Corporate Responsibility Report 2023

The better shopping experience

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HL Display

Helping customers to create more sustainable stores

Creating the best workplace

Driving continuous improvement in operations

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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. Headquartered in Stockholm, Sweden, the Group serves more than 70 markets. There are 23 sales offices covering 39 of these markets, while the remainder are managed by distribution partners located across the globe.

We mainly cater to customers within grocery and non-food retail, as well as suppliers of branded goods. During 2023, we operated eight production facilities in Sweden, Poland, the UK, Germany and China which handle a variety of industrial processes, including plastics and metal fabrication, printing, assembly and more.

In 2023, HL had 1,281 employees and net sales of 2,344 MSEK. HL is a wholly owned subsidiary of the listed Swedish Business Group Ratos.

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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.

During 2023, HL acquired three companies: Akriform Plast in Sweden and German sister companies Oechsle Display Systeme and werba print and display.

Key figures

Stores
330,000

Markets
70+

Employees
1,281

Net sales MSEK
2,344

Markets covered via

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

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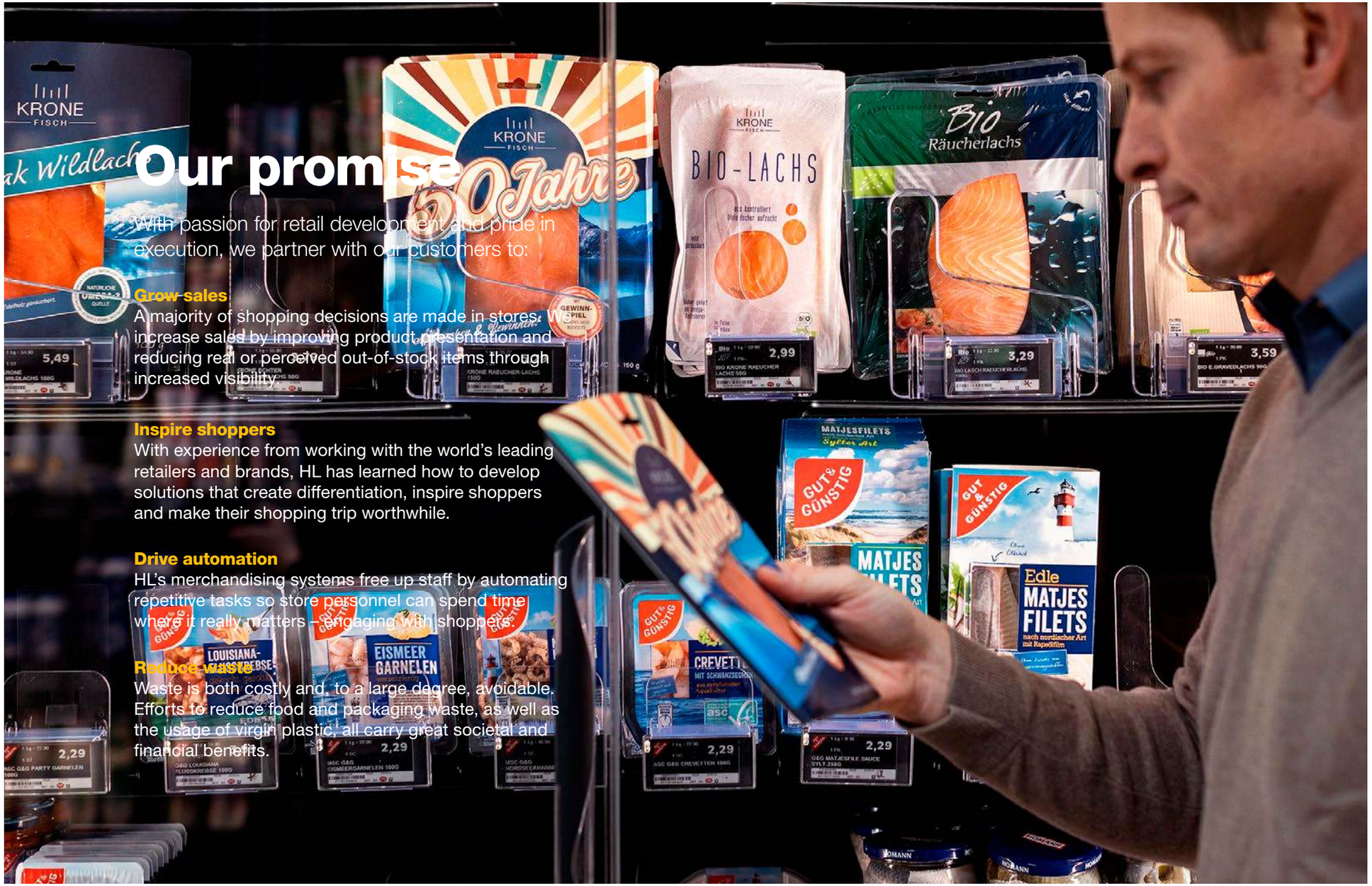

Our promise

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. We increase sales by improving product presentation and reducing real or perceived out-of-stock items through increased visibility.

Inspire shoppers
With experience from working with the world's leading retailers and brands, HL has learned how to develop 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.

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.

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Message from the CEO

During 2023, we continued to progress towards our target to be the preferred partner for our customers, by providing innovative and sustainable solutions for a better shopping experience. While 2023 was a year shaped by major challenges and uncertainty due to inflation, cost pressure and geopolitical conflict, it was still a successful year for HL overall.

We continued to expand the HL team by acquiring three companies in the first half of the year and, as a result, integrating these businesses and welcoming their employees to HL has been a key focus. Talking about the employee experience, I am glad to see that, according to our annual employee engagement survey, we increased the score measuring equal opportunities* by four points – which I can proudly add is above the global benchmark. As many new employees joined us this year, we have put emphasis on our mandatory Code of Conduct commitment by re-launching our e-learning module, to ensure both new and old employees are well-versed in our guiding principles.

Given the nature of our business, many of our material issues within corporate responsibility evolve around environmental aspects of our value chain, and during 2023 we made progress here as well. Overall, our CO_2 emissions were in-line with the reduction plan we have defined in order to deliver on our targets approved by the Science Based Targets initiative.

The vast majority of HL's environmental impact is driven by scope 3 emissions, and specifically by the raw material used in production. Therefore, our factories and purchasing teams have made an effort to increase the number of sources for recycled material: not only have we used 22% more externally sourced recycled material during 2023, but we have also identified sources for high-quality recycled PVC. This will not only help us to reduce our CO_2 emissions from raw material significantly but also give a necessary boost to our Sustainable Choice assortment in 2024. As PVC is used in production of our datastrips and price labelling solutions, we can give our customers the opportunity to decrease the usage of virgin plastic in their stores.

The most significant factor within scope 1 and 2 emissions is our energy usage. Despite an increase of emissions from energy consumption due to the three companies we acquired during the year, we are still well on track to reach our reduction targets in this area. With the installation of solar panels in our factory in Harlow in the beginning of 2024, we will make another significant step towards reducing emissions from energy consumption.

As a result of our collaboration with both our customers and other suppliers in the industry, we were named Top Supplier Retail 2023 at the reta awards. The industry award recognised HL's contribution to Carrefour's "bulk experience", which aims at expanding sales of products merchandised packaging-free.

Last, but not least, we continued the work with our suppliers, ensuring they operate with the same high standards as we do – 95% of our suppliers were engaged in various stages of our supply chain management system, including for example screenings, self assessment and on-site audits.

Looking forward, many of the topics of the past year will stay with us during 2024. The HL team continues to grow as we acquired our distributor pr trading in March of 2024. As both our Circular Offer and Sustainable Choice assortment are set to expand, we will continue to support our customers on their sustainability journey, while taking important steps on our own. There is a lot of work ahead of us, but I am confident that HL is well positioned to continue to build a more sustainable business and deliver better, more sustainable shopping experiences for our customers and their shoppers. As we are making moves towards a more sustainable future in 2024, 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.

Stockholm, 28 March 2024
Björn Borgman, CEO HL Display

**The statement in our employee engagement survey is "Regardless of background, everyone at HL Display has an equal opportunity to succeed".*

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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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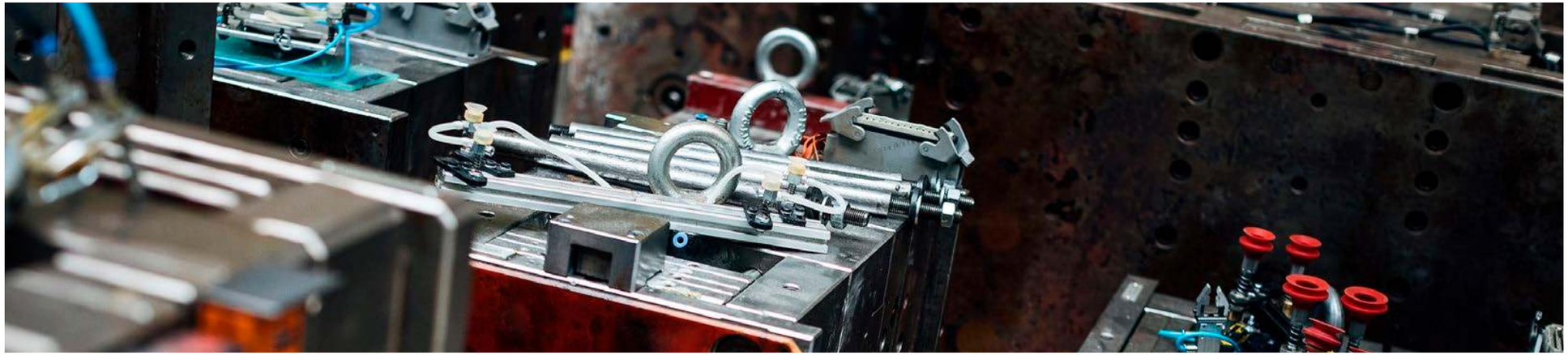

Our strategy

Growing Business and People
Growing our business profitably and continuously developing our people is essential to what we do. By 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.

