



Autoliv Sustainability Report 2018

# Creating Sustainable Value

**Autoliv**

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“ For us sustainability is about ensuring that our business will continue to thrive in the long term, creating value for our stakeholders and saving more lives.”

## From our President and CEO

As we reflect on the past year, we look back at a year of change for Autoliv. We spun off Veoneer, our former Electronics segment, to allow for a more focused strategy, optimized for our industry and market opportunities. When it comes to sustainability, we defined a four-year sustainability strategy with global priorities, targets and tactics to guide our sustainability work.

As for our priorities, we will continue to deliver on our commitment to saving more lives. We will focus on employee and contractor health and safety, increasing resource efficiency throughout our operations and reducing our carbon footprint. We will also focus on supply chain sustainability and business ethics.

To guide our work, we have established a restated target for saving more lives, reflecting the impact of the Veoneer spin-off. We have revised our targets for health and safety, formalized targets for the supply chain, established new targets for limiting our impact on the environment and will continue to pursue our existing targets for business ethics.

Saving more lives continues to be our most important contribution to society and sustainability. Our products save over 30,000 lives every year and prevent ten times as many severe injuries. Our work supports the UN Sustainable Development Goal #3: Good health and well-being, and its target of halving global deaths and injuries from road traffic by 2020. In 2018 we initiated a Road Safety Knowledge Sharing Platform to support improved road safety in India and continued our annual

participation in the China Auto Safety Exhibition Roadshow, held as part of the UN Decades of Action for Road Safety. We continuously work to develop our products and have brought several industry firsts to the market for over the past 65 years. Our focus on the quality and safety of our products has yielded strong results; only around 2% of global vehicle recalls since 2010 have been related to Autoliv.

During 2018 we continued to develop our global environmental, health and safety management systems, and we increased the health and safety focus in top management business reviews. We updated our Code of Conduct and continued to implement our business conduct and ethics education plan. We continued to integrate sustainability into our supply chain processes and all new direct material suppliers underwent a sustainability audit as a part of their qualification process.

For us sustainability is about ensuring that our business will continue to thrive in the long term, creating value for our stakeholders and saving more lives. To do this, we need to systematically consider all dimensions of our business – economic, social and environmental – in our decision-making and operations. This is a continuous journey and we are committed to continually strengthening our sustainability work and improving our performance.

Yours sincerely,  
Mikael Bratt

# Clarity of Direction – Autoliv’s Commitment

## WHO WE ARE

Autoliv is the world’s largest automotive safety supplier, with sales to all leading car manufacturers in the world. We have close to 67,000 associates in 27 countries. Autoliv’s mission is to be the leading supplier of safety systems for the future car, well integrated with autonomous driving. We develop, manufacture and market protective systems, such as airbags, seatbelts, steering wheels and pedestrian protection systems for the vehicles of today and tomorrow. Our current estimated market share is 40%. In 2018, a significant change occurred in the company structure. We spun off Veoneer, our former Electronics segment, to allow

for a more focused strategy, optimized for our industry and market opportunities.

## OUR SUSTAINABILITY COMMITMENT

Autoliv’s business is guided by our vision of Saving More Lives. Our products save over 30,000 lives a year and prevent ten times as many severe injuries. Our goal is to increase the number of lives saved to 100,000 a year. Our vision directly supports the UN Sustainable Development Goal #3: Good health and well-being, and its target of halving global deaths and injuries from road traffic accidents by 2020.

## Autoliv’s current commitment is expressed in four categories:

### Innovate Life-Saving Products

By staying at the forefront of technology, innovating and manufacturing high quality products, we save more lives in real-life traffic.

### Limit Our Impact on the Environment

Our commitment is to limit our environmental impact, particularly through reducing energy and water consumption, waste and emissions.



### Commit to Our Employees

We are committed to respecting human rights, diversity, and health & safety for our employees.

### Act Ethically & Commit to Society

We believe in sound business practices and our actions are based on observance of ethical standards and engagement with communities where we operate. We expect our suppliers and business partners to act with the same level of integrity.

## OUR SUSTAINABILITY STRATEGY

During 2018, Autoliv developed a four-year sustainability strategy with global priorities, targets and tactics to be used in strategy execution. The process started with a review of global trends and external stakeholder priorities, including interviews with key customers and shareholders. The external review also included benchmarking of other companies. The strategy proposals were developed by five cross-functional teams addressing different topics in Autoliv’s sustainability program. Each team performed a materiality assessment considering stakeholder interests, sustainability impacts and business impacts. The evaluation of business impacts took into consideration both business risks and opportunities associated with sustainability. In addition, the teams developed proposals on how to address the material topics. Following the individual work by the different teams, the whole strategy was consolidated and aligned in the last phase of the process. Our key priorities for the following four-year period include:

- Focusing on the health and safety of our employees and contractors, with the ultimate goal of zero accidents
- Focusing on increasing resource efficiency and reducing our carbon footprint
- Ensuring that no corruption or anti-competitive behavior takes place in our business, and
- Managing the sustainability risks in our supply chain

We will also continue to systematically manage labor rights topics, contribute to local communities through relevant engagement activities and update our diversity approach.

Targets were defined for our key priorities. These include a restated target for saving more lives, intended to reflect the impact of the Veoneer spin-off, revised targets for health and safety, new targets for the environment and formalized targets for supply chain sustainability. The existing business ethics targets will remain unchanged.

- Continuing to deliver on our commitment to saving more lives

## Autoliv Sustainability targets:



# Life Saving Innovations



## OUR PRIORITIES

Autoliv's most important contribution to society and sustainability are its products which save over 30,000 lives a year and prevent countless more injuries. In 2018, we restated our target from 150,000 lives saved to 100,000 lives saved by 2030. The restated target reflects the impact of the Veoneer spin-off, and is based on the assumptions that we retain our strong market position and continue to grow in our core business and that there will be increased efforts in vulnerable road user protection as well as end-user education in the proper use of safety restraint systems. To reach our target, we continue to innovate, influence and collaborate in the area of traffic safety, we will focus on the safety and quality of our products and we will also consider various other sustainability aspects in our materials management and product design.

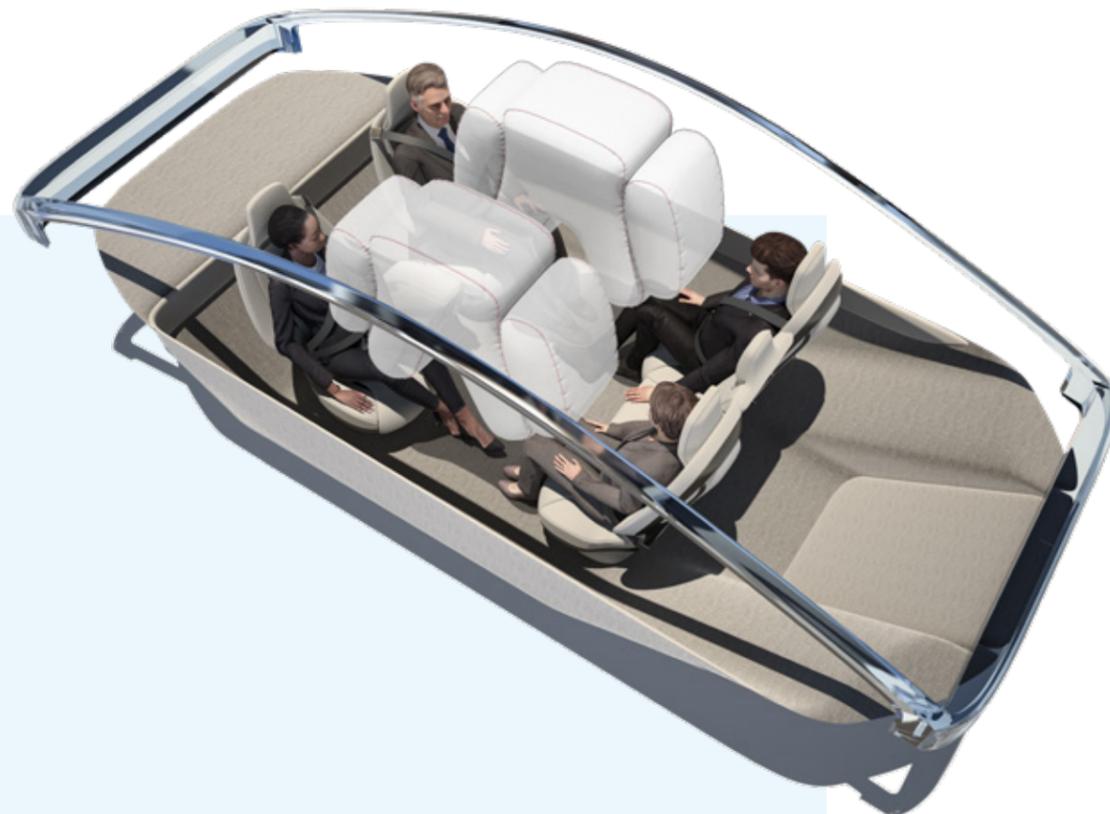
## THE GLOBAL ROAD SAFETY PROBLEM - MILLIONS OF REASONS TO DO MORE

Most countries in the world have adopted the UN Sustainable Development Goals (SDGs), including the target of halving the number of global deaths and injuries from road accidents, which is a component of Goal #3; Good health and well-being. Today, 1.4 million lives are lost annually on the roads, a figure likely to increase significantly unless disruptive moves are made.

