

Responsible enterprise

HANZA is confident that its business model, strategy and stakeholder collaborations contribute to positive social development and the attainment of global sustainability goals.

Compared with traditional contract manufacturing, customers who assign production to HANZA manufacturing clusters benefit from environmental gains and high quality products with safer delivery and logistics chains. Sustainability is thus integral to HANZA's strategy and long-term business.

Comprehensive sustainability governance

Sustainability issues are highly prioritized at HANZA, and are aimed at strengthening efforts relating to the company's impact on the environment, employees, human rights and other social aspects, as well as ethics, corruption and data security. The company's Code of Conduct, which is based on the UN Global Compact's ten principles serves as a guideline for how HANZA should act as a sound business partner, employer and private sector player.

Group-wide policies, quality assured processes and management systems provide our operations with unambiguous instructions for the responsible management of facilities and employees. In 2020, a sustainability framework was established, comprising a plan for the

governance and monitoring of the Group's most important sustainability issues.

To secure the quality-assured governance of HANZA's environment and its work environment initiatives at the Group's 14 factories, significant investments were made in the past few years to develop and strengthen the management system. The factories have gradually been certified and by no later than June 2021, we expect the management systems of 12 factories to be certified under ISO 14001 and ISO 45001. A further two factories are scheduled for certification in 2022.

Development of sustainability work

HANZA's sustainability efforts are developed continuously. We pursue internal process improvements and leverage newly acquired factories, alongside stakeholder dialogs to bring the company's attention to crucial new issues. Long-term quantifiable targets will gradually be established at a Group level. HANZA's goal is to offer very high sustainability standards across the Group.


HANZA's stakeholders	Key issues	Dialogue
Customers	<ul style="list-style-type: none"> Superior quality Delivery reliability Low environmental impact – direct and indirect Social responsibility – employees and subcontractors Sound business ethics, data security 	<ul style="list-style-type: none"> Business transactions Customer surveys
Employees	<ul style="list-style-type: none"> Sound and healthy work environment Social commitment Secure employment 	<ul style="list-style-type: none"> Employee surveys Career-development meetings Ongoing dialogue
Investors	<ul style="list-style-type: none"> Financial stability, return on investment Customer satisfaction Transparency, communication Environmentally and socially beneficial operations, regulatory compliance 	<ul style="list-style-type: none"> Annual General Meeting Investor events Press releases and financial reports
Society	<ul style="list-style-type: none"> Low environmental impact – waste, consumption, emissions Sound business ethics Communication 	<ul style="list-style-type: none"> Regulatory dialogue Meetings with municipal management

The governance and monitoring of HANZA's sustainability efforts fall within three areas:

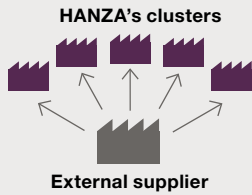
- HANZA's contributions to global environmental efforts
- HANZA's long-term and sustainable relationships
- HANZA's employees and local communities

HANZA continuously monitors the efforts in these areas and measures performance by means of key metrics, to create a more rational, sustainable and attractive manufacturing industry.

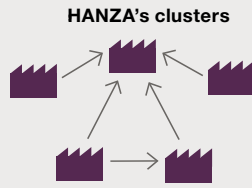
HANZA's contribution to global environmental work

