

# SUSTAINABILITY



# Promoting global sustainable development

As a global company with the goal of modernizing and streamlining the manufacturing industry, HANZA adopts a holistic approach to sustainability. Operations have an impact not only on the environment, but also in other parts of society, such as human health and safety at work.

HANZA is convinced that sustainable business choices contribute to both a better society and to increased competitiveness, which is why this is a strategic operational priority.

HANZA offers stable deliveries from environmentally and socially safe manufacturing processes. Our factories are organized in regional clusters, which minimizes transportation and therefore emissions. Our knowledge of and advice on supply chains and input materials results in sustainable production and logistics processes with high traceability.

We have a clear focus on safe work environments for employees, and make significant efforts to protect data obtained from customers against data breaches, and to otherwise maintain global trust in HANZA. Transparency and feedback on sustainability work help assure confidence and ongoing improvements. This combined, is aimed at maximizing HANZA's positive impact on society, and minimizing our negative footprint.

## Organizational governance of HANZA's sustainability work

**The Board of Directors** set out the overall sustainability strategy with ambitions/targets as well as risk analyses and monitoring of sustainability work.

**The CEO** is ultimately responsible, and ensures that sustainability work is an element of the overall business strategy, and that HANZA's management of sustainability risks and approach to sustainability issues are implemented, communicated, and integrated into HANZA's business activities and acquisition strategy.

**The CFO** monitors and compiles the work, which is presented to the BoD annually.

**The Global Quality Manager** is responsible for monitoring key performance indicators, and for certification of processes within the environment and work environment.

**The COO** is responsible for monitoring suppliers, via the global purchasing manager of electronics and through the cluster managers in mechanics. The Information Security Manager is responsible for the company's data security and monitoring of key performance indicators, as well as information security certification.

**The Global HR Manager** is responsible for monitoring employee development and other HR issues.

## Governance of our sustainability work

**External framework:** HANZA complies with local and international laws, regulations, and industry standards. We support and promote the ten principles of the UN Global Compact, the global goals for sustainable development, as well as a number of international conventions and principles, such as the ILO Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises, and other such conventions.

**Internal framework:** HANZA's sustainability work is governed by HANZA's vision to create unique customer value within the manufacturing industry, shared group values

Intragroup governing document on sustainability	Responsible for monitoring
Overall	
HANZA's Code of Conduct	CEO
Insider policy	CFO
Procurement policy	COO
Code of Conduct for suppliers	
ISO 9001, quality management system*	
AS 9100, quality management aerospace*	
ISO 13485, quality management medical equipment*	
ISO 3834-2, quality management welding*	Global Quality Manager
Environment	
Environmental policy	
Environmental declarations (RoHS, REACH)	Global Quality Manager
ISO 14001 environmental management system*	
Data security	
Information security policy	CEO
ISO 27001 information security system*	Information Security Manager
Employees, human rights	
HR Policy	HR Manager
Work Environment Policy	
Diversity Policy	
Declaration Conflict Minerals	Global Quality Manager
ISO 45001, Occupational Health and Safety Management System*	

\*Processes certified by accredited third party

## HANZA's sustainability issues, value chain, and where in the value chain sustainability work is conducted

Focus area	Input materials	Suppliers	HANZA	Customers	Owner, society
<b>Environment and climate</b>	Significantly reduced CO <sub>2</sub> emissions				
	Reduce the use of natural resources and energy				
	Reduce other emissions				
<b>Security and ethics</b>	Offer data security to high international standards				
		Maintain a high level of business ethics among employees	Maintain a high level of business ethics among suppliers		
<b>Employees</b>	Offer a safe and secure workplace, free from work-related injuries, victimization, and discrimination				
			Promote equality, strive for diversity		

HANZA's primary impact on the environment, people and business ethics occurs both in the group's own activities and in the suppliers' and customer chain. To ensure that the principles and regulations that HANZA adheres to with regard to the environment, labor law, human rights, and business ethics, are also complied with by our suppliers, consultants and other representatives, measures are implemented to counter any negative impact, and to enhance the benefits in several parts of the group's value chain.

(see page 27), a number of intragroup policies and certified processes, and organizational responsibility (see below). HANZA has a framework for sustainable entrepreneurship within which the intragroup work is monitored and evaluated (see above). In addition to this, certain sustainability results, such as work-related injuries and sick leave, are monitored on a monthly basis.

HANZA's Code of Conduct, which is based on the ten principles of the UN Global Compact, guides HANZA on how to act as a good partner, employer, and social actor.

HANZA has decided to join the UN Global Compact, which means that we will report our progress in accordance with the Global Compact's requirements.

In recent years, key initiatives have been taken to develop and strengthen our work with regard to quality, data security, the environment, and the work environment at HANZA's 18 factories. By late 2022, the quality management of all of our factories was certified in accordance with ISO 9001, the environmental management systems of twelve factories were certified in accordance with ISO 14001, and the Occupational Health and Safety Management Systems of eleven factories were certified in accordance with ISO 45001. With regard to secure information management, work started in 2021 on the certification of all of HANZA in accordance with ISO 27001 by 2025, and at the end of 2022, the entire Swedish operation as well as the service center in Estonia were certified.

### Materiality analysis

The stakeholders most affected by the business are identified on the basis of HANZA's value chain, from input materials and suppliers to our own manufacturing in the clusters and final deliveries to customers. Stakeholders' views and expectations regarding the environment, social

issues, and business ethics, including corruption, etc., are taken seriously in the dialogues that HANZA conducts with stakeholders, for example, at customer meetings, investor meetings, as well as regular customer and employee surveys. These opinions, together with the company's own industry knowledge and customer due diligence, are included in the analysis conducted to identify where our most material sustainability impact occurs.

HANZA's most material sustainability issues thus consist of the impact that we believe contributes to the greatest good or greatest harm to the environment, along with other issues involving people, human rights, and business ethics, as well as corruption. In order to address stakeholders' needs and opinions, an annual review of these issues is carried out.

### HANZA's framework and new sustainability targets

For HANZA's most material sustainability issues, grouped into three focus areas around the environment, people, and sustainable relationships, there are clear objectives. This framework for HANZA's sustainable operations thus constitutes the strategy for our sustainability efforts. Monitoring of sustainability work (see following pages), among other things by means of key performance indicators, ensures that we contribute to making the manufacturing industry more sustainable and attractive, while at the same time creating value for stakeholders.

