



# Corporate Responsibility Report 2022



The better shopping experience



## Content

About HL Display .....	2
Creating the better shopping experience .....	3
Our promise .....	4
Message from the CEO .....	5
Our strategy .....	7
Highlights 2022 .....	8
Managing Corporate Responsibility at HL .....	10
Stakeholder engagement .....	11
Materiality review and Corporate Responsibility focus areas .....	12
Our value chain and most significant impacts .....	13
Helping customers to reduce waste .....	16
Creating the best workplace .....	22
Driving continuous improvement in operations .....	32
Ensuring responsibility throughout the supply chain .....	42
Governance at HL Display .....	48
About the report .....	50

## About HL Display

HL is an international supplier of store solutions for improved customer experience, profitability and sustainability. Our offer includes products within store communication and merchandising solutions as well as lighting systems, secondary displays and customised in-store solutions and services.

HL systems are installed in over 330,000 stores around the world. Head-

quartered in Stockholm, Sweden, the company serves more than 70 markets. 23 sales offices cover 39 of these markets, while the remainder is managed by distribution partners located across the globe.

Our biggest markets are the UK, Sweden and France, and we mainly cater to customers within food and non-food retail as well as branded goods sup-

pliers. Our five production facilities are located in Sweden, Poland, the UK and China and handle a variety of industrial processes, including plastics and metal fabrication, printing, assembly and more.

HL has 1,053 employees and net sales of 1,889 MSEK. HL is a wholly owned subsidiary of the listed Swedish Business Group Ratos.

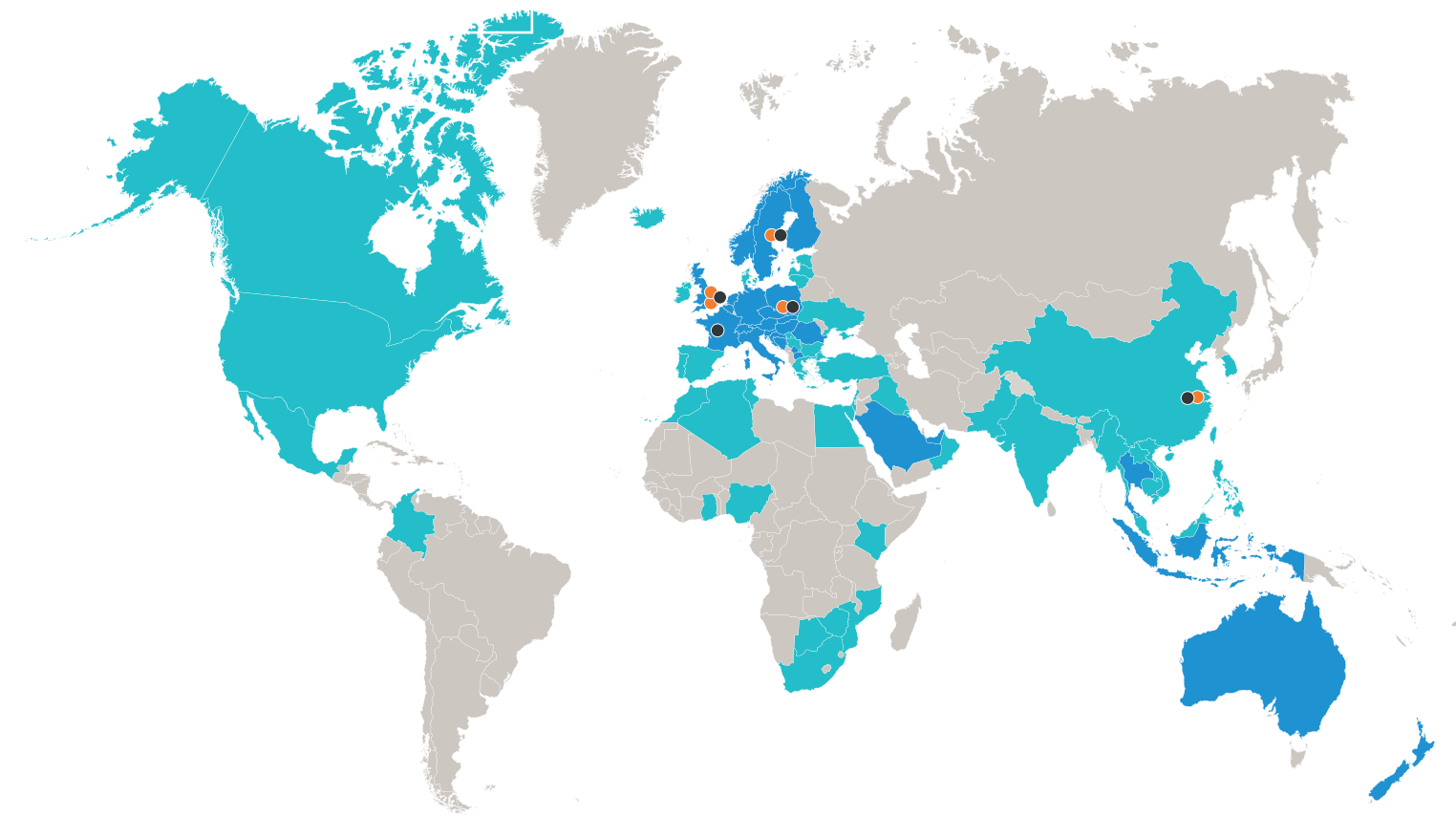
# Creating the better shopping experience

HL helps customers around the world to create attractive, profitable and more sustainable in-store environments that strengthen the consumer's shopping experience.

### Markets covered via

- HL Sales companies
- HL Partners
- HL Factories
- HL Regional distribution center (RDC)

*In the first quarter of 2023, HL has acquired three more companies, welcoming additional employees, and adding three factories to our footprint in Sweden and Germany. Furthermore, we have added a distribution Partner in Brazil and Morocco.*

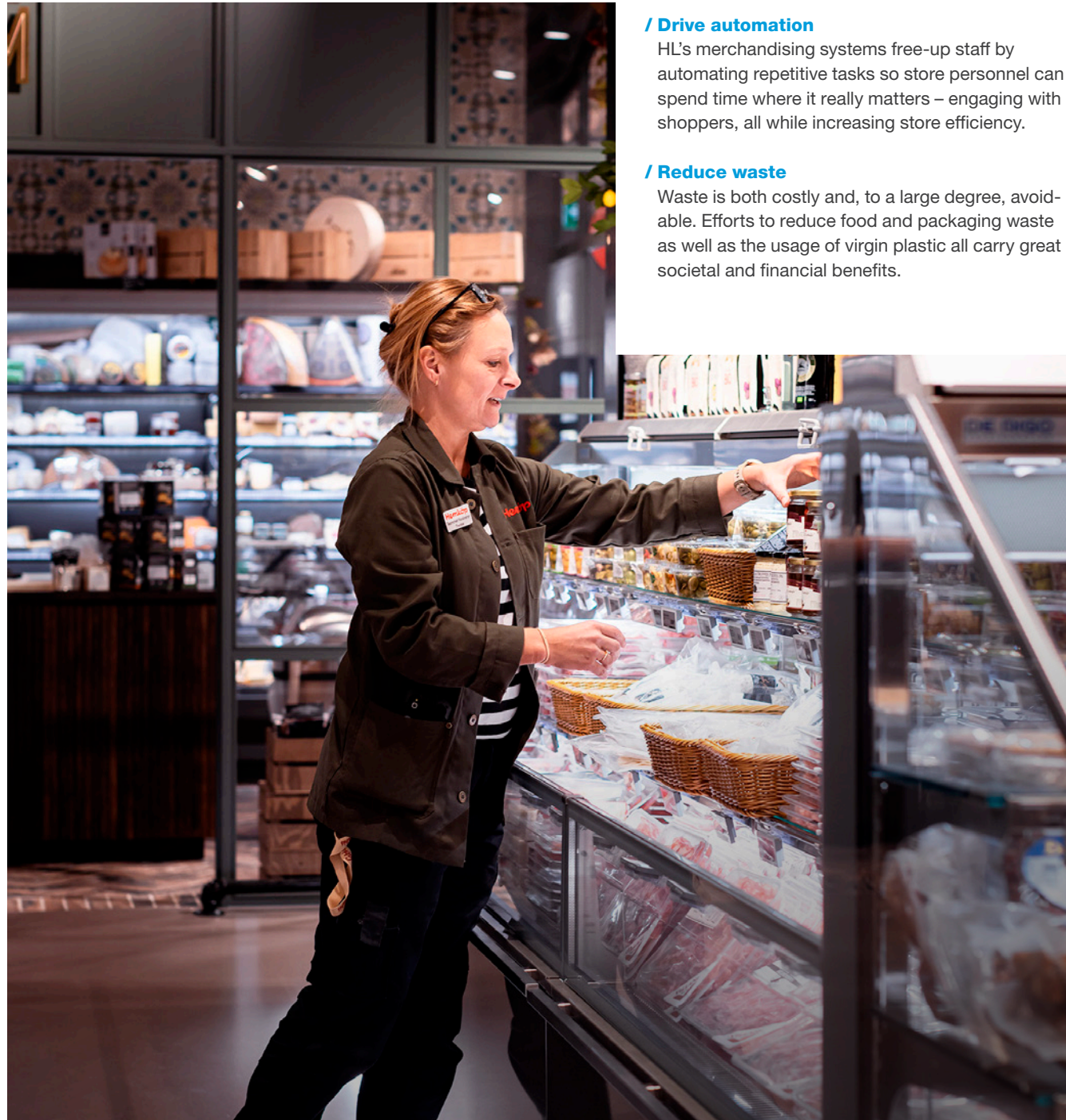


### Key figures

Stores	Markets	Employees	Net sales MSEK
330,000	70+	1,053	1,889

# Our promise

With passion for retail development and pride in execution we partner with our customers to:



## / Grow sales

A majority of shopping decisions are made in stores. Improving product presentation and reducing real or perceived out-of-stock improves sales.

## / Inspire shoppers

With experience from working with the world's leading retailers and brands, HL has learned how to create solutions that create differentiation, inspire shoppers and make their shopping trip worthwhile.

## / Drive automation

HL's merchandising systems free-up staff by automating repetitive tasks so store personnel can spend time where it really matters – engaging with shoppers, all while increasing store efficiency.

## / Reduce waste

Waste is both costly and, to a large degree, avoidable. Efforts to reduce food and packaging waste as well as the usage of virgin plastic all carry great societal and financial benefits.

# Message from the CEO



During 2022, we continued to build towards our vision of being the preferred partner for our customers, providing innovative and sustainable solutions for a better shopping experience.

The year was a challenging one, overshadowed by the ongoing war in Ukraine which shocked the world. As a consequence, we decided to close down our operations in Russia. Growing inflation, on top of continued increases of raw material cost, created further disturbances and put pressure not only on our own business, but also impacted the investment priorities of our customers.

Yet, there was also another side to this year, one that was shaped by positives. First and foremost, I am glad to say that in 2022, we delivered our strongest financial results to date. I am immensely proud of the entire HL team which has worked hard and shown great resilience in a turbulent year.

While the level of uncertainty in the retail industry remains high, we were able to attract new customers and expand into new areas, including some of the largest projects in the company's history.

In December, we welcomed Allied POS to HL, and we continued to work on integrating the three companies we acquired in 2021, Concept Data, CoolPresentation and Display Italia. All companies helped us to expand our reach to more customers, and positively contributed to our business results in 2022.

Last but not least, we took steps forward in our focus areas of sustainability.

Late during the year, our targets to reduce the climate footprint of our operations were approved by the Science Based Targets initiative, which sees us joining many of our customers who either have committed to the initiative or have approved targets already. To further highlight our ability to support our customers on their journey to more sustainable stores, both of our sales cycles of the year focused on the topic of sustainability: the first aimed at increasing the awareness for our more sustainable offering in terms of our Sustainable Choice assortment and circular offer, while the second focused on packaging-free merchandising solutions. 2022 also saw us partnering with fellow Ratos-owned company Diab, to turn waste from the production of windmill components into raw material for our merchandising solutions.

Looking at the HL team, while the overall engagement stayed largely stable vs the previous year, according to our annual engagement survey, we were able to increase the scores on work-life balance and equal opportunities, both increasing from a high base. Throughout the year, we also organised coaching workshops across a number of locations, putting our employees' development at the centre. More workshops will take place during 2023.

Finally, we continued to make progress on our supplier management which enabled us to further reduce risks in our supply chain. After the introduction of a supplier management tool in 2021, 95 percent of important suppliers have now signed our code of conduct, committing to the same policies and standards as HL.

Many of the challenges of 2022 will carry over well into 2023. Still, I am confident that HL is well equipped to deliver another successful year, building on the strength of the HL team and our business as a whole. It is HL's mission to create better shopping experiences, and it is my belief that a better shopping experience is also a more sustainable one. Therefore, as we continue to build our business, we will also take further steps towards a more sustainable future in 2023. It is with pride that I confirm HL's continued support for the UN Global Compact and renew our commitment to the initiative and its principles of supporting and respecting human and labour rights, promoting and building towards greater environmental responsibility, and having zero tolerance for corruption of any kind.

Stockholm, 31 March 2023

A handwritten signature in black ink, appearing to read 'Björn Borgman'.

Björn Borgman  
CEO HL Display





## Our mission

Make retail an experience,  
not just a transaction

## Our vision

To be the preferred partner  
for innovative and sustainable  
solutions delivering a  
better shopping experience  
around the world

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## Our strategy

### / Growing business & people

Growing our business profitably and continuously developing our people is essential to what we do. Leveraging our unrivalled market presence, experience in the industry and cutting-edge innovation, our entities are able to grow sales organically, and businesses we acquire allow us to accelerate profitable growth.

### / Leaders on innovation & sustainability

Our passion for grocery retail translates into an industry-leading portfolio of retail proof solutions that solve our customers' challenges. We innovate to create shopping experiences that are truly better. Inspiring shoppers, growing sales and reducing cost, and helping make stores more sustainable ... and our own operations too.