According to World Health Organization (WHO), road traffic injuries are the leading cause of death among young people between the ages of 15 and 29. Low and middle-income countries are hit the hardest, with over 90% of global traffic deaths. Vulnerable road users – pedestrians, cyclists, and motorcyclists – make up more than half of these fatalities. Road traffic injuries are currently estimated to be the eight-leading cause of death across all age groups globally, and are predicted to become the seventh leading cause of death by 2030. As well as being a public health problem, road traffic injuries are a development issue: according to WHO low- and middle-income countries lose approximately 3% of their GDP as a result of road traffic crashes. Many families are driven deeper into poverty by the loss of a breadwinner, or by the expenses of prolonged medical care.

Improving traffic safety requires global action and collaboration in several areas, including

- Strengthening traffic safety laws and standards globally to enforce safe behavior,
- Designing safe infrastructure, giving sufficient attention to the needs of the most vulnerable road users, and
- Improving vehicle safety

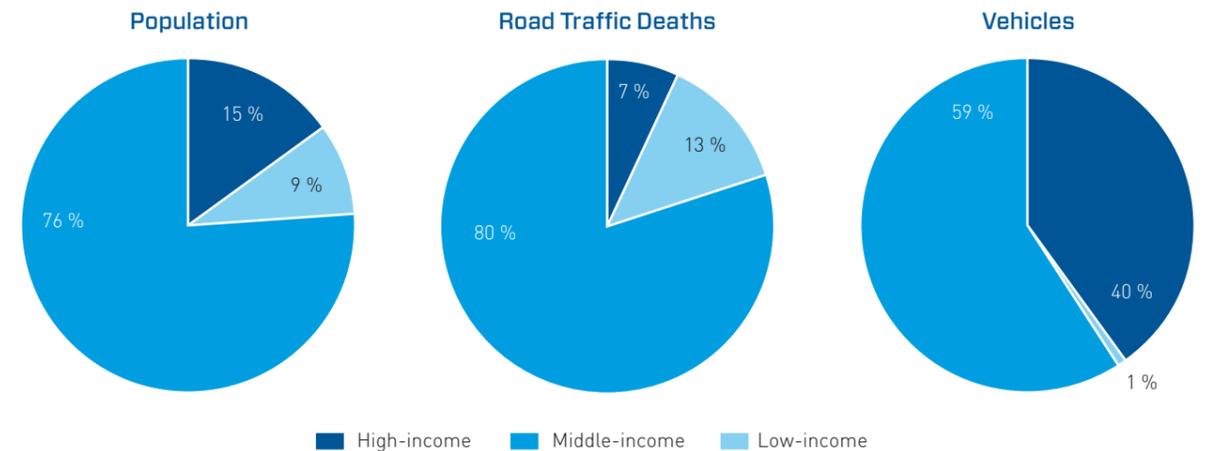


OUR TARGET

# 100,000

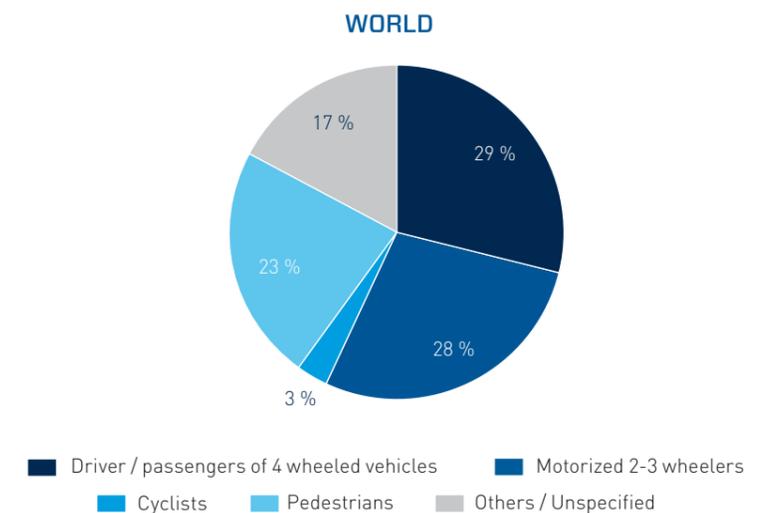
Lives saved By 2030

## Proportion of population, road traffic deaths, and registered motor vehicles by country income category



Source: WHO Global Status Report on Road Safety 2018

## Distribution of deaths by road user type by WHO Region



Source: WHO Global Status Report on Road Safety 2018

## LIFE-SAVING INNOVATIONS RESEARCH

Autoliv not only develops and engineers technologies to enable more lives to be saved but also provides guidance, through research, on how to accomplish this goal. We are engaged in research activities together with universities in the fields of biomechanics, human factors and traffic safety analysis. Our research and development are based

on real traffic accidents and injuries as well as numerous crash tests, user clinics, simulations, field operational tests and the vast expertise gathered by our specialists over many years. Through our research and different collaborations, we aim to improve the safety of car occupants and we also actively engage in activities to improve the safety of vulnerable road users.

During 2018, we continued to participate in research collaborations to develop active human body models for virtual simulations. A new project phase ("A-HMB" step 4) was started, which focuses on omni-directional models for the whole crash sequence, enabling evaluation of collision mitigation and crash technologies using the same tool. One of our research areas is personalization of occupant restraints, which considers the impact of age, size and gender on injury mechanisms. We joined the new Future Occupant Safety for Crashes in Cars (OSCCAR) project in which we partner with car manufacturers, research organizations and other automotive suppliers to develop the designs of future safety systems for self-driving cars. The project will provide valuable information for understanding future accident scenarios and how to provide the best protection using new restraint systems for novel interiors and seating positions for a diverse occupant population. We continued to participate in Swedish industry and academia research collaborations focusing on the assessment of passenger safety and personalized

occupant restraints in future cars, and we also supported PhD research in this area.

Autoliv sponsors and presents our research at numerous traffic safety related conferences. This year we sponsored the sixth International Conference on Driver Distraction and Inattention in Gothenburg, Sweden, enabling collaboration between researchers to tackle one of the main factors leading to traffic accidents and fatalities. We also sponsored the Accident Research Competition at the IRCOBI Asia Conference encouraging and enabling young researchers to get hands-on experience with in-depth Indian crash data and to explore and propose evidence-based countermeasures for the immense death toll of road traffic in India.

Our outreach is not limited to sponsoring or to presenting our research at conferences, but also includes educational activities for the general public such as lecturing at open classes during Auto Safety Action in China. We are also active in several working groups focusing on regulatory and standardization work in traffic safety.

## PRODUCT DEVELOPMENT

Autoliv has pioneered automotive safety for over 65 years, including the introduction of several world firsts. Our product portfolio spans airbags, seatbelts, steering wheels and pedestrian protection. We also provide additional safety features, such as pyro safety switches, automatic bolt release and integrated child booster seats.

Autoliv's advanced technologies group is committed to creating a safer society by designing products that will one day appear in future vehicles. For example, first introduced by Autoliv, the life cell airbag provides protection regardless of how a driver or passenger is seated.

Driven by the global megatrends of climate change and natural resource scarcity, there is a significant market need to continuously develop products that are lower weight and come in smaller packages while maintaining the same function and similar costs. This has been a focus for us across all product areas.

We have continued innovating for interior concepts with multiple airbag ideas to make the future autonomous vehicles safe in the event of a crash. These concepts, along with advanced seat belt systems mounted directly to, or part of the seat structure have provided innovative, lower weight solutions and higher levels of comfort required for these new seating configurations.

VOC emission reduction continues to be a focus area for our development teams. We have offered the market a low-emission, low-coat-weight sealing system for our one-piece woven curtain modules.

Another recent example is our development cooperation with a customer to provide airbags for scooter riders. The number of two-wheelers has surged recently and they are involved in a high percentage of fatal and serious accidents. Governments are increasingly becoming aware of the need to protect this vulnerable group of road users, and we foresee that demand for safety systems for these vehicles will grow.

## PRODUCT QUALITY & SAFETY – OUR PRODUCTS NEVER GET A SECOND CHANCE

Our life-saving products never get a second chance. Accordingly we are committed to delivering the highest quality, safety and performance in our products and services, in alignment with our vision of Saving More Lives. Our quality culture is personified by daily efforts throughout the organization to:

- Reduce the risk of critical quality issues and near misses, and drive toward zero customer issues and zero defects
- Provide customers with products and services that are – and are perceived to be – more valuable than those of our competitors, and
- Reduce waste and internal errors

Quality is also a key to our financial performance, since excellence in quality is critical for winning new orders, preventing recalls and maintaining low scrap rates.

Autoliv implements its quality strategy through the Q5 program, which shapes a proactive quality culture of zero defects. Q5 addresses quality in five dimensions: customers, products, suppliers, growth and behavior. In our pursuit of excellence, we have developed a chain of four "defense lines" against quality issues that consist of 1) robust product designs, 2) flawless components from internal and external suppliers, 3) manufacture of flawless products with a systems for verifying that our products conform with specifications and 4) an advanced traceability system in the event of a recall together with Yokoten, our system for capturing and applying lessons learned to ensure robust improvements throughout the organization. These "defense lines" in combination with our Q5 behaviors, should allow us to deliver flawless products to our customers on time.