At the start of 2023, HANZA adopted a new sustainability strategy with a number of strategic sustainability targets, in order to strengthen efforts towards a climate-neutral business, create a better everyday life for our employees, and to ensure business ethics and respect for human rights at every stage.

Stakeholders	Expectations, opinions	Dialog
Customers	High quality and stable supply chains. Innovation, end products with low environmental impact, social responsibility, as well as good business ethics and data security at subcontractors. Connection to systematic supplier evaluation system.	Business, customer surveys.
Employees	Good and healthy work environment, safe work environment, development, social commitment.	Employee surveys, career-development meetings, ongoing dialogue.
Investors and owners	Customer satisfaction and competitiveness, ensured environmental, social, and business ethics throughout the value chain, transparent communication, compliance.	Annual general meeting, investor meetings, press releases, financial statements.
Society	Minimal environmental impact from emissions, consumption and waste, social responsibility, good business ethics, communication.	Regulatory dialogues, meetings with municipal management, media.



### The global targets for sustainable development

Major global challenges such as the climate crisis, poverty, injustice, inequality, and corruption, constitute long-term threats to global stability and economic growth. In 2015, when the UN member states adopted Agenda 2030 and its 17 global sustainable development goals to address these challenges, the signatory countries, their business communities, and their civil societies made a commitment to achieve these goals and change their ways. Considerable work remains to be done, and it is therefore essential that all sectors of society do their part. HANZA has selected some development goals where its operations contribute to several interim targets.

The report for each focus area presents specific interim targets that the sustainability efforts mainly contribute to.

### HANZA's new sustainability target for 2025

Goal	Target Achievement
<b>Environment and climate</b>	
Significantly reduced CO <sub>2</sub> emissions	Annually increase the proportion of energy use from fossil-free energy sources in own operations. Annually reduce emissions of CO <sub>2</sub> from energy use in own operations in relation to sales.
Reduce the use of natural resources and energy	Annually reduce energy use in own operations in relation to sales (MWh/MSEK). Annually reduce water consumption in own operations in relation to sales (m <sup>3</sup> /MSEK). Reduce other emissions.
Reduce other emissions	Annually reduce waste and hazardous waste in relation to sales of electronics and mechanics (tons of waste/MSEK and tons of hazardous waste/MSEK).
<b>Security and ethics</b>	
Offer data security of a high international standard	Zero damage from data breaches.
Maintain a high level of business ethics among employees.	Zero incidents of corruption. All employees must be informed of HANZA's Code of Conduct for employees.
Maintain a high level of business ethics among suppliers.	All of HANZA's significant suppliers must confirm HANZA's Code of Conduct for suppliers. Annual audits of significant suppliers to ensure compliance with HANZA's Code of Conduct for suppliers.
<b>Employees</b>	
Offer a safe and secure workplace, free from work-related injuries, victimization, and discrimination	HANZA's long-term goal is zero work-related injuries. Annual reduction in the number of incidents that result in absence from work (LTIFR). All employees must be informed of HANZA's anonymous whistle-blowing function. Zero cases of confirmed discrimination. Annual employee survey that results in a concrete activity program.
Promote equality and strive for diversity	Annually increase the proportion of women in managerial roles. All employees with a managerial role must be trained in HANZA's diversity policy.



# Environment and climate

In order to reduce their climate and environmental footprint, customers are looking for collaboration with suppliers that have environmentally sustainable and controlled production methods, as well as manufacturing in the customers' vicinity.

Meeting our customers' needs for eco-friendly processes is essential for HANZA's vision of creating greater customer value than traditional contract manufacturing.

## Risks and opportunities

The world's environmental challenges with regard to emissions and resource use risk resulting in increased global poverty, major conflicts, and lower growth. In order to reduce the effects of the climate crisis and to achieve global climate targets, collective responsibility for climate change and a strict limit on emissions are required. Our customers' environmental emissions are usually greatest in the supply chain, i.e., with suppliers such as HANZA and our subcontractors, and from input materials used by HANZA in the production process. At the same time, legislation and the capital market are increasingly demanding controlled environmental footprints in industry, and modernized industrial processes that do not contribute to climate impact to the same extent as previously are required.

For HANZA, the environmental issue is therefore top priority, and well-integrated into our business model. Our manufacturing clusters, with shorter transportation distances, offer customers environmental benefits as well as traceability in manufacturing processes, which also strengthens our competitiveness.

## Reduce CO<sub>2</sub> emissions to achieve a long-term carbon-neutral business

**HANZA's impact:** The climate footprint in HANZA's value chain is dominated, in part, by freight emissions, mainly

from the haulage of subcontractors' inputs to the clusters and final deliveries to customers, and in part by the production of the inputs, as well as the energy consumption required for our manufacturing processes. Business trips represent a very small part of the group's total footprint.

**Targets and efforts:** One of HANZA's most important efforts to combat climate change and CO<sub>2</sub> emissions consists of minimizing freight. Our business model is built around the production of finished products in factories that are in geographical proximity to one another, which means less transportation and shorter transportation distances throughout the manufacturing process, compared to traditional contract manufacturing.

Total transportation to and from a cluster is reduced by placing regular bulk orders with fewer suppliers, as well as final deliveries of finished products to customers who are often located in the geographical vicinity of the cluster. The purchasing process evaluates and places requirements on our subcontractors, based on, among other factors, their climate impact, see also Suppliers page 23-24.

HANZA's energy purchases must, in the long term, consist solely of fossil-free energy sources. A gradual transition to the use of green energy has been initiated within the clusters, in parallel with energy-saving measures. In 2020, the factory in Heinävesi, Finland, was the first one in the Group to completely switch over to green energy, see also Reducing the use of natural resources and energy below.