### / Best in class cost efficiency

As European leaders we drive scale that benefits our customers and ourselves. Continuous improvement in production, sourcing and logistics makes cost a competitive advantage. We strike a healthy balance between standardisation and uniqueness, and drive digitalisation to reduce cost and increase speed.

### / Easy to do business with

We partner with our customers to grow their businesses. Excellent customer service, strong local market presence and a mindset of making things easy for those around us ensure an outstanding customer experience. Applying the same principles to our internal operations, this is a source of pride for us and true value for our customers.





# Highlights 2022

HL aims to be the preferred partner for innovative and sustainable solutions delivering a better shopping experience. Each year we come one step closer to fully ingraining sustainability into our daily operations and culture.

## Helping customers to reduce waste

### Sustainability at the core of our two sales cycles

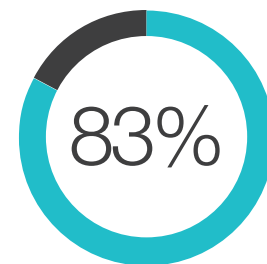
Each year, we have two cycles focusing on different themes. In 2022, both of our sales cycles had a sustainability focus in order to increase the awareness surrounding our sustainable offerings and support our customers in their sustainability journey. As part of the first sales cycle, we also developed a series of training videos to increase capability with our own employees.

### Launch of new packaging-free solutions

In 2022, we launched our packing-free solution for liquids called FlowBin. Furthermore, PodBin, which provides improved traceability, communication and handling of products sold in bulk, was part of Carrefour's award-winning 'bulk experience'.

### Black dividers offered in 100 percent recycled plastic

Through our circular offer, we collected plastic waste from fellow Ratos-owned company Diab, and turned it into black dividers using 100 percent recycled plastic, saving 170 kg of virgin plastic for every 1,000 dividers sold.



## Driving continuous improvement in operations

### Approval of our goals and action plan by Science Based Targets initiative

Our goals and action plan for ensuring the reduction of our climate footprint in line with the Science Based Targets initiative's (SBTi) ambition were approved by the SBTi during 2022.

### Contributing to a circular economy

In 2022, we successfully conducted pilot projects in our factory in Gliwice to widen the scope of our circular offer to include injection moulded products such as dividers.

### New car fleet decreasing emissions

We have more hybrid plug-in and electrical cars in our car fleet. By the end of 2022, 75 percent of company cars in Sweden were either hybrid (40 percent) or electrical (35 percent).

### Increased waste management capabilities

During 2022, all of our factories and regional distribution centres improved their waste management processes allowing for an increase from 81 percent to 83 percent of the waste being recycled.

## Creating the best workplace

### Improving our career development and performance review process

During 2022, we improved our performance review process by adding an overall performance rating and commentary to employees' discussions with their supervisors.

### Launching Learning & Growth @HL

We have continued to develop the leadership capacity of employees by launching our Learning & Growth @HL platform. The platform gives HL

employees tools to develop their leadership, coaching and feedback skills.

### Work-life balance score of 76

Work-life balance in HL continues to improve. According to our engagement survey, in 2022, we reached a score of 76 for the statement 'I am successfully able to balance my work and personal life'. We have also seen a significant decrease in this being a reason for leaving HL.



### Equal opportunity score of 74

In our engagement survey we have now reached a score of 74 for the statement 'Regardless of background, everyone at HL Display has an equal opportunity to succeed', an increase of four points from 2021 and one point ahead of the global benchmark.

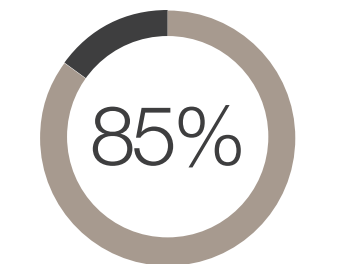
## Ensuring responsibility throughout the supply chain

### Development of our supplier full review

We have continued to develop our supplier management system by introducing our supplier full review. The review is done through a collaboration between several different HL teams and covers a wide range of business aspects. In 2022, 50 suppliers underwent the newly launched review.

### On-site audits are back after Covid-19

After a two year break due to Covid-19, we have conducted ten on-site audits during 2022. Each of our factories have contributed with two on-site audits each focusing on the requirements outlined in our Supplier Code of Conduct.



### Our supplier self-assessment is signed by suppliers covering 85 percent of spend

In 2022, we expanded our supplier self-assessment to our next tier of suppliers. With this, suppliers accounting for 85 percent of our spend have now completed our supplier self-assessment questionnaire.



# Managing corporate responsibility at HL

Our commitment to creating a better shopping experience is also a commitment to sustainability. We aspire to be the leader in our industry.

## Corporate Responsibility Policy and HL's commitments

HL's operations are built upon the company's values, vision and mission. Our approach to corporate responsibility is outlined in our [Corporate Responsibility Policy](#), Code of Conduct and [Code of Conduct for Suppliers](#). The Corporate Responsibility Policy describes HL's corporate responsibility ambitions and is discussed and approved annually by the Group Management Team and the Board of Directors. Read more about our policies on our [website](#).

HL has been a member of the United Nations Global Compact since 2010. The principles of the Global Compact on human rights, labour, environment and anti-corruption have been, and continue to be, an integral part of our strategy, culture and day-to-day

"At HL, we see sustainability as a way of operating."

Björn Borgman, CEO HL Display

operations. HL became a signatory of the Science Based Targets initiative during 2020 and our targets were approved in 2022.

Read more about our governance of corporate responsibility on [page 46](#).

## Our Stakeholders

### Employees:

HL's employees, located across 23 countries, are fundamental to everything we do. We invest in developing the best possible workplace on a continuous basis, and in having an ongoing and transparent dialogue around achievements, opportunities and expectations. We see this as a key prerequisite for creating a motivational work environment where all employees feel encouraged to develop and participate.

#### We engage through:

- / Day-to-day coaching and dialogue within teams
- / Annual Highlight Employee Engagement survey and action plans
- / Regular communication with our employees including company-wide townhalls and an annual global meeting
- / Performance appraisals twice per year

#### Some of the topics raised:

- / Health & safety
- / Opportunities for learning & development
- / Diversity & equal opportunities
- / Work-life balance
- / Team dynamics & working environment
- / Opportunities to continue improving two-way communication

### Shoppers:

Shopper behaviour evolves together with their needs, expectations and demands. Understanding and adapting to those changes by delivering more sustainable shopping experiences that are also safe, convenient and inspiring is vital to our customers' success and, therefore, our own.

#### We engage through:

- / Account reviews and feedback from our customers
- / Shopper insight research

#### Some of the topics raised:

- / More sustainable stores and especially, reduction of waste
- / Better and more convenient shopping experiences
- / Safety while shopping

### Customers:

HL caters to customers within grocery and non-food retail, suppliers of branded goods and industry partners such as ESL providers. Retail continues to evolve at a fast pace, driven by shopper expectations and demands, legislation and technological progress. With this in mind, HL supports customers to create inspiring in-store environments that are both attractive, profitable and more sustainable.

#### We engage through:

- / Regular digital and physical meetings
- / Social selling, advertising and other marketing activities
- / In-depth customer interviews
- / Retail fairs and events

#### Some of the topics raised:

- / Responsibility throughout the supply chain
- / Reduction of food, plastic and packaging waste
- / Improving the shopping experience
- / Long-lasting, high-quality products
- / In-store health and safety of shoppers and store employees

### Suppliers:

HL's suppliers play a vital part in our ability to deliver innovative and sustainable solutions for better shopping experiences. The development and availability of quality materials - including alternatives to virgin fossil-based plastic - or finished goods are at the core of HL's offer to our customers.

#### We engage through:

- / Regular meetings and dialogue
- / Supplier self-assessment questionnaires
- / Cooperation with suppliers for recycled material
- / Supplier audits
- / Supplier Full Review

#### Some of the topics raised:

- / Development, sufficient availability and quality of more sustainable materials
- / Ethics and ways of doing business
- / Supplier risk assessment



# Materiality review and focus areas

Our material sustainability topics lay the groundwork for our sustainability focus and efforts.

## Materiality analysis

As the world around us keeps changing, it is important that we understand and continuously consider our impact on the world. In 2022, we conducted an updated materiality analysis to determine HL's most significant impacts on the economy, environment and people, including their human rights.

In order to map our short- and long-term impacts throughout the value chain, we used internal documentation such as information from stakeholder dialogues with customers and employees,

risk assessments as well as dialogue with external experts. Significance of negative impacts was assessed based on severity, a combination of scale, scope and remediation. Significance of positive impacts was assessed based on scale and scope. For potential impacts, probability was also taken into account.

Based on this analysis, the impacts were prioritised from highest to lowest significance. The table (page 14) shows the result which has also been validated by HL Group Management. Fourteen impact areas were identified

as most significant and therefore correspond to our material topics. These are grouped into our four focus areas.

## Sustainable development goals

In 2019, we reviewed the UN Sustainable Development Goals and identified the ones which we have the biggest impact on through our business and sustainability efforts. Three development goals were selected as the most important ones to address, and one additional goal was added in 2022.



**Goal 8.**  
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

### How do we impact this goal?

- Efficient production processes, including waste management and use of recycled and bio-based materials
- Our Code of Conduct and Code of Conduct for Suppliers set the standard for doing business, for ourselves and our suppliers
- Health & safety of our employees

Read more about our efforts under "Driving continuous improvement in operations" and "Ensuring responsibility throughout the supply chain".



**Goal 10.**  
Reduced inequality within and among countries

### How do we impact this goal?

- Recruitment and HR practices including promoting diversity, objective performance management and salary review practices, talent reviews and more
- Our Corporate Responsibility Policy has an increased focus on diversity
- Our Whistleblower process ensures concerns about inequality can be raised easily without fear of negative consequences

Read more about our efforts under "Creating the best workplace" and "Ensuring responsibility throughout the supply chain".



**Goal 12.**  
Ensure sustainable consumption and production patterns

**Goal 13.**  
Take urgent action to combat climate change and its impacts

### How do we impact this goal?

- Our solutions enable our customers to reduce waste and the environmental footprint
- We increase the circularity of our industry by taking products back at the end of life
- In our factories, we work to reduce waste generated, and to increase recycling rates of the waste that remains
- We continuously work to reduce the carbon footprint of our operations
- HL Sustainable Choice offers alternatives to virgin fossil-based plastic
- We are switching to green energy

Read more about our efforts under "Helping customers to reduce waste" and "Driving continuous improvement in operations".

## Focus areas and material topics:



Helping customers to create more sustainable stores



Creating the best workplace



Driving continuous improvement in operations



Ensuring responsibility throughout the supply chain

### Prioritised topics

- |   |  |   |  |
|---|--|---|--|
| <ul style="list-style-type: none"> <li>Expand our Sustainable Choice offer</li> <li>Focus on end-of-life treatment of products</li> </ul> | <ul style="list-style-type: none"> <li>Ensure safe work environments for our employees</li> <li>Embrace diversity and equality of our employees</li> <li>Develop and build on employee engagement</li> </ul> | <ul style="list-style-type: none"> <li>Increase use of recycled and more environmentally friendly materials</li> <li>Reduce the carbon footprint of our operations</li> </ul> | <ul style="list-style-type: none"> <li>Have a comprehensive supplier risk assessment in place</li> <li>Have all HL suppliers sign and adhere to Code of Conduct for Suppliers</li> </ul> |
|---|--|---|--|

### Other topics we work with

- |  |   |  |  |
|--|---|--|--|
| <ul style="list-style-type: none"> <li>Offer products that are resource efficient and long-lasting</li> <li>Provide information about the environmental impact of our products</li> <li>Reduce food waste</li> <li>Reduce consumer packaging</li> <li>Influence shopping behaviour to become more sustainable</li> <li>Improve the in-store working environment</li> </ul> | <ul style="list-style-type: none"> <li>Create a workplace where people live our values</li> <li>Ensure that all our employees sign and adhere to our Code of Conduct</li> <li>Provide ongoing professional development and opportunities for personal growth</li> </ul> | <ul style="list-style-type: none"> <li>Reduce raw material consumption</li> <li>Reduce water consumption year on year</li> <li>Improve the efficiency of transportation</li> <li>Have all our factories certified according to ISO 9001, ISO 14001 and ISO45001 standards</li> </ul> | <ul style="list-style-type: none"> <li>Conduct supplier on-site audits</li> <li>Supplier Full Review as evaluation tool</li> </ul> |
|--|---|--|--|

### Results 2022

- |  |  |   |  |
|--|--|---|--|
| <ul style="list-style-type: none"> <li>Sales of the Sustainable Choice range increased by 6 percent vs 2021</li> <li>Circular offer was presented to customers across Europe and projects were started in two new markets</li> </ul> | <ul style="list-style-type: none"> <li>10 accidents leading to absence</li> <li>According to HL's engagement survey</li> <li>Overall engagement index of 69</li> <li>Score of 74 for 'regardless of background, everyone at HL has an equal opportunity to succeed'</li> </ul> | <ul style="list-style-type: none"> <li>CO<sub>2</sub> emission reduction targets were approved by SBTi</li> <li>Usage of recycled material declined with 7 percent by weight</li> </ul> | <ul style="list-style-type: none"> <li>Suppliers accounting for 85 percent of spend* were covered by supplier self-assessment</li> <li>95 percent of important suppliers** have signed the Supplier Code of Conduct</li> </ul> |
|--|--|---|--|

✔ We (over-)delivered on our target    
 ⋯ Good result with room for improvement    
 ✘ We have missed our target

### Targets 2023

- |  |  |   |   |
|--|--|---|---|
| <ul style="list-style-type: none"> <li>To increase sales of our HL Sustainable Choice offer by 10 percent year on year</li> <li>Expand circular offer to more markets</li> </ul> | <ul style="list-style-type: none"> <li>Reduce Lost Time Injury Frequency Rate by 5 percent year on year</li> <li>According to the HL engagement survey:                     <ul style="list-style-type: none"> <li>Overall engagement index of 75</li> <li>Score of 73 for 'Regardless of background, everyone at HL Display has an equal opportunity to succeed'</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>Deliver on CO<sub>2</sub> reduction plan according to targets set in-line with SBTi</li> <li>Increase the use of recycled material with 10 percent year on year</li> </ul> | <ul style="list-style-type: none"> <li>To cover suppliers accounting for 90 percent of total spend in the supplier self assessment</li> <li>For 85 percent of all suppliers to have signed our Code of Conduct for Suppliers</li> <li>Ten on-site audits to be conducted</li> </ul> |
|--|--|---|---|