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

Leaders in Innovation and 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. This involves inspiring shoppers, growing sales, reducing costs and helping make stores more sustainable … and our own operations too.

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.

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HL aims to be the preferred partner for innovative and sustainable solutions that create a better shopping experience. With each passing year, we progress one step further in fully integrating sustainability into our daily operations and culture.

Helping customers to reduce waste

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Expanding our Circular Offer
Due to the expansion of our Circular Offer, we were able to save 13 tonnes of material from customers like dm and Megamark.

Removing barriers of packaging-free merchandising
In partnership with maYam, we have added a digital solution to our packaging-free assortment, improving traceability and transparency for retailers, suppliers and shoppers.

Being named Top Supplier Retail 2023 at the reta awards
In collaboration with maYam and Digi, PodBin™ won an industry award for our contribution to Carrefour's "bulk experience" project which aims to expand sales of packaging-free merchandising.

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Enhancing functionality and access to our Whistleblower platform, HL Speak Up
We have enhanced the functionality of our Whistleblower platform, aiming to increase awareness and accessibility by developing more local channels, and through the option of reporting via an anonymous voice recorded message.

Equal opportunity score of 78
In our 2023 annual employee engagement survey, we increased our score for the statement "Regardless of background, everyone at HL Display has an equal opportunity to succeed" once again. Between 2021 and 2022 we increased our score by four points, and in 2023 the score increased by another four points to 78. This is also four points above the external global benchmark.

Focus on our Code of Conduct training
In 2023, we promoted our re-launched Code of Conduct e-learning module and encouraged all employees to complete the training. We also launched "in real life" sessions on the subject in multiple languages. 83% of our employees* have now completed the training.

**This does not include werba and Oechsle, which were acquired during 2023.*

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Increased waste management capabilities
During 2023, our factories and Regional Distribution Centres improved their waste management by separating waste into more segments and by allowing more waste to be recycled.

Expansion of our recycled plastic material sources
The Gliwice, Suzhou and Sundsvall factories have all increased the amount of recycled material sources in 2023. In total, we increased the use of externally sourced recycled material by 22%.

Ensuring responsibility throughout the supply chain

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95% of our suppliers are engaged in various stages of our supply chain management system
In 2023, we expanded the scope of our supply chain management system to include 65 additional suppliers. As a result, 95% of our suppliers have been involved in one or more stages of our supply chain management system.

Mapping of recycled plastic materials
During 2023, Group Sourcing created a comprehensive overview of the collective status of purchased recycled plastic and initiated monitoring procedures for plastic recycling in each factory.

Update of Code of Conduct for Suppliers
We have updated our Code of Conduct for Suppliers to include further human rights and environmental aspects. The updated policy will be launched in 2024.

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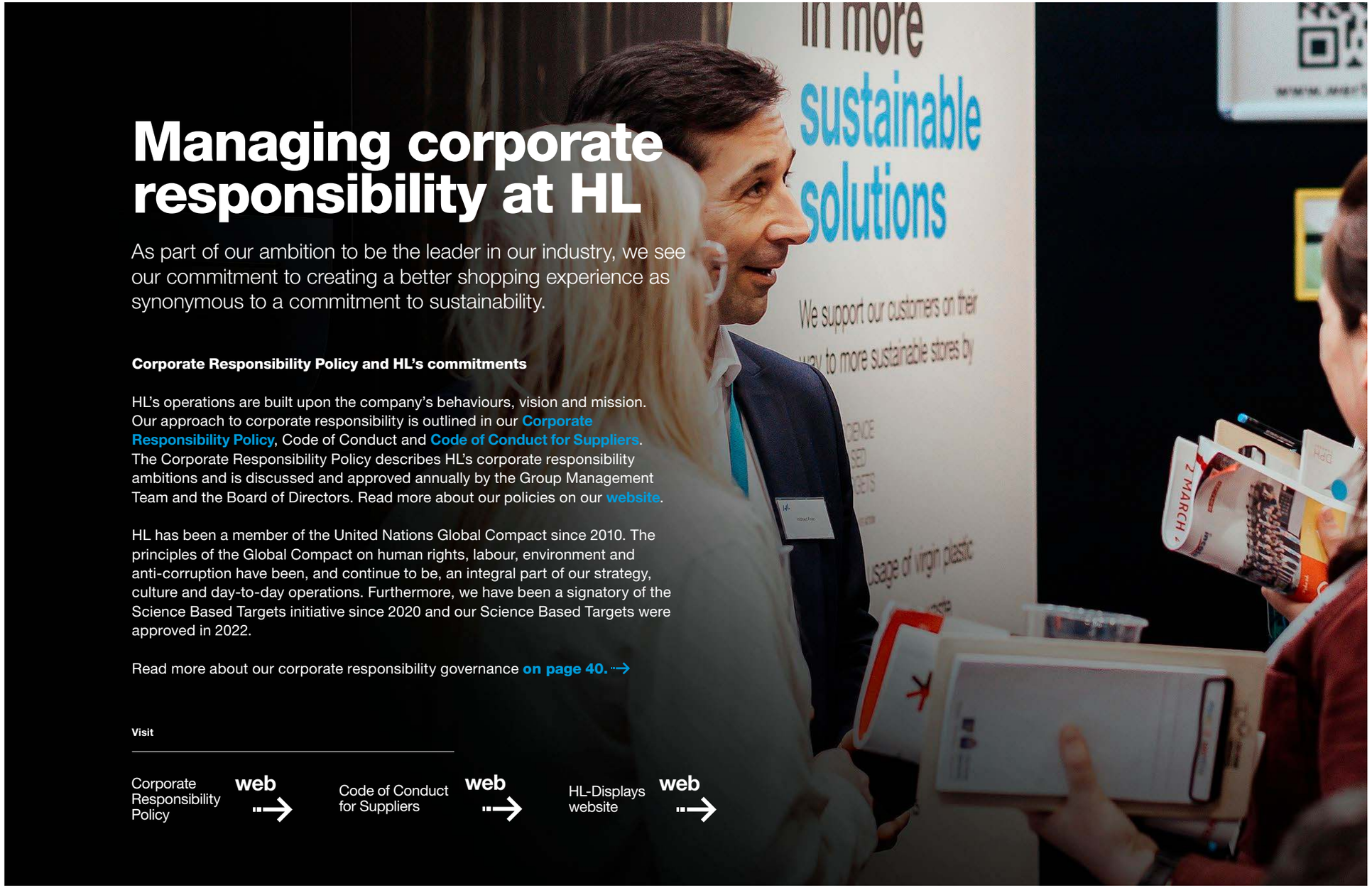

Managing corporate responsibility at HL

As part of our ambition to be the leader in our industry, we see our commitment to creating a better shopping experience as synonymous to a commitment to sustainability.

Corporate Responsibility Policy and HL's commitments

HL's operations are built upon the company's behaviours, 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 operations. Furthermore, we have been a signatory of the Science Based Targets initiative since 2020 and our Science Based Targets were approved in 2022.

Read more about our corporate responsibility governance **on page 40.**

Visit

Corporate Responsibility Policy **web**

Code of Conduct for Suppliers **web**

HL-Displays website **web**

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Our Stakeholders

Employees

HL's 1,281 employees, spread across 23 countries, play a vital role in everything we do. We consistently strive to enhance our workplace and invest in fostering ongoing and transparent dialogue around achievements, opportunities and expectations. We view this as an essential foundation for cultivating a motivational work environment that empowers every employee to participate and develop.

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, newsletters and an annual global meeting
- Structured performance and development discussions twice per year

Some of the topics raised:

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

Examples of outcomes from dialogue:

- Development and launch of our Learning Management System, providing online learning resources on a broad range of topics
- Further development of our talent review process to increase internal promotion and development opportunities
- Updating our Whistleblower portal to reflect EU legislation changes and to destigmatise whistleblowing, under the name of "HL Speak Up"

Customers

HL caters to customers within grocery and non-food retail, suppliers of branded goods and industry partners such as shopfitters and ESL providers. As the retail landscape continues to undergo rapid evolution, accelerated by shifting shopper expectations, regulatory changes and technological advancements, HL collaborates with customers to develop inspiring in-store environments that are not only attractive and profitable but also more sustainable.

We engage through:

- Regular digital and physical meetings including store visits
- Social selling, advertising and other marketing activities
- 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

Examples of outcomes from dialogue:

- Providing product footprint assessments to help increase transparency in the supply chain
- Innovative new products that support customers on their sustainability journey
- Products that improve the in-store working environment for store personnel

Suppliers

HL's suppliers are essential in our quest to provide innovative and sustainable solutions for enhanced shopping experiences. Central to HL's offerings to our customers is the development and availability of quality materials, which includes alternatives to virgin fossil-based plastic, as well as finished goods.

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

Examples of outcomes from dialogue:

- New, innovative ways to work with recycled material that is beneficial to HL and our customers, minimising climate footprint
- Communicating our expectations regarding sustainability further up the value chain

Shoppers

As the needs, expectations and demands of shoppers evolve, it is crucial to comprehend and adapt to these changes. Our ability to provide shopping experiences that are not only sustainable but also safe, convenient and inspiring is vital to our customers' success, and consequently 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

Examples of outcomes from dialogue:

- Partnership with maYam to provide more product information to shoppers when shopping packaging-free
- Display solutions for F&V that are both attractive and reduce waste

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Materiality review

Our material sustainability topics form the foundation of our sustainability focus and efforts.