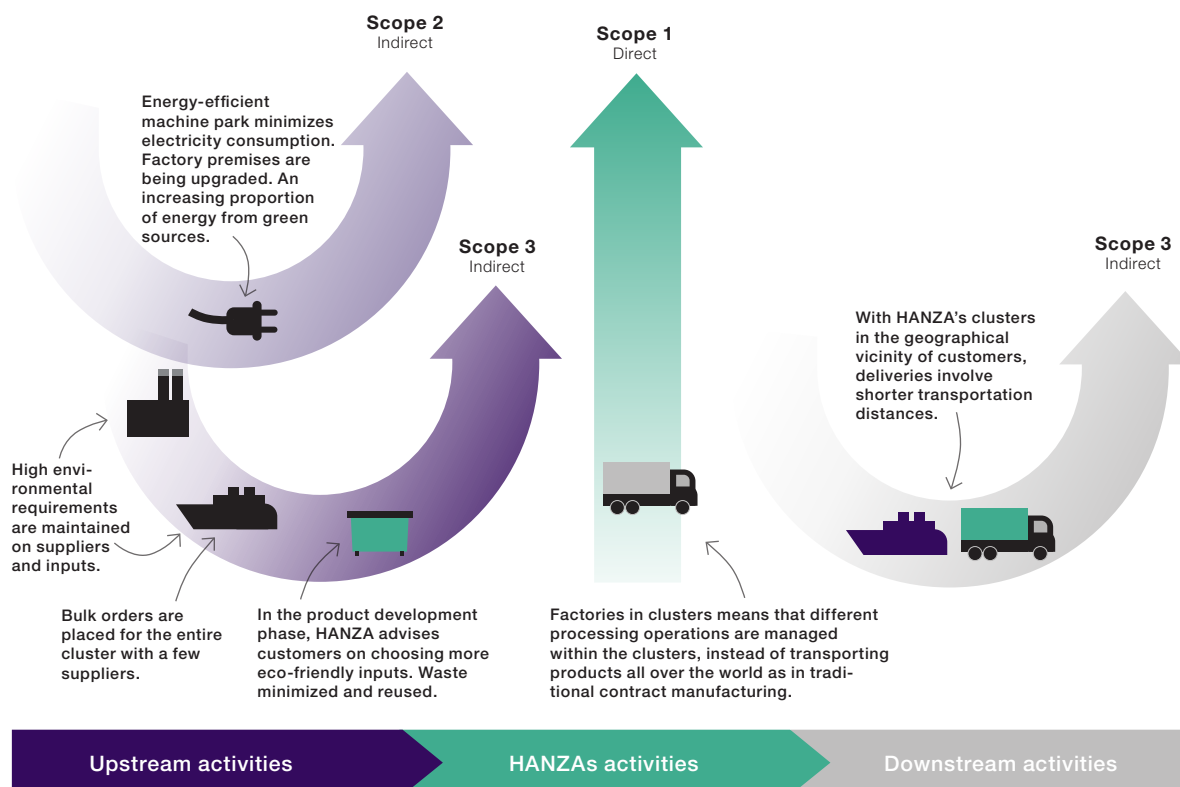
Of total energy consumption, the emissions of which constitute scope 2 in our carbon dioxide reporting, green energy accounted for 27%, i.e., fossil-free energy sources in 2022.

## Measures to reduce HANZA's climate impact

Greenhouse gas emissions according to the GHG protocol, tons			
	2022	2021	Comments
Scope 1	193	122	The amounts presented relate to leased vehicles. HANZA's factories, clustered in geographical proximity of each other, mean less transportation during the manufacturing process.
Scope 2	15,150 <sup>1</sup>	16,139 <sup>1</sup>	Refers to purchased energy. An increased proportion of self-produced energy and energy-saving processes reduces consumption.
Scope 3	Measured from 2023	Measured from 2023	Refers mainly to freight and emissions from manufacturing of input materials. In 2023, HANZA will set pertinent reduction targets after mapping all CO <sub>2</sub> emissions from HANZA's and suppliers' freight.
Total	15,343	16,361	

<sup>1</sup>) Includes emissions from energy consumption in all of HANZA's factories. The comparison year 2021 does not include Finnish HLP, acquired in 2021, or the factory in Kunovice, Czech Republic. The figures are based on national emission estimates from the European Environment Agency, i.e., location-based method, which does not take into account own choices of energy sources.

## Measures to reduce HANZA's CO<sub>2</sub> footprint



### Governance: How our sustainability work is managed

Meeting the customer's need for environmentally friendly processes is essential to HANZA's vision of creating higher customer value than traditional contract manufacturing. In accordance with the environmental policy, HANZA strives to use eco-friendly and resource-saving technologies and production processes in its own operations as well as with suppliers and in the manufacture of input material, and to comply with environmental laws and regulations. The policy also states that HANZA's environmental progress should be reported transparently. The procurement policy regulates purchases from suppliers in more detail, read more on pages 23-24.

Our ISO 14001:2015 certified environmental management system constitutes the group-wide environmental management system that has been implemented in most of HANZA's factories. Twelve out of eighteen factories are currently certified according to the system, which includes measurements and targets for the Group's energy use and waste management. At each individual factory, specific environmental issues are identified, such as activities requiring permits, toxic emissions and environmental risks. The possibility of reducing or recycling materials and replacing hazardous materials with eco-friendly alternatives is considered. Targets are set for each factory and monitored annually.

Customers also impose their own evaluation requirements on HANZA regarding sustainability aspects, which also include systematic reporting of their own operations and HANZA's suppliers' impact on the environment, labor and human rights, business ethics and sustainable procurement.

### Reduce other emissions

**HANZA's impact:** Emissions in the form of waste refers to both residual materials from production, and heavy metals, which is hazardous waste that affects biodiversity.

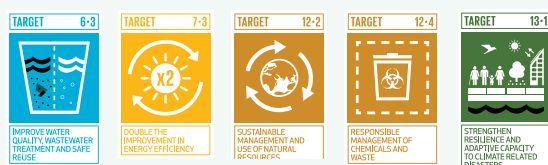
**Targets and efforts:** HANZA strives for minimal use of materials that generate hazardous emissions.