Risks/Opportunities	<ul style="list-style-type: none"> • The world is facing environmental challenges pertaining to resource consumption and emissions. Everyone must do their part to ensure reasonable living conditions for future generations. The most substantial threat is from climate-impacting emissions, which is why the world must strive to become fossil-free. • Products manufactured by HANZA contribute to an environmental footprint through the use of finite resources, such as raw materials, water and energy, as well as emissions – mainly carbon dioxide and certain heavy metals. The environmental footprint is mainly attributable to subcontractors related to HANZA's manufacturing and transports. • Competitiveness is strengthened through customer demand for sustainable suppliers, traceability in manufacturing processes as well as their own requirement to reduce their carbon footprint caused by aspects such as goods transportation. 		
Key sustainability issues	Reduce consumption of natural resources and energy	Reduce own emissions, such as CO₂ and heavy metals	Help customers to reduce emissions – primarily through transports
Results for 2020	Energy consumption <ul style="list-style-type: none"> • Total within HANZA: 29.201 MWh • Per employee: 18.9 MWh • Energy cost/sales ratio: 1.15% Water consumption: Total within HANZA: 39.084 m³ 	Waste generated: <ul style="list-style-type: none"> • Total volume: 1.127 tonnes of which hazardous waste: 495 tonnes • Waste/Renewal management cost: 0.11% 	See illustration: "Environmental gains in HANZA's regional manufacturing clusters"
Value generation	Investors: Improved profitability through reduced energy and materials consumption. Reduced sustainability risks Society: Reduced consumption of water, material and energy resources, increased proportion renewable energy. More modern industry	Society: Increased environmental gains through minimized carbon footprint, responsible handling of chemicals and waste Customers: Traceable goods.	Customers and society: Increased environmental gains, more modern industry.
Contribute to the attainment of the UN's global goals in 2020			

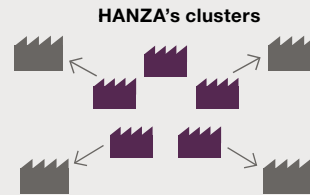
Environmental gains in HANZA's regional manufacturing clusters



Input materials and subcomponents
 – HANZA's manufacturing processes involve high materials contents (electronics 70-75%, mechanical 40-45%). HANZA can reduce its carbon emissions by imposing environmental requirements and procuring from fewer suppliers and sourcing in bulk for the entire cluster.



Short internal transports – processing steps are undertaken within the cluster, which minimizes carbon emissions in the course of production, as opposed to transportation across the world, as with traditional contract manufacturing.



Customer deliveries – are essentially made in geographical proximity to the cluster, which results in shorter transports, thereby minimizing carbon emissions from finished products.

Environmental-management system

In 2020, the Group-wide environmental-management system was incorporated into HANZA's Group Management System and rolled out to the Group's production units. Twelve of the Group's 14 factories are scheduled for certification under ISO 14001:2015 in 2021, and the remaining two factories in 2022. The management system includes measurements of and targets for the Group's energy consumption and waste management. At each individual factory, specific environmental issues are identified, such as activities that are subject to permit requirements, hazardous emissions and environmental risks. Opportunities to reduce or recover materials, as well as replace environmentally hazardous materials with eco friendly ones are given due consideration. At each factory, targets are set, which are followed-up on annually.

Governance of environmental issues

The Group's overall energy and water consumption, and its waste generation, was reported for the first time for the year 2020.

The Group's environmental work is governed by its Group-wide environmental policy and purchasing policy (optimized for the environment), compliance with environmental regulations (RoHS global directives, REACH, Conflict Minerals), as well as the installed environmental-management system. HANZA has an appointed a Head of Environmental Issues.

Reduced resource consumption

At all of the factories, work is conducted continuously to minimize product defects and to reduce materials wastage through recycling and quality controls conducted on a regular basis. The aim is to reduce the overall consumption of materials in the course of production. In our production processes, we strive to reduce the use of materials that generate hazardous emissions.

HANZA's energy consumption mainly consists of heating for its factories and offices, as well as power supply to production machinery. Since energy consumption is a crucial function of production volumes, the company has

invested in energy optimized machinery in several factories in 2020. Additional investments in machinery will be made on a continuous basis. A new production facility of slightly more than 12,000 m² is being constructed in Estonia in 2021, which will provide HANZA with more energy-efficient premises and thereby yield some tangible energy savings as of 2022.

Reduced emissions to the environment


HANZA's primary impact on the climate is caused by goods transportation and the energy consumption at its factories. This impact is dominated by the transportation of subcontractors' input materials to the clusters, as well as as by final deliveries to customers. Business trips account for a very minor portion of the Group's overall environmental footprint.