Materiality assessment
As the dynamic global landscape undergoes continuous changes, it is important that we understand and regularly assess HL's impact on the world. In 2022, we conducted a materiality assessment to identify HL's most significant impacts on the economy, environment and people, including their human rights.

To map our impacts across our complete value chain in both the short, medium and long term, we reviewed internal documentation, such as stakeholder dialogues with customers and employees, and risk assessments, as well as engaged with external experts. The severity of negative impacts was assessed based on a combination of their scale, scope and remendability. Positive impacts were assessed based on scale and scope. For potential impacts, both negative and positive, the likelihood of them occurring was taken into consideration.

Following this assessment, the impacts were prioritised from highest to lowest significance. Fourteen impact areas were identified as most significant and were validated by HL Group Management as HL's material sustainability topics. In 2023, we revisited our impact materiality assessment and began integrating sustainability-related risks and opportunities from our risk management process.

Consequently, our materiality threshold was adjusted and two previously identified material sustainability topics, biodiversity and tax practices, are no longer considered material for HL. While both topics are important for HL and our value chain, we see that we have less impact on them than the remaining material topics and therefore they have fallen below the materiality threshold for 2023.

Our twelve material topics, grouped into four focus areas, can be found in the table **on page 14.**

In the spring of 2024, we plan to conduct a double materiality assessment in accordance with the EU Corporate Sustainability Reporting Directive (CSRD) and the interlinked European Sustainability Reporting Standards (ESRS).

Sustainable development goals
In 2019, we reviewed the UN Sustainable Development Goals, identifying those where our business and sustainability initiatives have the largest impact. We selected three development goals as the most important to address and incorporated an additional goal 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 and safety of our employees

Read more about our efforts here Page 19 Page 26 Page 34

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 here Page 19 Page 34

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 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 here Page 15 Page 19 Page 26 Page 34

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Focus areas and material topics

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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
- Improve the in-store working environment
- Provide information about the environmental impact of our products
- Reduce food waste
- Reduce consumer packaging
- Influence shopping behaviour to become more sustainable

Results 2023

- Sales of the HL Sustainable Choice offer declined by 1 point
- The Circular Offer was expanded into two additional markets

Targets 2024

- To increase sales of HL Sustainable Choice offer by 10% year on year
- Expand our Circular Offer to more markets

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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

Results 2023

- Reduced Lost Time Injury Frequency Rate at 4.9 (-49% vs 2022)
- **According to the HL engagement survey:** Overall engagement index of 70, up 1 point from 2022, but 5 points below target
- Score of 78 for "Regardless of background, everyone at HL Display has an equal opportunity to succeed". This is 4 points above the global benchmark

Targets 2024

- Maintain a score of 5 or less for Lost Time Injury Frequency Rate
- Increase overall Engagement Index in the annual employment survey to 75
- Maintain a score of 78 for "Regardless of background, everyone at HL Display has an equal opportunity to succeed"

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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 certified according to ISO 9001, ISO 14001 and ISO 45001 standard

Results 2023

- CO_2 emissions in-line with the reduction plan to deliver on targets approved by SBTi
- Usage of recycled material increased by 7.1%

Targets 2024

- Deliver on CO_2 reduction plan according to targets set in-line with SBTi
- Increase the use of recycled material with 10% year on year

Ensuring responsibility throughout the supply chain

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Prioritised topics

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

Other topics we work with

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

Results 2023

- Suppliers accounting for 95% of total spend covered in supplier self-assessment
- 85% of all suppliers have signed our Code of Conduct for Suppliers
- Eleven on-site audits conducted

Targets 2024

- To repeat the self-assessment for important suppliers which have completed the self-assessment in 2021 and account for 80% of total spend
- For all new suppliers to sign the Code of Conduct for Suppliers
- Ten on-site audits to be conducted
- Supplier Full review of the 50 biggest suppliers

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

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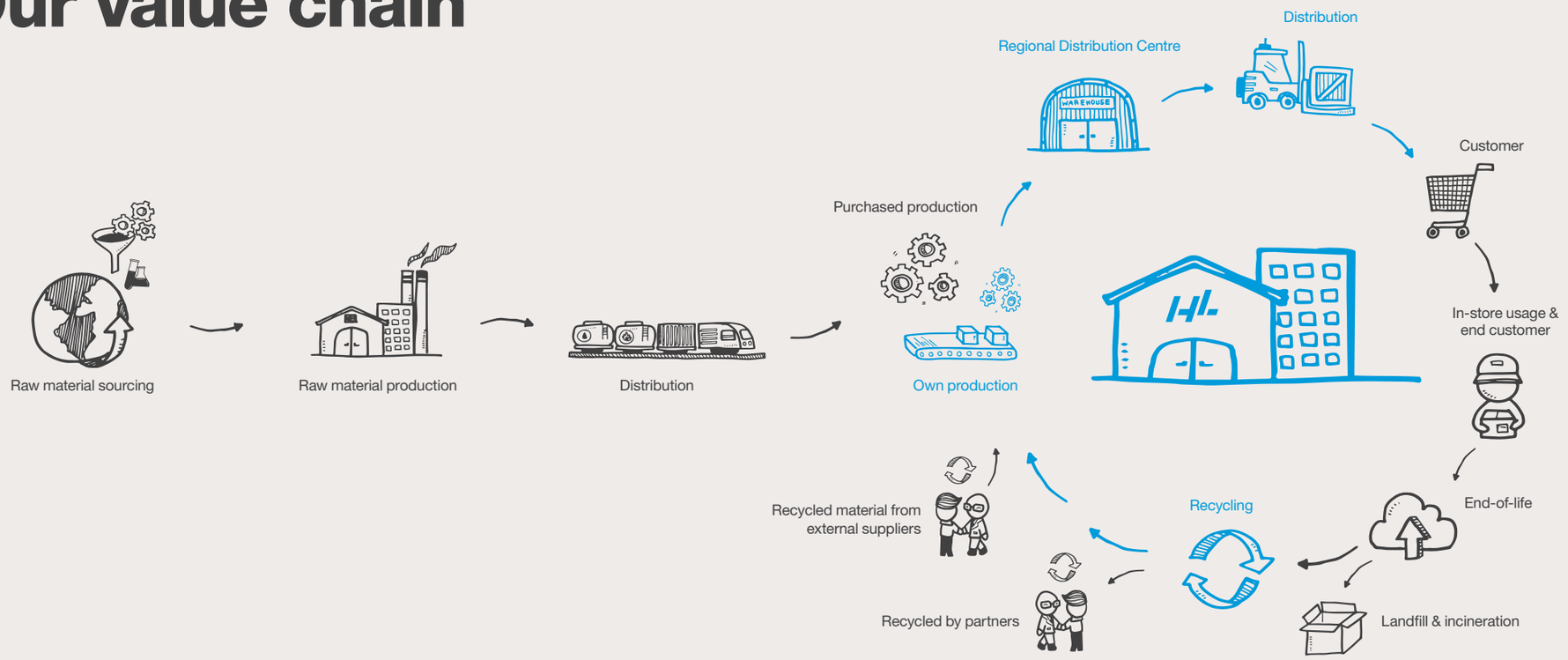

HL's most significant positive and negative impacts

Environment, including climate

Circularity
- **(+)** Material use and use of recycled materials
- **(+)** Product design
- **(-)** Waste

(-) Energy use in own production

(-) GHG emissions

(-) Pollution to air and water in raw material production

Social

(+) Employee competence development

Human rights
- **(+)** Promotion of human and labour rights in the value chain
- **(-)** Human rights impacts in the value chain, including community health and safety

(+) Job creation and labour opportunities

(-) Occupational health and safety

Governance

(+) Responsible value chain – setting and following up on requirements outlined in the Code of Conduct for Suppliers

(+) Actual and potential positive impacts **(-)** Actual and potential negative impacts

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HL offers solutions to retailers and suppliers of branded goods, enabling them to create stores that are easy to manage and a joy to shop at, while being better for profit and planet.

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Prioritised topics

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

Other topics

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

Key achievements

- HL was named Top Supplier Retail 2023 at the reta awards for the Carrefour “bulk experience” project
- Launched partnership with maYam to improve traceability and transparency for packaging-free merchandise
- Gaining more interest for circular projects and expanding our Circular Offer to new customers

Results 2023

- Sales of the HL Sustainable Choice offer declined by 1 point
- The Circular Offer was expanded into two additional markets

Targets 2024

- To increase sales of our HL Sustainable Choice offer by 10% year on year
- Expand Circular Offer to more markets

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

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Our solutions help customers to create more sustainable stores

A sustainable shopping experience is also a better shopping experience. For every year that passes, we see a growing sense of urgency, expectation and demand for sustainable materials and solutions from both customers and consumers. HL is committed to creating more sustainable solutions and we work continuously to identify new ways to deliver them; helping our customers to build long-term sustainable businesses is a priority for us.

We support our customers by offering innovative approaches to reduce their environmental footprint and are continuously looking for ways to minimise the footprint of our own operations. Our largest environmental impacts occur in the sourcing and use of virgin materials traditionally used in our industry. Through initiatives such as increased utilisation of recycled or bio-based materials, we minimise resource use and decrease reliance on virgin materials, making the use of sustainable materials in HL products more commonplace. Moreover, we aim to encourage a more circular flow of components and solutions. By closing the loop and diminishing dependence on virgin fossil-based resources, we aim to encourage and enable sustainable practices. Further down in our value chain, food and packaging waste is a major concern for both shoppers and retailers. Our solutions help to address these issues, minimising our environmental footprint throughout our value chain.