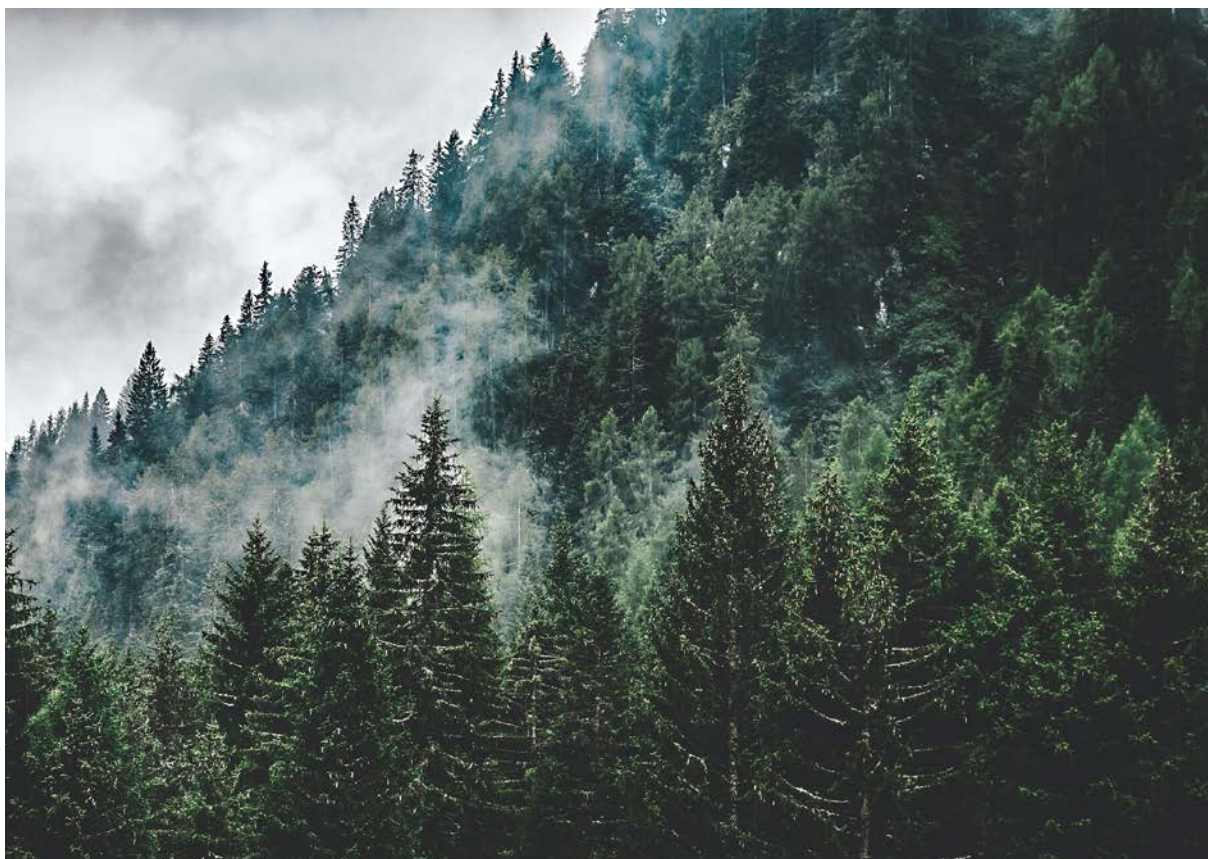
Customer demand for end products with lower environmental impact is met, among other ways, by granting

their product development personnel access to HANZA's previous experiences from production processes with more eco-friendly alternatives. At the group level for 2022, the target is to maintain or reduce the cost of waste management in relation to sales. The target from 2023 is an annual reduction in waste and hazardous waste in relation to turnover for electronics and mechanics. In 2022, the amount of waste decreased in relation to sales, as a result

Goal	Achieve a carbon-neutral business	Reduce emissions	Reduce the use of natural resources and energy
<b>Long-term targets</b>	Annually increase the proportion of energy use from fossil-free energy sources in own operations. Annually reduce emissions of CO <sub>2</sub> from energy use in own operations in relation to sales.	Annually reduce waste and hazardous waste in relation to sales of electronics and mechanics (tons of waste/MSEK and tons of hazardous waste/MSEK).	Annually reduce energy use in own operations in relation to sales (MWh/MSEK). Annually reduce water consumption in own operations in relation to sales (m <sup>3</sup> /MSEK).
<b>Target year 2022</b>  ● Target achieved ● Target partially achieved ● Target not achieved	● More factories will switch over to using green energy exclusively.	● Annually reduced waste management, measured as cost in relation to sales.	● Annually reduced energy use, measured as energy use in relation to sales.
<b>Target achievement 3-year overview</b>	Fossil-free energy sources, proportion of total energy use, % 2022 27 2021 8  CO <sub>2</sub> emissions from used energy in own production in relation to sales, tons/MSEK 2022 4.28 2021 6.42	Waste management cost/sales, % 2022 0.12 2021 0.15 2020 0.11  Mechanics waste/sales, tons/MSEK 2022 0.50 2021 1.88  Mechanics hazardous waste/sales, tons/MSEK 2022 0.26 2021 0.30  Electronics waste/sales, tons/MSEK 2022 0.18 2021 0.05  Electronics hazardous waste/sales, tons/MSEK 2022 0.007 2021 0.009	Energy use/sales MWh/MSEK 2022 12,4 2021 15,3 2020 13,6  Energy, use, MWh mechanics/electronics 2022 81/19 2021 84/16  Metals, consumption, tons 2022 28,822 2021 22,039  Water consumption/sales, m <sup>3</sup> /MSEK 2022 13.0 2021 16.2 2020 18.1  All data on the environment in the table and text covers all HANZA factories. The comparison year 2021 does not include Finnish HLP, acquired in 2021, or the factory in Kunovice, Czech Republic. The comparison figure for 2021 has been updated since the 2021 Annual Report

The result of HANZA's efforts to achieve its sustainability targets contributes to the following global interim targets for sustainable development





of continual work to minimize spillage. Waste management costs in relation to sales also decreased.

#### **Reduce the use of natural resources and energy**

**HANZA's impact, targets, and efforts:** Our manufacturing processes have a high material content, for the manufacturing of electronics, normally 60-75%, and for mechanics, normally 40-50%. Ongoing efforts such as in quality control and recycling are made at all factories to minimize product defects and reduce material spillage. Metal consumption increased by 31% in 2022, which can be compared to an increase in sales of just over 40%. HANZA's production processes in mechanics and electronics generally have low needs for water. In the case of water use in production processes, it is purified before it is discharged.

Energy use is dominated by the heating of factories and offices, and the powering of production machinery. Over the past few years, investments have been made in more energy-efficient machines at several factories, and major efforts are being made to minimize the energy use for heating. HANZA's three largest facilities for mechanics, i.e., the factories in Estonian Tartu and Narva, as well as in Swedish Töcksfors, stands for more than half of the energy use. In 2022, the newly-inaugurated factory in Tartu, with 25% of its energy use supplied by solar panels on the factory roof, provided tangible energy savings for HANZA. The factory's existing solar panels, with a peak power of 200 kW, and the nearby sheet metal factory acquired by HANZA in 2022, are to be extended in 2023 with additional solar panels, corresponding to 172 kW. In 2023, the installation of solar panels is also planned at one of the Finnish factories, as well as at HANZA's production facility in

Poland, which already has a small solar panel installation. Higher energy prices on world markets have also initiated other energy-saving measures, such as factory controls to counteract energy leakages from machines and open doors and windows, as well as switching to LED lighting and maintenance of ventilation.