Keeping manufacturing operations within regional clusters is one of HANZA's most important investments in mitigating climate change and reducing carbon emissions. Manufacturing clusters minimize transport requirements. Some products are manufactured to completion in production units that are geographically close to each other, allowing for shorter and fewer transports throughout the manufacturing process, compared with traditional contract manufacturing. Furthermore, overall transports to and from the clusters are reduced. HANZA sources its materials in bulk from a handful of suppliers. Finished products are delivered to customers that are mostly in geographic proximity to the cluster (see figure below). In 2020, the company launched special initiatives to measure the environmental impact from optimizing the efficiency of customers' manufacturing chains.

We strive to use fossil free energy in our factories. In 2020, one of HANZA's factories in Finland, Metalliset, became the first in the Group to make a complete switch to using green energy.

HANZA's waste management pertains to residual materials from production and heavy metals. At the Group level, the objective has been to maintain or reduce the costs of waste management relative to the Group's sales.

HANZA's long-term and sustainable relationships

Risks/Opportunities	<ul style="list-style-type: none"> • HANZA's prerequisites for growth are based on the company being perceived as financially stable, and having the capacity to meet customer demands and generate added value, while guaranteeing high integrity and customer confidentiality. • Customers impose stringent requirements on their suppliers regarding accuracy in quality and delivery precision, as well as sustainability, ethical behavior and a long-term approach. The risk of corruption and unethical behavior must be minimized in our interactions with customers and suppliers. • HANZA has a vital community role in the districts where it conducts production operations. 			
Key sustainability issues	Financial stability & QCD (quality, expenses, delivery precision)	Added value generated	Safeguarded business ethics	Secure data
Results for 2020	Outcome in relation to financial targets: <ul style="list-style-type: none"> • Sales growth of 10% Not achieved • Average operating margin of 6% Not achieved • Equity/Assets ratio of 30% Achieved • Dividend of ~30% of net profit for the year Achieved 	HANZA received recognition from four different global customers for its delivery precision and high quality during a challenging period.	<ul style="list-style-type: none"> • All sub-suppliers are assessed based on the Supplier Code of Conduct. • There were no incidents pertaining to corruption or bribery. 	There were no incidents where data was threatened.
Value generation	Investors: Return on investment, published transparent sustainability data. Customers: Long-term approach Resource- efficient production, quality, delivery reliability. Employees: Long-term employer.		Investors, customers, society: Reduced sustainability risks, improved business ethics.	Investors, customers, society: Increased data security.
Contribute to the attainment of the UN's global goals in 2020				

Financial stability, QCD and added value

Following HANZA's initial establishment phase from 2009 to 2013, when it assembled various manufacturing technologies, and the next period from 2014 to 2017, when production was gathered into geographic clusters, HANZA shifted its focus in 2017 to the streamlining of its manufacturing clusters and expansion into new customer markets. In 2019, the Group launched CORE (Cluster Operational Excellence), an efficiency enhancement program aimed at optimizing QCD (quality, cost, delivery precision) and cluster capacities and, in particular, newly acquired factories.

In 2018 HANZA defined its cluster organization and turned to a cluster based external segment reporting.

Group-wide measurements are made continuously to improve controls and quality assurance processes at the factories. HANZA also monitors the Group's delivery reliability.

The pandemic has highlighted deficiencies in the complex global manufacturing chains of numerous companies, to the advantage of regional manufacturing clusters that adhere to HANZA's model. Consequently, there has been a high demand for the company's consultancy services, through which customers receive support in streamlining and optimizing their manufacturing and logistics.

Safeguarded business ethics

HANZA acts in accordance with well defined policies on business ethics, and duly considers how and with whom it conducts business. HANZA's values, leadership and its Code of Conduct, jointly provide the foundation for its employees' actions. The Code is unambiguously communicated to every employee and is included in the introductory course for all new employees.

HANZA has enacted a global anticorruption policy with the aim of never arousing any cause for suspicion of irregularities or corruption within the operations. An insider policy clarifies the management of share price related information. The whistleblowing function, HANZA Hotline, allows for employees to anonymously report their concerns about deviations from policies and rules, and any other irregularities within the company.