Read more on page 16

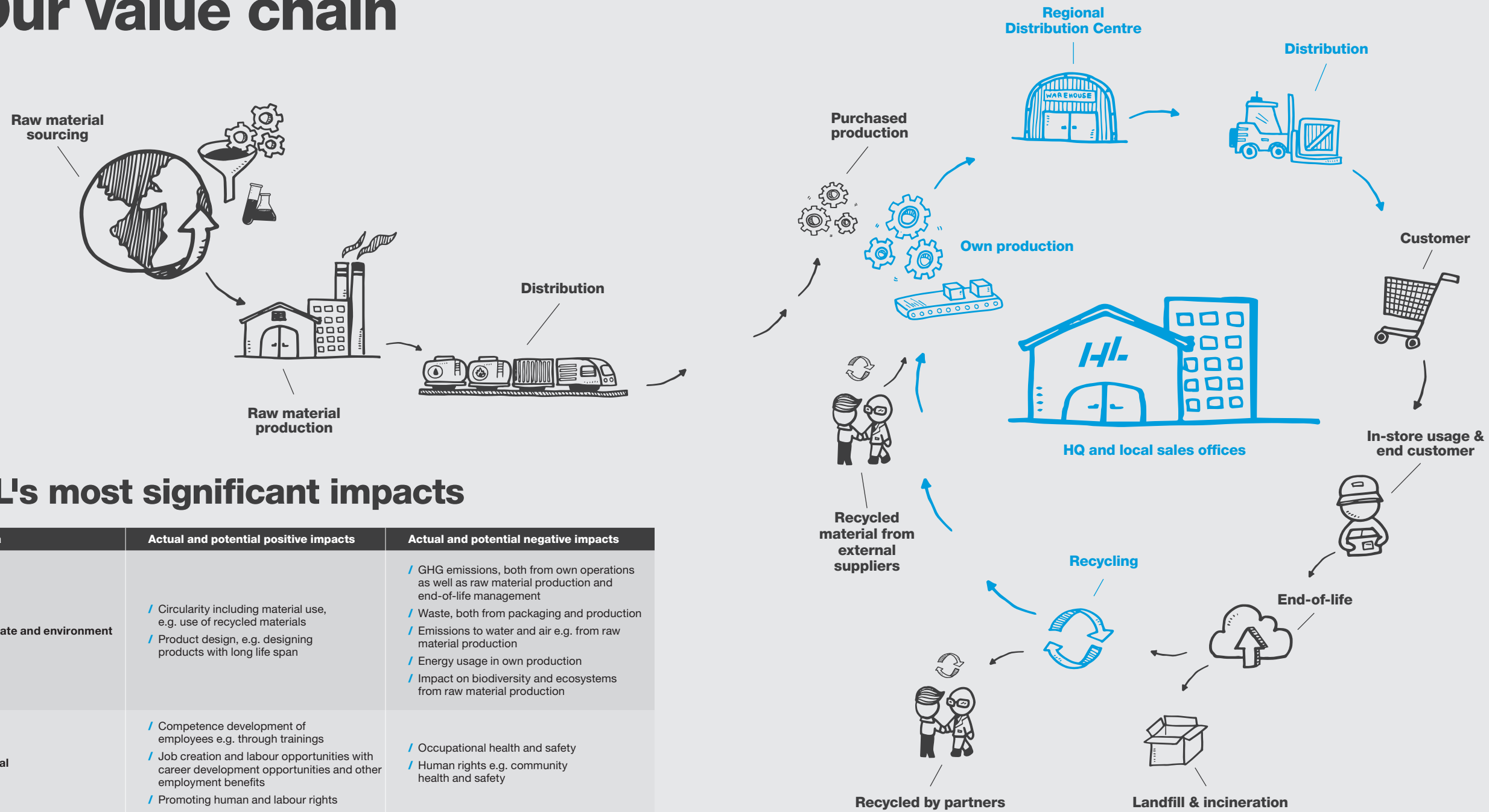
Read more on page 22

Read more on page 32

Read more on page 42



# Our value chain



## HL's most significant impacts

Area	Actual and potential positive impacts	Actual and potential negative impacts
Climate and environment	<ul style="list-style-type: none"> <li>◦ Circularity including material use, e.g. use of recycled materials</li> <li>◦ Product design, e.g. designing products with long life span</li> </ul>	<ul style="list-style-type: none"> <li>◦ GHG emissions, both from own operations as well as raw material production and end-of-life management</li> <li>◦ Waste, both from packaging and production</li> <li>◦ Emissions to water and air e.g. from raw material production</li> <li>◦ Energy usage in own production</li> <li>◦ Impact on biodiversity and ecosystems from raw material production</li> </ul>
Social	<ul style="list-style-type: none"> <li>◦ Competence development of employees e.g. through trainings</li> <li>◦ Job creation and labour opportunities with career development opportunities and other employment benefits</li> <li>◦ Promoting human and labour rights</li> </ul>	<ul style="list-style-type: none"> <li>◦ Occupational health and safety</li> <li>◦ Human rights e.g. community health and safety</li> </ul>
Governance	<ul style="list-style-type: none"> <li>◦ Responsible value chain e.g. through setting and following up on requirements defined in Supplier Code of Conduct</li> <li>◦ Tax practices</li> </ul>	





#### Prioritised topics

- / Expand our Sustainable Choice offer
- / Focus on end-of-life treatment of products

#### Other topics we work with

- / Offer products that are resource efficient and long-lasting
- / Provide information about the environmental impact of our products
- / Reduce food waste
- / Reduce consumer packaging
- / Influence shopping behaviour to become more sustainable
- / Improve the in-store working environment

#### Key achievements

- / HL joining Carrefour's "bulk challenge" to accelerate the growth and usage of packaging-free merchandising
- / Launch of FlowBin, allowing shoppers to fill their own containers with liquid products
- / Increased interest in our circular offer through our spring sales cycle

#### Results 2022

- Sales of the Sustainable Choice range increased by 6 percent vs 2021
- ✓ Circular offer was presented to customers across Europe and projects were started in two new markets

#### Targets 2023

- / **To increase sales of our HL Sustainable Choice offer by 10 percent year on year**
- / **Expand circular offer to more markets**



# Helping customers to reduce waste

HL provides solutions to retailers and branded goods suppliers to create shopping experiences that are better for profit and planet.

#### Our solutions help customers to create more sustainable stores

A better shopping experience is also a more sustainable shopping experience. Over the past years, we have seen an increased urgency, expectation and demand for more sustainable materials and solutions from consumers and customers. This is something we have and will continue to deliver on, as helping our customers to develop a long-term sustainable business is a priority for us.

We support our customers by providing them with innovative ways to reduce their environmental footprint - we save resources, help reduce food and packaging waste and decrease the use of virgin materials through, for example, increased use of recycled or bio-based materials. The use of sustainable materials becomes more commonplace in HL products for every year that passes. Furthermore, we aim to encourage and enable a more circular flow of components and solutions by, for example, closing the loop and reducing the dependency on virgin fossil-based resources. To increase awareness of this

Shoppers are becoming more aware and conscientious when it comes to issues relating to packaging, plastic and food waste.

#### One way to help our customers reduce packaging and food waste are our packaging-free merchandising solutions

and to continue to support our customers on their sustainability journey, our two sales cycles for 2022 focused on sustainability. In the first sales cycle, we focused on how we can help our customers to create more sustainable stores. We created ten educational videos to increase the sustainability knowledge and product quality awareness of our sales team. The sales cycle allowed us, among other things, to create a dialogue with our customers and expand

our circular offer (read more about our circular offer below). The second sales cycle focused on packaging-free merchandising solutions and how we can help customers and shoppers reduce unnecessary packaging waste.

#### Helping customers reduce packaging and food waste

Shoppers are becoming more aware and conscientious when it comes to issues relating to packaging, plastic and food waste. This, coupled with inflation and increased labour and energy costs means customers are looking for solutions that help them to increase their sustainability but also have other operational benefits. Two ways to help our customers reduce packaging and food waste are our packaging-free merchandising solutions and the Sigma™ system. With Sigma™, a modular merchandising solution for fruit and vegetables, customers can create stunning display that showcase a larger variety of fresh produce while minimising the need for large volumes of on-shelf inventory. Made from food-approved coated aluminium, the shelving and



## Helping customers to reduce waste

racking units will never rust, peel, chip or flake. The aluminium conducts temperature more efficiently, drawing out and dissipating heat faster than steel, ensuring effective cooler circulation and maximizing refrigeration air flow. By installing Sigma™, our customers have seen both a reduction of food waste and an increase in sales.

### Packaging-free merchandising

An increasing number of retailers and branded goods suppliers are merchandising products loosely in dedicated shelf sections, aisles or sustainable stores. We saw a decline in this consumer-driven trend during Covid-19, but growing awareness of the environmental impact of individual consumption as well as legislation and the cost benefits of purchasing products in bulk, open up for this trend to accelerate in the future. This is especially relevant given the inflation of food prices in many countries. Demands by authorities and other stakeholders fuel this trend further. As a result, the reduction of plastic usage and waste is becoming a top priority for a growing number of retailers and branded goods suppliers. While France has been an active driver of innovation in this field, encouraged by both legislation and the government, we also see similar legislative trends in Germany and Spain. In France, 20 percent of store floor space must be

dedicated to bulk merchandising by 2030, and the use of plastic packaging for most fruit and vegetables will be banned by June 2026.

To accelerate the growth and usage of packaging-free merchandising, Carrefour announced a “new bulk challenge” which went live in two stores in France in May 2022. Part of the solution in these stores is PodBin™ which HL developed in collaboration with Smurfit Kappa. PodBin™ is a packaging-free solution with a sealed, replaceable PodBox™ that allows for shipping loose merchandise without air contact or the possibility of interference. It also enables traceability of the product merchandised in bulk. As these are also important criteria for branded goods suppliers, PodBin™ is especially attractive for brand players. Another part of the “new bulk challenge” solution is Vracoop's maYam. Its software allows the shopper to keep track of the loose merchandise they purchased, while it improves traceability of products for retailers. HL is collaborating with maYam to be able to offer the same functionality also to customers outside of France. Recognising the progress on packaging-free merchandising and the “new bulk challenge”, Carrefour won a LSA Innovation Trophy in the “Distribution Concept category – The new bulk experience at Carrefour”.

In other European countries like the UK and Germany, we have seen more retailers experiment with packaging-free merchandising, and we expect this trend to continue to spread across Europe in the coming years.

Apart from addressing an increasing demand, the display and dispensing of loose products give retailers an opportunity to create differentiation, reduce waste and drive higher margins. It also provides shoppers with a more authentic experience and greater options; they can pick their favourites and buy exactly the amount they need, all while avoiding unnecessary packaging. Given the increase in cost for groceries, more and more retailers also choose to offer loosely merchandised products at a lower cost than packaged alternatives, giving shoppers an additional incentive to shop packaging-free.

However, shopping products merchandised in bulk requires a change in existing shopping behaviour. For example, shoppers might need to bring their own containers and there are limited possibilities to provide relevant product information. Therefore, offering a full category solution for packaging-free merchandising is a significant opportunity.





## Customer case: Spinning circularity

### What do shelf dividers used in stores have to do with windmills in the energy industry?

Obtaining a suitable source of recycled plastic of the right quality can be challenging. At the same time, we need to strike a balance between the right cost and a regular supply. A networking event turned out to be the answer.

During a Ratos Sustainability meeting, our Senior Product & Sustainability Manager, Jonas Marking's chance encounter with Per Hökfelt led to an unexpected discovery of a new source of plastic waste. Per, VP Sustainability & QEHS of Diab, as HL owned by Swedish company group Ratos, wanted to responsibly dispose of the plastic waste that they generate from the production of PET core – one of the primary materials used in wind blades, nacelles, and spinners in the wind energy industry. Diab's waste turned out to be a new source of recycled plastic for HL's factories. "This is circular business put into action. We close the loop of PET produc-

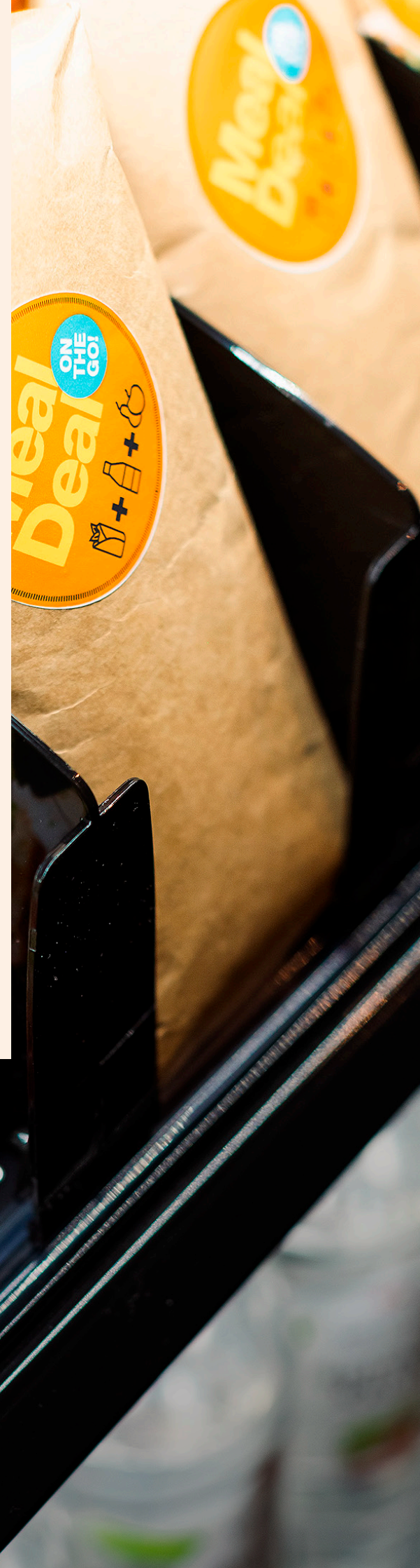
tion waste and reduce our carbon footprint," said Per.