#### **EU taxonomy for green investments report**

For 2022, companies must report the proportion of revenues, costs and investments that are covered by the EU taxonomy regulation's review criteria that meet EU requirements/ definition of green activities.

**Sales:** The assessment is that HANZA does not have any sales that fall within the taxonomy regulation's review criteria.

HANZA does not produce its own inputs, but rather purchases and processes them, which is why the group's activities cannot be considered to make a significant contribution to climate impact mitigation and adaptation, nor to fall within the taxonomy regulation's review criteria.

**Capital expenditure:** The assessment is that, apart from certain capital expenditure related to the energy efficiency of buildings and solar panels, HANZA has no capital expenditure that falls within the taxonomy regulation's review criteria.

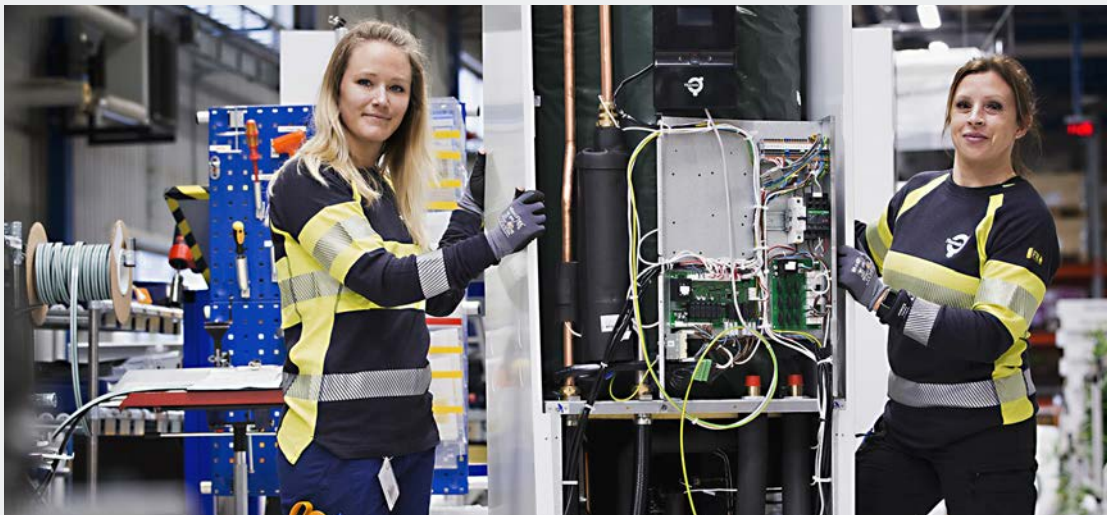
**Operating expenses:** Our assessment is that HANZA has no operating expenses that fall within the taxonomy regulation's review criteria.

For taxonomy tables are included on the annual report published on the company's web page.



# Thermia AB

Pioneering developer and producer of heat pumps



More than a quarter of Europe's CO<sub>2</sub> emissions come from heating, lighting, and operating home appliances. 80% of these emissions are attributable to the heating of premises and hot water. Heat pumps harvest renewable energy that is stored in the ground, air, or water, and convert it into an environmentally sustainable indoor climate for buildings. As no fossil fuels are burned, heat pumps are eco-friendly, and help you to achieve your emission targets.

HANZA has a long, shared history with Thermia AB, a global developer and manufacturer of heat pumps.

Over the years, HANZA has assisted with expertise in sheet metal processing and process optimization with a high degree of automation, and has also been invited to participate in several development projects. The importance of offering high flexibility, just in time, and efficient logistics solutions is crucial for such collaboration.

*"Thermia is a valued customer that we have had the privilege to work with for over two decades. Our companies share similar cultures and values, which contributes to maintaining and developing an already strong partnership. Thanks to our geographical location, we are also well-suited when it comes to environmental work. A unique part of HANZA's business model is to reduce transportation by means of local manufacturing. Thermia's and HANZA's production facilities are located less than an hour away from each other, which I dare say is as local as you could wish for."*

*Veronica Svensson, Sales Director, Scandinavia*

*"The entire existence of Thermia is based on sustainability; ever since our first product was created almost 100 years ago. Everything we do revolves around this,*

*from the products we launch to how we manage our waste in the factory, and how we carefully select our subcontractors.*

*We want sustainable products that have been developed and manufactured in a process and in a company that is steeped in sustainability thinking."*

*"At Thermia, we're constantly striving for improvements.*

*A crucial factor here is knowing our suppliers well, and after many years of collaboration, we're confident that HANZA meets our requirements. Knowing that HANZA helps us to manufacture our products in the best possible eco-friendly and most cost-effective manner means that we can focus on improvements and efficiency. Being so close to a supplier also makes it easier to solve any problems that might arise."*

*"Thanks in part to the fact that we are using HANZA sheet metal cabinets, when our products reach the end of their working life they can be recycled up to 92%."*

*Magnus Glavmo, CEO, Thermia AB*

## ABOUT THERMIA:

Thermia was founded in 1923 by Per Anderson, an inventor and pioneer of energy-efficient solutions. The company still lives by its founder's original vision: "The products we launch must be not only the best of their time, but before their time, over time."

Headquarters: Arvika, Sweden

Employees: 300

Turnover: SEK 1,250 million

Since April 2018, Thermia has been part of the German Stiebel Eltron group.

# Security and ethics

**HANZA works with customers who place high demands on their suppliers. In order to establish long-term relationships with customers as well as employees and society at large, we act with integrity when it comes to ethics and information security, and ensure the same high standards among our suppliers.**

## Risks and opportunities

HANZA's relationships with employees, customers and the outside world are based on how we act internally and do business. In addition to product and delivery quality, and the ability to contribute to added value, acting in a manner that is characterized by a high level of integrity and business ethics is crucial to not only maintaining customer confidence, but also the confidence of employees and society at large.

Our actions involve more than just complying with regulations and laws, and are based on proactive work within three areas: excellent business ethics including anti-corruption, secure information management, and requirements on our suppliers.

