

SUSTAINABILITY



HANZA

About the sustainability report

The sustainability reporting corresponds to HANZA's financial year. The efforts, goals and metrics relate to HANZA's responsibilities and most significant impacts on stakeholders in the value chain, as well as sustainability-related risks and opportunities for the company. The sustainability report has been reviewed by auditors in accordance with RevR 12.

Promoting 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 on the environment, but also in other parts of society, such as people’s health and safety at work.

We are aware that sustainable business practices improve both society and our competitive edge. Our vision is to create higher customer value than traditional contract manufacturing by reducing the climate and environmental footprint. HANZA’s business model incorporates essential processes that minimize adverse effects on people and the environment, while maximizing our positive contribution.

From 2024, the EU mandates that all large enterprises take substantial steps forward in the area of sustainability. Mandatory sustainability reporting under a new CSRD standard provides an incentive to increase environ-

mental investments and eventually reach climate neutrality. Companies also become responsible for identifying and addressing their negative impacts on human rights and the environment. In 2023 and 2024, HANZA will review the relevant processes to adapt them if necessary and further strengthen our sustainability initiatives.



External frameworks

HANZA complies with local and international laws, regulations, and industry standards. We

Internal framework

- The vision is to be a unique value-adding business partner in manufacturing.
- Group-wide values.
- Group-wide policies and certified processes.
- Organizational responsibility.
- Sustainability framework based on materiality analysis with overall objectives and targets set by the Board of Directors that are followed up annually.
- Transparent reporting on sustainability performance.

Sustainability is integrated in the entire organization

Board of Directors and Audit Committee (preparatory)

Area of responsibility:
Based on a materiality analysis, determines HANZA's sustainability risks and overall sustainability strategy*. Decides on overall sustainability goals.

CEO

Area of responsibility:
Ensures that sustainability impact is part of HANZA's overall business strategy, that sustainability risks are managed, that adopted sustainability practices are integrated into business operations, processes and acquisitions. Decides on policies, action plans and resources.

Reporting		Implementation of sustainability		
<p>CFO</p> <p>Area of responsibility: Annual monitoring and compilation of the year's sustainability work Coordination with auditors of annual accounts</p>		<p>COO</p> <p>Area of responsibility: Sustainability monitoring of suppliers</p>	<p>Head of HR & Communication</p> <p>Area of responsibility: Monitoring of Employee health, safety and development</p>	<p>Head of IM</p> <p>Area of responsibility: Data security in HANZA Monitoring of key performance indicators Certifications in information security</p>
<p>Head of Quality</p> <p>Area of responsibility: Environmental and health and safety certifications Monitoring of key performance indicators</p>	<p>Sustainability coordinator</p> <p>Area of responsibility: Materiality analysis basis for HANZA's impacts and sustainability risks Draft policy Sustainability reporting</p>	<p>Head of ESS</p> <p>Area of responsibility: Assessment of electronics suppliers regarding sustainability Kodiak (Supplier Relationship Management)</p>	<p>Cluster Presidents</p> <p>Area of responsibility: Assessment of mechanical suppliers regarding sustainability Employee health and safety, development and motivation</p>	<p>Head of Sales</p> <p>Area of responsibility: Customer Dialogue Business plan for sustainability</p>

Provision of information: Monthly monitoring of key performance indicators in the work environment and quarterly environmental reviews are conducted within the clusters and reported to the CEO. Overall sustainability goals and the results of customer and employee surveys are followed up annually in the Board of Directors.

*For the Board's preparation, treatment and risk management of sustainability issues and internal control of the sustainability report, see also the Corporate Governance Report.

HANZA's primary stakeholders	Expectations, opinions	Trend in recent years' dialogues	Key dialog events
Customers	High quality and stable supply chains. Innovation. End products with low environmental impact, social responsibility and good business ethics and data security among subcontractors. Connection to systematic supplier evaluation system.	Need to reduce carbon emissions, traceability of inputs in the value chain and increased protection against hostile data breaches.	Customer survey, annual. Customer meetings, ongoing. Evaluations, ongoing.
Employees and local communities	Safe and healthy working environment, development, social engagement.	Safe working conditions and development opportunities.	Employee survey, annual. Trade union negotiations, annual. Career development meetings, annual. Employee dialogue, ongoing.
Investors and owners	Customer satisfaction and competitiveness, ensured environmental, social and business ethics throughout the value chain, transparent communication, compliance.	Climate issue. Uphold human rights in both input materials and the customer chain, ensuring that no violations occur such as child labor, the use of conflict minerals, or involvement in the production of war materials such as cluster bombs and landmines.	Investor meetings, ongoing. Annual General Meeting, annual.
Environment, people and communities in the supply chain	Minimal environmental impact from emissions, consumption and waste, social responsibility, good business ethics, communication.	Protection of people and the environment.	Supplier evaluations, ongoing.

are a signatory to and have been participating in the UN Global Compact since 2023, which means that we promote the ten principles of the Global Compact and report our progress accordingly. Furthermore, we promote the Sustainable Development Goals and comply with several 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.