Employee involvement, and the "It Starts with Me" concept are core parts of our Q5 program. Our quality program includes well-defined cross-functional workshops to eliminate potential defects and an ongoing drive to empower teams with a proactive mindset. A vital part of Q5 is Jidoka, a commitment that when an operator detects an abnormality he or she should directly stop the line to take appropriate actions.

We measure our quality culture through a regular employee survey that measures how our employees perceive the quality culture and behavior of the company. For example, do we encourage curiosity and do we actively look for ways to improve our way of working? How are we regarded when we bring up a problem? Do we have a working climate where we share good and bad news and promote Jidoka? The survey results provide a tool to help each site identify areas for development and to improve year after year.

Autoliv's quality management system is regularly audited by both internal and external parties. According to Autoliv's policy, facilities that ship parts directly to OEMs need to have a third-party registration of IATF 16949, the quality management standard for automotive component suppliers.

As a part of our product development process, our products are also thoroughly tested from a safety performance and durability point of view to ensure government and customer specification compliance.

During 2018 we continued to improve our quality performance and our share of industry recalls remained low (~2% since 2010), compared with our market share of 40%.

**PEDESTRIAN AIRBAGS AND HOOD LIFTERS Protect Pedestrians**  
When pedestrians are involved in traffic accidents, severe or fatal injuries are often the result. Active hood lifters and outside pedestrian protection airbags aim to reduce the severity of pedestrian head injuries in case of a pedestrian-vehicle accident.

**FRONTAL AIRBAGS Save Lives and Reduce Injuries**  
In frontal crashes, driver airbags reduce driver fatalities by 29%. Combining driver airbag with using seatbelt reduce fatalities in frontal crashes by 61%. Driver airbags also reduce severe injuries in frontal crashes by 32%. Autoliv offers driver, passenger and knee airbags.

**SIDE-CURTAIN AIRBAGS Reduce Head Injuries**  
In near-side crashes, curtain and side airbags together reduce fatalities by 31% for vehicle occupants. Autoliv offers front and rear side airbags, curtain and far side airbags.

**CHILD SEATS Protect Children**  
An integrated booster cushion and specially designed seatbelt offer a vehicle system solution that improves the comfort and safety of children while reducing the risk of misuse.

**SEATBELTS Top Life-Saving Device**  
The seatbelt is the top life-saving device. It reduces fatalities for front row occupants in passenger cars by 45% for all types of crashes. Seatbelts also reduce moderate and severe injuries by 45%. The technology content of modern seatbelts has increased to include constant load limiters, adaptive load limiters, pretensioners, pre-pretensioners with electrical motor activation, warning functions and integrated ECUs (electronic control units).

**PYRO SWITCH Stop the Fire**  
Autoliv has developed a device to stop potential fires caused by short-circuiting: a pyro safety switch that can disconnect or cut the power after an accident.

**STEERING WHEELS With the Lives of Others in Your Hands**  
Autoliv is the leading supplier of steering wheels. The steering wheel is a key element for the interaction between driver and vehicle. This is reflected in our innovative HMI-(human machine interface) steering wheel for future cars, which uses touch technology and air gesture controls to keep the driver in full control and demonstrates the seamless transition between manual and automated driving. It enables the driver to control more functions with less distraction, which makes for a safer driving experience.

# Our Continuous Proactive Quality Work

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- 2
- 3
- 4

## PRODUCT AND PROCESS DEVELOPMENT

Autoliv's Product Development System (APDS) ensures that all new products pass five mandatory checkpoints: 1) project planning, 2) concept definition, 3) product and process development, 4) product and process validation, and 5) product launch. In this way, we proactively prevent problems and ensure we deliver only the best designs to the market.

## SUPPLIER MANAGEMENT

By involving and training our suppliers early in projects we ensure robust component designs and processes. This prevents non-conforming parts from being produced by our in-house and external suppliers and from reaching our manufacturing lines. We actively phase-out any supplier that does not adhere to our quality principles.

## PRODUCTION

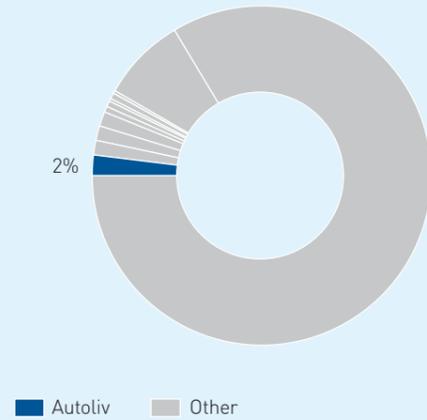
Through the Autoliv Production System (APS), we all work according to the continuous improvement philosophy. Our associates are also trained to react to anomalies and to understand the critical connection between themselves and our lifesaving products. To prevent us from delivering non-conforming products we verify quality by using mistake-proofing methods such as Poka-Yoke, in-line inspections, and cameras and sensors.

## AFTER DELIVERY

As we maintain an advanced product traceability system we are able to trace and limit batches of potentially defect parts in an effective way. We also maintain an effective change-management system as any change of a product or process can potentially create problems. Through lessons learned we can take advantage of experiences to make a difference in future projects and help them to succeed.

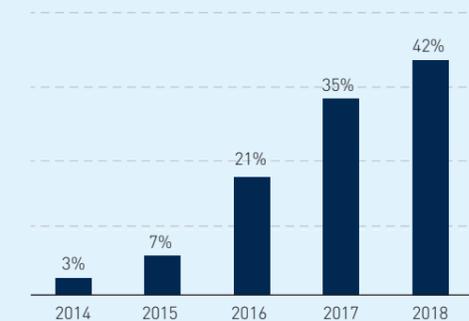
## Minimal Recalls

SHARE OF GLOBAL RECALLS and ~40% market share



## Quality Improvement

Reduction of non-conforming events, reference year 2013



## MATERIALS MANAGEMENT

Autoliv has well-defined product development processes from early project planning and concept definition to product launch. Materials management overlaps with the product development process in several areas, from identifying materials and their composition for new products to requesting quotes from suppliers and reporting on the material composition of our supplied parts to customers.

Autoliv global materials management aims to ensure an optimized material catalogue and supply base within Autoliv that meets our global requirements for all functions and all products. Efficient materials management supports Autoliv's One Product One Process (1P1P) strategy, which aims to reduce cost and complexity. Our materials management team is responsible for defining

preferred materials and their approved suppliers. As part of our work related to materials management, we have standards that define requirements for reporting the material composition of our supplied parts and the restrictions to which certain substances will be subject. The definitions of declarable, restricted and prohibited substances are based on customer specifications and subject to governmental regulations, including European Union ELV (end-of-life vehicles) and REACH regulations, and the US Securities and Exchange Commission ("SEC") disclosure rules related to conflict minerals. The work is supported by an internal material data system. We continuously follow up with our suppliers to phase out substances in time, according to latest updated legal requirements, such as REACH.

**~2% Share of Global Recalls**  
and ~40% Market Share

# Limiting Our Impact on the Environment



## OUR PRIORITIES

Climate change and resource scarcity are global megatrends that drive significant environmental, social, political and economic changes, giving rise to both risks and opportunities for businesses. These topics are also significant for Autoliv, and we are committed to doing our part to increase resource efficiency and to reduce our carbon footprint. At the end of 2018 we established new corporate targets for reducing the CO<sub>2</sub> equivalent emission intensity and improving the energy efficiency of our operations. We maintained our existing target to continuously reduce the waste and scrap and established a new target for conducting water risk assessments for all operations that are dependent on water for their production processes. We will start reporting our progress against the new targets from next year onwards.

To reach our targets we will continue to develop our global environmental management system and expertise in the organization. We will integrate climate change and water risks into our enterprise risk management framework and will continue to assess technologies and solutions that support our environmental and factory efficiency targets.

## OUR POLICY AND COMMITMENT

We are committed to operating our business in an environmentally sustainable manner and to

developing and producing products in an energy-efficient way while preventing pollution and limiting our environmental impact. We encourage our employees to continually improve environmental sustainability in their daily work, and we are committed to implementing and continuously improving our environmental management system, to fulfilling our compliance obligations and to enhancing our environmental performance.



## OUR TARGETS

**12 %**  
REDUCTION

CO<sub>2</sub>e Emissions\*  
Scope 1 & 2  
By 2023

**12 %**  
REDUCTION

Energy  
Consumption\*  
By 2023

**100 %**  
PERFORMED

Water Risk  
Assessment  
By 2020

**Y-o-Y**  
REDUCTION

Waste and  
Scrap  
Continuous

\* Efficiency target, measured by part delivered

## ENVIRONMENTAL MANAGEMENT

Autoliv's global environmental management system (EMS) emphasizes continuous improvement and learning and is aligned with the ISO 14001:2015 requirements. The management system applies to all our manufacturing sites, offices, logistic centers and technical centers. Our EMS standard establishes the core requirements for a standardized global approach to environmental management, including identification of material environmental aspects, objective-setting, competence development and performance follow-up. The EMS also establishes standardized reporting of energy, water, waste and compliance-related topics, including spills and fines.

In 2018, all facilities completed an EMS self-assessment to verify the adherence of their local management system to the Autoliv global EMS standard and to identify opportunities for improvement. Overall the results showed a high level of adherence to the global standard. We also further strengthened our internal environmental data quality assurance process by adding more divisional representatives, as well as external experts, to our environmental data quality assurance team.