## Ensuring business ethics

**HANZA's impact:** Our operations are characterized by an unwavering commitment to maintaining the highest ethical standards. We act and do business on the basis of clear ethical principles, where a high degree of integrity, honesty and sound judgment are some of the starting points, requirements that are also placed on our partners.

**Targets and efforts, governance:** The Code of Conduct, which clarifies HANZA's standpoint on matters such as ethics and anti-corruption, is clearly communicated throughout the organization, and is included in the induction training course for all new employees. An insider policy specifies the handling of share price-sensitive information.

HANZA has zero tolerance for bribery and corruption. As part of our preventive work, risks of infringements and conflicts of interest are constantly evaluated. The risk of

corruption is considered greatest in the case of an individual employee's contacts with suppliers and customers. In order to never be suspected of irregularities or corruption in the course of business activities, our Code of Conduct stipulates that no employee shall receive or give gifts with the intention of influencing a decision maker. All gifts are to be recorded in both a local and central register at HANZA. 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 2022, no reports of corruption or other rule infringements were received through HANZA Hotline or through the line organization. As a result of global logistics disruptions, the workload in the organization has been very high, which has led to a delay in much internal anchoring work, such as internal monitoring of the Code of Conduct among employees.

## Increased supplier requirements

**HANZA's impact, targets, and efforts:** Of our approx. 2,000 suppliers, the majority consists of raw material and component suppliers for the production process.

HANZA's ability to meet customer requirements for traceability of goods, and to ensure sustainable business with suppliers, requires a reliable evaluation process in the group, which we enhanced in 2022.

All suppliers are expected to share the same view on sustainability as HANZA with regard to the environment, labor law, human rights, business ethics and anti-corruption. From 2023, it is mandatory for essential suppliers to



Goal	Maintain a high level of business ethics among employees and suppliers	Offer data integrity of an international standard
<b>Long-term targets</b>	Zero incidents of corruption. All employees must be informed about HANZA's Code of Conduct. Annual in-depth evaluations of essential suppliers with regard to sustainability. All of HANZA's essential suppliers must acknowledge HANZA's Code of Conduct for suppliers.	Zero damage from data breaches.
<b>Target year 2022</b> ● Target achieved ● Target partially achieved ● Target not achieved	● Zero incidents of corruption. ● All employees must annually acknowledge the content of HANZA's Code of Conduct.	● Zero data breaches.
<b>Target Achievement 3-year overview</b>	<b>Cases of corruption, number</b> 2022 0 2021 0 2020 0  <b>HANZA Hotline, number of reports</b> 2022 0 2021 0 2020 0  <b>Proportion of employees who acknowledged the Code of Conduct</b> Measured from 2023	<b>Data breach, number</b> 2022 0 2021 0 2020 0

The result of HANZA's efforts to achieve its sustainability targets contributes to the following global interim targets for sustainable development



sign the Code of Conduct for Suppliers. In addition, a more comprehensive and systematic evaluation of the largest or most strategic suppliers' impact on the environment, labor and human rights, business ethics and sustainable purchasing is performed. The target for 2025 is that all significant suppliers must undergo in-depth evaluations on an annual basis.

HANZA has implemented a number of different types of system support for its evaluation processes, to increase the quality of the supplier evaluation.

The responsibility of monitoring suppliers lies with the relevant purchasing organization within HANZA, which for mechanics means each individual factory, and for electronics means the global purchasing manager for electronics. In the event of non-compliance with the code, a dialogue is primarily conducted with the supplier, and in the absence of any action, the collaboration is terminated.

#### Data integrity

**HANZA's impact:** For a contract manufacturer, the ability to protect customer data and maintain data security is crucial for both customer confidence and competitiveness.

In light of the significant increase in hacking attempts on government agencies and major corporations, the importance of the issue has also increased for us, as a supplier.

**Targets and efforts, governance:** It is essential to constantly maintain confidentiality and integrity when handling customer and personal data. HANZA guarantees the correct, legal, and fair handling of such data, as well as GDPR compliance.

HANZA is taking significant measures to protect customers' drawings and other production documentation. The objective is to offer data integrity of a high international standard, and to comply with the highest level of international requirements with regard to information security and customer data protection. The certified system for enhanced information security in accordance with ISO 27001, which was implemented in the group in 2021, ensures that procedures and policies, such as the Information Security Policy, are followed, and that employees are regularly updated on new risks. The goal is to obtain certification for all HANZA companies by the end of 2024. In 2022, no harmful incidents from data breaches occurred.

# Employees

**Our 2,000+ employees contribute significantly to HANZA's innovative thinking and profitability. Continual competence supply and employees thriving at work is vital for HANZA's continued growth.**

## Safe work environment and health

**Risks:** The manufacturing industry entails risks with regard to employees' health and safety, and perceived work environment.

Preventive work is vital to increase motivation, facilitate competence supply and maintain the confidence of society and customers. It is crucial for the confidence of the outside world that we guarantee fair working conditions and terms of employment, as well as respect for human rights, see "Human rights" below.

**HANZA's impact:** As a manufacturer operating in factory environments, we strive to provide a safe work environment across the Group.

**Targets and efforts:** The key objective of our work environment initiative is a zero vision for work-related injuries. The risk of accidents and unhealthy workloads is minimized by means of local efforts, such as fire prevention, signage of evacuation routes, safety procedures and safety training videos, as well as managerial training and work environment representatives at each work location. HANZA's work environment management system helps prevent injuries at work, and to create an even healthier and safer work environment. The systematic follow-up of incidents that resulted in or could have resulted in workplace injuries has meant fewer and less serious injuries and a lower risk of accidents for employees, see also "HANZA's work environment management".

Other health-enhancing measures include better and more functional premises such as the new assembly fac-

tory in Tartu. Locally adapted measures include wellness allowances in Sweden and Finland, private healthcare in Poland, health checks in China and Sweden, annual health weeks, as well as free daily soup lunches in Estonia.

In 2022, there were 31 workplace accidents, which was more than the 26 accidents that occurred in the previous year, but a decrease relative to the number of hours worked, 8.6 in 2022 compared to 10.6 in 2021. Most workplace accidents involve cuts to fingers and hands, as well as minor crush injuries, and are frequently caused by incorrect handling during production. In the production facilities that were acquired in Finland and Germany in 2021, the implementation of certain elements of HANZA's work environment system was completed in 2022.

The long-term ambition is that all factories within the group will be certified in environment management.

