey responses from all our sites.

Our stakeholders have been identified as individuals or groups with whom we have a mutual influence, interaction, or who are impacted by our operations in various ways. The depiction of these stakeholders can be found in the illustration below.



# FNE and the Planet

FNE primarily influences the environment and climate through four key areas, and our objective is to make improvements in all these areas:

The raw materials used in our products

Material transportation and business travel

Our internal production processes

The utilization of our products by customers

## Limited climate impact

The climate crisis demands greater societal change and FNE strives to minimize its negative climate impact. To reduce the burden on the environment and make a positive contribution to society, FNE takes long-term responsibility for limiting its climate impact in all business processes.

We have implemented several strategies, where the most important one is to start measuring and visualizing our sustainability performance. Other important areas are enhancing energy efficiency in our facilities and production, generating sustainability reports, and actively substituting chemicals restricted under appendix XVII in the REACH regulation.



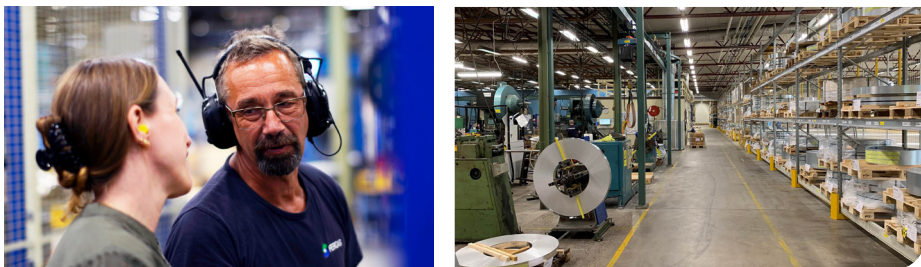
## ENVIRONMENTAL IMPACT

|                                                                 | Impact area             | 2022-23   | 2023-24   | Diff  |
|-----------------------------------------------------------------|-------------------------|-----------|-----------|-------|
| Scrapped metal                                                  | Raw material usage      | 447 tons  | 336 tons  | -25%  |
| CO <sub>2</sub> emissions: Plant, electricity and heating       | Production processes    | 64,3 tons | 55,4 tons | -14 % |
| Amount of combustible waste from production                     | Production processes    | 11,3 tons | 16,1 tons | +42%  |
| CO <sub>2</sub> emissions, Transportation, inbound and outbound | Material transportation | 242 tons  | 209 tons  | -14%  |
| Share of sold blowers with efficient DC/EC motor                | Customer's utilization  | 10 %      | 22 %      | +120% |

### Transport and travels

As a small, globally present company, we value local suppliers and customer proximity to minimize transportation. We're committed to becoming "Glocal."

Our customers and suppliers are spread around the world. Customer relations is a key value for us and we prioritize frequent visits. Since we usually travel by air, this is another area that significantly affects our CO<sub>2</sub> emissions.



### Resource management and sustainable materials

Sustainable resource management is crucial for us. We are committed to hands-on approaches and as an example we maximize metal sheet usage to minimize waste. We sort and recycle leftover galvanized steel and aluminum, reducing plant scrap continuously.

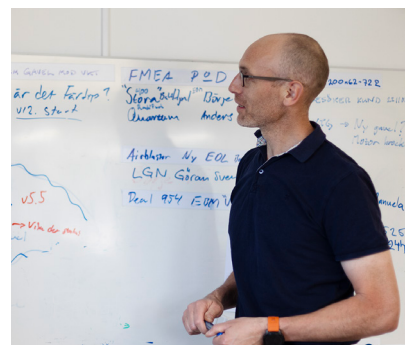
We've acquired second-hand stamping presses and sold unneeded equipment, reducing the need for new machinery. We don't accept products with chemicals listed in ECHA's Restrictions Database and use a web-based system to monitor chemical usage.

We comply with REACH, RoHS, and CMRT regulations and are expanding to include EMRT. We also collaborate with a third-party company to manage legal obligations like reporting hazardous waste to the Swedish Environmental Protection Agency.

To provide optimal customer service and minimize waste, we place significant emphasis on effectively handling customer claims. We maintain open communication with our customers and conduct thorough investigations to identify root causes and implement appropriate countermeasures. As a result, we have achieved a reduction in customer claims and high levels of customer satisfaction.