Environmental management at Autoliv is supported by number of other strategies and management systems.

Our quality strategy (Q5) aims to achieve zero defects and eliminate waste from our processes. Waste refers to all activities that do not add value to what we deliver. As one of our KPIs, we continuously track the "non-quality cost" of our operations, which includes waste and scrap cost. Our 1P1P strategy focuses on product and process standardization and reducing cost and complexity.

The Autoliv Production System (APS) is based on lean manufacturing methodology, which aims to continuously increase output with fewer resources. Many of our facilities have significantly increased their production output and at the same time improved their efficiency in terms of such variables as energy use per part delivered.

## Certifications

89% of our facilities (same amount as in 2017) are externally certified in accordance with ISO 14001 and the rest, 11 %, follow the principles of our internal EMS standard.

**ENVIRONMENTAL PERFORMANCE**  
**ENERGY**

The total annual energy use of our facilities in 2018 was 952 GWh (916 GWh in 2017). Increase in energy use was mainly driven by increasing production volumes. Of the total energy use, 65% was purchased electricity and the remainder comprised different fuels used for heating, cooling and power production. Natural gas is the main fuel source used.

Due to Veoneer spin-off, the number of facilities within Autoliv's organizational boundary was reduced from 118 to 92. Of these 92 facilities, 87 report actual energy use data, while the remaining five facilities report energy use data based on calculations using the time series consistency guidelines from the IPCC Guidelines for National Greenhouse Gas Inventories. Data from reporting facilities is converted, using standardized generic conversion factors, into metric units of measure where needed. Each facility maintains a current record of reported data, including billing documents for self-assessment and auditing purposes.

Data and graphs of energy use are reported in GWh and include Scope 1 and Scope 2 energy use from all Autoliv facilities, including plants, offices, technical centers, and logistics centers.

**WATER**

At Autoliv's production facilities, water is used for production and for non-industrial uses. Our total water use in 2018 amounted to 2,441,767 m<sup>3</sup> (2,290,752 m<sup>3</sup> in 2017), with municipal water being the main water source. Increase in water use was mainly driven by increasing production volumes. Autoliv acts to ensure water is managed sustainably by reducing the amount of water used in our production processes, capturing waste water to invest productively back into the facilities and harvesting rainwater.

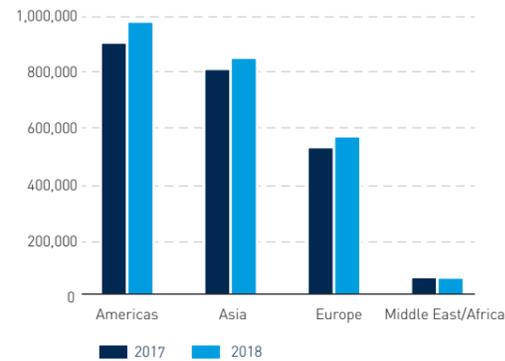
Between 2019 and 2020 Autoliv aims to conduct an in-depth water risk assessment focusing on the facilities that are dependent on water for their

production processes. In many of Autoliv's operating regions identified as having water stress, Autoliv has processes in place to reduce the amount of water withdrawn from municipal sources. In India alone, facilities harvest nearly 6,500 cubic meters of rainwater annually and treat over 58,000 cubic meters of waste water for reuse. At our facility in Queretaro, Mexico, all rain water is harvested and sent to a nearby dam. The water is used by local farmers to water their crops.

Sources of reported water data at Autoliv come from three areas: municipal water supplies and/or public utilities, rainwater harvesting or wells. All water use data reported is based on actual abstraction. Water is reported in total cubic meters abstracted. Where needed, standardized generic conversion factors are used to convert water use from liters, US gallons or UK gallons into cubic meters. The 2018 data represents water reported from 90% of all Autoliv facilities, and 99% of all the production facilities, which are the main contributors to Autoliv's water use.

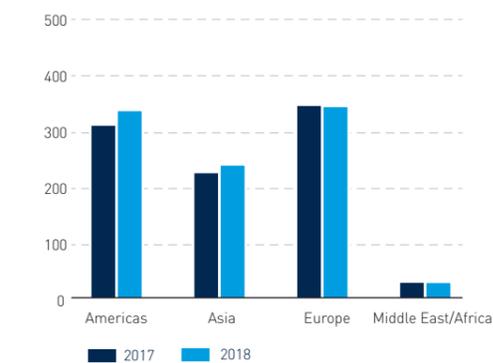
**Water use**

by region in cubic meters



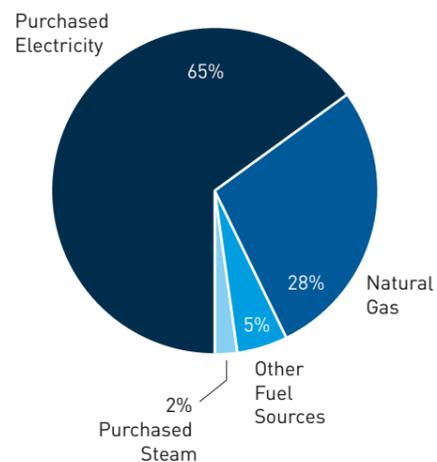
**Energy use**

By region in GWh



**Share of energy use**

By source



## GREENHOUSE GAS EMISSIONS

Scope 1 and Scope 2 CO<sub>2</sub>e emissions from Autoliv's operations in 2018 totaled 410,665 metric tons (380,159 metric tons in 2017), of which most - 71% were Scope 2 emissions from purchased electricity. Increase in CO<sub>2</sub>e emissions was mainly driven by increasing production volumes.

Scope 1 emissions for Autoliv consist of fuel sources for heating and cooling, power production processes and vehicles, and fugitive emissions. Fuel sources include fuel oil, natural gas, liquified petroleum gas (LPG), diesel and gasoline. Fugitive emissions include emissions from CO<sub>2</sub>, nitrous oxide, sulfur hexafluoride, and a very limited number of refrigerants and compressed gasses.

Autoliv determines organization boundaries based on the operational control approach. 95% of all energy use data is reported as actual use and GHG emissions are calculated at the global level (centralized approach), using the IPCC 5th assessment emission factors from cross sector tools.

All data and graphs are reported in metric tons and include Scope 1 and Scope 2 emissions from all Autoliv facilities, including plants, offices, technical centers and logistics centers.

## WASTE

In 2018 Autoliv's activities generated in total of 111,696 metric tons of waste (102,019 in 2017). Increase in waste was driven by increasing production volumes, as well as improved reporting at the facility level. The main types of waste from Autoliv's operations include recyclable waste - metals, office waste and packaging, landfill waste and hazardous waste, the majority of which is incinerated.

We continuously seek to reduce the amount of waste and scrap generated by our operations and we search for recycling opportunities for all waste before considering landfill as a final option. For example, we have facilities that recycle used Autoliv airbags and sell the different materials, such as metal, fabric and plastic to local recycling companies. We have also implemented reusable packaging for products in many facilities, thereby reducing the amount of cardboard, Styrofoam and plastic waste generated. Autoliv complies with global regulations on hazardous or toxic waste and, where conflicting policies exist, our practice is to follow the stricter of the regulations.

All data and graphs are reported in metric tons. Where needed, standardized generic conversion factors are used to convert the data. The 2018 data represents waste reported from 99% of Autoliv's production facilities and 90% of all facilities.

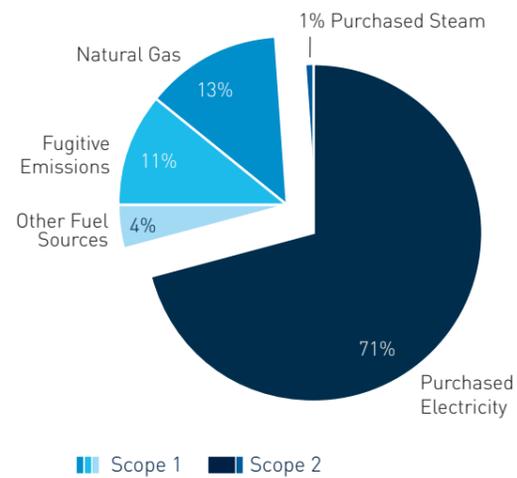
## SIGNIFICANT SPILLS AND FINES

In 2018, Autoliv had no significant environmental spills. A "significant" environmental event is defined by Autoliv as an event that cannot be handled safely without the assistance of external response personnel and/or that has a cleanup cost greater than \$5000.

Autoliv did not receive any significant environmental non-compliance fines from any government or organization in 2018. A "significant" environmental non-compliance fine is defined by Autoliv as any fine of \$10,000 or more.