## Human rights

**HANZA's impact, targets, and risks:** HANZA respects and works in accordance with several human rights conventions, which means that all types of child labor, unpaid overtime, forced labor and other violations against human freedoms are opposed, in both HANZA's business as well as in the rest of our value chain.

The greatest risk of contributing to violating human rights is in the production of inputs that the company uses in its production, such as the working conditions in mining to extract certain metals. Other risks include the consequences of the environmental impact of produc-

## Governance: How HANZA creates safe work environments throughout the group

In accordance with the group's occupational health and safety policy, HANZA must offer physically and socially secure work environments that do not expose employees to risks. In addition to complying with local laws and regulations, HANZA undertakes to work towards its employees' well-being, and to have a zero vision for workplace accidents.

The work environment management system certified in accordance with ISO 45001 has been implemented in eleven of HANZA's eighteen factories. Within the framework of the system, internal key performance indicators are followed up on a monthly basis. Any local deviations of key performance indicators result in mandatory measures at the local factory. Each factory therefore measures the number of workplace accidents, incidents, absences due to work-related injuries, and sick leave. In addition to this, health and safety risks are evaluated on an ongoing basis, as well as any deviations from local laws and regulations. The factory then prepares customized action programs such as compulsory safety training initiatives, and directives linked to safety procedures and evacuation.

In the event of acquisitions, HANZA conducts a separate due diligence with regard to the organization and its employees where, among other matters, existing leadership and recruitment needs are evaluated. After the acquisition, HANZA's values, policies and processes are gradually implemented, such as the work environment management system, so that all the factories within the group work in accordance with the same work environment evaluation and action system.



Goal	Offer a safe and secure workplace, free of work-related injuries, victimization and discrimination	Promote equality and strive for diversity
Long-term targets	Annual reduction in the number of incidents that result in absence from work (LTIFR). Zero cases of confirmed discrimination. All employees must be informed of HANZA's anonymous whistle-blowing function. Annual employee survey that results in concrete activity programs.	Increase the proportion of women in a managerial role. All employees with a managerial role must undergo training on HANZA's diversity policy.
Target year 2022 <div>● Target achieved</div> <div>● Target partially achieved</div> <div>● Target not achieved</div>	● Zero workplace accidents	● Increased gender equality
Target achievement 3-year overview	<div>Workplace accidents, number</div> <div><div>202231</div><div>202126</div><div>202032</div></div> <div>Work-related injuries/million hours worked, (LTIFR)</div> <div><div>20228.6</div><div>202110.6</div><div>202012.5</div></div> <div>Cases of discrimination, number of cases investigated</div> <div><div>20220</div><div>20210</div><div>20202</div></div> <div>Sick leave %</div> <div><div>20226.5</div><div>20214.9</div><div>20205.1</div></div>	<div>Gender distribution 2022 Board of Directors</div> <div><div>Women, (40%)</div><div>Men, (60%)</div></div> <div>Gender distribution 2022 group management</div> <div><div>Women, (0%)</div><div>Men, (100%)</div></div> <div>Gender distribution 2022 group</div> <div><div>Women, (32%)</div><div>Men, (68%)</div></div> <div>The gender distribution among the Board of Directors and management is unchanged compared to the last two years. In the group, the proportion of women was 39% in 2021, and 32% in 2020.</div>

The result of HANZA's efforts to achieve its sustainability targets contributes to the following global interim targets for sustainable development



tion, possible acts of corruption, and the product safety of finished products that contain HANZA components. The aim of HANZA's work is to ensure that human rights are not violated by suppliers, or in the production of input materials used in HANZA's production, by means of annual in-depth evaluations of essential suppliers.

**Actions, governance:** In accordance with, among other things, HANZA's Code of Conduct, the right to freely associate with trade unions is self-evident, and all types of child labor are of course prohibited.

Wage structures, overtime pay and working conditions are based on collective agreements, laws, or industry

standards. The responsible purchasing of traceable conflict minerals, i.e., gold, tantalum, tin, and tungsten, guarantees that no conflicts are financed in countries where they were mined. Supplier contacts are evaluated through HANZA's Code of Conduct for Suppliers, and a new mandatory systematic reporting system for all suppliers.

#### Diversity, equal treatment

**HANZA's impact, opportunities:** Diversity among HANZA's employees and its inclusive business culture are assets that strengthen our capacity for growth and generating good results. Differences in experience and

## HANZA's values

Our values summarize the expectations that employees have of one another, in order for the HANZA Group to achieve its vision of becoming a unique and value-generating partner within manufacturing. The annual career-development meetings are based on our values, which clearly permeate all current employee policies. In the case of factory acquisitions, values workshops are arranged with different employee teams who have to work together on the implications and follow-up of our values.

### WE ARE FOCUSED

– on ensuring that we can deliver what we have promised, and finish what we have started.

### WE COMMUNICATE

– which provides the basis for the implementation of our strategies and achievement of our goals.

### WE ARE TEAM PLAYERS

– we all work towards the same goals.

### WE MAKE THINGS EASY

– we are always searching for new ways to improve and simplify what we do.

### WE TAKE OWNERSHIP

– by assuming responsibility, we can grow and develop.



background spark innovation and creativity, and provide us with knowledge and perspectives to better understand our customers.

**Targets and efforts, governance:** HANZA opposes all types of discrimination based on gender, age, ethnicity, political affiliation and so forth in relation to recruitment, training, and promotion, as stipulated in the Code of Conduct. The aim is that no discriminatory incidents should occur within HANZA. Perceived infringements can be reported to HANZA's whistleblowing function, HANZA Hotline, through which employees can anonymously report concerns about deviations from policies and rules, violations, or abuses of positions of trust.

No reports were made in 2022 to HANZA Hotline. Normally, perceived infringements are reported to the immediate manager who, if necessary, manages the situation together with the local HR function. An annual employee survey measures, among other things, perceived victimization. Since 2018, the survey has shown clear improvements in the matter each year. In 2022, no

incidents occurred or were investigated with regard to discrimination.

The gender balance at group level is relatively good at HANZA, with 32% women and 68% men. However, individual professional categories and clusters show a poorer balance, a challenge that HANZA shares with the rest of the global engineering industry, where simpler mechanical jobs are dominated by women, and heavier tasks are dominated by men. HANZA strives to provide equal employment terms and conditions for equivalent assignments. One target is to increase the proportion of women with a managerial role within the group, who accounted for 22% in 2022. HANZA's group management, consisting of three people, is made up of entirely men.