In 2020, no incidents of corruption were reported or in any other manner discovered or processed. Due to the pandemic, a follow-up of the anticorruption policy and Code of Conduct among all company's employees that was scheduled for the year could not be fully implemented. The ambition is for all employees to confirm compliance with the scope of the company's guidelines.

Supplier assessments

HANZA evaluates its sourcing process and imposes requirements on its subcontractors based on its Supplier Code of Conduct. On the whole, this entails that suppliers subscribe to the same sustainability values as HANZA with respect to the environment, labor law, human rights, business ethics and corruption. Breaches of the Code are reported to HANZA's Head of Sourcing & Logistics.

In 2021, the purchasing process will be complemented by special assessment criteria pertaining to climate impact.

Investments in data security

Customer and personal data is always handled with confidentiality and integrity. HANZA guarantees the correct, legal and fair handling of such data and adheres to the GDPR.

The company has also taken significant measures to protect customers' drawings and other production documentation, in response to the increased hacking of government agencies and major corporations. Implemen-

tation has commenced on a system for managing information security pursuant to the ISO27001 standard. In 2020, HANZA introduced obligatory self-testing on the subject of information security for all employees. The information security system is scheduled for a certification review in 2021.

The company has a Head of Information Security and a policy in place for the protection of personal data.

HANZA's employees and local communities

Risks/Opportunities	<ul style="list-style-type: none"> • A total of 1,637 employees in Estonia, Finland, Sweden, Germany, the Czech Republic, Poland and China are primarily assigned to manufacturing positions in the company's six manufacturing clusters. Risks exist in relation to employee health and safety, as well as how employees are treated within the operations. • HANZA's competitiveness, innovation and profitability increases when its employees are satisfied and healthy, which in turn helps to improve the company's performance. Our diversity further contributes to positive results. • The supply of new skilled employees is facilitated by a focus on sustainability efforts. • HANZA's long-term approach in the localities where it is active and its role as an essential employer improves employee retention rates and helps to create mutual trust between the company and local community. 		
Key sustainability issues	Employee development	High level of diversity and equal treatment	HANZA's role in local communities
Results for 2020	<ul style="list-style-type: none"> • Employee sickness absence: 5.1% • Workplace accident 32 (36) • Lost time injury frequency rate: 12.5% • Conducted career-development meetings and competence charting: 72% 	<ul style="list-style-type: none"> • Average age: 43 years • Gender distribution – entire Group: 62% men, 38% women • Gender distribution – management: 74% men, 26% women 	<ul style="list-style-type: none"> • Number of factories: 14 • Average no. of employees by country: Estonia 643 Sweden 358 Poland 118 China 82 Finland 85 Czech Republic 138 Germany 119
Value generation	<p>Investors: Improved competitiveness.</p> <p>Employees: Employment under sound terms and conditions, safe and secure work environment, long-term employer.</p>	<p>Employees, investors and society: Solid diversity, strengthened innovativeness.</p>	<p>Society: Sustainable industrialization of locations where HANZA is an essential employer.</p>
Contribute to the attainment of the UN's global goals in 2020			

Employee development

HANZA's employees contribute significantly to the development of the company. HANZA's values, Group wide policies such as Code of Conduct and HR Policy, and its leadership program provide the basis for leveraging employee performance and establishing a global HANZA culture.

Mutual trust is critically incumbent upon unambiguous communication about the company's ambitions. Internal communication takes place through channels such as the Group-wide intranet and internal magazine, HANZA United. Employee training is conducted in the local language and to a greater extent via e-learning.

An employee survey is normally conducted annually to monitor commitment levels and employee satisfaction, the workplace climate and harassment, if any. As a consequence of the pandemic, no Group-wide survey was conducted in 2020, but the survey will be conducted in the first half of 2021.

Annual career-development meetings help to gauge parameters such as competencies and development needs. In 2020, 72 per cent of such scheduled meetings were conducted. The goal in a pandemic free year is for meetings to be conducted with 98 per cent of the Group's employees.