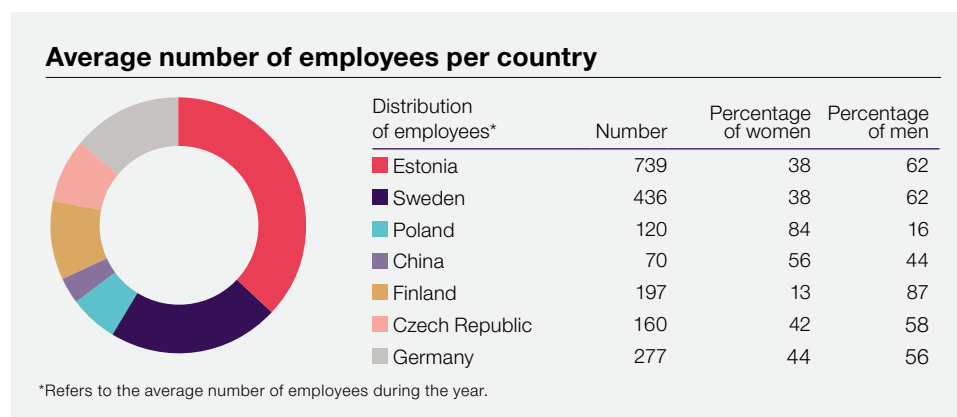
Stakeholders in the HANZA value chain

HANZA's mechanical and electronics factories produce components for customers' manufacturing processes based on customers' drawings and material choices. Input materials consist mainly of metals, electronic components, plastics and chemicals purchased from major suppliers who in turn purchased these processed goods. Customers decide on the

design and specification of components, their use and life cycle after delivery. As a complement to component production, HANZA offers processes and expertise that can increase the sustainability properties of components, for example through material choices that reduce the use of chemicals. HANZA employs around 2,200 ¹ people, most of whom work in the group's six clusters. Other employees are active in management, support functions and in HANZA's development company.

Based on HANZA's value chain, we have identified the primary stakeholders of our business. This group includes stakeholders who either influence or are influenced by our activities related to environmental, social, and business ethics issues, as well as those who rely on HANZA's sustainability information. We consider their perspectives in stakeholder dialogues and within HANZA's analysis of the external environment. In meetings with these

1) Refers to 2023, before the acquisition of Orbit One.



Revenue breakdown by manufacturing area	% of total revenue
Electronics	41
Mechanics	59

HANZA's sustainability goals		HANZA's sustainability issues, value chain, and where in the value chain sustainability work is conducted				
Focus area	Sustainability goal	Input materials	Suppliers	HANZA	Customers	Owner, society
Environment and climate	Increase the proportion of fossil-free energy sources	Significantly reduced carbon dioxide emissions				
	Reduce CO ₂ emissions/sales	Reduce the use of natural resources and energy				
	Reduce energy use/sales	Reduce other emissions				
	Reduce water consumption/sales					
Security and ethics	Reduce waste and hazardous waste/sales in electronics and mechanics					
	Zero damage from data breaches	Offer data security meeting high international standards				
	Zero incidents of corruption		Maintain a high level of business ethics among suppliers	Maintain a high level of business ethics among employees		
	All employees must be informed about the HANZA Code of Conduct					
Employees	All suppliers must confirm that they have received and will comply with the HANZA Supplier Code of Conduct					
	Significant suppliers must undergo sustainability audits.					
	Reduce the number of incidents leading to sick leave	Provide a safe and secure workplace, free from occupational injuries, victimization and discrimination				
	All employees must be informed of HANZA's whistle-blowing function			Promote equality, strive for diversity		
	Zero cases of confirmed discrimination					
Annual employee survey and action plan.						
Increase the proportion of women in managerial roles						
Training for all supervisors on the diversity policy						

HANZA's main impact on the environment, people and business ethics arises both in the group's own operations and in the supplier and customer chain. To ensure that the principles and rules that HANZA follows regarding the environment, labor law, human rights and business ethics are also followed by our suppliers, consultants and other representatives, measures are taken to counteract negative impact and promote benefits in several parts of the group's value chain.

stakeholders, we provide feedback on our sustainability priorities and how the business model is being adapted.

Materiality analysis

HANZA has identified a number of issues that either give rise to major actual or potential impacts on people and the environment,

or major risks and opportunities for HANZA related to sustainability. Material sustainability issues have been organized into three focus areas in which there are clear objectives, either through commitments in policies or specific sustainability goals.

The most recent major materiality analysis was conducted in 2020 and has since been

subject to annual reviews and modifications. The materiality analysis is based on all activities and business relationships in the traditional component manufacturers' value chain. The aim is to identify material issues over which HANZA has some influence, including those already addressed in HANZA's strategy and business model. The analysis is based on

industry knowledge, experience from internal processes, customers' requirements, results from employee surveys, employee interviews and work environment development, investor requirements, information on suppliers' sustainability challenges, competitors' sustainability reports, interviews with the management team and laws, regulations and international