### Given a new life in the store

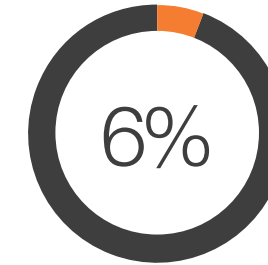
The material sourced from Diab has since then been used to produce Optimal™ black dividers. Made from 100% recycled plastic, every 1,000 dividers save about 170kg of virgin plastic. Taking a new life, 19,000 Optimal™ black dividers now organise the shelves at Billa in the Czech Republic – an installation that saved about 3.2 tonnes of virgin fossil-based plastic. At the Tokmanni chain in Finland, their new lifestyle and home section based on the sustainability concept included 8,000 Optimal™ black dividers in ten stores - an action that helped save 1.3 tonnes kg of virgin fossil-based plastic.

### Creating value from plastic waste

"For consumers, sustainability has become an important purchasing criterion, making circularity an increasingly crucial prerequisite for more sustainable stores – and ultimately for commercial success," assured Jonas.



## Helping customers to reduce waste



During 2022, sales of the Sustainable Choice range have grown by six percent

In 2021, we began collaborating with 3JD, a French liquid dispensary company to create a prototype for liquid bins. In Europe, the regulation around liquids is high, for example in the case of cleaning products due to the chemical ingredients. Liquid bins currently existing on the market do not fully take this into consideration. However, FlowBin, launched in collaboration with 3JD in 2022 is in-line with regulations and enables shoppers to fill containers with liquid products.

### HL Sustainable Choice sales on the rise

In 2018, HL launched Sustainable Choice, a range of merchandising solutions made from bio-based or recycled materials. The range was developed in collaboration with academic research institutions. At first, the product offering included datastrips and shelftalkers, and already in 2019 we were able to offer customers a Sustainable Choice for 37 percent of the assortment. Selected HL products are made available only partially made from recycled plastics, such as Optimal™ dividers and our range of 4eBin™ range, to further support the shift to alternative materials.

Over the past few years we have seen a growing demand for a Sustainable Choice option, especially from branded goods suppliers. The sales of Sustainable Choice have accounted for more than ten percent of total sales in the past three years, and during 2022, sales of the range have grown by six percent. We will continue to expand

our portfolio of Sustainable Choice solutions. Going forward, our aim is for the Sustainable Choice offer to be the default for HL solutions.

### Matching the supply of recycled materials with the demand

The interest in recycled materials continues to grow rapidly and an increasing number of companies are making significant efforts to increase recycling and use of recycled materials. However, demand for high-quality recycled materials still continues to outpace supply, making it difficult to secure recycled plastic where both source and materials can be traced. Furthermore, balancing customer expectations on appearance and the increasing cost of recycled plastic continue to be a challenge. However, by rethinking product design, more recycled material can be used. One example are Optimal™ black dividers (picture to the left) and the new Optimal™ Beverage Tray (see page 39). Read more about our recycled materials on page 37.

### Moving towards a circular economy

We believe that circularity and collaboration are necessary to drive sustainable development. HL is taking active steps to drive our contribution to a circular economy, and we have

successfully developed a circular offer that can be expanded across Europe. In 2020, we began collecting our own products at the end of their life. By closing the loop, we have been able to solve certain challenges surrounding the sourcing of recycled material with sufficient quality and are able to avoid having our products be disposed of in incinerators or at a landfill. We also see great potential to reduce CO<sub>2</sub> emissions through our circular offer. For example, the life cycle analysis for our datastrips shows that approximately 40 percent of emissions come from incineration at end of life\*.

Our circular offer was launched as a pilot project with Tesco in 2020, and the following year, we launched a similar circular project with Kesko in Finland.

In 2022, we have increased the interest in the circular offer through our spring sales cycle. Finish customer S Group is currently switching out their old dividers which are collected and sent to our factory in Gliwice so we can recycle the material into new products. While we plan on expanding our circular offer to more customers worldwide, we are also aware that it will take a long time to apply the solution to a wide range of companies, in part due to the challenge of retrieving the material in an efficient way.

\*Based on the Life Cycle Assessment for products at HL Display AB, Study made by IVL, 2017.



# Creating the best workplace

At HL we continuously invest in developing the best workplace possible. We aim to provide an inclusive and safe environment where employees thrive, enjoy their work and continue to develop and grow.

## Engaged and valued employees are the key to our success

HL has a global presence with 955 permanent employees spread across 23 countries covering 39 markets in Europe, the Middle East and Asia-Pacific. Our company consists of several different professional groups, all of which play very different, but equally important, roles. HL includes sales representatives, factory workers, designers, procurement specialists, factory managers, warehouse employees and more. The

competence, performance and well-being of our employees are at the core of our business. We are committed to providing an inclusive workplace that not only attracts new talent, but also has a high retention rate.

## Ensuring health and safety of employees

The health, safety and wellbeing of all of our employees is of utmost importance. We provide our employees with a range of wellness benefits, ranging

from wellness allowances and fees covering sporting event participation, to contributions for health checks and private healthcare services. For example, our compensation package in Sweden includes a bike leasing initiative that allows our employees to lease a bike and pay for it through deductions from their gross salary. We have a similar bike-to-work scheme for our employees based in the UK.

## Employees by employment contract

	Nordic countries			Rest of Europe			Asia			Total		
	Women	Men	Total	Women	Men	Total	Women	Men	Total	Women	Men	Total
Permanent employees	63	150	213	316	347	663	36	43	79	415	540	955
Temporary employees	5	4	9	42	34	76	0	1	1	47	39	86
Non-guaranteed employees	2	1	3			0	3	6	9	5	7	12
<b>Total</b>	<b>70</b>	<b>155</b>	<b>225</b>	<b>358</b>	<b>381</b>	<b>739</b>	<b>39</b>	<b>50</b>	<b>89</b>	<b>467</b>	<b>586</b>	<b>1,053*</b>

## New employees and turnover

	Age			Gender		Region			Total
	Under 30	30-50	Over 50	Women	Men	Nordic countries	Rest of Europe	Asia	
New employee hires	27	57	9	45	50	18	68	9	95
Rate of new employee hires	71	55	36	51	64	82	60	29	57
Employee turnover	38	103	25	88	78	22	113	31	166
Employee turnover	180	652	241	481	594	224	755	97	1,076*
Rate of employee turnover	21.2	15.8	10.4	18.3	13.1	9.8	15.0	32.0	15.4

\* Please note, 1,076 is the average number of employees across the year, while 1,053 is the number of employees at the end of 2022.



## Prioritised topics

- / Ensure safe work environments for our employees
- / Embrace diversity and equality of our employees
- / Develop and build on employee engagement

## Other topics we work with

- / Create a workplace where people live our values
- / Ensure that all our employees sign and adhere to our Code of Conduct
- / Provide ongoing professional development and opportunities for personal growth

## Key achievements

- / Provision of an extended sport package where employees have unlimited access to many sport facilities in Gliwice
- / 131 risk observations in the Sundsvall factory to help prevent future accidents
- / Enhancements made to the performance review process to promote coaching, development and clear two way feedback
- / Learning & Growth @HL launched, a platform to help improve leadership skills, coaching and development
- / Launched a Learning Management System called TalentLMS, helping us to grow capability across the business

## Results 2022

- ✖ 10 accidents leading to absence

According to HL's engagement survey

- ✖ Overall engagement index of 69
- ✔ Score of 74 for 'regardless of background, everyone at HL has an equal opportunity to succeed'

## Targets 2023

- / Reduce Lost Time Injury Frequency Rate by 5 percent year on year
- / According to the HL engagement survey:
  - // Overall engagement index of 75
  - // Score of 73 for 'Regardless of background, everyone at HL Display has an equal opportunity to succeed'





## Creating the best workplace



89

Score for "I have a good working relationship with members of my team" (2021: 87)

94%

of employees had at least one performance review in 2022\*

\*According to HL's HR reporting system, covering all employees who have been working a minimum amount of time during the year. Excluded are e.g. employees on parental leave or new hires with less than three months in the company.

### There are also independent initiatives throughout the company to promote employee well-being and mental health:

- / Encouragement to exercise by providing an extended sport package where employees have unlimited access to many sport facilities, such as gyms, pools and tennis courts in Gliwice.
- / Regular health checks every three years for all permanent and temporary employees at our Sundsvall factory, as well as stress and competence risk assessments before organisational changes.
- / Offering of social insurance and group life insurance to reduce the economic pressure of medical treatment for employees in our Suzhou factory in China.
- / A Health and Safety Day in Gliwice to promote wellbeing, for example through conducting first aid trainings and offering a webinar about stress control with a psychologist.

HL is keen to follow collective agreements in countries where such agreements are in place. 31 percent (2021: 30 percent) of HL's employees are covered by formal collective agreements. In some of the locations not covered by formal collective agreement such as Finland, conditions are still in-line with collective agreements existing outside of HL, without the company being an actual signatory.

### Proactive safety measures in production

Most of HL's health and safety risks occur in the production and logistic phases of the value chain. Ensuring a safe working environment is fundamental to securing the delivery of high-quality products and solutions. We have a preventative and systematic way of approaching workplace safety, by regularly updating safety procedures and examining risk factors. 78 percent

of employees are covered by joint management-worker health and safety committees (2021: 83 percent).

All our factories and Regional Distribution Centres have good quality safety processes in place, and in 2022 we managed to certify additional entities, meaning that three out of five factories and three out of four Regional Distribution Centres now comply with the health and safety standard ISO 45001. This not only contributes to a safer work environment, but also the mindset of managers and employees. In all our factories and distribution centres risk observations are part of the safety process. Risk observations ensure that employees identify potential risks, helping to prevent incidents from occurring and ensuring that action is taken to address those risks. Our Sundsvall factory was the first to introduce risk observations into their safety work. As a result, we have seen a steady increase of observations. The goal was to identify 100 potential risks per year, and in 2022 this was exceeded as 131 risks were identified (2021: 93). In 2023, the goal is to identify 150 potential risks.

All of our factories and Regional Distribution Centres conduct safety inspections. As part of this, the Sundsvall factory and Nacka office in Stockholm conduct safety inspections called "Skyddsronden". The inspections follow up on observations in all areas, from bad lighting to damaged safety equipment. The process is carried out by teams of personnel both belonging to the work area and from outside of the area, to ensure that different perspectives are included.

All employees and contractors at HL's production facilities and distribution centres undergo mandatory health and safety training and run-throughs, and additional training is conducted when

necessary. The HR team and facility managers of the respective production facilities are responsible for carrying out the health and safety training among other activities, but all of our employees have the responsibility to notice, report and manage potential risks.

HL aims to provide a safe workplace free of any workplace accidents that lead to absence. Safety is a continuous journey and a matter of investing in proactive measures that ingrain safety into our culture. Since 2019, we have conducted two internal audits per year to increase our systematic health and safety work. In 2022, ten accidents leading to absence or sick leave were reported (2021: 8). No fatal accidents occurred during the year (2021: 0). A total of 48 accidents were reported in 2022 (2021: 34), including 38 minor accidents (2021: 26). Based on these accidents, our overall accident rate for the year was 39.16 (2021: 26.78) and our lost time accident rate was 8.16 per 1 million hours worked (2021: 6.30)\*. Furthermore, we are committed to implementing additional preventive safety measures.

### Equality and diversity are fundamental

Diversity of thought is a prerequisite for an innovative and successful business, especially for a company with global operations like HL. It is therefore imperative for us to provide equal opportunities to all employees regardless of gender, religion, ethnic background, sexual orientation, family situation or age. We are committed to maintaining, and are actively working to develop, an inclusive workplace with zero-tolerance for all forms of discrimination and harassment. This is outlined in our Corporate Responsibility Policy. The HL Code of Conduct focuses on the complexity of diversity issues and

\*Reporting quality has increased and definitions on hours worked have been updated which can affect the numbers 2022 vs 2021. From 2022 Regional Distributions Centres are included in the numbers. The companies acquired are not included in the numbers.



## Creating the best workplace

the importance of creating an inclusive workplace where everyone can feel safe and thrive. To support this safe and inclusive environment we have continued to drive awareness of our Whistle-blowing policy and our portal, which is described later in this report.

The overall gender distribution of permanent employees at HL is 46 percent women and 54 percent men (2021: 44 percent women, 56 percent men). HL is also proud to have a relatively even gender balance among production operators. However, there is still room for improvement in some business areas. The gender distribution of managers at HL is, for example, 26 percent women and 74 percent men (2021: 31 percent women and 69 percent men). In 2022, we also took steps to improve gender pay disparities in the Nordics.

### Same quality of employee experience for all employees

Our 2022 employee engagement survey showed that the feeling of equal opportunity is increasing at HL. The score for the statement 'Regardless of background, everyone at HL Display has an equal opportunity to succeed' is 74 (2021: 70), which is one point above the external benchmark. We are happy with this improvement but we will continue to look for opportunities to improve the experience of equality for all HL team members.

We have streamlined HR procedures for recruitment, salary processes and performance interviews, which help to ensure that all HL employees are treated to the same quality standards. The same applies to our exit interviews, which are conducted if an employee decides to leave the company.

At HL, we strive to create an inclusive and diverse team. To ensure that hiring decisions are unbiased and well-founded based on each candidate's own merits, HL's HR business partners are trained in using tests to evaluate candidates' abilities, behaviour and personality as part of the recruitment process. Furthermore, our recruitment ads aim to be inclusive and encourage applicants of all backgrounds. We believe this helps us build an inclusive and innovative culture.