HANZA's only female cluster manager left her position at the end of the year. Several positions within middle management are held by women, such as sales, accounting, and HR.

### Develop, motivate, and attract employees

**HANZA's impact, opportunities, governance:** HANZA's growth has resulted in a need for skilled and committed workers. Constant competence supply and development of employees is therefore of strategic importance. HANZA's values and its leadership program basically ensure that our workers' performance is safeguarded, and a global HANZA culture is established.

**Targets and efforts:** Strive to safeguard internal competence, and offer workers development opportunities.

Mapping of employee skills and development needs is conducted in the annual career-development meetings, which are then matched with the skills requirements in other parts of the company. Competence exchanges between factories and internal career paths, aim at increasing exchanges of production methods between clusters, and creating a more cross-border HANZA. In this way, employees are also given the opportunity to develop, in addition to the ongoing activities that HANZA offers, such as in employer branding, as well as training in local languages in areas such as IT security.

A good induction process is the key to skilled and committed workers. All newly hired workers are given an individual induction plan, and take part in the induction training via HANZA Academy. Newly hired key functions



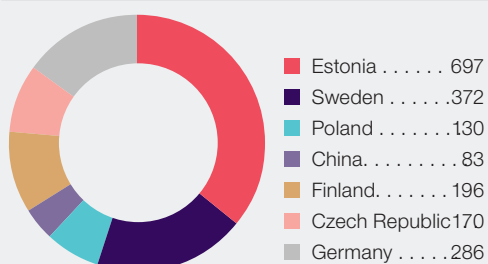
are given a global introduction to HANZA by the CEO, CFO and COO. The Intranet, where new employees, policies and news regarding the Group or local factories are presented, is the established channel for internal communication.

The annual employee surveys have, for several years, shown steady improvements, despite the uncertainty that can come from expansion and acquisitions. In particular, commitment and customer focus have shown a higher score over time. In 2022, global logistical challenges relating to components and materials resulted in high workloads among employees at times, which to some extent affected the work environment. Work that started in the year on such things as motivation-enhancing initiatives and anti-stress work environment measures continues in 2023. In order to improve the group's internal communication, Intranet development is to continue in 2023. In addition, HANZA Academy will be updated with new training programs.

### HR organization

The aim is that each HANZA cluster should have at least one person responsible for recruitment and personnel-related issues, who ensures that any initiatives are adapted to the cluster's needs. In addition, their work is coordinated by a global manager stationed in Sweden. In 2022, an HR function was recruited for China, and in the Swedish cluster, another HR position has been created. Finland, Germany, and Poland also have their own HR managers. In the Baltic cluster, which is one of HANZA's largest, there is, among other positions, a dedicated recruitment manager who works with competence supply for the cluster. Partnerships also exist with universities and occupational colleges within several clusters.

### Average number of employees per country



### Local communities

**HANZA's impact, opportunities:** Adopting a long-term approach in the locations where we are a major employer, results in mutual trust between HANZA and the local community.

HANZA's operational locations are normally in communities where HANZA is a major employer, and therefore an important private-sector player for the support of local inhabitants.

**Targets and actions:** HANZA strives for the sustainable development of communities, and to maintain continuous dialogs with financiers, such as local government, in order to achieve working agreements, and also to clarify HANZA's long-term commitments to the operational location. HANZA's different clusters include factories that were acquired at a time when they were weighed down by weak profitability and liquidity problems, with closure as the only viable alternative for the owners at the time.

HANZA's continued operations have helped to sustain employment in several rural areas. Our collaborations with municipalities and schools at the production sites in Estonia and Finland, in order to establish mutual trust, and to ensure HANZA's capacity for growth in the long term, are further examples of our community involvement. In 2022, we were able to acquire previously rented premises in Estonia. In China, HANZA has moved to new and larger premises adapted to its operations. In all clusters, operations have thus been expanded.





# Rainer Olesk, cluster manager in China

Rainer Olesk started working at HANZA in 2010, as a technician for cable production in Tartu, Estonia. After a few years, he was promoted to account manager, and in 2015 he was given the role of operations manager. In 2018, he went to China for the first time, where he was acting cluster manager for six months before returning to Tartu. At the end of the summer of 2022, Rainer and his family moved from Estonia to China, where he now acts as cluster manager for HANZA's Chinese manufacturing cluster.



## A new chapter in China

It's been almost eight months since my family and I arrived in China and our new home in Suzhou. We live in a pleasant area, and our children are gradually starting to feel at home in school, and are getting used to the new languages - they're learning both Mandarin and English. Suzhou is a lively, international city with many lush green parks, very nice to live in. Covid restrictions have finally been lifted, which means it's possible to travel again. We're very pleased about that, as we plan to visit other parts of China and neighboring countries soon. As expected, the food in Suzhou is very good, and everyone in the family has discovered their favorite dish. We're looking forward to the spring, and to seeing what the Year of the Rabbit has in store for us.

## Cluster China also starts a new chapter

**New factory** – in August 2022, we moved our factory to a new facility not far from our previous address. We are still located in Suzhou Industrial Park, close to our employees, suppliers, and customers. Thanks to good teamwork and lots of effort from all involved, the move went smoothly and without any hitches. The new production premises are more than 1,000 sqm larger than the previous one, totaling almost 4,000 sqm. Our new and modern premises are not only functional, but also enable us to receive business visitors and hold meetings with pride.

**Purchasing collaboration** - in October 2022, HANZA Group initiated a collaboration with an external purchasing partner, ESIC, with offices in Shenzhen, Hong Kong, and Suzhou.

ESIC has a skilled team with extensive experience in electronics and mechanical components. They support HANZA's global purchases and the Chinese cluster in developing a purchasing organization locally in China. They also help us to work with the challenges that the global component market still faces.

**Electronics** - after a long series of delays, we have now tooled up a production line for PCBAs, and can therefore offer our customers electronics manufacturing. In 2023, we are reaching a new milestone by bringing in new expertise to Cluster China.

We are also looking forward to creating synergies with HANZA Tech Solutions, which will strengthen our offering to customers both within and outside China.

**Removed restrictions** - after three years, China has finally removed all quarantine entry requirements. It is now possible to travel in and out of the country without any problems, and we have already scheduled in several visits from colleagues and partners who we look forward to seeing again in person.

*Rainer Olesk, cluster manager*