Helping customers reduce packaging and food waste

Shoppers are increasingly aware and mindful of concerns related to packaging, plastic and food waste. In the face of rising shopper expectations, inflation, elevated labour and energy expenses, customers are actively seeking solutions that not only enhance sustainability but also offer operational benefits.

Two effective approaches to assist our customers in minimising 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 visually striking displays showcasing a wider range of fresh produce while minimising the need for extensive on-shelf inventory. Made from food-approved coated aluminium, the shelving and racking units will never rust, peel, chip or flake. The construction also facilitates more efficient temperature control, which contributes to an overall reduction in food waste. Customers who have implemented Sigma™ have reported a simultaneous decrease in food waste and an uptick in sales.

Packaging-free merchandising

While the number of retailers and branded goods suppliers who are adopting packaging-free merchandising has plateaued during 2023, in part due to cost consciousness, we still see the benefits of merchandising products loosely in dedicated shelf sections, aisles or sustainable stores, for both the planet and consumers. The reduction of plastic usage and waste is emerging as a top priority for an expanding group of retailers and suppliers. While France has been at the forefront of driving innovation in this realm, influenced by both legislation and government initiatives, similar legislative trends are occurring in Germany and Spain. For instance, France aims to dedicate 20% of store floor space to bulk merchandising by 2030, with a ban on plastic packaging for most fruits and vegetables already implemented in July 2023. In other European countries, like the UK, we have seen retailers experiment with packaging-free merchandising and we expect this trend to keep spreading across Europe in the coming years, despite the challenges related to changes in shopping behaviour and store operations required.

As a result of our work within packaging-free merchandising, HL was named a **Top Supplier Retail 2023** at the reta awards for our contribution to Carrefour's "bulk experience" project

4eBin™ and PodBin™, Carrefour Montesson, France

As a result of our work within packaging-free merchandising, HL was named a Top Supplier Retail 2023 at the reta awards for our contribution to Carrefour's "bulk experience" project, which aims to expand the sales of packaging-free merchandising.

Setting up HL Sustainable Choice for growth in 2024

At HL, we believe that the best way to counteract the environmental footprint of our industry is by decreasing the amount of virgin fossil-based plastic used. In 2018, we introduced HL Sustainable Choice, a collection of merchandising solutions created with either bio-based or recycled materials. Developed in collaboration with academic research institutions, the initial product line-up included datastrips and shelf talkers. Already by 2019, we had extended the Sustainable Choice option to cover 37% of our assortment, showcasing our commitment to offering environmentally friendly alternatives. For some products, customers are able to choose between the traditional and the Sustainable Choice alternative, however, selected HL products, such as Optimal™ dividers and our 4eBin™ range, always incorporate recycled plastics to contribute to the transition to alternative materials.

In recent years, there has been a noticeable increase in the demand for Sustainable Choice options, particularly from branded goods suppliers. Our target is to grow sales of the Sustainable Choice assortment by 10% year on year and, while this target has been met in the years prior to 2023, we did stay below our goal in 2023. While this is partly due to insufficient sources of recycled material, we do not expect this to become a trend. We remain focused on broadening our range of Sustainable Choice solutions and ensuring a sufficient and growing supply of quality material.

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After slower progress in 2023, we will be launching new products into the HL Sustainable Choice assortment in 2024. One of these products is Facer™. Facer™ provides our customers' employees a more ergonomic and efficient way to merchandise products such as wine bottles, which are known for being time-consuming and difficult to merchandise. By switching out the plastic used in Facer™ to recycled plastic, we will be replacing nearly 15 tons of plastic with approximately 70% post consumer recycled material every year, making the product a better choice for both store personnel and the planet. Looking ahead, our objective is for HL Sustainable Choice to become the default option for HL, reinforcing our commitment to sustainable practices.

Matching supply with demand for recycled materials

The interest in recycled materials is rapidly growing, and an increasing number of companies are actively pursuing significant initiatives to improve recycling efforts and the utilisation of recycled materials. Despite this positive trend, the demand for high-quality recycled materials consistently surpasses the supply available, creating challenges in securing the material we aim to source. This challenge is made increasingly complex by having to balance customer expectations of visual impact with escalating costs associated with recycled plastic.

However, there is an opportunity to incorporate more recycled material by reimagining product design as well as through innovation. For example, obtaining recycled PVC in the quality required has been difficult. Therefore, our focus has been on recycling as much as possible of our own factory waste, and on collecting old products back from our customers so the material can be reused. During 2023, we also started working with two new suppliers of recycled PVC. You can read more about our work with one of the suppliers, Thevinyl, on page 32.

To further facilitate the sourcing of recycled materials, our Group Sourcing team has focused on mapping and understanding the availability of recycled materials throughout our operations - read more on page 31.

Meeting the sustainability demands of our customers

Every year we see that our customers' awareness and interest in sustainability grows. While the interest is still mainly focused on plastics, we have been able to move beyond plastics when it comes to our sustainable offering, thanks to two of our acquisitions in 2023, Oechsle and werba. Instead of using plastics, Oechsle has developed a divider made from paper. This has the advantage that at the end of its life, the product can be recycled via the existing paper recycling infrastructure. Furthermore, werba, an expert for printed and custom-made solutions, is using a water-based and -solvent, odour-free paint, minimising the downstream environmental footprint.

We have also experienced an increased amount of interest and enquiries from our customers about sustainability in our supply chain, in part due to increasing legislation in the area. As a result, we have begun preparing a Product Passport model, which will give our customers access to information about the material, weight and packaging of the product, as well as a CO_2 footprint calculation.

Moving towards a circular economy

We believe that embracing circularity and fostering collaboration are essential for driving sustainable development. HL is actively pursuing measures to enhance our contribution to a circular economy, and we have successfully created a Circular Offer that can be expanded across Europe. Our journey began in 2020, when we started to collect our products at the end of their lifecycle. By closing the loop, we have effectively addressed specific challenges related to sourcing recycled material of adequate quality, as well as preventing the disposal of our products in incinerators or landfills. Our circular approach also holds significant potential for reducing CO_2 emissions. For instance, a life cycle analysis of our datastrips reveals that approximately 40% of emissions stem from incineration at the end of life*.

The launch of our Circular Offer as a pilot project with Tesco in 2020 marked a significant milestone, followed by a similar circular initiative with Kesko and S Group in Finland in 2021 and 2022, respectively. In 2023, we have taken back old dividers from Megamark, our new Circular Offer partner in Italy, and reused 1 tonne of dividers for dm, a drugstore customer in Slovakia. We aspire to extend our Circular Offer to more customers worldwide, but we are also aware that the widespread application of this solution will take time, given in part to the challenge of efficiently retrieving the material.

Our approach to circularity

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

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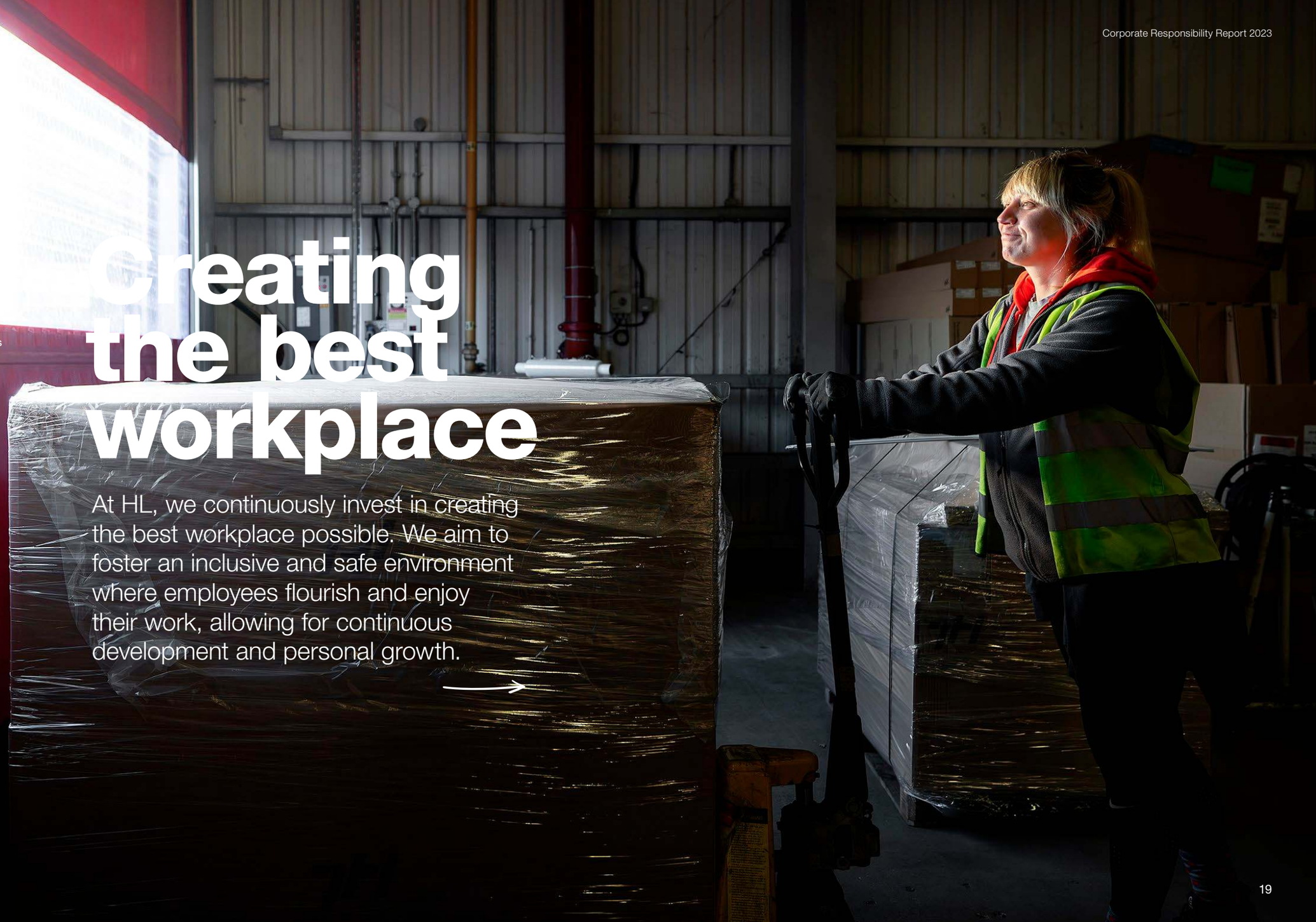
At HL, we continuously invest in creating the best workplace possible. We aim to foster an inclusive and safe environment where employees flourish and enjoy their work, allowing for continuous development and personal growth.