HL has a well-established annual performance review process, which forms the basis for individual employee development. The process includes an annual performance review at the beginning of each year, which provides our employees a forum to both receive and give constructive feedback, as well as define clear goals together with their immediate supervisor. The goals can include a development plan, competence development needs, future development steps to be taken and career planning. The individual goals and development plans are followed up during a mid-year review as well as at year-end. In 2022, we fine-tuned our performance review process by adding an overall performance rating and commentary, encouraging feedback and supporting development. 94 percent of employees had at least one performance review in 2022.\*

All employees with comparable qualifications and work tasks should have the same working conditions and opportunities. Salary in any given position is based on the knowledge needed to do the job, the problem solving required and the level of accountability in the role, as well as the demonstrated

behaviours and results achieved by the individual. HL has a systematic approach to employee development and promotion to provide equal opportunities in career development:

- / An internal talent review process where management teams evaluate their team members' performance and potential according to set criteria. This process reduces the risk of subjective decision-making regarding individual career opportunities and development.
- / In 2022 we launched Learning & Growth @HL, which is a platform to help improve leadership skills, coaching and development. You can read more about the platform on page 29.
- / HL's Guidelines for Rewards, Recognition & Compensation help managers make objective decisions about pay levels and other incentives based on qualifications, behaviours and performance.
- / Annual measurements of employees' perception of being treated equally in the workplace are conducted as part of our employee engagement survey. Should the results indicate that a particular department, country, or area has a low score, we engage with the respective leader and their team to understand any issues and take necessary action.

\*According to HL's HR reporting system, covering all employees who have been working a minimum amount of time during the year. Excluded are e.g. employees on parental leave or new hires with less than three months in the company.

### Measuring employee engagement

HL conducts an annual employee engagement survey for all employees called HighLight Engagement Survey. The survey is conducted through an engagement platform called Glint, which includes a tool that allows us access to additional insights and comparisons to external global benchmarks. It has improved survey access and ease of completion for our factories and Regional Distribution Centres, and is enabling us to build better action plans based on the results.

The overall engagement measure is the index of two items: 'I am happy working at HL' and 'I would recommend HL as a great place to work'. Our 2022 scores were 73 and 65 respectively (2021: 73 and 67), compared to the 2022 external benchmarks of 75 for both items (2021: 75 and 76). These two items are combined to create HL's overall Engagement Index score of 69 (2021: 70). The external benchmark is updated every six months, developed across countries and industries with over 900 customers and over 174 million data points per year.

Based on survey data, we prioritise improvements in the areas of engagement, performance and retention. Results are aggregated on a company-wide level and shared with all managers and all employees globally. Each manager with a team of more than five members receives the result for their team directly in the survey tool and all managers are expected to take ownership of the results and develop action plans in a workshop with their team. We follow up on these actions regularly and the progress on the actions is tracked through the Glint platform.







HL's strategy and the HighLight survey are closely linked. Based on survey data, **we prioritise improvements in the areas of engagement, performance and retention.** Results are aggregated on a company-wide level and shared with all managers and all employees globally.

The three companies we acquired in 2021 are included in the engagement survey and we have mostly seen an increase in engagement. However, this has not been without its challenges. For example, we are working hard to support the broader Netherlands/Belgium organisation, where engagement has been challenging, given a sharp increase in customer volumes at the same time as integrating systems to connect the acquired business to HL.

Our employees continued to remain engaged throughout 2022, but we had a slight decrease in our overall engagement index to 69 (2021: 70). At the same time, we slightly increased our response rate to 89 percent for the employee survey (2021: 88 percent). Similarly, there was an increase in the number of free text comments made in the survey. The overall results of the survey indicate that employees continue to be engaged and that we have improved in most areas assessed in the survey; twelve areas have improved while we have seen a decrease in four areas. Our top strengths relative to the global benchmark are Camaraderie, Work Life Balance and Accountability. We are happy to see a further slight improvement in work life balance experienced among our employees, with a score of 76 (2021: 74), which is six points above the global benchmark. From our exit survey data we have also observed a sharp decrease in work life balance being reported as a reason for leaving the business (13 percent in 2021 vs two percent in 2022).

Our biggest opportunities vs the global benchmark are similar to 2021: Growth (same score as 2021), Decision Making (same score as 2021) and Communication (down one point from 2021). We continued to use our established communication channels such as monthly townhalls and the annual global meeting. Despite very positive feedback on these regular business updates, we know we need to continue to work on how we

create learning and growth opportunities and encourage two-way communication across the business.

We are continuing to work with leaders and teams to improve on these opportunities and have developed action plans for the overall business, owned by the Extended Group Management team, and within each team across the business. While we will continue to survey annually, we have a commitment from leaders to review progress and update their engagement actions each quarter in 2023.

#### Competence development and leadership coaching

In the HighLight survey in 2021 we scored lower than the external global benchmark in areas such as growth and learning. As a result, in 2022 we invested more time, money and effort to support leadership, growth and learning.

In the years past, we have held a Group Leadership Forum (GLF) twice each year. This is a cross-functional meeting focusing on aligning and securing leadership commitment to the company strategy, as well as developing leadership skills. We ramped up our focus on the GLF in 2022, bringing 50-60 company leaders, such as area directors, factory managers and other key leaders together for the GLF three times in the year. We are continuing to actively drive this forum as a key tool to improve engagement, build leadership capability and encourage communication and collaboration across the business.

In addition to these forums, our Innovation Booster Project has entered its second year. The purpose of this project is to increase innovation at HL by building on the industry knowledge, expertise and insights that our employees have. We are also creating a space where creativity can flow without limitations. During 2022, we conducted three workshops with people from all business areas and different geographies across

HL. In these workshops we discussed and workshopped a variety of topics and exercises, ranging from market trends to brainstorming new business ideas. Going forward, we plan to conduct at least one workshop per year per business area, as well as following up on the outcomes of previous workshops.

During 2022, we also launched a platform called Learning & Growth @HL. This is a place where all HL employees can go and learn about how we Grow, Behave and Lead at HL. It gives HL employees access to information to help them grow their careers. This currently includes coaching models and tools to help them have good coaching discussions, even to manage difficult conversations between team members. There are also suggestions for sessions new leaders can use to help get alignment with their new team. In 2022, we updated our HL Behaviours and also our Leadership Success Factors, and the Learning and Growth site also provides leaders and their teams with tools they can use to help discuss the HL Behaviours in the context of their team. Learning & Growth @HL is an ongoing project, and we will develop and add helpful content regularly based on feedback and identified development priorities.

In addition to these endeavours, in December of 2022, we launched a new Learning Management System (LMS) called TalentLMS, which will help us grow capability across the business. Based on feedback we have received we are creating and sourcing content including e-learning modules. We are gathering input on the capability priorities for 2023, and we are also ensuring that all employees have access to the LMS, including access on personal mobile devices for people working in our factories and distribution centres.



## Creating the best workplace

### Strong commitment to anti-corruption and safeguarding human rights

HL is committed to support and respect internationally proclaimed human rights. Our Code of Conduct helps us manage our sustainability work by clearly defining the fundamental principles that every company representative and partner should follow. It defines HL's zero-tolerance stance on bribery, extortion and corruption and demands strict adherence to regulatory requirements, based on the ten principles of the Global Compact. The Code of Conduct is signed by all HL employees when joining the team.

HL's tailored Code of Conduct e-learning course is intended to deepen our employees' understanding of our Code of Conduct through practical exercises and dilemmas, while simplifying the annual Code of Conduct review process. Since the launch of the training in the fall of 2019, 596 employees have completed the training, and consequently signed the Code of Conduct. This number consists of all employees, including the added employees following the 2021 acquisitions. All new starters also sign the Code of Conduct as part of their employment onboarding process. Our online Code of Conduct e-learning course was re-launched in late 2022. In 2022, no violations of the Code of Conduct were reported (2021: 0), including no incidents of corruption.

In 2022, we further deepened our human rights work by conducting a human rights risk desktop assessment. In 2023, we plan on taking the next steps by determining a small number of priority areas for attention and taking active steps to address these.

### Whistleblowing

Back in 2013 HL implemented an operating whistleblowing function called Whistleblowing Center. This is part of an external Swedish sustainability consultancy, TripleB. Any reports made through the whistleblowing system are sent directly to the Group HR Director and the Group Marketing Director. Simultaneously, our principal owner, Ratos have a representative on the Board of Directors who also receives the reports. HL wants to bring attention to any malpractices, including possible non-compliance with local laws or breaches of HL's Code of Conduct and Code of Conduct for Suppliers in areas such as human rights, labour, and anti-corruption. Reports submitted through the whistleblowing channel are investigated centrally. If the malpractice report proves to be well-founded and correct, it will result in disciplinary and, where applicable, legal action. When reporting malpractice through the whistleblowing site, employees, external partners and other stakeholders are guaranteed anonymity. In 2022, no reports of non-compliance were made through the whistleblowing system (2021: 0). We have investigated the consistently low whistleblowing reports and made a conscious effort in 2022 to promote the portal and ensure that people are aware of how to use it. In our investigations we have been pleased to hear that most HL employees speak directly to their manager in the case of an issue, but we will continue to promote the whistleblowing system regardless.

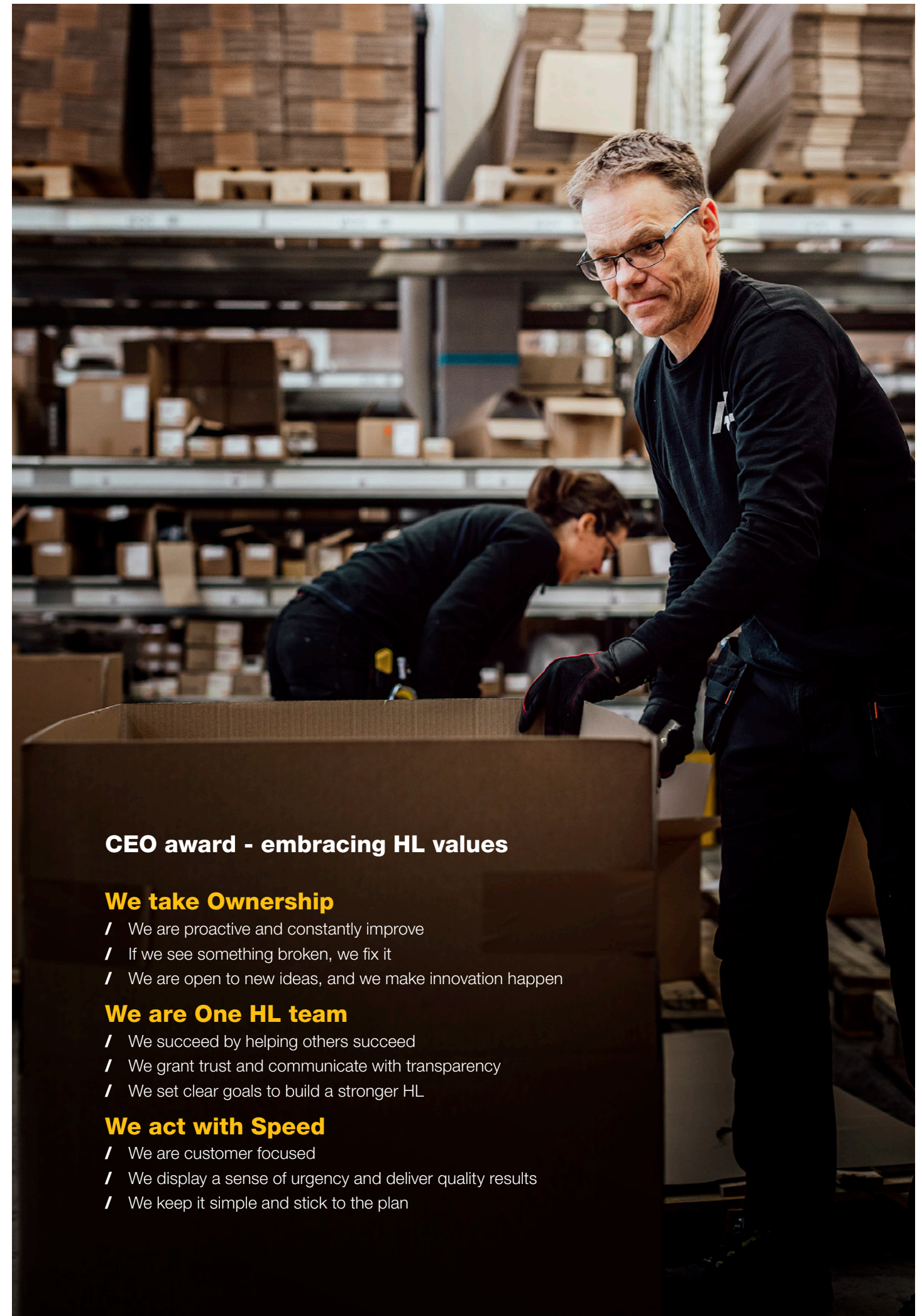
In the case of conflicts of interests, everyone in the organisation is responsible for flagging cases to their manager, so proper action can be taken.

There is always more than one person who approves large decisions at HL, as well as clear guidance on who can approve what, which in turn helps to prevent conflicts of interests arising in the first place.

### Creating a culture where people live HL's values

Every quarter, CEO awards are given to individuals or teams who embody HL's values – Ownership, Speed and One HL team – and contribute to a positive company culture. The nomination process, which allows anyone to put forward candidates, strengthens the feeling of belonging with colleagues all over the world. In 2022, 32 nominations were received.

In May 2022, the Group Leadership Forum worked together to review and update our HL Behaviours and in August we reviewed and updated our Leadership Success Factors. Changes were made to ensure they are simple and relevant to the business, reflecting how we should behave to become the company we want to be. We ensured that we had a 'real' conversation about what gets in the way of what we would like to see in the business to achieve our goals and make HL an even better place to work. Following from this we have also developed a simple tool which leaders can use to have a 'real' conversation about the behaviours and what gets in the way in their team.