Secured work environment, health, safety

As an industrial manufacturing player in a factory environment, HANZA strives to create safe work environments throughout the Group, and to minimize accidents through continuous efforts, such as fire prevention, evacuation indicators and safety videos.

In 2020, the Group wide work-environment system (part of the HANZA Group Management System) was rolled out to the factories. In 2021, 12 factories are scheduled for certification under ISO 45001 and an additional two factories are scheduled for certification in 2022.

Within the framework of the work environment system, HANZA conducts monthly follow-ups on internal HR key ratios. These systematic efforts are aimed at preventing occupational injuries and creating a healthier and safer work environment. When local key ratios deviate from their targets, obligatory measures are taken at the local production facility. Consequently, every factory measures the number of workplace accidents, incidents, absences from work-related injuries (LTIFR – Lost Time Injury Frequency Rate), sickness absences and other absences. In addition, health and safety risks are assessed, and the factories create action programs to manage and minimize the risks through, for example, obligatory training initiatives pertaining to safety and directives linked to safety procedures and evacuation. In 2020, 32 workplace accidents occurred within HANZA, compared with 36 accidents in 2019.

Action programs were also created to fulfill local regulations and laws pertaining to work environment issues. Work is conducted continuously to offer improved functional premises. Adaptive measures include preventive healthcare subsidies in Sweden, as well as a health week in Estonia.

In 2020, a range of measures were taken at production facilities to protect employees from the pandemic and minimize contagion. Information is continuously disseminated about protective social distancing. HANZA's policies, guidelines and work-environment management system was

rolled out to recently acquired production facilities during the year.

Certification of our systematic work environment management continued in 2021, as well as follow-up measures pertaining to employee health and safety, such as continuous training.

High level of diversity and equal treatment

HANZA strives for diversity and equal-employment conditions for comparable assignments, and applies a Group-wide anti-discrimination policy. HANZA's internal Code of Conduct states that the right to freely associate with unions is self-evident, and that pay structures and terms and conditions are to be based on collective agreements, legal requirements or industry standards. HANZA's whistleblowing function, HANZA Hotline, allows for employees to anonymously report any perceived improprieties and concerns about infringements of policies and regulations, harassment or abuse of positions of trust.

In 2020, two incidents of discrimination were reported and processed within the Group.

HANZA's role in local communities

HANZA strives to build sustainable social infrastructure wherever it has operations. These locations usually consist of communities where HANZA is an essential employer and thereby a significant private sector player for the support of local inhabitants.

HANZA seeks to secure competitive and long-term production. As a part of this initiative, the company conducts dialogs with national and local decisionmakers and capital providers. The aim is not only to achieve functioning agreements, but to clarify HANZA's long-term commitments to the local region.

HANZA's clusters include factories that were acquired at a time when factories were weighed down by weak profitability and liquidity problems, and closures were inevitable. HANZA's continued operations have helped to sustain employment in several rural districts, a trend known as the Countryside model. In some cases, sustained operations were enabled through cooperation with local banks with a focus on the district's profitability.

HANZA's development of certain clusters has resulted in a broadening of its operations, as well as the need to develop or discontinue minor production units. In 2020, HANZA expanded its operations in several local districts, which increased the number of employees in, for example, Germany and the Czech Republic, while operations in two locations were discontinued. As an example production at Åtvidaberg was synchronized with HANZA's operations in Årjäng. To retain employment opportunities in Åtvidaberg, HANZA arranged for the former factory managers to take over the operations and employees, as well as minor production runs.

A sustainable employer

In 2020, HANZA had a strong focus on further developing the organization in order to make it even more scalable. This includes, among other things, that certain functions such as sales and HR, have been decentralized and several clusters have been strengthened through the recruitment of key positions. Due to the pandemic, an action program was implemented during the year, where some production has been moved and consolidated. In total, we now have just over 1,600 employees in 14 factories divided between seven countries (six clusters).