Group-wide policies related to sustainability	Purpose and content, objectives	Link to the HANZA management system and other declarations	Responsibility for follow-up
HANZA Code of Conduct	<p>Based on national and international legislation, industry standards, the 10 principles of the Global Compact, international conventions such as the ILO, the UN on children's rights and anti-discrimination, the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business and Human Rights.</p> <p>HANZA opposes all types of human rights violations, including child labor, unpaid overtime, forced labor, human trafficking and discrimination. The HANZA Code of Conduct outlines prohibited grounds of discrimination. HANZA is committed to providing and advocating for a safe working environment, freedom of association, reasonable working conditions and fair compensation. HANZA is committed to reducing its environmental footprint and opposing all types of corruption.</p>	Declaration Conflict Minerals	CEO
Insider policy	Clarifies the handling of share price sensitive information		CFO
Procurement policy	<p>In all purchases, the same requirements are imposed on suppliers as on HANZA in accordance with the HANZA Code of Conduct and environmental and work environment processes. Conflicts of interest should be avoided. Suppliers must participate in quarterly sustainability assessments and meet HANZA's requirements for responsible purchasing.</p>	Declaration Conflict Minerals	COO
HANZA Supplier Code of Conduct*	<p>HANZA's expectations of suppliers and their supply chain on environmental, social and business ethics/corruption issues. Complies with the principles of the HANZA Code of Conduct. Suppliers should ensure and have processes for compliance and be available for audits. Non-compliance may lead to termination of collaboration.</p>		COO
Quality policy	<p>The quality policy, which is fundamental to HANZA's long-term strategy, includes aims for key performance indicators. In addition to excellence in business development, operations and finance, HANZA's goal is to provide a highly motivated work environment without accidents, harassment or corruption, as well as an environmental approach that minimizes freight, consumption and emissions.</p>	ISO 14001 environmental management system	Head of Quality
Environmental policy	<p>HANZA shall strive to use more environmentally friendly technologies and products, as well as offer services through manufacturing in clusters that reduce transport and improve resource utilization, use structured environmental processes, comply with environmental laws and regulations with regular follow-ups, and clearly measure, monitor and transparently communicate environmental key performance indicators.</p>	ISO 14001 environmental management system Environmental declarations (RoHS, REACH)	Head of Quality

Group-wide policies related to sustainability	Purpose and content, objectives	Link to the HANZA management system and other declarations	Responsibility for follow-up
Information security policy	An overall secure data management policy to protect HANZA and its customers, linked to a number of internal data security policies. HANZA undertakes to maintain a high level of information security by following clearly defined responsibilities and roles in various information security issues for all HANZA's sites, suppliers and others with access to HANZA's systems.	ISO 27001 information security system	CEO
HR Policy	Policy for HANZA's overall and strategic management of employee resources, linked to a number of other employee policies. HANZA aims to set high standards for its employees, fostered by clear leadership, a safe working environment, skills and staff development, internal collaborations, ethical business practices and effective internal communication.		Head of HR & Communication
Health and Safety Policy*	HANZA shall provide physically and socially safe working environments that do not expose employees to risks. In addition to local laws and regulations, HANZA undertakes to work for employee well-being, have a zero vision for workplace accidents and structured work environment processes with follow-up. It also clarifies the responsibility of employees to contribute to a good work environment by following rules and instructions.	ISO 45001, health and safety management system	Head of HR & Communication
Diversity policy	HANZA strives for a corporate culture of inclusion and diversity, with zero tolerance for discrimination in the group and with partners and suppliers. The policy clarifies the responsibilities of HANZA and its employees.		Head of HR & Communication
Policy on sponsorship and donations *	Clarifies how HANZA's sponsorship and donations will be used to help support the community.		CEO Cluster Presidents locally

*policies updated in 2023.

conventions. The materiality analysis will be updated in 2024 in accordance with CSRD requirements.

In the following chapters on our focus areas, we will outline where in the value chain and in which specific activities HANZA has the most significant impact, and discuss the associated risks and opportunities. The report covers how HANZA met its 2023 sustainability goals and efforts, both individual and through adjust-

ments to the strategy and business model, aimed at reducing negative impacts, promoting benefits and managing risks and opportunities.

A resilient business model

Unlike traditional contract manufacturers, HANZA employs a strategy and business model designed to minimize environmental damage and reduce the risk of injury to people.

Our factory parks are organized in regional clusters with a broad offering, which minimizes transport and thus climate emissions.

- We have a clear focus on safe working environments for employees.
- Our knowledge of and advice on supply chains and input materials results in sustainable production and logistics processes with high traceability.
- Significant measures are taken to maintain

high standards of business ethics, fight corruption and protect customer data from breaches to preserve global trust in HANZA.

As a result of our customers' need to reduce their total carbon emissions, HANZA's climate-related risks are expected to rise, which will require additional measures in the coming years.

Our contributions to the Sustainable Development Goals (SDGs)

Major global challenges such as the climate crisis, poverty, injustice, inequality and corruption pose 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.



Environment and climate

<p>TARGET 6-3</p> <p>IMPROVE WATER QUALITY, WASTEWATER TREATMENT AND SAFE REUSE</p>	<p>TARGET 7-3</p> <p>DOUBLE THE IMPROVEMENT IN ENERGY EFFICIENCY</p>	<p>TARGET 12-2</p> <p>SUSTAINABLE MANAGEMENT AND USE OF NATURAL RESOURCES</p>	<p>TARGET 12-4</p> <p>RESPONSIBLE MANAGEMENT OF CHEMICALS AND WASTE</p>	<p>TARGET 13-1</p> <p>STRENGTHEN RESILIENCE AND ADAPTIVE CAPACITY TO CLIMATE RELATED DISASTERS</p>
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Employees

<p>TARGET 5-5</p> <p>ENSURE FULL PARTICIPATION IN LEADERSHIP AND DECISION-MAKING</p>	<p>TARGET 8-5</p> <p>FULL EMPLOYMENT AND DECENT WORK WITH EQUALITY</p>	<p>TARGET 8-8</p> <p>PROTECT LABOUR RIGHTS AND PROMOTE SAFE WORKING ENVIRONMENTS</p>
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Security and ethics

<p>TARGET 16-5</p> <p>SUBSTANTIALLY REDUCE CORRUPTION AND BRIBERY</p>
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Environment and climate

The actual and potential environmental impact of HANZA's operations consists mainly of climate emissions, resource consumption and pollution. Environmental issues are a top priority at HANZA, with our efforts deeply embedded in the business model.