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Prioritised topics

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

Other topics

- 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

- Enhanced the functionality and access to our Whistleblower platform, HL Speak Up
- Re-launched the HL Code of Conduct e-learning course
- Continued to grow leadership capability through coaching workshops, Group Leadership Forums (four in 2023) and other initiatives

Results 2023

- Reduced Lost Time Injury Frequency Rate at 4.9 (-49% vs 2022)

According to the HL engagement survey:

- Overall engagement index of 70, up 1 point from 2022, but 5 points below target
- Score of 78 for “Regardless of background, everyone at HL Display has an equal opportunity to succeed”. This is 4 points above the global benchmark

Targets 2024

- Maintain a score of 5 or less for Lost Time Injury Frequency Rate
- Increase overall Engagement Index in the annual employment survey to 75
- Maintain a score of 78 for “Regardless of background, everyone at HL Display has an equal opportunity to succeed”

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

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Engaged and valued employees are the key to our success
HL operates globally, and in 2023 employed 1,281 permanent staff members across 23 countries, covering 39 markets in Europe, the Middle East and Asia-Pacific. Our workforce consists of several different professional groups, each playing distinct yet crucial roles. From sales representatives, factory workers, designers and procurement specialists to factory managers and warehouse employees, our diverse team plays a vital part in our success. Central to our business is the competence, performance and wellbeing of our employees. We are dedicated to fostering an inclusive workplace that not only attracts new talent but also maintains a high retention rate.

During the year, 353 new hires joined the HL team, 280 of which came via the three acquisitions during the year, Oechsle Display Systems, werba print and display and Akriform Plast. In 2023, our rate of new employee hires was 26.7 while our employee turnover rate was 11.0 (2022: 15.4).

Ensuring health and safety of employees
The wellbeing, safety and health of our employees is paramount. We provide our employees with a range of wellness benefits, including wellness allowances and fees for sports event participation, contributions for health checks and private healthcare services. In the UK, we have continued with our bike leasing initiative allowing employees to lease a bike, with payments deducted from their gross salary. We are reviewing our external supplier of a similar leasing program in Sweden to provide this in another format based on challenges with the model in 2023.

HL factory in Harlow, UK

Employees by employment contract

	Europe			Outside of Europe			Total		
	Women	Men	**Total**	Women	Men	**Total**	**Women**	**Men**	**Total**
Permanent employees	523	679	**1202**	32	47	**79**	**555**	**726**	**1,281**
Temporary employees	73	104	**177**	0	1	**1**	**73**	**105**	**178**
Non-guaranteed employees	27	27	**54**	0	0	**0**	**27**	**27**	**54**
Total	**623**	**810**	**1,433**	**32**	**48**	**80**	**628**	**858**	**1,513**

New employees and turnover

	Age			Gender		Region		Total
	Under 30	30-50	Over 50	Women	Men	Europe	Outside Europe	
Average number of employees in 2023	134	723	465	582	740	1229	93	**1322**
New employee hires	56	139	158	155	198	349	4	**353***
Rate of new employee hires %	**41.8**	**19.2**	**34.0**	**26.6**	**26.8**	**28.4**	**4.3**	**26.7**
Employee turnover	35	86	25	65	81	138	8	**146**
Rate of employee turnover %	**26.1**	**11.9**	**5.4**	**11.2**	**10.9**	**11.2**	**8.6**	**11.0**

**280 of new employee hires joined via companies acquired in 2023.*

Additionally, various initiatives across the company promote employee wellbeing and mental health, such as:

In the UK, our Employee Assistance Programme provides free, confidential mental health and legal support to our employees, as well as an App which offers 24-hour access to a doctor and an annual health check.

In Sundsvall, we continue to have our annual health check-ups and hearing protection education, as well as introducing hearing protection as standard protective equipment in production.

A Safety Culture program has also been initiated in Sundsvall, in collaboration with employee safety representatives.

We held a Health and Safety Day in Gliwice, as well as wellbeing workshops and Healthy Life activities, which include weekly squash sessions, campaigns to encourage more walking, a Business Run and a Family Day.

In Harlow, we introduced free fruit for team members in the factory, Regional Distribution Centre (RDC) and the office, and an increased opportunity for UK employees to work in a hybrid set-up. We also introduced an “Aspire to Retire” programme to support employees with their retirement planning.

We have participated in several community and charity activities for local communities or families of employees who need support across the business, including the Gliwice Factory and RDC employees donating Christmas gifts for children in underprivileged families.

HL is keen to follow collective agreements in countries where such agreements are available. 24% (2022: 31%) of our employees are covered by formal collective agreements. The drop in the number is due in part to the acquisitions made during the year. In locations like Finland, conditions align with external collective agreements, even though HL is not a signatory.

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Proactive safety measures in production
Most of the health and safety risks at HL are concentrated in production and logistics. Establishing a secure working environment is crucial to ensuring the safety of our employees as well as the delivery of high-quality products and solutions. We adopt a proactive and systematic approach to workplace safety, regularly updating safety procedures and assessing risk factors. 78% of employees are covered by joint management-worker health and safety committees at an entity level (2022: 78%).

All of our factories and Regional Distribution Centres have robust safety processes in place, and in 2023, we completed additional certification. As a result, all of our Regional Distribution Centres and all factories except those acquired in 2023 now comply with the health and safety standard ISO 45001. This not only enhances the safety of the work environment but also shapes the mindset of managers and employees. Read more about our certification work **on page 33.**→

HL's objective is to offer a secure workplace, free from any workplace accidents leading to absences: our annual target for 2023 was to reduce the 2022 Lost Time Injury Frequency Rate by 5%. In 2023, 8 accidents resulting in absence or sick leave were reported (2022: 15). No fatal accidents occurred during the year (2022: 0). A total of 31 accidents were reported in 2023 (2022: 43), including 23 minor accidents (2022: 28). Based on these accidents, our overall accident rate for the year was 19.16 (2022: 28.4), and our lost time accident rate was 4.94 per 1 million hours worked (2022: 9.91)*.

Safety is an ongoing journey, requiring investment in proactive measures to instil safety into our culture. Since 2019, we have conducted two internal audits annually to enhance our systematic health and safety efforts. Furthermore, we are committed to implementing additional preventive safety measures. In 2023, we reached 1000 accident/injury-free hours at our RDC in Gliwice.

Mandatory health and safety training and run-throughs are provided to all employees and contractors at HL's production facilities and distribution centres. Additional training is conducted as needed. While the HR team and facility managers are responsible for carrying out health and safety capability initiatives and awareness programmes, every employee shares the responsibility to identify, report and manage potential risks.

In 2023, we reached **1000 accident/injury-free hours** at our RDC in Gliwice, Poland.

Risk observations are an integral part of the safety process in all our factories and Regional Distribution Centres. This ensures that employees identify potential risks, preventing incidents and prompting timely action to address those risks. The Sundsvall factory team, the first in HL to introduce risk observations into safety work, has witnessed a consistent increase in observations. While the initial goal was to identify 100 potential risks per year, the goal for 2023 increased to 150. In 2023, Sundsvall captured 149 risk observations (2022: 145). These risk observations have shown that our largest types of risks can be classified into four categories: vehicles, falling and slipping, ergonomics and fire.

Furthermore, all of our factories and Regional Distribution Centres conduct safety inspections. The Sundsvall factory and the office in Nacka, near Stockholm perform safety inspections called "Skyddsronder". These inspections follow up on observations in all areas, addressing issues from poor lighting to damaged safety equipment. The process involves teams of personnel from both within and outside the work area to incorporate diverse perspectives.

As we integrate our acquired factories and RDCs into the HL network, we are also aligning the way we work with health and safety in these sites. Furthermore, we are integrating our ways of measuring and reporting on any incidents, near misses or risk observations. Bringing our safety culture into these sites and sharing learnings across the network will continue to be a focus in 2024.

HL factory in Leeds, UK

Equality and diversity are fundamental
Ensuring diversity of thought is crucial for fostering innovation and success, particularly for a globally operating company like HL. It is therefore paramount for us to offer equal opportunities to all employees, irrespective of factors such as gender, religion, ethnic background, sexual orientation, family situation or age. Our commitment is reflected in our Corporate Responsibility Policy, where we emphasise the importance of maintaining and actively cultivating an inclusive workplace that strictly rejects all forms of discrimination and harassment. The HL Code of Conduct further delves into the complexity of diversity matters, stressing the importance of establishing an inclusive workplace where everyone feels safe and can thrive. To reinforce this safe and inclusive environment, we have upgraded our Whistleblowing portal called HL Speak Up. Read more about HL Speak Up **on page 24.**→

The gender distribution among permanent employees at HL stands at 43% women and 57% men (2022: 46% women, 54% men). HL is proud to have a relatively balanced gender representation among production operators, although there is room for improvement in certain business areas. In terms of managerial roles, the gender distribution is currently 26% women and 74% men (2022: 26% women and 74% men). In 2023, we reviewed and acted on the outcomes from our Gender Pay Gap research to ensure that we continue to address any gender pay disparities in flagged markets as part of our commitment to fostering gender equality.