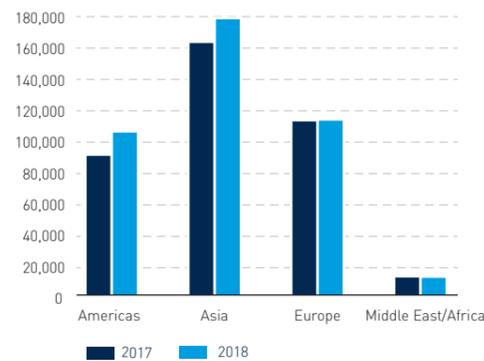
## Share of CO<sub>2</sub>e emissions

From Autoliv activities by scope and energy (%)



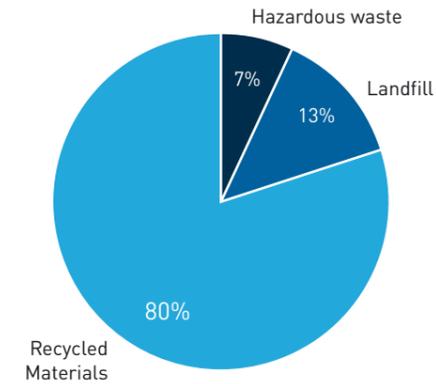
## CO<sub>2</sub>e emissions

By region in metric tons



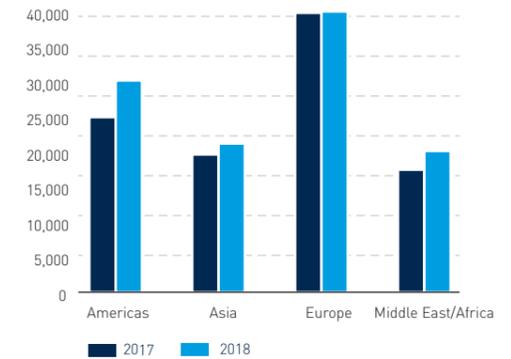
## Share of waste

By type (%)



## Waste

By region in metric tons



# Committing to Our Employees



## OUR PRIORITIES

Employee health and safety, diversity and respect for labor rights are the priorities of our employee-related sustainability agenda. We also work continually to develop our employees, which is essential in a highly competitive and rapidly changing environment. Read more about our actions related to employee development in our Annual Report and on our [website](#).

In 2018, we revised our health and safety targets, which aim to serve as milestones towards the ultimate goal of zero accidents. In order to achieve our targets, we will continue to develop our health and safety management system and strengthen our health and safety culture, leadership and competencies.

## HEALTH AND SAFETY

### OUR POLICY AND COMMITMENT

Autoliv understands the importance of a positive health and safety culture, and we attach great value in protecting the health, safety and welfare of our employees, contractors and visitors. A focus on health and safety puts people first. It also makes good business sense: a good safety record reduces risk, costs and enhances productivity.

As a leading producer of automotive safety components, Autoliv is committed to the development and manufacturing of safety systems that ensure maximum safety for automotive

occupants. In both the marketplace and workplace, health and safety is more than an element of our business – it is our business.

As an organization, we want to continue to develop a high-performance, zero-loss organizational culture where employees are actively engaged in health and safety improvement activities. We will adhere to the required standards for the safe operation of facilities and the protection of our employees, our customers and the people of the communities in which we do business. Our people are our most important resource and we will work diligently to reduce and eliminate occupational injuries and/or illnesses.

### HEALTH AND SAFETY MANAGEMENT

Every Autoliv facility is required to implement Autoliv's health and safety management system (HSMS). System requirements are defined in Autoliv's internal health and safety management system standard, which is aligned with the ISO 45001 requirements. The HSMS is supported throughout the organization by leadership teams who encourage operators and visitors to engage and speak up about health and safety concerns and take responsibility for their actions. The implementation of the system is monitored through internal and external audits. Internal audits are performed by divisional, product line and facility cross-functional teams. In addition, all of our sites undergo external health and

## Autoliv's Health & Safety Work Principles:



### Leadership commitment

Leaders at all levels of the organization are actively involved in creating a culture that supports and promotes a strong health and safety performance and continuous improvement.

### Employee involvement

Employees are actively engaged in all aspects of health and safety performance, including establishing goals, identifying and reporting hazards/risks, investigating incidents and tracking progress.

### Working safety is a condition of employment

Every employee is responsible for his/her own workplace safety.

### Recognition and control of risks

Processes, procedures and programs are implemented to properly identify, prevent, reduce and/or control potential hazards/risks.

### Continuous improvement

Processes, procedures and programs are implemented to monitor health and safety, verify implementation, identify deficiencies and provide opportunities for improvement.

## OUR TARGETS

# 0.50

Incident Rate  
By 2022

# 5.00

Severity Rate  
By 2022

safety audits. The external health and safety audits are performed as part of the site risk management audits or as external certification audits. Currently, 15% (15% in 2017) of Autoliv facilities are externally certified in accordance with OHSAS 18001.

The cornerstone of our health and safety management system is the Hazard Risk Assessment (HRA) program. HRAs provide the factual basis for identifying significant hazards/risks and implementing continuous improvement activities to eliminate or mitigate hazards/risks. HRAs establish the primary principles and standards by which the global health and safety activities and operations are managed. The effectiveness of the HRA program is reliant upon individuals at each facility ensuring that all relevant health and safety issues are identified through the HRA program, managed appropriately and communicated globally.

Autoliv's health and safety performance management is guided by the safety environmental reporting (SER) system, a globally deployed, unified system and repository for all health, safety and environmental events. The consolidated system allows us to set, achieve and report on established targets and objectives in order to demonstrate continual performance improvement. The system

also helps us to review the health and safety implications of our activities and operations and to identify, assess and manage hazards and risk within our daily activities. We utilize global resources and deploy individuals who have a working knowledge and understanding of specific health and safety issues, and we share lessons learned from our experiences and the experiences of others.

In 2018, we continued to develop our HSMS, for example by introducing new global contractor safety guidelines, and we implemented "One Point Lesson" program to help expedite significant event notifications. We also increased the focus on health and safety in the top management monthly business reviews.

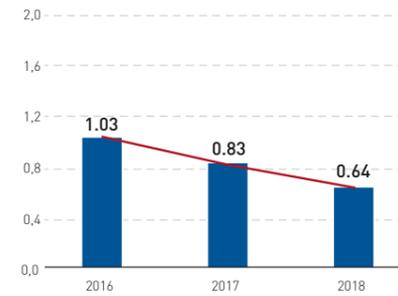
### HEALTH AND SAFETY PERFORMANCE

We closed the year with an incident rate of 0.64 (0.83 in 2017) and a severity rate of 8.03 (10.54 in 2017). We were also able to increase the number of facilities with zero injuries to 22 (from 20 in 2017).

Unfortunately, three fatal accidents took place in Autoliv's operations during 2018. In March, an accident occurred at Autoliv's facility in Promontory in the US, resulting in the fatality of an Autoliv employee. In April, a traffic accident occurred during

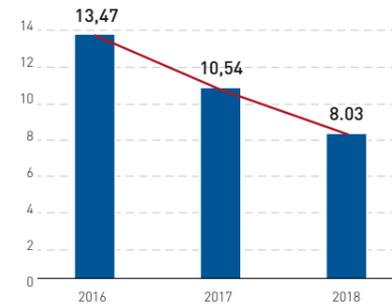
### Incident rate

Number of reportable injuries per 200,000 employee hours of exposure



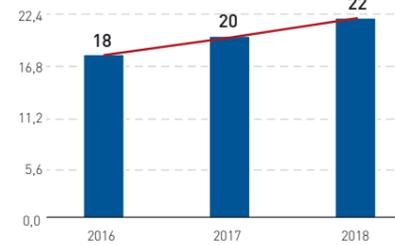
### Severity rate

Total days away from work due to a work-related reportable injury and/or illness per 200,000 employee hours of exposure



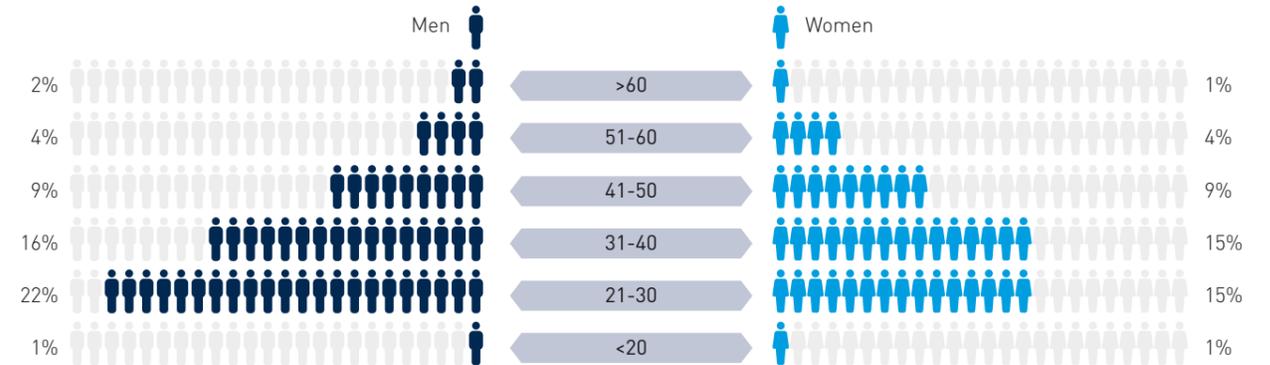
### Number of facilities

With zero injuries



### Well balanced workforce

By age, group, and gender in %



employee transport in Hungary, resulting in the fatality of an Autoliv employee. In September, a contractor employee was involved in a fatal fall accident at our facility in Turkey. We have investigated and identified the root causes of all the accidents and taken necessary measures in collaboration with the authorities.