The world's environmental challenges with regard to emissions and resource use risk resulting in increased global poverty, major conflicts and lower growth. Reducing the impact of the climate crisis and achieving the global climate goals requires collective responsibility for the transition.

Mitigating climate change and achieving carbon-neutral operations

HANZA's impact: The climate footprint in our value chain is dominated in part by emissions from freight transport, mainly consisting of freight of input goods to our factories and final deliveries to customers, and in part by energy use in the production of input goods, as well as in our factories' manufacturing processes.

Risks and opportunities: The transition toward a limited carbon footprint resulting from legislation, capital market requirements and public opinion represents a significant risk and driver for all industrial companies. Our customers demand industrial processes in line with their climate goals, which requires us to adapt to climate change as well, since customers' environmental emissions are usually greatest in the supply chain. As component manufacturers are increasingly evaluated on their ability to control climate emissions, and our cluster strategy close to customers leads to reduced emissions, climate change may also present opportunities for HANZA.

Efforts:

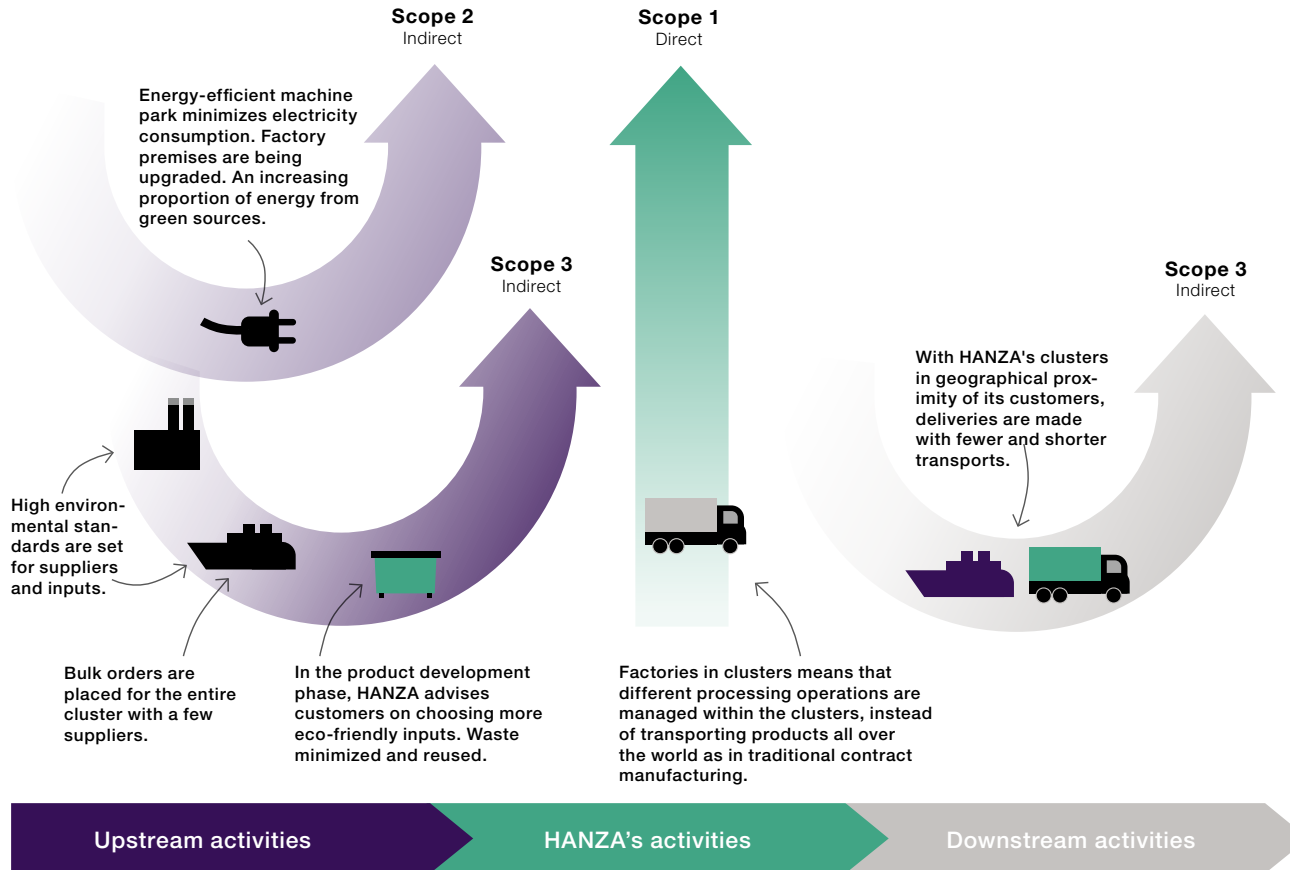
- Unlike traditional contract manufacturers, HANZA employs a strategy and business model designed to minimize environmental damage. Minimization of freight is one of HANZA's most important actions against climate change and is integrated into our business model. Complete products are manufactured in factories that are based in clusters geographically close to our customers, which reduces emissions from shipping and increases our resilience to climate risks. Total transports to the cluster are minimized by our frequent large purchases from a limited number of suppliers.
- Energy savings through investments and efficiency improvements with the goal of annually reducing energy use in relation to sales. Energy use is dominated by the heating of factories and offices and the power supply for production machinery; more than half of the group's energy use is in the mechanical factories in Tartu, Estonia, Narva and Töcksfors, Sweden. In 2023, several machine lines were replaced by more energy-efficient machines, including in Töcksfors. Ongoing efforts such as factory inspections are carried out to prevent problems such as energy leaks.
- A gradual transition to green energy sources. The factory in Heinävesi, Finland, was the first in the group to fully switch to green energy in 2020, and all factories in Sweden use only green energy. Follow-