**The reporting and data collection quality has increased during 2023. The numbers reported in 2022 were inaccurate and have been updated.*

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Measuring employee engagement
HL conducts an annual employee engagement survey with all employees, known as the HighLight Engagement Survey. The survey is conducted through an engagement platform called Glint, which provides valuable insights and allows for comparisons with external global benchmarks. The platform also helps facilitate the development of effective action plans based on the results. The Group Human Resources Director is responsible for ensuring that the engagement survey takes place and that results are available. Locally, all leaders are responsible for working with their teams to build practical action plans and to review progress against these actions every quarter.

The overall engagement measure is an index of two items, relating to satisfaction ("I am happy working at HL") and willingness to recommend ("I would recommend HL as a great place to work"). In 2023, these items scored 73 and 66, respectively (compared to 73 and 65 in 2022), against the 2023 global benchmarks of 74 for the satisfaction item and 75 for the recommend question. Combining these items produces HL's overall Engagement Index score of 70 which is one point above last year's score (2022: 69). The 2023 global benchmark for the item is 75. The global benchmark is updated every six months, encompassing over 900 customers and over 174 million data points per year across countries and industries.

The survey data helps us focus our improvements within engagement, performance and retention. Results are aggregated on a company-wide level and shared with all managers and employees globally. Every manager overseeing a team of more than five members directly receives the team's results through the survey tool. All managers are expected to take ownership of these results and collaborate with their teams to develop action plans during dedicated workshops. Progress on these actions is regularly followed up and tracked through the Glint platform.

All companies acquired during 2023 were included in the survey, providing some important insights and helping us prioritise actions for the integration process. Including our acquisitions resulted in a slight decrease in the response rate, which was still at a healthy 84% (2021: 89%). However, we were pleased to see a 64% increase in the number of free-text comments, providing rich input into the engagement actions across the organisation. Overall, the results show employee engagement has improved in most of the areas assessed, with increases in 17 of the 25 items and decreases in only two. The biggest improvements were in the areas of Equal Opportunity (increase of four points compared to 2022), Role Fit (three-point increase) and Growth (three-point increase, or four points when excluding recent acquisitions). The improvement in Growth was particularly pleasing given our focus on this over the last two years. The two areas where our scores decreased were Purpose (down two points compared to 2022) and Coaching (one-point decrease). However, if we exclude our recent acquisitions, both Purpose and Coaching improved slightly (Purpose increased by one point and Coaching by two points).

HL's strengths are in the areas of **Accountability, Work-Life Balance and Equal Opportunity**

HL factory in Sundsvall, Sweden

While each leader is responsible for prioritising strengths and areas for improvement of their own team and building their plan, the overall strengths we will leverage across HL are in the areas of Accountability, Work-Life Balance and Equal Opportunity. These strengths are similar to the ones in 2022.

As the business grows, the Extended Group Management team has recognised the importance of amplifying and continuing to improve Collaboration, as well as refining our sense of Purpose, so that our team members can derive meaning and feel connected to the work they do and the company they work for.

Action plans for improvement have been developed for the overall business, led by the Extended Group Management team, and within each team across the organisation. Leaders have committed to quarterly reviews of progress and updates to engagement action plans throughout 2024.

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Same quality of employee experience for all employees

Our 2023 employee engagement survey indicates a continuous positive trend in the perception of equal opportunity at HL. The score for the statement "Regardless of background, everyone at HL Display has an equal opportunity to succeed" has risen to 78 (2022: 74), surpassing the external benchmark by four points. While we are happy with this improvement, our commitment to enhancing the experience of equality for all HL team members remains. We frequently review our 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.

The score for the statement **"Regardless of background, everyone at HL Display has an equal opportunity to succeed"** has risen to 78

At HL, we strive to create an inclusive and diverse team. Our HR team is trained in using assessments to evaluate candidates' abilities, behaviour and personality to ensure that hiring decisions are unbiased and merit based. We regularly review our recruitment ads to ensure they are inclusive and encouraging of applicants from diverse backgrounds because we believe this contributes to the creation of an inclusive and innovative culture. At HL, we strongly endorse internal recruitment, providing our team members with the opportunity to advance their careers by transitioning to diverse roles and across countries. Internal movement and transfers are a key focus for us and during 2023. We also promoted talent from our acquisitions to key roles in HL, including roles in the Netherlands and Germany.

The annual performance review process at HL is the foundation for individual employee development. The process includes an annual performance review at the beginning of each year, providing a forum for employees to give and receive constructive feedback and define clear goals with their immediate manager. We fine-tuned this process in 2022 by adding an overall performance rating and commentary, encouraging feedback and supporting development. In 2023, 86% of employees had at least one performance review (2022: 94%)*. The decrease reflects the transition process as we move our recent acquisitions into the HL performance management and goal setting processes. We have also continued to extend the robustness and follow-up on our talent review process. This year we have focused on identifying opportunities to not only discuss talent and capability progress and challenges, but also actively looked for opportunities to share talent to support development and close capability gaps across the business.

To maintain equal working conditions and opportunities for employees with comparable qualifications and tasks, HL follows a systematic approach to employee development and promotion. 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 is 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.

HL's Guidelines for Rewards, Recognition and 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 manager and their team to understand any issues and take necessary action.

Whistleblowing

We trust that in most instances our employees feel that they can speak to and notify their managers or the management team if they experience anything that is not in line with our values, Code of Conduct or business practices. In instances where employees or other stakeholders feel uncomfortable reporting concerns directly to their local management team, regardless of the reason, we also have a whistleblowing function in place. This was implemented in 2013 and part of an external Swedish sustainability consultancy, WhistleB. Towards the end of 2023, the whistleblowing function, previously called Whistleblowing Centre, was upgraded and relaunched as "HL Speak Up" in the HL Portal. We are hopeful that this will reposition the portal and ensure that people feel positively encouraged to report any concerns and remove any potential "whistleblower" stigma.

Reports submitted through this system are directly forwarded to the Group HR Director, the Group Marketing Director and a representative from Ratos, our principal owner, who is on the Board of Directors. HL wants to draw attention to any potential malpractices, including non-compliance with local laws or violations of HL's Code of Conduct and Code of Conduct for Suppliers, particularly in areas such as human rights, labour rights and anti-corruption.

The reports received through the whistleblowing channel undergo a centralised investigation. If a malpractice report is substantiated, it leads to disciplinary measures and, if applicable, legal actions. Individuals who report malpractices through this channel, whether employees, external partners or other stakeholders are assured anonymity. In 2023, there were no reports of non-compliance submitted through the whistleblowing channel (2022: 0). Recognising the consistently low number of whistleblowing reports, we are continuing to actively promote the channel, and working to destigmatise whistleblowing. We are also making it more accessible, for example by adding Italian as a language option.

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

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Developing our leaders and building capability

Throughout the year, we dedicated substantial efforts to leadership development and coaching workshops, actively working to grow our leaders across the entire business. During the past two years, we have significantly increased our focus on supporting leadership, growth and learning. Our Group Leadership Forum (GLF) serves as a cross-functional gathering to align leadership with company strategy and enhance leadership skills. Normally three times during the year we convene approximately 50 key leaders, including area directors, plant directors and leaders of our larger teams, with the aim to enhance engagement, foster leadership capabilities and promote communication and collaboration across the organisation. We ramped up the frequency in 2023 to support the change agenda and to over-index on our communication. As a result, the GLF met four times, three times digitally and one time in person.

The Learning & Growth @HL platform which was introduced in 2022 provides a centralised space for all HL employees to access information on how we Grow, Behave and Lead at HL. The platform offers tools for career growth, including coaching models, guides for coaching discussions and sessions for new leaders to align with their teams. It continuously evolves based on feedback and identified development priorities.

Moreover, the launch of the TalentLMS Learning Management System (LMS) in December 2022 signifies our commitment to enhancing capabilities throughout the organisation. During 2023, we further developed and sourced content, including e-learning modules in a variety of topics, such as sustainability, coaching, communication and work environment. We have also ensured universal access to the LMS, even on personal mobile devices for employees in our factories and distribution centres. A combined total of 810 hours of learning took place on the LMS in 2023 by our employees.

Strong commitment to anti-corruption and safeguarding human rights

HL is committed to support and respect internationally recognised human rights. Our Code of Conduct serves as a guiding framework for our sustainability initiatives, clearly outlining the fundamental principles that all representatives and partners associated with the company must adhere to. It defines HL's zero-tolerance policy towards bribery, extortion and corruption, emphasising strict compliance with regulatory requirements based on the ten principles of the UN Global Compact. Every HL employee signs the Code of Conduct upon joining the company. The Group Human Resources Director is overall responsible for ensuring that our Code of Conduct is implemented.

To deepen understanding of the policy and simplify its annual review process, HL has developed a Code of Conduct e-learning course. The course, re-launched in late 2022, incorporates practical exercises and hypothetical dilemmas to deepen employees' understanding. During 2023, 83% of employees completed the course and affirmed their commitment to our Code of Conduct. Furthermore, new hires also sign the Code of Conduct as part of their onboarding process. In 2023, there were no reported violations of the Code of Conduct, including incidents of corruption (2022: 0). In 2023, we increased the accessibility our Code of Conduct by publishing it online as well developing it into a classroom style learning session in multiple languages. The latter has been particularly helpful for our blue collar teams.