### CEO award - embracing HL values

#### We take Ownership

- / We are proactive and constantly improve
- / If we see something broken, we fix it
- / We are open to new ideas, and we make innovation happen

#### We are One HL team

- / We succeed by helping others succeed
- / We grant trust and communicate with transparency
- / We set clear goals to build a stronger HL

#### We act with Speed

- / We are customer focused
- / We display a sense of urgency and deliver quality results
- / We keep it simple and stick to the plan





#### Prioritised topics

- / Increase use of recycled and more environmentally friendly materials
- / Reduce the carbon footprint of our operations

#### Other topics we work with

- / Reduce raw material consumption
- / Reduce water consumption year on year
- / Improve the efficiency of transportation
- / Have all our factories and Regional Distribution Centres certified according to ISO 9001, ISO 14001 and ISO 45001 standards

#### Key achievements

- / Improved waste management processes allowing for a higher share of waste being recycled
- / Increased usage of more sustainable packaging material
- / Improvements in freight logistics
- / Developed our capacity in delivering a circular offer

#### Results 2022

- ✓ CO<sub>2</sub> emission reduction targets were approved by SBTi and we delivered on the plan
- ✗ Usage of recycled material declined by 7 percent

#### Targets 2023

- / **Deliver on CO<sub>2</sub> reduction plan according to targets set in-line with SBTi**
- / **Increase the use of recycled material with 10 percent year on year**



# Driving continuous improvement in operations

HL strives to improve environmental performance by complying with policies and standards while making continuous efforts to reduce the environmental impact of our whole value chain.

#### HL has production in five factories

- / Sundsvall, Sweden for extrusion of plastics
- / Gliwice, Poland for injection moulding, heat bending, woodwork and printing
- / Harlow, UK for metal, injection moulding, woodwork, heat bending and printing
- / Leeds, UK for wood working, heat bending and printing
- / Suzhou, China for extrusion and injection moulding

#### Sustainable operations are fundamental

As it is our ambition to minimise environmental impact and to integrate sustainability throughout our company culture and way of operating, it is crucial that we take responsibility for the world around us through the way we operate, develop and innovate. Most of our own environmental impact stems from the raw materials used in production, along with energy use and water consumption. As our own factories produce the majority

of the products in our portfolio, running these in an efficient and environmentally responsible way is crucial for reducing our operations' environmental impact.

#### Examples of continuous improvements at our sites

- / Three out of four Regional Distribution Centres (RDCs) are now certified according to ISO 9001, 14001 and 45001 standards. Four out of five factories are compliant with ISO 9001 and three out of five are compliant with the ISO 14001 and 45001 quality standards. Newly acquired sites have not not been certified.

All of our factories and RDCs have improved their waste management processes allowing for a higher share of waste being recycled, and make sure to provide sufficient training on waste management

- / Improvements in freight logistics at RDCs to improve fill rate and increase use of trucks following the latest environmental standards and reduce air freights

- / Reduced consumption of water in RDC South West due to an implementation of a control system
- / Exchange of forklifts in Gliwice to ones that are safer and have more energy efficient batteries
- / Sundsvall factory continues to develop extrusion capabilities for alternative and sustainable raw materials
- / Solutions to recycle more plastic waste from production implemented in several factories

#### The impact HL has on climate change

Decreasing our carbon footprint is a key goal for HL. For this reason we committed to the Science Based Target initiative (SBTi) in 2020 and had our CO<sub>2</sub> emission reduction targets approved in 2022. Having the targets approved by the SBTi means that they are in line with what science says is needed to contain global warming at 1.5 degrees.



## Driving continuous improvement in operations

### Doing our part for the climate

#### 2020:

- / HL became signatories of the Science Based Targets initiative (SBTi).

#### 2021:

- / With support from ZeroMission, HL defined targets and developed a detailed action plan on how to ensure a reduction of HL's climate footprint in-line with SBTi's ambition.
- / Targets and action plan were sent to SBTi.

#### 2022:

- / Our targets were approved by SBTi.

### Future ambitions:

Our goals and action plan are in line with keeping global warming under 1.5 degrees Celsius, and include the following reduction decreases compared to the base year 2019:

Goal	Scope 1 and 2: 46 percent reduction of emissions by 2030	Scope 3*: 22 percent reduction per tonne of purchased material by 2030
Key actions	<ul style="list-style-type: none"> <li>/ Switch to 100 percent green/renewable energy</li> <li>/ Decrease energy usage</li> <li>/ Generate own energy</li> </ul>	<ul style="list-style-type: none"> <li>/ Work with our regular suppliers to get them to reduce the footprint of the materials we source</li> <li>/ Increase use of recycled material and bio-based materials</li> <li>/ Move away from fossil fuels for transportation of goods</li> </ul>

\*Scope 3 emissions included in the target are emissions related to purchased material and transportation. This constitutes 84 percent of our total scope 3 emission during the base year of 2019.

A necessary step on the path to reduce emissions is to know where the emissions are coming from. Since 2018 we have measured our carbon footprint, including emissions from our own operations as well as emissions coming from the wider value chain, according to the GHG-protocol.

For the year 2019 we started using a tool called Our Impacts to collect, compile and analyze data for the climate footprint study. The tool enables us to involve people from different parts of the organisation in the data collection process. The data is organised per reporting unit, which makes it easier for each unit to compare the results year by year, and set their own targets. This also helps to ensure the quality of data reported. The set up will also make it possible to monitor emissions more regularly, as opposed to once per year.

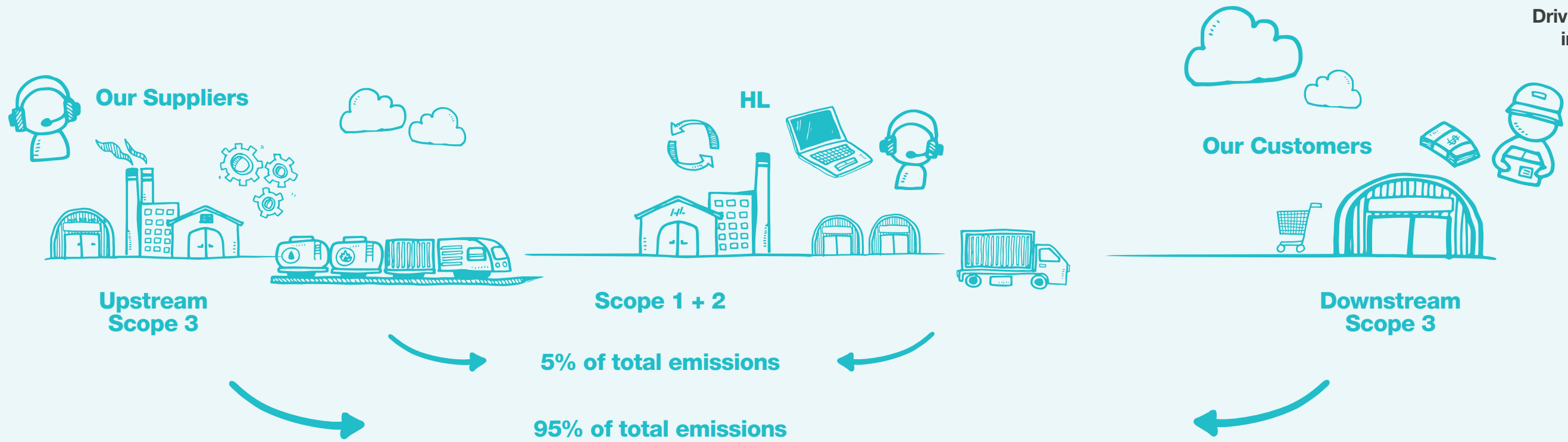
It is important to keep in mind that the footprint calculation is not exact. For some activities we have to make assumptions, but it is our ambition to make the study more exact every year. One important step is to get more precise emission factors for different raw materials, which will be done in cooperation with our suppliers. To ensure the quality of the data, our consultant for the carbon footprint study, Zero-Mission, validates the reported data before closing the year. While this is not the same as a third party audit, this ensures that the data for the main emission drivers are correctly documented and that any anomaly is scrutinized.

During 2021, HL acquired three companies. These companies have been included in the footprint study for 2022.





Driving continuous improvement in operations



**Our emissions 2022**

In 2022, 95 percent of HL's contribution to climate change emanated from activities in scope 3, upstream and downstream indirect emissions. The remaining 5 percent of our carbon footprint came from scope 1 and 2 activities, which are more directly linked to our own operations.

The use of purchased raw materials accounted for 72 percent of HL's

total greenhouse gas emissions 2022, making it our main impact on climate change. Of the materials HL uses in production, plastics have the largest adverse impact, followed by metal. Third-party transportation of goods represented 14 percent of emissions (inbound and outbound). Use of sold goods, which relates to the use of our LED shelf light system Ad'Lite™, accounted for five percent of our total carbon footprint.

For our own operations, the use of electricity is the main emission driver. Our factory in Sundsvall has been using electricity from renewable sources for many years and in 2021, our factory in Gliwice also switched to renewable energy. Thanks to this, electricity and heating only accounted for 5 percent of total emissions in 2022.

The carbon footprint study plays an important role in setting the baseline for improving HL's operations and guiding our efforts to reduce our environmental impact.

**Our emission reduction targets**

For scope 1 and 2 our target is to reduce emissions with 46 percent till 2030, compared with 2019\*. As the graph indicates we are well ahead of our target. The main reason for this is that our factory in Gliwice changed from fossil-generated energy to renewable energy in 2021. However, we have to continue working with energy efficiency to stop our emissions from growing, considering that our aim is to grow our business organically year on year.

For scope 3 we have set an intensity target, aiming to reduce our emis-

sions with 22 percent per tonne of purchased material. Currently we are 10 percent under the 2019 emissions\* per tonne. The main drivers for this reduction is that the mix of material used changed slightly towards materials with a lower footprint. We can also see an effect of using more recycled plastic.

All in all, we are on track to deliver on our targets, but much work remains until 2030.

**Our approach: reduce and re-use**

HL's main raw material is plastic, particularly PVC and PET. To cut our carbon footprint, our focus is on reducing and recycling our production waste, decreasing the use of virgin fossil-based materials through efficient design and production processes, and strengthening our sourcing of recycled materials. We are simultaneously active in researching alternative material solutions, such as bio-based plastic and alternative sustainable additives. We strive to be innovative in all that we do, and a key priority for HL is the management of the end-of-life treatment of our products and closing the loop of materials.

HL's ambition is to reduce raw material consumption, which is reflected in our efforts to enhance production processes, for example by minimising generated waste through continuously streamlining our production processes. In 2022, the

production in our factories created 2,341 tonnes of safe waste (2021: 2,605 tonnes) of which 1,080 tonnes were plastic waste (2021: 1,151 tonnes). Our overall waste rate, the relation of waste to material used, was reduced to 16.2 percent in

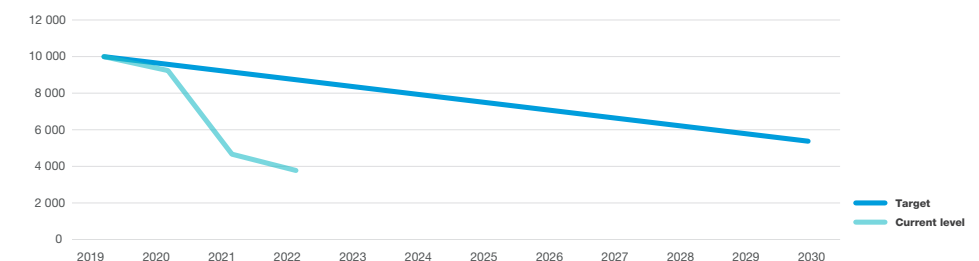
Emission of greenhouse gases divided per activity



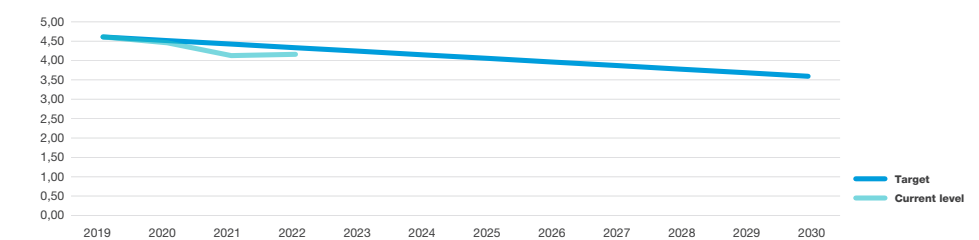
- Purchased materials **72%**
- Outbound third-party deliveries **12%**
- Purchased electricity and heating **5%**
- Use of products sold **5%**
- Inbound third-party deliveries **2%**
- Other **2%**
- Capital goods **1%**
- Employee commuting **1%**

Illustration: In 2022, the total carbon footprint of HL was 83,925 tonnes of CO<sub>2</sub>-equivalents (market based method). Of that, scope 3 amounted to 80,143 tonnes, scope 2 to 2,297 tonnes and scope 1 to 1,485 tonnes.

Scope 1 & 2 emissions, tCO<sub>2</sub>e



Scope 3 emissions per tonnes of purchased material, tCO<sub>2</sub>e



\*The data for 2019 and forward have been adjusted to include estimated emissions from companies acquired during 2021, in accordance with the SBTi guidelines.



**Driving continuous improvement in operations**

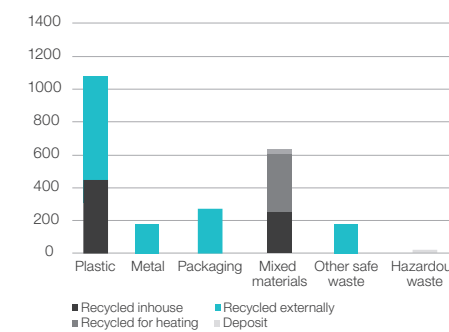


HL's ambition is to **reduce raw material consumption**, which is reflected in our efforts to enhance production processes, for example by **minimising generated waste** through continuously streamlining our production processes.

2022 (from 17.1 percent in 2021). For plastic material specifically the waste rate was 10.8 percent in 2022 (same as 2021).