Goal	Target Achievement	Essential policy (see page 17)
Environment and Climate		
Significantly reduced carbon dioxide emissions	<ul style="list-style-type: none"> ● Annually increase the proportion of energy use from fossil-free energy sources in own operations. ● Annual reduction of CO₂ emissions from energy use in its own operations in relation to sales. 	Environmental policy Procurement policy HANZA Supplier Code of Conduct
Reduce the use of natural resources and energy	<ul style="list-style-type: none"> ● Annually reduce energy use in own operations in relation to sales (MWh/MSEK). ● Annually reduce water consumption in own operations in relation to sales (m³/MSEK) 	
Reduce other emissions	<ul style="list-style-type: none"> ● Annual reduction of waste in relation to sales of electronics (tons of waste/MSEK) ● Annual reduction of waste in relation to sales of mechanics (tons of waste/MSEK) ● Annual reduction of hazardous waste in relation to sales of electronics (tons of hazardous waste/MSEK) ● Annual reduction of hazardous waste in relation to sales of mechanics (tons of hazardous waste/MSEK). 	
● Target achieved ● Target partially achieved ● Target not achieved		

- ing investments in solar cell expansion, HANZA's mechanical factories in Tartu are supplied with 218 MWh, and the Polish operations are supplied with 63 MWh. HANZA Tech Solutions in Germany has moved into a new building that is estimated to be 85% solar powered.
- HANZA offers processes, expertise and services related to climate-smart alternatives that make it possible to incorporate input materials such as green steel into custom-

- ers' designs. In 2024, HANZA's materiality analysis will include an analysis of indirect climate emissions in the supply chain.
- In 2024, HANZA will analyze and plan for long-term quantitative emission targets in line with the Paris Agreement. The target will be based on a clear transition plan. At the same time, climate risks will also be integrated into the group's overall risk management strategy. Work began in 2023 to map emissions outside our own production processes.

Measures to reduce HANZA's CO₂ footprint



Climate emissions according to GHG protocol, tons

	2023 ¹	2022	2021	Refers to
Scope 1	1,538	193	122	Fuel for vehicles and machinery
Scope 2²	9,449	15,150	16,139 ³	Energy consumption in factories
Scope 3⁴	-	-	-	Freight, emissions from production of inputs
Total	10,987	15,343	16,261	

1) For 2023, HANZA developed and improved its GHG calculation compared to previous years. This includes a significant increase in Scope 1 due to increased data collection for fuel use.
 2) In 2021 and 2022, data were calculated based on national emission estimates from the European Environment Agency, i.e. location-based method that does not take into account own choices of energy sources. In 2023, the calculation is market-based.
 3) Includes all HANZA factories, except HANZA Mechanica Joensuu (Finland) which was acquired in 2021 and HANZA Mechanics Kunovice (Czech Republic).
 4) HANZA is mapping its indirect climate emissions in the value chain. All environmental impact measurements are carried out within HANZA and are not externally verified.

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. Thirteen out of a total of fifteen factory parks are currently certified under the system, which includes measurements and targets for energy consumption 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 more eco-friendly alternatives is being considered. All factories will be certified by the end of 2024.

86% of our factories are certified according to environmental management systems

EU taxonomy for green investments report

Since 2021, companies must report the proportion of revenues, costs and investments covered by the EU taxonomy screening criteria that meet the EU requirements/definition of green activities. In the 2023 taxonomy reporting, HANZA has chosen to classify all production as taxonomy-non-eligible activities. The reason for this is that HANZA does not produce its own inputs but purchases and processes them, so the group's activities can neither be considered to make a significant contribution to climate change mitigation and adaptation, nor are they covered by the taxonomy's screening criteria. Other than some capital expenditures related to building energy efficiency and solar panels, HANZA does not have any capital expenditures covered by the taxonomy's screening criteria. In addition, our assessment is that HANZA does not have any operating expenditure that falls under the taxonomy, either. HANZA plans to explore the question of whether its activities are covered by the description of economic activities in the taxonomy's delegated acts in 2024.

For taxonomy tables, see pages 90-92.

Resource consumption and circularity

HANZA's impact: The manufacturing processes, which are based on customers' drawings and choice of materials, have a high proportion of input materials: for electronic components typically 60-75% and mechanics typically 40-50% of the manufacturing cost. The processes generally have low water requirements, with the exception of galvanization at HANZA Mechanics Tartu.

Risks and opportunities: Waste in production processes results in handling and material costs.

Efforts:

- Continuous quality control and recycling are carried out at all factories to minimize product defects and material waste.
- Customers are regularly offered component design focused on recyclable and recycled metals.
- All water use is treated in accordance with rules and regulations before being discharged.
- Metal consumption in 2023 decreased by 28% compared to the increase in sales of just over 17%.

Emission

HANZA's impact: Chemicals are used mainly in our mechanical processes, but also in some electronics manufacturing processes. After use, wastes containing heavy metals remain, which are designated as environmentally hazardous, since potential emissions affect biodiversity.

Risks and opportunities: HANZA strives to minimize the use of materials that generate hazardous waste, which are associated with risks and management costs. Potential mismanagement results in environmental crime.