We are aware of the challenges posed by different forms of employment which are not covered by our development process, and existing in markets with human rights risks. A SMETA audit of our Suzhou factory is conducted annually, to ensure, for example, that employees are paid a living wage and that there are no instances of staff members working excess overtime. Another example are homeworkers in Germany, which are classified as non-guaranteed workers. In these cases, we act in accordance with the German homework laws as well as implement signed instructions for work equipment and health and safety equipment.

Creating a culture where people live HL's behaviours

Every quarter, CEO awards are presented to individuals or teams who embody HL's behaviours – Ownership, One HL team, Speed – and contribute to a positive company culture. The nomination process, open to anyone, fosters a sense of belonging with colleagues worldwide. In 2023, we received 26 nominations.

In the past few years, local initiatives have also been taken to celebrate our employees and our behaviours.

CEO award - embracing HL behaviours

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 plant

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HL strives to improve environmental performance by complying with policies and standards, coupled with ongoing initiatives to reduce the environmental impact of our entire value chain.

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Prioritised topics

Increase use of recycled and more environmentally friendly materials

Reduce the carbon footprint of our operations

Other topics

Reduce raw material consumption

Reduce water consumption year on year

Improve the efficiency of transportation

Have all our factories certified according to ISO 9001, ISO 14001 and ISO 45001 standards

Key achievements

Recycled material purchased from external sources increased with 22%

Installation of more LED lighting and control systems at RDC Central, RDC West, and the Gliwice and Sundsvall factories

Consolidation of freight flows from Asia which help to reduce our climate footprint

Results 2023

↑ CO_2 emissions in-line with the reduction plan to deliver on targets approved by SBTi

↘ Usage of recycled material increased with 7.1%

Targets 2024

Deliver on CO_2 reduction plan according to targets set in-line with SBTi

Increase the use of recycled material with 10% year on year

↑ We (over-)delivered on our target → Good result with room for improvement ↘ We have missed our target

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In 2023, HL had production in eight factories*

Sundsvall, Sweden for extrusion of plastics

Sollentuna, Sweden for heat bending, acrylic fabrication, gluing and assembly

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

Bühl, Germany for printing, plastic sheet fabrication, heat bending and assembly

Leipheim, Germany for injection moulding, assembly and aluminium work

Suzhou, China for extrusion and injection moulding

Our ambition is to minimise our environmental impact and integrate sustainability into our organisational culture and operations. To do so, it is imperative that we take responsibility for the world around us through the way we operate, develop and innovate. The primary sources of our environmental impact lie in the raw materials used in production, as well as energy use and water consumption. Since our own factories manufacture most of the products in our portfolio, operating them efficiently and with environmental responsibility is critical to mitigate the environmental impact of our operations.

**Three of these factories were acquired during 2023.*

Visit

Approved by Science Based Targets initiative web

Examples of continuous improvements at our sites:

Improvements in freight logistics at Regional Distribution Centers (RDCs) increased fill rate and reduced emissions.

All of our factories have been working to reduce scrap from the production processes.

All of our Regional Distribution Centres and 4 out of 5 of our factories prior to acquisitions in 2023 are ISO 9001, 45001 and 14001 certified. Harlow is ISO 9001 and 4501 certified.

The Gliwice factory increased the usage of externally sourced recycled material by 17%.

The Sundsvall and Suzhou factories increased the amount of external sources of recycled material.

The Sundsvall factory and RDC Nordic introduced a new logistic provider, helping to reduce CO_2 emissions.

The newly installed heat exchanger in the Sundsvall factory will be used for heating the facility and water, heavily reducing energy consumption.

Reducing our carbon footprint

Reducing our carbon footprint is a key goal for HL. We joined the Science Based Target initiative (SBTi) in 2020 and gained approval for our CO_2 emission reduction targets in 2022. Our approval by SBTi signifies HL's adherence to scientifically recommended measures for containing global warming at 1.5 degrees Celsius.

Understanding the sources of emissions is essential to reducing them. We have been measuring our carbon footprint, including both our operations and the remainder of the value chain, in accordance with the GHG-protocol since 2018. In 2019, we implemented a tool called Our Impacts to facilitate data collection, compilation and analysis for our climate footprint study. Our Impacts enables collaboration across different parts of the organisation, organising data by reporting units allowing for year-to-year comparisons and target setting. This structure ensures data quality and makes it possible to monitor emissions regularly. Through the use of this tool, we have set our SBTi targets, described below. In 2024, our different reporting units will use the data to set their own goals and ensure we are making progress towards our company's targets.

The footprint calculation is not always exact, and while we strive for greater precision each year, some activities still involve some degree of estimation. One important step in increasing the accuracy is to gather more precise emissions factors for different raw materials in collaboration with our suppliers. To ensure data integrity, ZeroMission, our consultant for the carbon footprint study, validates reported data before closing the year. Although this is not equivalent to a third-party audit, this process guarantees accurate documentation of main emission drivers and that any anomalies are scrutinised.

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% reduction of emissions by 2030	**Scope 3**:** 22% reduction per tonne of purchased material by 2030
Key actions	Switch to 100% green/renewable energy Decrease energy usage Generate own energy	Work with our regular suppliers to get them to reduce the footprint of the materials we source Increase use of recycled material and bio-based materials Move away from fossil fuels for transportation of goods

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

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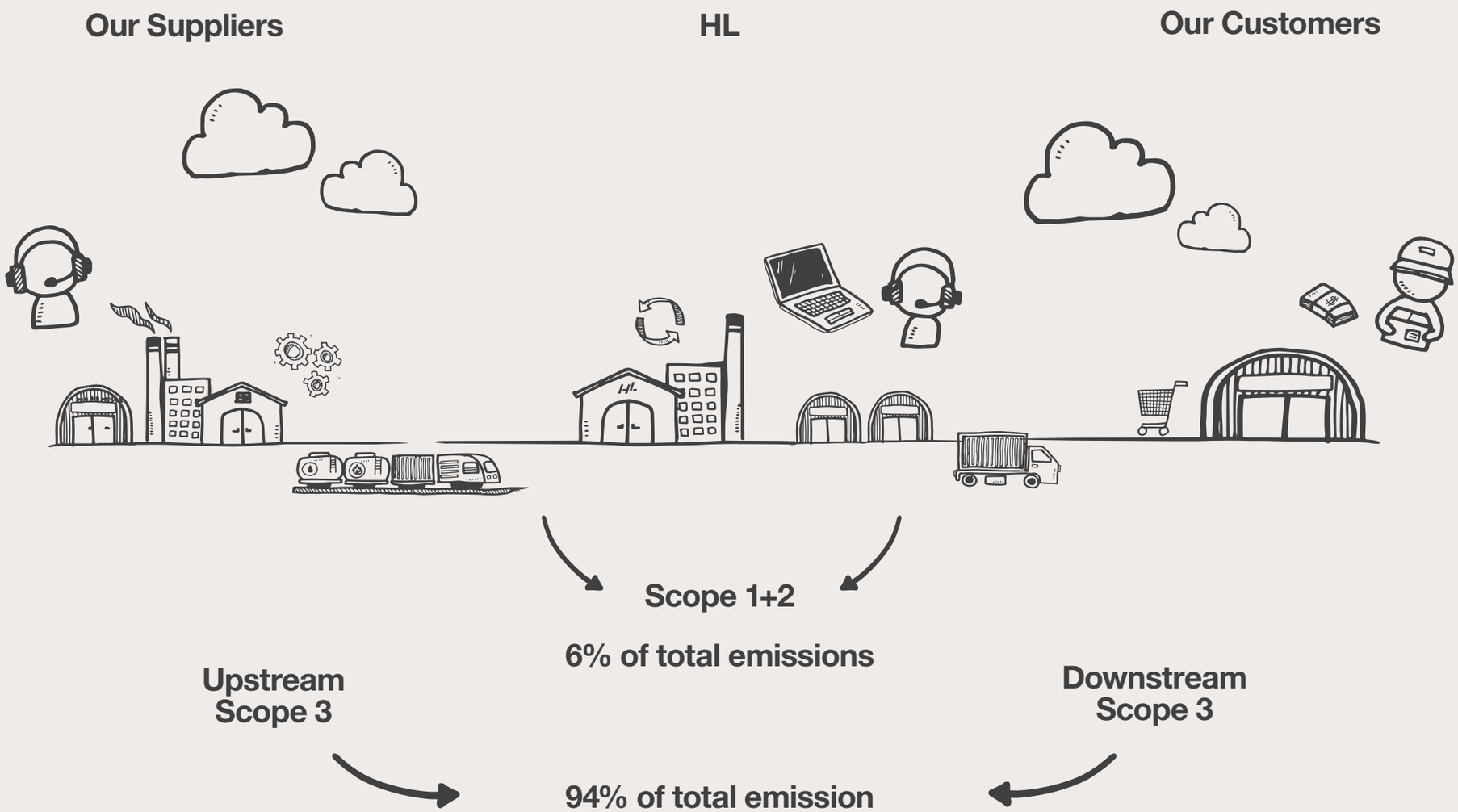

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Our 2023 greenhouse gas emissions
In 2023, our total CO_2 emissions amounted to 89,148 tonnes, an increase of 3% compared to 2022, mainly due to three acquisitions during the year.