When it comes to waste, our ambition is to recycle as much of the waste generated in our production processes as possible. Waste that cannot be recycled internally is sold to external parties with the aim that 100 percent of our safe production waste should be recycled in some form. We have continued to work with our waste management system and in 2022 we managed to increase our recycling rates; 83 percent

**Waste Management**



of our total safe waste from production in our factories was recycled (2021: 81 percent) and 18 percent of safe waste was recycled in our own production (2021: 18 percent). Of all plastic waste generated, 40 percent was recycled in our own factories in 2022 (2021: 41 percent). Our factories have been successful in reducing our raw material consumption in 2022; less waste has been created in production and more of the created waste has been recycled. We will continue to analyse and improve our processes based on the data we have collected in 2022.

**Sourcing and designing for increased sustainability**

HL also has a strong focus on increased sourcing of recycled materials from external parties. Securing the right quality

is a continuous challenge as the material needs to fit with the production process, while the look and feel of the product needs to meet customer expectations. For example, when high transparency in the product is demanded, only very high grade materials can be used. Furthermore, costs for recycled material is often higher than for virgin. In 2022, we sourced 383 tonnes of recycled plastic (2021: 397\* tonnes). In percent of all plastic used, the amount of recycled plastic sourced stayed the same, and we did not meet our target to increase usage by ten percent.

During the last couple of years, we have invested approximately 300 production hours in evaluating new sources and materials, and successfully added new

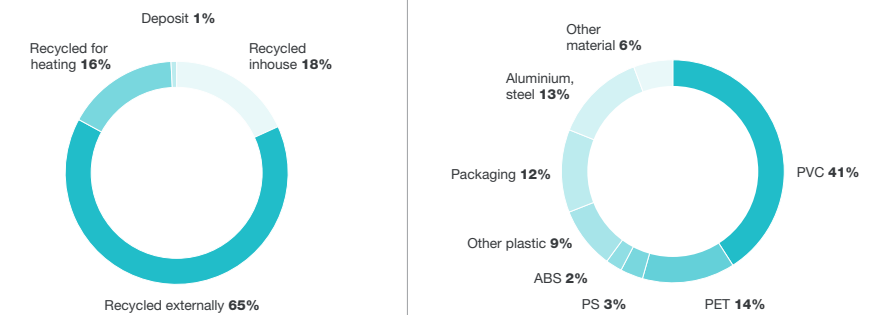
**Design matters**



**As the design** of a product often decides if, or how much, recycled material can be used, the material choice needs to be considered in the development phase of new products already.

When our new Optimal™ beverage tray for 1,5 liter bottles was designed, the tray was split into two parts; a small front part which is visible and therefore needs to be transparent, and a larger back part that is not visible on shelf. While the needed transparency of the front limits how much recycled material we can use, the back part can be made in in 100 percent recycled material.

**Raw Materials**



sources of recycled materials, including sources for PVC, PET and HIPS. An increasing amount of our suppliers are able to supply our main raw materials as recycled. Going forward, we expect that there will be an increased pressure to look at the full plastic value chain, instead of just the final customer.

In 2022, HL used 14,472 tonnes of material in production (2021: 15,228 tonnes), where of 69 percent were plastics (2021: 71 percent). Of all plastic used in production, 8.1 percent was either recycled or bio-based (2021: 8.1 percent).

\*Last year's report stated the incorrect number of 238 tonnes recycled plastic. The reason for this being that we buy a compound that includes 20 percent recycled material, and in 2021 this was recorded as containing 100 percent virgin material.



## Case:

### HL's supplier INEOS Inovyn is on a great path towards reducing emissions

Like many other companies, the success of our business partly relies on numerous suppliers upstream in the value chain, spread across many tiers. These value chains are often complex and involve several different actors; if we at HL are to meet our climate target of eliminating 22 percent of our Scope 3 emissions by 2030, navigating and collaborating with our suppliers throughout our supply chain is crucial.

"72 percent of HL's emissions stem from materials we source. One way to reduce the emissions is to work with suppliers that over time can deliver more sustainable materials to us," says Jonas Marking, Senior Product and Sustainability Manager at HL. Dialogue and engagement with suppliers is important. It not only shows them that we are ambitious in our climate work, but even more

important, that we expect them to be as well.

We discussed supplier collaboration and ambitions with Johan Alfredsson at INEOS Inovyn. Johan has more than 27 years of experience working with PVC, and sits on the Board of the PVC Forum in Sweden. INEOS Inovyn is a second-tier supplier to HL, providing PVC powder to compounders from which we, in turn, buy our specific blend of PVC, used for extrusion in our factory in Sundsvall, Sweden. INEOS Inovyn is one of the world's largest chemicals companies and Europe's largest producer of PVC, with eight separate production sites in Europe.

What differentiates INEOS Inovyn from similar companies is their control of their value chain. Being part of the INEOS Group, the majority of sourcing and production

is done by sister companies. This not only minimises the amount of material that needs to be externally sourced, but also gives INEOS Inovyn more insight into and control over their value chain. It also gives INEOS Inovyn clear opportunities to achieve their climate goals and in parallel support their clients in reaching theirs.

INEOS Inovyn aims to reduce their carbon footprint by 33% before 2030 and reach net zero by 2050. Currently the largest emissions connected to producing PVC comes from energy consumption. Some parts of the process requires very high temperatures and is run on fossil gas today. To reach their goals, INEOS Inovyn will electrify more parts of the process and gradually replace fossil gas with clean fuels.

To this end, INEOS Inovyn has begun constructing

their own clean hydrogen plants. "This is where we see that INEOS Inovyn has the opportunity to make a huge difference", says Johan. The hydrogen gas will be used as a clean fuel for production facilities. This will contribute greatly to reduced emissions in production, meaning that the PVC compound will come at a lower carbon cost.

In addition, INEOS Inovyn is running various pilot cases for chemical recycling to improve the circularity of the industry. With chemical recycling, used products can be transformed to a raw material with a quality similar to virgin material. Even though these are projects to be finalised closer to 2030, this gives us assurance that our upstream supplier is taking concrete steps towards reaching their climate goals, and therefore, helping us reach ours.

#### Expanding our circular offer

We have further developed our capacity to deliver a circular offer to meet the rising demand for recycled plastic and circular solutions. Our Sundsvall factory has an industrialised process for end-of-life treatment, which includes collecting, sorting, milling, cleaning and reusing the material in worn out products. They have also designed a production process as part of our circular offer. We expanded our circular offer to include more customers in 2022, and have been able to extend our capabilities in this area to include another set of techniques and materials; circular offer pilots have been performed in our Gliwice factory focusing on injection moulding for

PET, as opposed to the extrusion of PVC in our Sundsvall factory.

During 2022, we continued the switch to more sustainable packaging material in our operations. For some of our customers we have begun using cardboard pallets, which are made of recycled material and can be recycled. All of the bubble foil used is now made of recycled material.

#### Switching from fossil-based to bio-based

We continuously strive to take steps to expand our portfolio made from recycled materials. In order to support and enable our customers in transitioning to more

sustainable stores, HL strives to become an industry leader in alternative materials and solutions. We have used a bio-based plastic called PLA since 2018, which is renewable and made from natural resources, such as plant starch from sugarcane or corn. Historically, sales of PLA-based products have been limited, mainly due to high material costs. In the future, we expect that many of the challenges associated with bio-based plastics such as high costs and difficulties to recycle will be solved gradually. In 2022, we started looking into a new bio-based material, made from waste generated from the pulping industry. It is the largest natural waste product in the world, but today mostly all of it is burnt. By mixing

#### Share of green energy increased by

+2.7ppts

#### Energy usage

-9%

#### Water consumption from municipal sources decreased by

-14%

this material with regular plastic the carbon footprint can be reduced. We will continue to work with our partners during 2023 to develop the material further.

#### Improvements in energy consumption

HL's 2022 production energy consumption was 22.3 MWh (2021: 24.4 MWh) and 72.3 percent of our energy consumption came from renewable sources (2021: 69.6 percent). HL's factory in Sundsvall runs entirely on hydro-generated electricity and our factory in Gliwice completely on renewable energy. We continue to work towards reducing electricity consumption in our factories; RDC South West has further implemented LED lighting and in 2022, we plan on installing solar panels on our facilities in the UK.

#### Water usage

We use water during the production process when cooling extruded and injection-moulded plastic products.

During 2022, 329,001 m<sup>3</sup> of water were used at the company's production facilities (2021: 280,903 m<sup>3</sup>). Most water is used in the Sundsvall factory which uses water from their own well. Of all water used by HL only 18,315 m<sup>3</sup> came from municipal sources (21,234 m<sup>3</sup> in 2021). In RDC South West, the implementation of a control system in 2022 has resulted in reduced water consumption.

#### Becoming more strategic about logistics to save emissions

The majority of HL's shipments are made by truck, including those from our European factories to our European distribution centres and further on to our customers. Sea transport is primarily used for shipping ready-made goods from Asia and the US as well as tools purchased in Asia for use in our European factories.

In an effort to reduce our carbon emissions, we have made several improvements in logistics during 2022. Together with our freight logistics partners, we increased the usage of electric trucks in large cities such as Berlin, Munich and Paris. We have consolidated transport and logistics, and when it comes to truck transportation, dedicated trucks for Austria and Slovenia have been replaced with normal linehaul. These are shared with other companies, leading to decreased freight miles and in turn, reduced carbon emissions. Furthermore, we have improved our fill rates by lowering the number of shipments per week from our Sundsvall factory to the RDCs, and therefore being able to increase fill rates. Lastly, we have made progress in reducing air freight from Asia, in part by collaborating with sales and customer support to improve our supply chain processes. Our Asian suppliers are currently managed locally and by commercial units in separate processes. For better control and efficiency, we plan to merge these into a global supplier management process. In practice this will mean that all goods from Asia will be consolidated

and routed through the Gliwice factory, and from there, shipped to our different factories. This will lead to better control and less emissions due to shorter transportation distances and less air freight.

It is a requirement for all of HL's transport suppliers to have environmental programmes in place. EuroVI – Environmental class – is required for all new freight forward suppliers since 2018.

#### Decreasing the emissions of our car fleet

In 2021, we reworked our car policy to include more markets and to encourage the leasing of electrical vehicles, and by the end of 2022, 75 percent of company cars in Sweden were either hybrid (40 percent) or electrical (35 percent).

#### Continuous improvement through certified management systems

HL ensures the highest standards of safety in production and minimal waste generation through our management systems and policies for quality, work and conduct. Our ongoing improvement of operations and environmental and quality management in our factories are guided by internationally recognised standards. This is necessary to not only drive efficiency in all aspects of what we do, but also to engage all of our employees. Four out of five factories are compliant with the ISO 9001 quality standards, and three out of five are ISO 14001 and 45001 certified. We aim to certify the Harlow factory according to ISO 14001 and the Sundsvall factory according to ISO 45001, during 2023. Furthermore, three out of four Regional Distribution Centres are ISO 9001, 14001 and 45001 certified. HL also complies with REACH, the EU's chemicals legislation, and suppliers must sign a written undertaking regarding REACH.



# Ensuring responsibility throughout the supply chain

HL's Code of Conduct for Suppliers and supplier assessments communicate our strong position against corruption, ensure our stakeholders practice honesty, integrity and responsibility, and demonstrate our commitment to being at the forefront of supply chain responsibility in our industry.

## HL's supply chain

At HL, we place great value in ensuring responsibility throughout our supply chain and strive to be leaders in the industry. We are aware that large amounts of HL's impact on people and the environment occurs in our supply chain. In turn, we believe that our biggest impact on managing sustainability issues in our supply chain is through strategically working with our important suppliers. In 2022, we continued to deepen our supplier engagement.

HL has a total of 1,691 suppliers, of which 1,037 supply our factories and 654 supply our distribution centres. We have defined 160 as important suppliers, which together cover approximately 80 percent of our spending. We have expanded our outreach to the next tier of suppliers, including 90 additional suppliers who have supplied at least

300,000 SEK worth of services and goods in 2022.

## Our Code of Conduct for Suppliers

Our aim is for all HL suppliers to adhere to the same standards as HL and to push our suppliers to join our level of sustainability. These standards are defined in our Code of Conduct for Suppliers which covers topics such as environmental management and business ethics related to corruption. To ensure broad comprehension and inclusion, our Code of Conduct for Suppliers is available in English, French, Chinese, Polish, and Swedish. Our purchasing team works systematically to increase the share of suppliers that have taken part of and signed our Code of Conduct for Suppliers. Their progress is reviewed quarterly. The Code of Conduct for suppliers is now signed by 95 percent of important suppliers, meeting our

target. For 2023, we will expand our reach and target to not only important suppliers but all suppliers, independently of spend. Since updating our Code of Conduct for Suppliers in 2021, all of our new suppliers have signed the policy. In 2022, we had no cases of terminated contracts with business partners due to violations related to corruption.

If a supplier refuses to sign the policy, the HL Purchasing Manager informs our Group Purchasing Director and asks the supplier to provide us with their own Code of Conduct. If the supplier's own Code of Conduct is deemed to be in-line with HL's requirements, the supplier will be treated as having signed our policy. If this is not the case, the supplier will be phased out or replaced.



### Prioritised topics

- / Have a comprehensive supplier risk assessment
- / Have all HL suppliers sign and adhere to Code of Conduct for Suppliers

### Other topics we work with

- / Conduct supplier on-site audits
- / Supplier Full Review as evaluation tool

### Key achievements

- / Launch of the supplier full review
- / 10 on-site audits in 6 countries

### Results 2022

- ✓ Suppliers accounting for 85 percent of spend\* were covered by supplier self-assessment
- ✓ 95 percent of important suppliers\*\* have signed the Supplier Code of Conduct

### Targets 2023

- / **To cover suppliers accounting for 90 percent of total spend in the supplier self assessment**
- / **For 85 percent of all suppliers to have signed our Code of Conduct for Suppliers**
- / **10 on-site audits to be conducted**

\* This includes all important suppliers.  
 \*\* Our important suppliers are made up of the suppliers that cover 80 percent of our total spending.





**100%**  
of new suppliers were  
screened in-line with  
the Purchasing Policy

**Main requirements of our Code  
of Conduct for Suppliers are:**

- Business Ethics
- Sustainable Growth
- Environmental Care
- Health & Safety

**Our supplier management system**

We see great value in managing the way we work with our suppliers and ensuring sustainability throughout our supply chain. In 2019, we started to develop a more systematic process for monitoring sustainability risks, focusing mainly on our important suppliers. This has been further developed into the four-step process that is now in place, containing an initial screening of new suppliers, a self-assessment questionnaire, on-site audits, and a supplier full review. The purpose is to ensure our suppliers comply with our high sustainability standards.