### CUSTOMER SATISFACTION

|                                  | 2022-23 | 2023-24 | Diff |
|----------------------------------|---------|---------|------|
| Number of customer claim reports | 64      | 32      | -50% |
| Claimed units (ppm)              | 3605    | 2602    | -28% |
| Customer satisfaction rate       | 85 %    | 89 %    | + 5% |



# FNE and the People

*At FNE, our employees are our top priority. We ensure equal opportunities for training, fair salaries, and positive working conditions, condemning any form of offensive treatment. Prioritizing employee health and safety, we emphasize favorable working conditions, diversity, and equal treatment, which are essential for overall well-being.*



## Healthy employees

Our employees' health is central to FNE's well-being commitment. Initiatives like the Fergus Movement promote well-being and preventive activities, fostering a sustainable working life. Also to address and take actions on the illness rate reflected in the key performance indicators. Our goal for 2024/25 is to reduce the illness rate by 1% for Blue Collars and keep it below 2% for White Collars. We will achieve this through targeted efforts and enhancing the psychosocial work environment. We believe that preventive health measures lead to healthier employees.

## Work environment

Safety is our utmost priority. We strive to provide safe working conditions and prevent incidents, achieving ISO 45011 certification in 2023/2024. Monthly Plant Meetings engage employees in safety initiatives. Insights from our global employee survey 2022/2023 help us enhance employee satisfaction and organizational development.

## EMPLOYEE DATA

|                                                                                | 2023                 | 2024                 |
|--------------------------------------------------------------------------------|----------------------|----------------------|
| Total number of employees at FNE: 1 st April                                   | 73                   | 62                   |
| Percentage of employees divided between Blue Collar (BC) and White Collar (WC) | BC 74%<br>WC 26%     | BC 74%<br>WC 26%     |
| Gender distribution in total:                                                  | 17% Women<br>83% Men | 19% Women<br>81% Men |
| Gender Distribution BC                                                         | 14% Women<br>86% men | 15% Women<br>85% men |
| Gender Distribution WC                                                         | 24% women<br>76% Men | 31% women<br>69% Men |
| Illnessrate BC<br>Short- & longterm illness                                    | 8,2%                 | 8,4%                 |
| Illnessrate WC<br>Short- & longterm illness                                    | 1,3%                 | 1,8%                 |



## Lifelong learning

We foster a culture of lifelong learning for personal and organizational growth. Annual assessments identify areas for improvement, with a focus on reskilling, upskilling, and further training through internal and external programs.

*Having the right personnel at the right time is crucial in order to effectively manage fluctuations in the economy and address the potential loss of broad and specialized expertise as employees have been with us for a long time. Throughout the year, our employees have participated in the development of courses and programs such as:*

Digital  
Competence

Crisis  
Management

Quality  
Training

Introduction  
to ISO-  
standards

Competence  
transfer and  
internal

Training and  
Transfer of  
Skills for New  
Responsibilities



## Worker's rights

We respect and promote human rights as outlined in the UN Declaration of Human Rights and ILO conventions. FNE adheres to collective agreements and collaborates with union partners, who participate in our yearly strategy conference. Our low staff turnover attests to FNE being a desirable workplace.

## Equal treatment

Diversity and equality are core values at FNE, fostering creativity and a stimulating environment. Our culture promotes equality and diversity, leading to higher employee satisfaction. We strictly prohibit victimization and bullying, confirmed by our employee survey. Fair salary determination supports productivity and skill development, reaffirmed by our equality salary survey, with no unjustified pay differences.

## RISK OBSERVATIONS, INCIDENTS AND ACCIDENTS

|                                  | 2022-23 | 2023-24 |
|----------------------------------|---------|---------|
| Preventive risk observations     | 38      | 65      |
| Minor accidents, without absence | 3       | 3       |
| Major accidents                  | 0       | 0       |

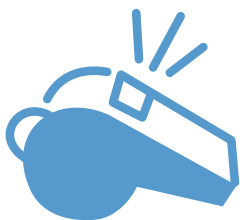
# FNE and the Profit

*At FNE, we act ethically, foster trust, and set positive examples. Honesty and fairness are core to Fergas' values and strategy, aiming to build long-term, trustworthy relationships with stakeholders. Practicing good business ethics includes sound judgment and risk mitigation, recognizing that environmental impact reduction ties closely to economic profitability.*



## Sound Business

Our Code of Conduct guides all business behaviors and is shared with suppliers. It will be further implemented in 2024/25. We collaborate with a company for compliance audits. Our dedication to customers fosters long-term relationships. Customer feedback reveals high satisfaction in service, quality, claims, and delivery, but highlights a need for improved sustainability efforts.



## Anticorruption

We prioritize financial sustainability, ethical practices, and long-term capital management. We combat corruption through a whistleblowing procedure and partnership with an external reporting entity, ensuring all employees understand how to report corruption or bribery. Updated Code of Conduct training will be provided to all employees, including the board and management.