HANZA's processes and policies for the employees

Work on our staff development processes is ongoing, and the processes are being followed up on as part of our key ratio follow-up. In 2020 we continued to work on mapping employees in connection with performance reviews as well as updating skills requirements and existing skills. We constantly strive to look after our internal skills and offer development opportunities to employees. HANZA also has a Code of Conduct which describes how the management and our employees act in relation to our surroundings and to each other. The purpose is to define our social responsibility, ethical commitment and position in gender equality issues and how our employees should address issues of a principled nature. HANZA protects the rights of employees, opposes discrimination and harassment, and promotes diversity in the workplace.

Due to the pandemic, the annual employee survey was postponed and is now planned to be carried out in April 2021.

HANZA's strategy

Since the HR function has been largely decentralized, the various clusters have individually begun the development of goals and initiatives adapted to their own business. The Swedish cluster has focused on strengthening the cluster management and have in addition to appointing a new cluster president, also recruited both a sales manager and a purchasing manager. Work has started on developing an internal leadership program based on the existing HR handbook and there is ongoing work to implement HANZA's values. In 2021, the focus will be on developing internal communication.

Due to its size, the Baltic cluster has a continuous focus on both employee and employer branding, where you work closely with universities and vocational colleges to attract competence from an early stage. Internally, about 40 different trainings have been arranged, in which a total of 245 employees have participated. To reduce the risk of accidents in the factories, safety videos have been produced and translated into three languages.

In HANZA's German cluster, important positions such as cluster president, site manager and controller have been filled, and in connection with strengthening the local management team, programs have been developed to streamline leadership and to further train employees. Key staff have been recruited also in other clusters to strengthen the

local organization. At the global level the main focus has been on dealing with the pandemic and the effects of it, and to coordinate follow-up of key ratios.

Communication

In September 2020, a decision was made to update HANZA's graphic profile and visual identity. The project was completed at the end of the year and is expected to be launched externally in the spring 2021. An updated version of HANZA's website was also included in the work that going forward will play an even larger role as a communication channel to our stakeholders. Internally, our internal magazine "HANZA United", which is published quarterly, has continued to focus on presenting our operations, our employees and our customers – often with a feature devoted to a cluster, but also with other elements about, for instance, IT, group-wide projects or the like.

Our intranet has today become a well established internal communication channel in which we offer a living organization chart and features that can be used to search for people and functions in other clusters, for example. It is also used to present new employees, news that affects all or parts of the group, investments, etc. The intranet also offers training in the form of e-learning in several areas, such as comprehensive introductory training, training in our ERP system and IT security. Regarding social media we are active with ads and posts on both LinkedIn and Facebook and provide updates via Facebook and Instagram.

Health and Safety

The work with health and safety continues and during the year we have worked to coordinate and align group activities, starting in the clusters. More about this in the sustainability report on pages 16–21. The work in health and security is mainly carried out at the local level with consideration of Group policies and directives, for example in connection with safety routines and evacuation for each facility. The central goal in HANZA's work environment efforts is a zero vision for occupational injuries.

Follow-up of key ratios for employees

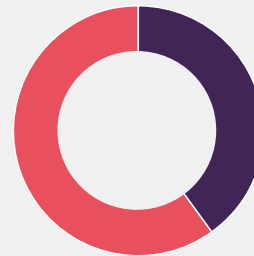
HANZA continuously monitors key figures for employees with regards to health and safety as well as development of our employees, and follow-up of staff turnover and actions related to this. The key ratios that we follow up internally are sick leave, occupational injuries and incidents, staff



HANZA protects the rights of employees, counteracts discrimination and harassment, and promotes diversity in the workplace.

turnover, overtime and completed performance reviews. With regards to completed performance reviews, this is a strategic goal that will be maintained and in 2021 be developed to also include factory workers. During the year, we had a total of 32 accidents in our factories, compared to 36 in 2019, something we will continue to focus on reducing in 2021. Ahead of 2020 it was decided to keep four of five key ratios, with one addition regarding accidents where we will also follow up LTIFR (Lost Time Injury Frequency Rate), that is, the extent to which an accident has led to absence.

Breakdown per gender



Average age

43 yrs

Average number of employees per country