This system was further aided by the launch of our new supplier management platform, Kodiak, in 2021. The platform allows us to engage with our suppliers in a more structured way, as the platform contains all important data and documentation needed in the process, as well as notifying us when to follow-up with suppliers when necessary certifications and documents expire.

When a new supplier signs the Code of Conduct for Suppliers, HL's purchasing team conducts a screening. In cases where non-compliances with the Code of Conduct for Suppliers are detected, we always prioritise cooperation and corrective actions. However, in cases where suppliers ultimately fail to comply, it may lead to termination of the contract. No violations of the Code of Conduct were reported in 2022 (2021: 0).

**Initial screening**

The initial step of HL's supplier assessment process is conducted in the Kodiak supplier management system. The Kodiak system does an initial review of the supplier and will notify our purchasing team if a supplier is flagged as a risk.

**HL's self-assessment questionnaire**

The second step of our supplier management process is a self-assessment questionnaire, distributed through the Kodiak system to the suppliers in focus, as well as the suppliers flagged as a risk by the system in step one. The questionnaire contains 30 questions based on criteria from our Code of Conduct for Suppliers and covers the following ten areas:

1. Governance Management
2. Quality Management
3. Supply Chain Management
4. Human Rights Compliance
5. Labour Rights Compliance
6. Business Ethics and Anti-Corruption Management
7. Environmental Management
8. Product Safety and Traceability Management
9. Health and Safety Management
10. Capacity, Competence and Contingency Management

The questionnaire is currently available in Chinese, Polish, French and English to ensure comprehensive understanding of the criteria. In 2023, the question-

naire will be expanded to include more in-depth questions regarding human rights as well as additional environmental aspects.

In 2021, the scope for self-assessment was our important suppliers. This was expanded to the next tier of suppliers in 2022, now including suppliers who have supplied at least 300,000 SEK worth of services and goods. Combining the 2021 responses with the additional 90 responses in 2022 has led to completed self-assessments by suppliers covering 85 percent of our spend, meeting our target for 2022.

Once the assessment is completed, the Kodiak system gives the supplier a score ranging from low- to high-risk. From there, the HL purchasing team reviews the score and respective self-assessment questionnaire. For suppliers falling in the medium- to high-risk category, the first step is to evaluate whether the supplier can change its way of operating to comply with our Code of Conduct for Suppliers. Depending on the severity of deviations, an action plan is put in place. In 2022, six suppliers were not approved by the system. After analysing the cases, the low scores of two suppliers were due to minor issues which could be easily improved so that both are now approved suppliers. The four remaining suppliers were not approved. As a consequence, they were phased out and we decided to move our purchasing to other suppliers.



## Ensuring responsibility throughout the supply chain

### On-site audits

An important tool in ensuring that suppliers comply with the Code of Conduct for Suppliers is conducting site visits and audits. This important step in our supplier engagement process was limited due to the Covid-19 pandemic. We have, however, been able to return to our on-site visits this year and have conducted ten on-site audits, two from each of our factories. The ten suppliers were chosen in part through the compiled evaluation of the initial screening assessment and the self-assessment questionnaire, as well as the supplier's level of risk, size, and strategic importance. All ten suppliers received good results.

HL's purchasing team conducts the visits and audits, which are split into two steps. HL begins by ensuring that our suppliers fully comprehend and comply with the requirements outlined in our Code of Conduct for Suppliers.

Representatives from the HL team then perform an on-site review based on predefined criteria, with the aim to ensure that the production site is aligned with our requirements. We will develop the human rights criteria further for the audits to be conducted in 2023.

### Supplier full review

We have developed the final step in the supplier assessment process to a supplier full review in 2022. In 2022, the supplier full review was conducted for 50 suppliers, ten per purchasing team, which together cover 50 percent of HL's total spend in 2021.

The review is not solely driven by the purchasing team, but is done in collaboration with the logistics-, procurement- and quality teams, to involve a broader range of perspectives. A standard review template has been developed, looking at both raw material and finished goods, and covers a wide range of business aspects:

1. Supply chain
2. Quality and environment
3. Commercial agreement
4. Marketing and sales
5. Profitability
6. Management and organisation

The template and review are run through the Kodiak system. To show our appreciation, our respective purchasing team managers personally deliver an HL Display award to the two suppliers with the best results in each team. Ten awards were handed out in total. Suppliers whose results are deemed insufficient are provided with action plans. All action plans are uploaded in Kodiak, and are followed-up on in six to twelve months increments.

Our supplier full review will be developed further in 2023. The reviews are conducted every second year.

## Our updated assessment process:

### Step 1: Initial screening

New suppliers are entered into the Kodiak supplier management system, where a first screening is made.

### Step 2: Self-assessments

Self-assessment questionnaires are sent out to the targeted supplier group and the suppliers flagged as a risk by Kodiak.

### Step 3: On-site audits

On-site audits are conducted. The number of audits per year will be based on the results of the self-assessment questionnaires.

### Step 4: Supplier performance evaluation

The supplier full review includes multiple HL business area representatives and aims to be a full review of their business. This is conducted every second year.





# Governance at HL Display

Having good policies and processes in place is essential for us to govern and manage our business in a sustainable and ethical way.

The Group Management Team\* has the overall responsibility for HL's sustainability efforts, including developing our due diligence processes and the management of our impacts on the economy, environment and people. Our CEO, Björn Borgman, is responsible for the oversight and decision-making regarding the management of our impacts. Corporate responsibility performance is evaluated and reported to the Group Management Team following a defined reporting frequency. The individual performance of the Group Management Team's members is evaluated following the same performance review process as for all other HL employees. The exception to this is the CEO, who is evaluated by the HL Board of Directors annually.

The Group Management Team together with the Board of Directors\*\* develop, approve and update our strategies and goals as needed. The two bodies review and approve the annual sustainability report. HL's Senior Product and Sustainability Manager, in close dialogue with the Group Marketing Director and the remaining management team, has the responsibility to drive HL's efforts in sustainability forward in an even more systematic way. Local entities have a high degree of responsibility for sustainability work on a daily basis, particularly in regard to the environment and health and safety at the production facilities. We are also aware that by being a global player, we are able to contribute to sustainable

development through our tax practices. HL has a transparent tax operating model that our CFO is responsible for.

Throughout 2022, the Group Management Team has participated in several sustainability related workshops, including on topics centred around our impact on sustainable development, our sustainability strategy and human rights. The sustainability function review and sustainability sales cycle also increased the management team's knowledge on the subject.

HL has a remuneration policy that aims to encourage further professional growth, as well as reflect and reward great performance. It must always be carried out in a way that does not discriminate against anyone based on their gender, ethnicity, religion, or any other discriminatory factor. A crucial prerequisite for an efficient and functioning operation is that we can recruit, motivate, develop and retain employees with sought after skills in the short and long term. Against this background, the salary setting must be individual and differentiated. The same principles for salary setting apply to women and men, as well as to younger and older employees. The annual total compensation ratio for HL's highest-paid individual vs. the median of the organisation amounted to 10.98 in 2022. The ratio of the percentage increase in annual total compensation for the HL's highest-paid

individual compared to the median of the organisation amounted to 1.69 in 2022. This data was gathered through HL's HR Information System, Talentsoft. In calculating this data, employee data from all operating countries was included, and the highest paid individual's base salary was excluded in calculating the median salary of all employees.\*\*\*

Our incentives are designed to provide objective metrics and set the right goals at the right level. This means that we focus on longer term incentives and more strategic targets for the most senior roles in the organisation. We do not typically use sign on bonuses or extraordinary retirement benefits for the more senior individuals.

HL describes the general approach we take to managing conflicts of interest in the Code of Conduct. Employment contracts explicitly call out the need for the employer's written approval for any business responsibilities outside of the company (for example membership on external boards or interests in other companies). Our Grandfather policy is used to ensure this written approval occurs at the right level and is documented alongside the individual's employment contract in their personal records. This includes potential conflicts relating to board memberships, shareholdings with suppliers or interests in other related parties, and is valid for all employees of HL.

\* The Group Management Team is appointed through recruitment processes.

\*\* The HL Board of Directors consists of our CEO as well as two representatives from our owner Ratos.

\*\*\* Compensation ratios are taking the base salary into account, but not any other cash allowances, bonuses, commissions, cash profit-sharing, and other forms of variable cash payments. It also does not consider the total fair value of all annual long-term incentives such as stock option awards, restricted stock shares or units, and long-term cash awards. This is due to the limitations of HL's HR Information System.





# About the report

HL Display's Corporate Responsibility Report constitutes HL's communication on sustainability efforts and on progress as part of the company's commitment to the UN Global Compact for the 2022 fiscal year. The report is prepared in accordance with the Global Reporting Initiative (GRI) Standards 2021. The report covers the global activities of the HL Display Group, i.e. HL Display Holding AB and all its subordinate legal entities. Operations beyond HL's direct control, such as suppliers, are not included in the report. HL reports comprehensive sustainability data on an annual basis. The presented information has not been assured by an external party.

This report was published in May 2023

For questions about the report, contact:

**Jonas Marking,**  
Senior Product and Sustainability Manager, HL Display

## General Disclosures

Gri standard	Disclosure	Location	Omission Reason explanation
	2-1 Organizational details	2-3, 50	
	2-2 Entities included in the organization's sustainability reporting	50	
	2-3 Reporting period, frequency and contact point	50	
	2-4 Restatements of information	25, 37, 39	
	2-5 External assurance	50	
	2-6 Activities, value chain and other business relationships	2-3, 14-15	
	2-7 Employees	22	
	2-8 Workers who are not employees	-	Information unavailable. Data to be collected for next year's report.
	2-9 Governance structure and composition	48, hl-display.com/about-hl/organisation/	
	2-10 Nomination and selection of the highest governance body	48	
	2-11 Chair of the highest governance body	48	
	2-12 Role of the highest governance body in overseeing the management of impacts	48	
	2-13 Delegation of responsibility for managing impacts	48	
	2-14 Role of the highest governance body in sustainability reporting	12, 48	
	2-15 Conflicts of interest	48	
	2-16 Communication of critical concerns	30	
	2-17 Collective knowledge of the highest governance body	48	
	2-18 Evaluation of the performance of the highest governance body	48	
	2-19 Remuneration policies	48	
	2-20 Process to determine remuneration	48	
	2-21 Annual total compensation ratio	48	
	2-22 Statement on sustainable development strategy	5	
	2-23 Policy commitments	5, 10, 30, 41-42	
	2-24 Embedding policy commitments	10, 30, 42-45, 48	
	2-25 Processes to remediate negative impacts	12, 30, 48	
	2-26 Mechanisms for seeking advice and raising concerns	26, 30	
	2-27 Compliance with laws and regulations	30	
	2-28 Membership associations	-	Not applicable. HL does currently not have a significant role in an association or advocacy organization.
	2-29 Approach to stakeholder engagement	11-13	
	2-30 Collective bargaining agreements	25	

GRI 2: General disclosures 2021

## Material Topics

Gri standard	Disclosure	Location	Omission Reason explanation
GRI 3: Material Topics 2021	3-1 Process to determine material topics	11-15	
	3-2 List of material topics	13-14	
<b>Economic</b>			
<b>Business ethics and anti-corruption</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	10, 13, 30, 42-45, 48	
GRI 205: Anti-corruption 2016	205-3 Confirmed incidents of corruption and actions taken	30, 42, 45	
<b>Responsible value chain</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	10, 13, 42, 45, 48	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	45	
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	45	
<b>Tax</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	48	
GRI 207: Tax 2019	207-1 Approach to tax	48	
<b>Environmental</b>			
<b>Biodiversity and ecosystems</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	10, 13, 42, 45, 48	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	45	
<b>Circularity, including material use</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	10, 13, 39, 48	
GRI 301: Materials 2016	301-1 Materials used by weight or volume	39	
	301-2 Recycled input materials used	39	
<b>Energy</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	10, 13, 41, 48	
GRI 302: Energy 2016	302-4 Reduction of energy consumption	41	
<b>Emissions to water, soil and air (non-GHG)</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	10, 13, 48	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	45	
<b>GHG emissions</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	10, 13, 33-41, 48	
	305-1 Direct (Scope 1) GHG emissions	33-37	
GRI 305: Emissions 2016	305-2 Energy indirect (Scope 2) GHG emissions	33-37	
	305-3 Other indirect (Scope 3) GHG emissions	33-37	
<b>Product design</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	17-21, 37-41	
Own disclosure	Sustainable product development	17-21, 37-41	
<b>Waste</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	10, 13, 17-18, 39-41, 48	
	306-1 Waste generation and significant waste-related impacts	17-21, 37-41	
GRI 306: Waste 2020	306-2 Management of significant waste-related impacts	17-21, 37-41	
	306-3 Waste generated	37	
	306-4 Waste diverted from disposal	39	
<b>Social</b>			
<b>Competence development</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	13, 26-29, 48	
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	-	Information unavailable. Data to be collected for next year's report.
	404-3 Percentage of employees receiving regular performance and career development reviews	26	
<b>Product design</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	22-30, 42-43, 48	
	403-1 Occupational health and safety management system	25	
	403-2 Hazard identification, risk assessment, and incident investigation	25	
	403-3 Occupational health services	22-25	
	403-4 Worker participation, consultation, and communication on occupational health and safety	25	
GRI 403: Occupational Health and Safety 2018	403-5 Worker training on occupational health and safety	25	
	403-6 Promotion of worker health	22-25	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	42-43	
	403-9 Work-related injuries	25	
Own disclosure	Number of workplace accidents leading to absence or sick leave	23, 25	
<b>Human rights</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	10, 13, 30, 45-46, 48	
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	45	
<b>Job creation</b>			
GRI 3: Material Topics 2021	3-3 Management of material topics	13, 22-23, 48	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	22	





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