Efforts:

- HANZA's sustainable manufacturing processes allow customers to benefit from our past experience of production using more environmentally friendly alternatives. In mechanical processes, which account for 98% of the hazardous waste generated, the share of hazardous waste in relation to turnover decreased in 2023.

Energy and climate	2023	2022	2021	2020
Fossil-free² energy sources, share of total energy use, %	36	27	8 ¹	N/A
Emission intensity from energy consumption in own factories, in relation to sales, tons/CO₂	2.28	4.28	6.42	N/A
Energy, use, MWh	42,038	44,002	38 451 ¹	29,201
Mechanics: share of energy used, %	80	81	84	N/A
Electronics: share of energy used, %	20	19	16	N/A
Energy consumption in relation to sales, MWh/MSEK	10.1	12.4	15.3	13.6
Resource consumption and circularity	2023	2022	2021	2020
Mechanics waste/sales, tons/MSEK	0.26	0.24	1.58	N/A
Electronics waste/sales, tons/MSEK	0.12	0.17	0.09	N/A
Total waste, tons	819	750	2,439	N/A
Metal use in relation to sales, tons/MSEK*	5.5	7.6	10	N/A
Metal use, tons*	22,740	26,792	25,190	N/A
Water use, m³	46,849	46,093	40,784	39,084
Water use in relation to sales, m³/MSEK	11.3	13	16.2	18.1
Waste	2023	2022	2021	2020
Mechanics hazardous waste/sales, tons/MSEK	0.21	0.26	0.30	N/A
Electronics hazardous waste/sales, tons/MSEK	0.007	0.007	0.009	N/A
Total hazardous waste, tons	516	583	449	495

1) Includes all factories in HANZA, except Finnish HLP which was acquired in 2021 and Czech Kunovice.

2) Nuclear power is classified as a fossil-free energy source.

3) Includes hazardous waste management and spills etc.

All environmental impact measurements are carried out within HANZA and are not externally verified.

*Figures for 2021 and 2022 have been adjusted due to the addition of previously missing data.



Security and ethics

In order to maintain 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 that our suppliers act according to the same high sustainability requirements as HANZA.

Ensuring business ethics

HANZA's impact: A high level of business ethics is our starting point for sound business. Our relationships with employees, customers and the outside world are based on how HANZA acts internally and in business transactions.

Risks and opportunities: In order to maintain confidence in HANZA, it is essential that our business is characterized by an unwavering commitment to maintaining the highest ethical standards.

Targets and efforts:

- Our actions are based on a proactive approach to a high standard of internal business ethics and anti-corruption.
- Leadership at all levels of decision-making that emphasizes and acts on clear ethical principles characterized by high integrity, honesty and good judgment. See also HANZA's corporate values on page 28. Learnings around HANZA's corporate culture are discussed at quarterly internal conferences.
- A clearly communicated HANZA Code of Conduct, which clarifies HANZA's positions on matters such as ethics and anti-corruption. The content is included in onboarding training and communicated internally through various channels. Introduction of the new mobile-friendly intranet in 2024 will facilitate interaction with employees.

- HANZA's zero tolerance for bribery and corruption. As part of our prevention efforts, the risks of breaches and conflicts of interest are constantly assessed, which are considered to be the highest for those (less than 100) staff members who have contacts with suppliers and customers. In order to never raise suspicions of irregularities or corruption in the business, the HANZA Code of Conduct clarifies that no employee should accept or give gifts with the intention of influencing the decision-maker.
- In 2024, an updated whistleblowing function with strengthened procedures will be implemented. The whistleblower function enables employees to anonymously report violations of laws, the HANZA Code of Conduct, or other irregularities. Several channels are offered, including the HANZA Hotline via the intranet. Whistleblowers are protected from reprisals. Complaints are investigated by the local HR function and reported to the CEO or Head of HR and Communication. In 2023, one whistleblower complaint was investigated and managed; no reports of corruption or other breaches of rules have been identified. The group has no ongoing legal processes related to corruption, and no judgments or fines have been imposed.

Increased supplier requirements

HANZA's impact: The majority of suppliers provide raw materials and components for

Goal	Target Achievement 2023	Essential policy (see page 17)
Security and ethics		
Offer data security of a high international standard	<ul style="list-style-type: none"> ● Zero damage from data breaches. 	Information security policy
Maintain a high level of business ethics among employees	<ul style="list-style-type: none"> ● Zero incidents of corruption. ● All employees must be informed of HANZA's Code of Conduct for employees. 	HANZA Code of Conduct
Maintain a high level of business ethics among suppliers	<ul style="list-style-type: none"> ● All of HANZA's significant suppliers must confirm that they have received and will comply with the HANZA Supplier Code of Conduct. ● Annual audits of significant suppliers to ensure compliance with HANZA's Supplier Code of Conduct. 	HANZA Supplier Code of Conduct Procurement policy

● Target achieved ● Target partially achieved ● Target not achieved

HANZA's production processes. All suppliers are expected to share the same view on sustainability as HANZA with regard to the environment, fair labor practices, human rights, business ethics and corruption.

Risks and opportunities: Our ability to meet customers' demands for product traceability and ensure sustainable business practices requires thorough evaluation processes of our suppliers preceding the company's purchases.

Targets and efforts: 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 HANZA Supplier Code of Conduct has been linked to all suppliers since 2023. However, system implementation has taken longer than expected. Supplier follow-up will be initiated during 2024.

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 sourcing manager for electronics. In the event of non-compliance with the HANZA Supplier Code of Conduct, a dialog is held with the supplier, and if deficiencies persist, the collaboration is terminated. No

supplier contracts were terminated in 2023 as a result of non-compliance.