While we continue to face challenges, our health and safety management system has been instrumental in improving the health, safety and well-being of our employees while creating a standard approach for striving to achieve the ultimate goal of zero accidents. We are committed to continuously improving health and safety performance at all locations and at all levels, and we strive to ensure safe production.

### DIVERSITY AND INCLUSION

We are committed to diversity and acknowledge, accept and value differences among our people and the contributions they make. The diversity of our people is one of the things that makes Autoliv great. We recognize that each person has unique strengths, and embracing those strengths helps us Save More Lives. Inclusion is fundamental to our culture and we believe that everyone should be respected and treated fairly. Autoliv is committed to an inclusive and diverse workplace where people can be themselves and deliver results.

Our workforce reflects the diversity of the countries and cultures in which we operate. At the end of 2018, 46% [44% in 2017] of our workforce and 21% [15% in 2017] of our senior management positions were filled by women. We have operations in 27 different countries and 28% of our workforce is located in Asia, 31% in the Americas and 41% in Europe (including Africa, Russia and Turkey).

### HUMAN AND LABOR RIGHTS

Autoliv is committed to offering fair terms and conditions of employment, which is the basis for being able to attract and retain employees. Our values,

Code of Conduct, talent development strategies and employment policies support the principles contained in the United Nations Universal Declaration of Human Rights and the International Labour Organization's Fundamental Principles and Labour Standards. We strive to:

- Provide fair and equitable wages, working hours, benefits and other conditions of employment in accordance with applicable laws,
- Recognize and respect employees' right to freedom of association and collective bargaining,
- Provide humane and safe working conditions,
- Prohibit forced and child labor, and
- Promote a workplace free of discrimination and harassment.

Our human and labor rights commitments are part of Autoliv's Standards of Business Conduct and Ethics (the "Code of Conduct") and we also have a Respect in the Workplace Policy, which specifies that we have zero tolerance for harassment.

We provide Code of Conduct training for all employees and have a Respect in the Workplace e-learning program that specifically teaches all employees about what constitutes harassment and informs them that sexual harassment and all other forms of harassment and discrimination are not tolerated.

We encourage our employees to speak up and report known or suspected violations of the Code of Conduct or our policies. Whenever an employee reports an issue through our confidential third-party operated helpline or other channels, we investigate the issue and take necessary actions (read more about business ethics and integrity in Section 6 of this report). We also conduct periodical global working conditions surveys to monitor the status of different labor rights-related topics at Autoliv.



# Acting Ethically and Committing to Society



## OUR PRIORITIES

How we do business is as important as the business we do. Acting ethically and ensuring that no corruption or anti-competitive behavior takes place in our business are key priorities for us. We also contribute to local communities through our business operations and engage in locally relevant activities.

## BUSINESS ETHICS AND INTEGRITY

### OUR CODE OF CONDUCT

Our ethical culture starts at the top of our organization with our Code of Conduct, supporting policies and procedures, continual ethics and compliance training, and transparent grievance mechanisms. At Autoliv, the Code of Conduct is the foundation for business ethics and integrity. The Code of Conduct supplements sound judgment and assists us in performing our work in an ethical and lawful manner. Through guidance and practical examples, the Code helps our people to make the best possible decisions, particularly in complex or challenging business situations. We publish the Code of Conduct in 19 languages and make it available to all employees, consultants and contractors.

The Code of Conduct was reviewed during 2018. It now includes a more conversational tone that is easier for employees to relate to. Our

values and core commitments remain the same. The revised Code of Conduct will be rolled out to all Autoliv employees in early 2019.

### Promoting ethical behavior

Autoliv's Board of Directors, in particular the Risk and Compliance Committee, has the ultimate responsibility for overseeing the Compliance Program, which has been formalized and in place for seven years. In consultation with management, the Board reviews compliance reports periodically, and business conduct and ethics is a standing agenda item at annual Board meetings and the quarterly meetings of the Risk and Compliance Committee.

Each member of Autoliv's business leadership is responsible for ensuring that, within their respective organizations, employees understand the Code of Conduct and have sufficient information to enable them to meet their business responsibilities legally and ethically. Management is responsible for adopting and enforcing appropriate controls and for taking the steps necessary to ensure compliance.

Compliance with the Code of Conduct and related company policies is the responsibility of every Autoliv employee. Our objective is about embedding a culture of compliance and ethics into our day-to-day work and decisions, and living our

culture of "It starts with me." Each employee is responsible for acquiring a sufficient understanding of the Code of Conduct and related company policies in order to recognize situations which may not comply with the Code of Conduct and related company policies. Annual goals and actions are identified to continuously enhance and advance the program.

Each year, all employees at the managerial level and higher submit Code of Conduct certifications electronically in our compliance system. The certification requires the disclosure of known violations of the Standards of Business Conduct and Ethics, including our anti-corruption, anti-bribery, and antitrust and competition policy, as well as other matters that may give rise to actual or apparent compliance concerns. We also require a conflict of interest disclosure to be submitted by targeted individuals and anyone with an actual, potential or apparent conflict of interest, so that each case can be assessed to determine if mitigation or remediation is necessary.

A critical aspect of our Compliance Program is education, which supports employees in understanding company expectations and policies related to the Code of Conduct and related company policies. The goal of our business conduct and ethics education is to provide a continuing communication channel for compliance matters, to deliver compliance messages to employees, to train and educate employees in their compliance responsibilities, and to support the Code of Conduct and our Compliance Program.

We have also established a Business Conduct and Ethics Education Plan, which was further carried out during 2018. The training activities that were rolled during the year included both classroom training and e-learning. Examples of areas

covered include Code of Conduct training for new hires, compliance investigations, antitrust, respect in the workplace, conflicts of interest, whistleblowing, insider trading and GDPR.

### Our performance

We track and report the number and percentage of completion of each active course. We also use a learning management system (LMS) that is hosted by a training company as well as an in-house system. The LMS supports the reporting of attendance at ethics training courses and monitors on-time completion. Related KPIs, which include the number and percentage of the workforce that receives ethics training, are reported by division on a monthly basis, discussed in management meetings, and presented to the Risk and Compliance Committee for review.

We reached 100% completion of Code of Conduct training for all 22,255 employees in this year's target group. Due to the revision and launch of the revised Code of Conduct, the Code of Conduct certification process will be run later than previous years. Thus the 2018 certification period is yet to be finalized and the results will be reported in our 2019 Sustainability Report.

### AUTOLIV HELPLINE

The effectiveness of our ethics culture at Autoliv relies on our employees being empowered to speak up and report any concerns they may have. We promote and encourage all employees to "Raise Your Hand for Integrity" through different channels.

Autoliv employees are responsible for immediately reporting suspected or known violations of the Code of Conduct, the law or Autoliv policies to their manager or a member of management,

## OUR TARGETS

# 100 %

Anti-corruption training completion\*  
**Continuous**

# 100 %

Anti-trust training completion\*  
**Continuous**

# 100 %

Code of Conduct Certification\*  
**Continuous**

\* Completion rate measured from the annual target group



## Code of Conduct training

	2014	2015	2016	2017	2018
<b>Number of employees trained</b>	34,898	39,257	42,795	29,717	22,255
<b>% completed of the target group</b>	98%	100%	100%	100%	100%

HR, the Legal Department, a Compliance Officer or through the Autoliv Helpline. The Autoliv Helpline is an ethics and compliance reporting line that has been available to all employees since 2011. The Autoliv Helpline is a multilingual, third-party operated service where reports can be made confidentially, without fear of retaliation, 24 hours a day, seven days a week, by phone or online. This can be done anonymously where allowed by law and/or confidentially in the language of any country where Autoliv operates.

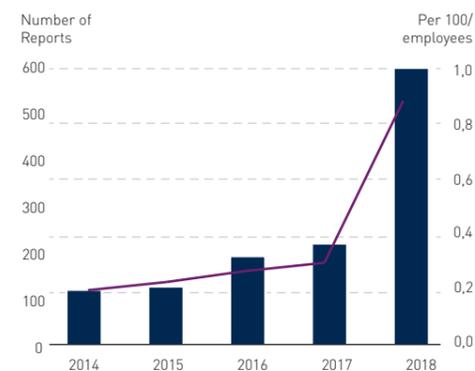
The Autoliv Anti-Retaliation Policy states that no employee will be adversely affected for reporting in good faith or for refusing to carry out a directive believed to constitute fraud or a violation of the Code of Conduct, laws or regulations. At Autoliv, we are committed to protecting individuals who make a report or participate in an investigation in good faith.

We take all reports seriously and investigate to determine if there is any violation of the law, the Code of Conduct or other Autoliv policies. In the event that a case is substantiated, the Compliance Department will develop a remediation plan with recommendations and action plans to prevent the situation from occurring in the future, and responsible management will document the actions and implementation timing.

#### Our performance

The Autoliv Helpline receives 78% of all incoming reports, that result in an investigation, while 22% of the handled cases in 2018 were submitted internally, for example reported to Management, HR, the Legal Department or the Compliance Department. A total of 595 Helpline reports were received in 2018. The reporting volume per 100 employees in 2018 amounted to 0.89, which is an increase from 0.30 in 2017. This significant increase is partly attributable to one particular site, where there has been a large number of reports made concerning the same issues. Since the implementation of the Autoliv Helpline, the number of reports has steadily increased, which we attribute to growing awareness and confidence in the reporting tool.