## Economic Stability

We maintain customer-oriented relations, open communication, and foster personal development. Financial sustainability integrates business ethics and social responsibility. Our goal is high-quality products and sustainable business direction with a strong financial standing. With a 75-year history, we boast stability, no long-term loans, and support through Fergas Group's overdraft facility. Low customer losses are maintained through strong relationships with large global companies.

## Our Products

The Fergas Group has a global market presence with manufacturing facilities and universal quality standards in Europe, North America, and China, supported by commercial and technical representatives worldwide. FNE produces impellers and blowers for HVAC, refrigeration, and the automotive sector, promoting energy-efficient motors to save energy globally. With an annual production of around 4 million fans, the use of high efficiency EC-motors significantly impacts energy savings and reduces noise in our customers' applications.

Fergas' forward-curved blower wheels use "key rivet" technology for a rigid, lightweight, and efficient design. The highly automated production process ensures reliability and balance. Quality at Fergas involves efficient processes, material selection, adherence to norms, workplace structure, administration, communication, environmental stewardship, and human rights. Fergas emphasizes designing sustainable products and raising sustainability awareness across the business.





Supply Chain Management

FNE focuses on developing suppliers in cost efficiency, delivery precision, quality, sustainability, and service. A global standard for approval, auditing, and monitoring ensures supplier consistency. Close, trust-based relationships with suppliers are prioritized, along with continuous performance measurement, action plans for improvement, and environmental footprint reduction. Technical assessments and evaluations during supplier visits ensure ISO certification or equivalent management standards.

SUPPLIER CLAIM RATE (ppm)

| 2022/23 | 2023/24 |
|---------|---------|
| 2475    | 1088    |

Innovation and Development

Transforming a 75-year-old company into a modern, sustainable industry, FNE has improved production efficiency, quality, reduced production area, and financial results. Continuous product development, design, and world-class production are key, with new technologies driving success. FNE's global sales strategy identifies market trends and provides solutions that meet customer expectations, under the concept "Your Global Partner in Air-Moving Solutions."

Force of Good

*Fergas aims to be a positive, long-term employer and contribute to local communities through:*

- Financial support for charity projects.
- Sponsorship of local non-profits, preferably connected to employees.
- Commercial collaborations with higher purposes (e.g., "Stadsmissionen" and "Samhall").
- Supporting worthy efforts with employee time.

SOME CHARITY ORGANIZATIONS THAT FERGAS SUPPORT

ÖSTERGÖTLANDS  
STADSMISSION

NO  
TOLERANS  
MOT MOBBNING

NATTVANDRARN  
Sedan 1989

Giving  
People

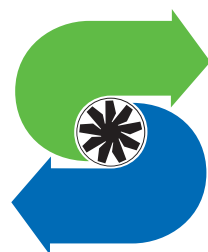
# What lies ahead?

*FNE's focus areas for 202/25 encompass a combination of existing and new priorities. We will continue our efforts in "right from me" and standardization, recognizing their long-term significance for our business. Looking ahead, sustainability remains a primary focus for FNE. So, the coming year we will adopt a holistic approach and undertake new focus areas for the future and sustainability. This includes:*

- **Employeeeship:** Our goal is to engage and involve employees to a greater extent in the significant changes taking place at our factory in Linköping. Collaboration and teamwork are crucial during this transformative phase.
- **Standardization:** Improve our standards for our production, our products and our processes.
- **6 Sigma implementation:** To further increase our continuous improvements we have started training and implementation of 6 Sigma techniques in our production.
- **Energy and environmental issues:** These are integral components of our sustainability initiatives, aligned with our four P's framework for better sustainability: Planet, People, Profit, and Purpose.
- **SMED/Pull flow:** Increase collaboration and reduce set-up time to gain flexibility and avoid over production. This will help us to produce and deliver parts according to demand.
- **Measurement of greenhouse gas emissions:** Increase follow-up and awareness of our emissions from transportation and other sources, but also by developing Life Cycle Assessments for our products and business.
- **New organization for Fergas Group:** Fergas Group has a new Managing Director and a consolidation of the companies in the group is ongoing.
- **CoC 2.0:** Enhance our Code of Conduct and extend its reach to suppliers and other stakeholders.

*We in FNE want to take our responsibility and keep acting for our employees and a better community today and in the future. We stand firm in our purpose and look forward to developing the way we can contribute to make a change for the better. It is only what we do that counts.*





# FERGAS

Your Global Partner in Air Moving Solutions

**FERGAS NORTH EUROPE**

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