Data integrity

HANZA's impact: 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. We manage information about customers and components for their products as well as individuals, who could potentially be harmed if the information is disclosed.

Risks and opportunities: For a contract manufacturer, the ability to protect customer data and maintain data security is crucial for both customer confidence and competitiveness.

Targets and efforts: 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. At year-end 2023, three factories in Sweden and the Baltics, HANZA's headquarters and administration in Sweden and Estonia were all certified.



Employees

Our approximately 2,200 employees contribute significantly to HANZA's innovative thinking and profitability. Maintaining a steady supply of expertise and all employees feeling safe and secure at work are essential for HANZA's continued growth.

A safe and secure workplace, free from occupational injuries and discrimination
HANZA's impact: In the factory setting of the manufacturing industry, employees are exposed to occupational health and safety risks.

Risks and opportunities: HANZA aims to provide safe workplaces without physical injuries, stress and a negative work climate. Ensuring good working conditions is essential to boost motivation, facilitate skills development and maintain the trust of society and customers.

Targets and efforts: We work against all types of discrimination and have a zero vision for occupational injuries. To achieve these targets, we are implementing a range of preventive measures:

- Risk of accidents is reduced through local measures such as fire safety, clearly marked evacuation routes, safety protocols, instructions in local languages, safety videos, as well as training for supervisors and safety representatives at every workplace.
- HANZA's occupational health management system is gradually being implemented in acquired factories, with the aim of certifying work environment processes in all factory parks. Systematic follow-up of incidents creates healthier and safer working environments. In 2023, 40 workplace accidents occurred, which was more than the

31 accidents that occurred in 2022. One mechanics factory stands out in the statistics and an improvement program has been implemented. Occupational injuries in relation to number of hours worked (LTIFR) also increased. HANZA has adopted a number of measures to reduce the injury rate. Most workplace accidents involve mechanical processes with cuts on fingers and hands or minor burns and crush injuries, often caused by improper handling. HANZA also follows up incidents in the work environment where a situation could have resulted in a workplace accident, so-called near-miss cases. In 2023, 433 incidents were reported, compared to 500 the year before.

- Annual activity programs are developed based on staff surveys and our regular dialogues with trade union representatives (see also "Development and good working conditions").
- All types of discrimination based on gender, age, ethnicity, political opinion, etc. are discouraged. Cases of perceived victimization are particularly tracked in employee surveys. Since 2018, the survey has shown clear improvements each year. Perceived infringements are normally reported to the immediate manager who, if necessary, manages the situation together with the local HR function. In 2023, two cases of harassment were investigated, one of which falls within the scope of confirmed harassment. The investigation is carried out in cooperation

Goal	Target Achievement 2023	Essential policy (see pages 17, 18)
Employees		
Provide a safe and secure workplace, free from occupational injuries, victimization, and discrimination	<ul style="list-style-type: none"> ● HANZA's long-term goal is zero occupational 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. 	Health and Safety Policy Diversity policy HANZA Code of Conduct HR Policy Whistleblowing policy
Promote equality and strive for diversity	<ul style="list-style-type: none"> ● Annually increase the proportion of women in managerial roles. ● All employees with a managerial role must complete HANZA's diversity policy training course. 	Diversity policy
● Target achieved ● Target partially achieved ● Target not achieved		

with the local management team, HR, safety representatives, trade union representatives and occupational health services. Measures initiated include training for managers in organizational and social work environment

with a focus on victimization and harassment, and support for those involved via occupational health services.

- An internal whistleblowing function is available. Staff can anonymously report concerns

Employees and individuals engaged by the group

	Office workers	Factory workers	Total
Number of employees at year-end	464	1,714	2,178
Number of people who terminated employment*	45	277	322
Number of people hired	N/A	N/A	342

*Refers to all persons who have left, i.e. voluntarily, as well as retirement, downsizing, termination of fixed-term contracts, etc.

about non-compliance with policies and rules, harassment or abuse of a position of trust. The accessibility of the function among employees is expected to increase with a mobile-friendly intranet in 2024.

- Health improvement measures include investments in purpose-built premises, such as the new assembly plant in HANZA Mechanics Tartu, the decision to expand HANZA Mechanics Töcksfors including renovation and rebuilding of the factory in Svanskog with a new canteen and changing rooms. We offer free sanitary protection in our factories and offices. In Poland, hybrid work is offered to parents; some factories offer working hours adapted to childcare; in the Czech Republic and Poland, daytime shifts are offered. Other examples 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.

Human rights

HANZA impact, risks: Respect for human rights is fundamental to HANZA. Our biggest risk of contributing to violations is in the production of inputs used in our production processes, such as in some metal mining where both child labor and unfair working conditions can occur. The risks are often linked to countries with weak human rights legislation and where violations affect not only employees but also people in communities through environmental impacts, corruption and the financing of wars.

Targets and efforts: Our starting point is to respect and act in accordance with a number of conventions regarding human rights

described in the HANZA Code of Conduct, which means that all types of child labor, unpaid overtime, forced labor, discrimination and other violations of human freedom are opposed. To ensure that human rights are not violated at suppliers or in the production of the input materials included in HANZA production, suppliers are evaluated through the HANZA Supplier Code of Conduct (see Increased supplier requirements, page 24). 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. No reported or investigated human rights incidents have occurred during the year such as lawsuits, allegations or compensation paid.

Development and good working conditions

HANZA's impact: In our operations, we create growth opportunities for our employees. Most of HANZA's employees are employed within the EU, where there is a high level of worker protection.