#### Autoliv helpline reports



#### ANTI-CORRUPTION

Corruption poses a significant risk for corporations doing business around the world, particularly in developing and transitioning countries. As a company with worldwide business activities, Autoliv is determined to adhere to all applicable anti-corruption laws where we operate and to implement high standards of integrity in all business transactions. Any conduct that violates anti-corruption laws is detrimental to the societies where it occurs and to the best interests of Autoliv.

#### Our policy

We strictly prohibit the acceptance or offering of any form of bribery. It is our policy to compete vigorously and effectively while always complying with the applicable anti-corruption laws in all countries in which we operate. We have defined clear expectations to prevent corruption in our Code of Conduct and our Anti-Corruption and Anti-Bribery Policy. The policy includes guidance to ensure all employees are aware of what is acceptable and not acceptable relating to gifts given/received, hospitality and entertainment, with strong emphasis on government officials.

A third party who acts on Autoliv's behalf must always behave in accordance with Autoliv's Code of Conduct and the Anti-Corruption and Anti-Bribery Policy. The term "third party" refers to any outside party acting on behalf of Autoliv, including but not limited to agents and intermediaries, consultants, representatives, distributors, teaming partners, contractors and suppliers, consortia, and joint venture partners. Management is responsible for evaluating each third-party relationship and assessing the risk involved.

Autoliv takes bribery and corruption very seriously, and any employee or representative who violates this policy will be subject to disciplinary action up to and including termination of employment and legal action.

Similarly, we do not provide or accept kickbacks or facilitation payments. Kickbacks are the return of a sum received (or due to be received) as part of an agreement to foster or arrange business. Facilitation payments are small payments used to facilitate government actions, such as processing an operating license. Although these facilitation payments may be allowed in some countries, we do not allow facilitation payments at Autoliv.

#### Training and education

Every other year, we enroll all employees in targeted groups, such as management, sales and purchasing, in a business conduct and ethics education e-learning course on anti-corruption and anti-bribery. Periodically, we also conduct face-to-face training to enhance the employees' understanding of compliance with our policy.

#### Our performance

In 2018, we trained a total of 7,589 employees on anti-corruption matters, achieving a course completion rate of 100%.

#### ANTI-COMPETITIVE BEHAVIOR

The purpose of antitrust and competition laws is to preserve and continue fair and honest competition and protect society from anticompetitive practices. A common theme in antitrust and competition laws is that competition is to benefit consumers by providing the best products at the lowest prices, and that society's productive resources are allocated most effectively when companies are subject to the rigors of the competitive market. Any conduct that violates antitrust laws is detrimental to the best interests of the market and to our company.

#### Our policy

As a company with worldwide business activities, Autoliv is determined to adhere to all applicable laws and regulations in force in the various countries where it operates and to implement high standards of integrity in all business transactions. To ensure compliance with antitrust laws everywhere we operate, we have defined clear expectations to prevent violations of our Code of Conduct and our Antitrust and Competition Policy. This policy includes guidance to ensure all employees are aware of what is acceptable and not acceptable relating to interactions with competitors in order to ensure independent price decisions.

#### Training and education

Every other year, we enroll all employees in targeted

groups, such as management, sales and purchasing, in a business conduct and ethics education e-learning course on antitrust and competition. Periodically, we also conduct face-to-face training to enhance the employees' understanding of compliance with our policy. During 2018, face-to-face antitrust training was conducted for targeted groups of employees in management and high-risk functions.

To provide further clarity regarding the Antitrust and Competition Policy, we also produced a brochure on our Antitrust "Dos and Don'ts" Guidelines, which gives employees practical guidance on complying with antitrust and competition regulations.

#### Our performance

In 2018, we trained a total of 8,002 employees on anti-trust matters, achieving a course completion rate of 98%.

Since 2011, Autoliv has been subject to antitrust investigations and inquiries in various jurisdictions, including the US, Brazil, South Africa and the EU. For more information on the status or conclusions of these matters, please refer to the "Contingent liabilities" footnote in the financial statements contained in Autoliv's periodic reports on Form 10-Q and Form 10-K, as filed with the SEC.

### Anti-corruption training

	2014	2015	2016	2017	2018
Number of employees trained	9,742	3,347	8,602	5,982	7,589
% completed of the target group	98%	97%	87%	100%	100%

### Antitrust training

	2014	2015	2016	2017	2018
Number of employees trained	8,083	3,674	8,874	5,820	8,002
% completed of the target group	97%	95%	87%	100%	98%

## COMMUNITY ENGAGEMENT OUR POLICY

We believe in contributing to the well-being of the communities in which we operate. We do this by contributing to the local economy through our business operations, and through locally relevant community involvement projects. We encourage our business operations to engage in and support their local communities. Many of our projects are initiated by Autoliv employees who are passionate about their communities and include a wide range of community giving and volunteering activities, from road safety awareness to education, tree planting, charity runs and donations in local natural catastrophes.

### ROAD SAFETY AWARENESS

Autoliv participates in road safety awareness education in our local communities. We do so through country-wide initiatives such as the Annual China Auto Safety Exhibition Roadshow, as well as local, community-initiated events.

The Annual China Auto Safety Exhibition Roadshow, held as part of the UN Decades of Action and organized by the China Automotive Technology and Research Center, focuses on increasing public traffic safety awareness. 2018 marked Autoliv's seventh consecutive year participating in the event and leading roadshows, along with over 20 OEMs and other automotive suppliers. The roadshow visited 22 cities in eight provinces. The activities were broadcast on the iQiYi online video platform, on national TV and on the social media platform WeChat.

In 2018 Autoliv also initiated a Road Safety Knowledge Sharing Platform to support improved road safety in India. The platform aims to facilitate the exchange of knowledge to drive adoption of global best practices and help build a stronger framework for road safety in India.

Local road safety education outreach programs are commonplace in the communities

where Autoliv operates. A notable example is Autoliv Poland. Three of our facilities in Poland collaborated on community outreach programs concerning road safety education in 2018. They were able to educate 3,000 children in 15 primary schools between the ages of five and 12 on road safety. Qualified Autoliv Poland employees conducted awareness training. Interactive crash test dummies were used to make the learning experience more interesting and to show how airbags work, how seatbelts work and why you should fasten them.

Autoliv Romania educated over 1,100 local children on road safety through the "School in a different way" program. Autoliv Romania is also one of the partners in a project which focuses on road safety education for local high school students. The project is a partnership with local authorities, including the Police, the County School Committee and the Emergency Response Authority. High school students receive training on topics such as defensive driving, first aid in car accidents and the risks associated with distracted driving.

Autoliv China participated in the "Road Safety Drive to Yunnan" program, which is an activity under the UN Decade of Action for Road Safety 2011-2020 initiative. Autoliv China has been a partner in the initiative for several years, providing professional road safety education to children in remote areas. In 2018, we educated children at Xiaoguan Elementary School in Jianshui County of Yunnan, China. The interactive training was conducted in collaboration with local traffic police. On average, students at Xiaoguan Elementary School have a daily commuting time of more than one hour, which makes road safety an important issue for these children.

In India, our employees were active in local road safety campaigns, distributing road safety awareness leaflets to local commuters and displaying road safety boards at traffic intersections to create awareness



### SUPPORT FOR EDUCATION

In addition to road safety education, several Autoliv facilities host and participate in various education programs for employees and the community. Many Autoliv locations have developed or sponsored programs with the aim of introducing local children to technology by inviting students into facilities to pique their interest in pursuing studies in math and science and to inspire them to one day pursue a career in a technical field. Our facilities are also often involved in a range of different educational activities. For example in Turkey Autoliv employees educated 200 local students about the importance of waste sorting and recycling through presentations and interactive games.

We recognize that not all people have access to basic education or are able to read or write. For this reason, we are proud of our Pratham partnership. Together with other leading Swedish industries, we are part of Pratham Sweden. The objective of the 2017-2020 program is to ensure that 30,000 children in the targeted state of Assam, India, are given an effective education that promotes the children's development as well as building capabilities and skills that will be useful in later life. Recent figures show that 96.9% of children between the ages of six and 14 attend school in rural India, but they are not receiving an effective education in reading or math.

Pratham hopes to alleviate this problem and give every child the chance to go to school and learn

Vocational training in communities where we operate enables Autoliv to train future employees for our operations and allows local people to acquire new skills. Training in sewing and leather wrapping is commonplace in many countries. In Lugo and Resita in Romania, for example, we are active in the local educational system. Dual Schooling, a project started last year, is continuing this year with a new generation of pupils. The pupils benefit from a scholarship and when they graduate they will be able to work at Autoliv as qualified employees. In order to ensure that they have the practical abilities required, we set up a dual schooling workshop, where our colleagues teach the pupils.

Collaborations with institutions of higher education are very important for Autoliv. In Germany, for example, we actively collaborate with local universities and our facilities train students as apprentices. In 2018, our facilities hosted 21 apprentices and we were able to offer three apprentices and two students a job when they finished their apprenticeship and studies. We maintain close connections with top universities and safety professionals and consider education to be an important area for our community development efforts.



The students in the picture show sentences they have learnt to write in Pratham's Learning Camps. (Picture from Pratham Sweden)

# Supply Chain Management

## OUR PRIORITIES

Suppliers play a key role in managing our global supply chain in a responsible manner. In 2018, we formalized our targets for supply chain sustainability. In order to achieve our targets, we will continue to integrate sustainability into existing purchasing and supplier quality management processes and increase awareness and competence within our supply chain organization.