Risks and opportunities: HANZA's growth has resulted in a need for skilled and committed workers. Constant competence supply and development of employees is of strategic importance.

Targets and efforts:

- HANZA's values and its leadership program basically ensure that our workers' performance is safeguarded, and a global HANZA culture is established. In 2024, HANZA is redefining the responsibility for employee-related issues; the HR function will be geared toward developing and supporting managers,

The work environment management system certified in accordance with ISO 45001 has been implemented in eleven of HANZA's fifteen 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 occupational 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 case of company acquisitions, HANZA conducts a separate due diligence regarding the organization and employees when, among other things, 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 factories in the group follow the same work environment evaluation and action system. All factories will have certification by 2024.



	2023	2022	2021	2020
Occupational injuries/million hours worked, (LTIFR)	10.6	8.6	10.6	12.5
Workplace accidents, number	40	31	26	32
Sick leave, %	6.5	6.5	4.9	5.1
Cases of discrimination, number of cases investigated	0	0	0	2
Number of reports to the whistleblowing function	1	0	0	0

while managers will take on greater responsibility for employees and individual development than in the past.

- Employees' opinions are continually gathered in annual employee surveys and through dialogue with local managers, along with union representatives. Feedback regarding HANZA is provided by managers who convey the outcomes and create activity plans for their teams. The 2023 action plan focuses on increasing internal communication, which apart from local initiatives, involves launching a new intranet and expanding the leadership program. A newly introduced mobile-compatible intranet offers improved accessibility to factory staff. The Intranet, where new employees, policies and news regarding the group or local factories are presented, is the established channel for internal communication, in addition to the employee magazine. In 2024, a leadership program for managers at management and cluster level will be implemented.
- Work that started in the year on such things as motivation-enhancing initiatives and anti-stress work environment measures continued in 2023. The employee surveys have shown steady improvements for several years, despite the uncertainty that can come from expansion and acquisitions. In particular, commitment and customer focus have shown a higher score over time.
- A continued resource reinforcement of the HR organization with the goal that each HANZA cluster should have at least one person responsible for personnel-related issues to ensure that the efforts are adapted to the needs of the cluster. In addition, their work is coordinated by a global manager stationed in Sweden. By 2023, operations in all countries had local HR managers.

- Annual performance and development reviews are conducted. Internal talents are preserved, and employees' needs for development are identified in the yearly employee reviews, subsequently matching these with the competency demands elsewhere in the company. Ongoing activities are also offered on employer branding and training in local languages in areas such as IT security.
- Pay, overtime, sickness, parental leave, pension and other conditions are based on collective agreements, legislation or industry standards. Employment contracts and company communications are in local languages. 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.
- The "Competence Exchange" program, involving competence exchanges between factories, helps develop internal career opportunities and enhances the sharing of production methods across clusters, creating a more cross-border HANZA. Four major skill shifts were implemented in 2023 as part of this program. A good induction process is the key to skilled and committed workers and managers. All newly recruited officials and managers have an individual induction plan. Newly hired key functions are given a global introduction to HANZA by the CEO, CFO and COO.

Promote gender equality and strive for diversity

Risks and opportunities: Diversity among HANZA's employees and its inclusive business culture are assets that strengthen our capacity for growth and generating good results. Diversity of experience and background

HANZA's values

Our values summarize the expectations that employees have of one another, in order for HANZA to achieve its vision of becoming a unique and value-generating partner within manufacturing. The current employee policies reflect these values. The annual staff appraisals are based on the values. These values are an essential starting point in the analysis of factory acquisitions.

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 toward 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.

Gender distribution at HANZA

	Women %			Men %		
	2023	2022	2021	2023	2022	2021
Group	40	40	39	60	60	61
Supervisory role	22	22	N/A	78	78	N/A
Group management	0	0	0	100	100	100
Board of Directors	40	40	40	60	60	60

creates innovation, improves our recruitment opportunities and gives us new perspectives to better understand our customers. Although our gender balance is relatively good with 40 percent women and 60 percent men, individual occupational categories and clusters show a poorer balance, which is a challenge that HANZA shares with the rest of the global engineering industry, where simpler mechani-

cal work is dominated by women and heavier tasks are dominated by men.

Targets and efforts: The aim is to achieve greater gender balance and promote diversity awareness, with an interim target of increasing the percentage of women in managerial positions within the group.

- HANZA strives to provide equal employment

- terms and conditions for equivalent assignments.
- In case of equal qualifications, we select the under-represented gender (or other minority).
 - Targeted recruitment efforts are made to increase the local gender balance.
 - Increased focus on staff turnover where we measure and follow up who chooses to leave, in which departments, gender, how long they have worked in the company and the reason for leaving. This helps us to detect patterns and see if there are differences between women and men, or if some workplaces have higher turnover than others.

Local communities

HANZA's impact: In some locations, HANZA is a major employer and a significant contributor to the livelihood of residents. The purpose of sponsorships and donations to local activities is to support the local communities where HANZA is involved.

Risks and opportunities: A long-term approach and active community involvement results in mutual trust between HANZA and the local community.

Targets and efforts: HANZA is committed to sustainable community development through ongoing dialog and engagement with funders, municipal authorities and other community entities. In some rural areas, HANZA has acquired factories at a time when closure was the only option for the previous owners and our continued operation has helped to maintain employment. In other locations in Estonia and Finland, for example, our partnerships with municipalities and schools also contribute to ensuring HANZA's long-term capacity for growth.