## OUR POLICY

We expect our suppliers to comply with the laws and regulations in the areas where they operate and to follow Autoliv's policies and procedures, including our Standards of Business Conduct and Ethics for Suppliers (Supplier Code). The Supplier Code conveys our expectation that suppliers will uphold our social, ethical and environmental standards in conducting their businesses, including human rights and working conditions, the environment, and business conduct and ethics.

For direct material suppliers, the Supplier Code of Conduct is included in the Autoliv Supplier Manual (ASM). All suppliers need to acknowledge their compliance with ASM as part of our general terms and conditions and by signing a separate acknowledgement letter for ASM. In the case of indirect material suppliers, a reference to the Supplier Code of Conduct is included in the general terms and conditions attached to purchasing orders.

## SUPPLY CHAIN AUDITS

Autoliv has a global team to work with the quality management of our supply base. Our Supplier Quality Department and Purchasing Department work closely together, including such mandatory steps as the qualification of a new direct material supplier or new supplier site and pre-qualification audits. Once a direct material supplier has been approved, we have a three-year audit cycle for the process audit. These audits ensure that our suppliers are adhering to Autoliv's standards as well as to applicable local laws and regulations, and establish a process for working with suppliers that fail to meet our policies and standards.

Sustainability criteria are included as one module in the direct material supplier quality audits. During 2018, all new direct material suppliers were audited and we conducted a total of 158 sustainability audits, which included both new supplier qualification audits as well as regular audits of existing suppliers. During 2019, we will continue to develop the supplier sustainability audit criteria and process, based on our experiences of working according to these processes to date. We are also in the process of updating our supplier ID system and will start reporting the progress against our target from next year onwards.



## OUR TARGETS

# 100 %

New direct material suppliers sustainability audited  
**Continuous**

# 100 %

All direct material suppliers sustainability audited  
**By 2021**

# 95 %

Direct material suppliers respond to Conflict minerals Survey  
**By 2022**

## CONFLICT MINERALS

Autoliv's policy on conflict minerals (the "Conflict Minerals Policy") provides further clarification as to the principles of the Standards of Business Conduct and Ethics regarding the illegal trade of natural resources, in particular certain minerals known as "conflict minerals." Pursuant to SEC rules, conflict minerals include certain minerals that originated in the Democratic Republic of Congo or an adjoining country and are sold to benefit groups financing armed conflicts in those regions. We recognize the need to end the illegal extraction and trade of natural resources, and the human rights violations, conflicts and environmental degradation that result from this trade.

We have designed our conflict minerals approach in accordance with the Organisation for Economic Co-Operation and Development ("OECD") Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, specifically as it relates to our position as a "downstream"

purchaser. As part of our supply chain processes, we work with our suppliers to improve the traceability of minerals and ensure responsible sourcing of components, parts or products containing tin, tantalum, tungsten and/or gold. In order to comply with the rules and regulations regarding conflict minerals as promulgated by the SEC, we review our sourcing supply chain to identify any minerals that may qualify as "conflict minerals". We have incorporated the principles of this policy into the requirements of our contractually binding Supplier Manual and we work with our suppliers to increase transparency in the supply chain. Autoliv supports industry initiatives, such as the Conflict-Free Smelter Program (CFS), to validate that the metals used in our products do not contribute to conflicts and come from sustainable sources. Autoliv publishes an annual report on this conflict minerals process on its [website](#). The response rate to the 2017 direct material supplier conflict minerals survey was 85%. The 2018 Conflict Minerals Report will be published in May 2019.

# Sustainability Governance and Risk Management

## GOVERNANCE

Autoliv's sustainability program is managed within a well-defined governance structure, through clearly established ownership and responsibilities at multiple levels in the organization. Line and functional managers lead the execution of program initiatives.

At Autoliv, the ultimate oversight for the company's sustainability activities lies with the Board of Directors. The Board sets the direction for the sustainability activities and monitors progress through its Nominating and Corporate Governance Committee. The Board also annually reviews the Sustainability Report disclosures.

Implementation responsibility for sustainability lies with the Executive Management Team. The Executive Management Team has appointed a Sustainability Steering Committee charged with providing direction and oversight. The Sustainability Committee reviews and approves the annual and

long-term plans for key categories and subcategories and monitors implementation. They also involve individual Executive Management Team members as required for new projects and initiatives.

Day-to-day sustainability work and integration of sustainability into Autoliv's business is led by the Vice President Sustainability, who reports to the Executive Vice President HR, Sustainability and Communications. The Vice President Sustainability coordinates, develops and monitors Autoliv's sustainability agenda and acts as a secretary for the Sustainability Steering Committee. Everyday sustainability topics are managed, as appropriate, by the Group sustainability function, category owners, divisions, global functions, other corporate functions and topic experts. Ultimate responsibility for execution lies with the respective line and functional managers.



Creating More Value  
Saving More Lives



## RISK MANAGEMENT

Risk management is critical to our sustainability and overall management. Autoliv has a global risk management organization and utilizes a number of different tools, such as an enterprise risk management (ERM) framework, divisional risk mapping activities, and standards for site risk management, business contingency planning, and physical security. We include sustainability, including product safety, environment, labor, business ethics and supply chain to our overall risk management framework. We assess how sustainability relates to business risks, such as legal proceedings, regulatory changes, contingent liabilities, supply chain disruptions and operational disruptions. We manage sustainability-related risks through company management systems and programs described earlier in this report.

A more detailed description of Autoliv's material operational, strategic and financial risks, including sustainability-related topics, can be found in the "Risk Factors" and "Risks and Risk Management" sections of the Annual Report on Form 10-K filed with SEC.

## STAKEHOLDERS

We aim to create value for our main stakeholders: customers, owners and creditors, business partners, employees as well as family and society. Healthy, balanced and sustainable relationships are fundamental for business success and produce long-term value.

We aim to ensure that we understand the perspectives of our key stakeholders through both structured and daily business interactions. In 2018, we conducted our regular Autoliv Quality Culture Survey, an employee value proposition survey and organizational health index survey designed to track the views of our employees. Customer views are tracked as part of the customer scorecards on monthly basis. In 2018, we also performed in-depth interviews with select customers and shareholders to support our materiality assessment and sustainability strategy definition.

We actively collaborate with our stakeholders. For example, we collaborate with our customers, suppliers and the research community on innovation projects, and we have had an external Research Advisory Board since 1984. Our research findings contribute to the development of global automotive safety standards and we contribute to traffic safety education and other activities in our local communities.

## REPORTING SCOPE AND BOUNDARIES

In Autoliv's 2018 Sustainability Report, we outline why sustainability is relevant to our business, our priorities and approach to managing each of them as well as the ways in which we are measuring our progress.

The information in this report covers the 2018 financial year, unless otherwise stated. Information about our business and financial performance is provided in our 2018 Annual Report on Form [10K](#).

Unless otherwise stated, this report covers Autoliv Inc. and all companies over which Autoliv Inc. directly or indirectly exercises control, which as a general rule means that the company owns more than 50% of the voting rights. Exceptions occur with respect to the following performance data:

- Quality data: non-conforming events data covers only sites 100% owned or controlled by Autoliv.
- Environmental data: data from joint ventures, where Autoliv owns more than 50% of the voting rights, is reported by assessing the percentage of operations that is equal to the economic substance of the relationship with the company, referred to as the operational control approach.

## Changes in scope and methodologies

In June 2018, Autoliv spun off Veoneer, its former Electronics segment. At end of 2017, the Electronics segment had 7,500 employees (representing 10% of the total Autoliv employees) and generated a turnover of \$2.3bn (representing 22% of the total Autoliv turnover). The data presented in this report represents only Autoliv as of today. The following 2017 data has been restated to reflect the reduced organizational boundary:

- Quality data from previous years has been restated to account for the Veoneerspin-off
- Environmental data for 2017 has been restated to account for the Veoneer spin-off. Internal assurance processes also resulted in the following restatements to 2017 data: additional fugitive emission sources were included, increasing Scope 1 CO<sub>2</sub>e emissions; errors causing underreporting of Scope 2 CO<sub>2</sub>e emissions and overreporting of scope 1 energy use were corrected; and water use data was impacted due to improved data quality at facility level.
- H&S data for 2016-2017 has been restated to account for the Veoneer business spin-off.

## External reporting guidelines

We use the Global Reporting Initiative (GRI) guidelines to inform our reporting, though we do not report in accordance with GRI. When selecting and developing our performance indicators, we have used GRI as a reference in the areas of environment, occupational health and safety, business ethics and diversity.

We have aligned our reporting with the Directive 2014/95/EU requirements. Those European subsidiaries that are required to produce an annual non-financial report use the information provided in this report to comply with their national requirements.

## External assurance

The Sustainability Report has not been assured by a third-party assurance provider.

Innovate Life-Saving Products

Commit to Our Employees

Limit Our Impact on the Environment

Act Ethically and Commit to Society



AUTOLIV SEATBELTS

## Top Life-Saving Device

The seatbelt is the top life-saving device. Seatbelts reduce moderate and severe injuries by 45% and – even more importantly – reduce fatalities for front row occupants in passenger cars for all types of crashes by

# 45%