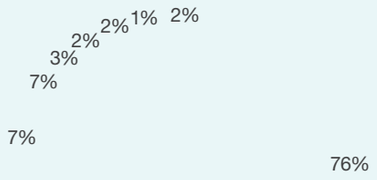
94% of HL's contribution to climate change emanated from activities in scope 3, upstream and downstream emissions, in 2023 (2022: 95%). The remaining 6% of our carbon footprint consisted of our scope 1 and 2 activities, which are more directly linked with our internal operations (2022: 5%).

The use of purchased raw materials accounted for 76% of HL's total 2023 greenhouse emissions (2022: 72%). Plastics have the most significant adverse impact, closely followed by metal.

External transportation of goods, both inbound and outbound, contributed 9% to our emissions (2022: 14%). In 2023, the use of sold goods, particularly the Ad'Lite™ LED shelf light system, represented 3% of our overall carbon footprint. At the end of 2023, we released a new range of Ad'Lite™ that is 16% more energy efficient, is brighter and has a longer life expectancy, addressing emissions in this area.

The use of electricity is the main emission driver of our own operations. Our Sundsvall and Gliwice factory both rely on renewable energy. In 2023, we have also installed more LED and controlling systems across RDCs Central and West as well as our factories in Gliwice and Sundsvall. Electricity and heating collectively accounted for 7% of the total emissions in 2023 (2022: 5%). We expect to decrease emissions from energy next year due to the installation of a heat exchanger in Sundsvall at the end of 2023 for heating of facility and water. Furthermore, the installation of solar panels in the Harlow factory was completed in the beginning of 2024 and will decrease emissions from energy consumption significantly. Read more about our energy consumption **on page 33.**

Emission of greenhouse gases divided per activity



76%	Materials purchased
7%	Electricity and Heating
7%	Outbound third-party deliveries
3%	Use of sold products
2%	Inbound third-party deliveries
2%	Capital goods
1%	Commuting
2%	Other

Illustration: In 2023, the total carbon footprint of HL was 89,148 tonnes of CO_2-equivalents (market based method). Of that, scope 3 amounted to 83,794 tonnes, scope 2 to 3,817 tonnes and scope 1 to 1,536 tonnes.

The carbon footprint calculation plays an important role in establishing a baseline for improving HL's operations and directing our efforts to reduce our environmental impact. All HL units, including those acquired during the year, are included in the climate footprint calculation.

Our emission reduction targets
Our target is to reduce our scope 1 and 2 emissions by 46% by 2030 compared to the baseline levels set in 2019*. The graph illustrates that we are well ahead of our target, primarily due to our Gliwice factory's transition from fossil-generated energy to renewable energy in 2021. The increase in 2023 is due to the acquisition of three companies during the year combined with an increase in production volumes at our factory in Harlow, which still relies on regular electricity. Part to this increase will be mitigated with the installation of solar panels in 2024. Sustained efforts in energy efficiency are crucial to prevent emissions from escalating, considering that our aim is also to grow our business organically year on year.

For scope 3, we have established an intensity target, aiming to reduce our emissions with 22% per tonne of purchased material until 2030. Currently, we are operating 14% below the 2019 emissions* per tonne. The principal drivers for this reduction include a slight shift in the material mix towards options with a lower environmental footprint. We can also see a positive effect of incorporating more recycled plastic.

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

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

Scope 1 and 2 emissions, tCO_2e

Scope 3 emissions per tonnes of purchased material, tCO_2e

Note: Emissions from the companies acquired in 2023 have been added to HL's total emissions for the same year. However, all other data points in this chapter e.g., relating to waste, water and energy consumption, do not include the companies acquired during 2023.

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Reducing the use of virgin plastics
HL's main raw material is plastic, specifically PVC and PET. To reduce our carbon footprint, we concentrate on reducing and recycling our production waste, minimising the use of virgin fossil-based materials through efficient design and production processes and reinforcing our utilisation of recycled materials. Simultaneously, we are actively exploring alternative material solutions, such as bio-based plastic and sustainable additives. We strive to be innovative in all that we do, and managing the end-of-life treatment of our products and closing the loop of materials are key priorities for HL.

Our ambition is to reduce raw material consumption, evident in our efforts to enhance production processes. For instance, we strive to minimise generated waste by continuously streamlining our production processes. During the year, we improved the planning and control of the production process, with a new production scheduler implemented in our Sundsvall and Gliwice factories. Going forward, the aim is to improve scheduling in Harlow, which helps reduce the scrap from the production process. We have also re-designed certain products to reduce the amount of raw material consumption. In 2023, our factories produced 2,643 tonnes of safe waste (2022: 2,341 tonnes), with 1,292 tonnes constituting plastic waste (2022: 1,080 tonnes). The overall waste rate, measuring the relation of waste to material used, was 17.0% in 2023 (2022: 16.2%). Specifically for plastic material, the waste rate was 12.0% in 2023 (2022: 10.8%). The increase in the waste rates in 2023 is due in part to shorter production runs in the Sundsvall factory. In practise, shorter production runs mean that tools are changed more often, which in turn leads to more waste being generated.

Waste Management by type

Waste Management split

Raw Materials purchased

Improving waste management
We aim 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 goal that 100% of our safe production waste should be recycled in some form. In 2023, our efforts led to increased recycling rates in some of our facilities; more subcategories is now separated into more fragments and recycled. For example, the Harlow factory reduced their carbon footprint by 1.6 tonnes through the recycling of packaging material and pallets. The share of waste recycled in RDC Central has increased from 0% to 55% during the year.

In total, 86% of total safe waste from production in our factories was recycled (2022: 83%), and 15.2% of safe waste was recycled in our own production (2022: 18.3%). During 2023 we saw a significant increase in production in our factory in Gliwice where the internal recycling rate is relatively low. As a result, the overall internal recycling rate decreased, and we will focus on improving this during 2024. We will also continue to analyse and enhance our processes based on the data collected in 2023.

Sourcing and designing for increased sustainability
In order to meet the growing demand for recycled materials, HL continues to have a strong focus on increasing sourcing of recycled materials from external sources. The biggest ongoing challenge is ensuring the right quality of the material, as it must align with both the production process as well as the customer's expectations for the product's look and feel. For instance, when a high level of transparency is required, only very high-grade materials can be used. We have been partnering with our suppliers to find new innovative solutions to this problem and in 2023, our Global Sourcing team began outlining our quality requirements - read more **on page 37**
Additionally, the costs associated with recycled materials often surpass those of virgin materials. In 2023, we increased the sourcing of recycled plastic to 467 tonnes (2022: 383 tonnes).

Over the past few years, we have invested approximately 300 production hours in evaluating new sources and materials. This effort has resulted in the successful inclusion of new sources for recycled materials, encompassing PVC, PET and HIPS. A growing number of our suppliers now offer our primary raw materials in recycled forms.

In 2023, HL utilised 15,565 tonnes of material in production, with plastics comprising 67% (2022: 69%). Of the plastics used, 8.4% were either recycled or bio-based (2022: 8.1%). All in all, we increased the use of recycled plastic in production, by weight, with 7.1%, falling short of our goal to increase the usage with 10% year on year. Going forward, all of our factories will report on the recycled materials used on a monthly basis.

In 2023, we developed our partnership further with suppliers of recycled PVC - read more about our partnership with Thevinyl **on page 32.**
This work is expected to result in substantially increased use of recycled PVC for 2024. Looking ahead, we anticipate a growing demand to scrutinise the entire plastic value chain, instead of just focusing on the final customer. This development has already begun in 2023, and our customers are now asking more questions about our supply chain. Read more about the product passport we are developing as a result **on page 18.**

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Supplier case

Partnering with Thevinyl to ensure a more sustainable value chain

As the demand for recycled materials continues to rise, the challenges in meeting this demand persist.

Recycled PVC poses issues related to the cleanliness of the recycled material and the quality of the final product. Addressing these challenges and collectively contributing to emission reduction necessitate collaboration throughout the value chain. Working closely with our suppliers enables us to innovate solutions that will in turn reduce emissions across the board.

Continuous dialogue with our suppliers gives us an opportunity to show how ambitious we are in our climate work, and allows us to communicate and discuss our expectations. It also gives us a forum to collaborate in finding solutions to common challenges.

In 2023, HL welcomed Thevinyl as a new supplier of PVC. Thevinyl is a compounder that provides HL with PVC granulates that are adapted to our specifications. During the autumn of 2023, Thevinyl, HL and a handful of suppliers of recycled PVC have worked together to include recycled PVC in the mix, by creating a new type of compound.

We discussed Thevinyl's sustainability work and the importance of collaboration with Tobias Lind, CEO of Thevinyl. Thevinyl's environmental goals include reducing carbon emissions by increasing the use of recycled as well as bio-based raw materials. These goals are aligned with HL's climate ambitions and contribute to HL's target of reducing emissions per tonne of purchased material with 22% by 2030 (our Scope 3 goal).

Reduction of greenhouse gas emissions
In line with both Thevinyl's and HL's targets to reduce emissions, in 2023, all the virgin PVC used by Thevinyl for HL's compound was sourced from Sweden and Norway. This is important since PVC made in Sweden comes with a low carbon footprint, thanks to the Swedish energy mix which does not rely on fossil fuels. Furthermore, Thevinyl focuses on minimising carbon emissions from cradle to gate and have upgraded their lab to test recycled materials for improved quality and lifespan, the effects of which will be felt down both their value chain and ours.

Increasing traceability in the PVC value chain

2nd level supplier
Ineos Innovyn. Supplier of PVC powder to compounders. Read more in the 2022 HL Corporate Responsibility report.

1st level supplier
Thevinyl. Supplier of pre-mixed PVC compounds.

HL Display
The PVC compound is used in production at the Sundsvall factory.

Decreasing the use of raw materials
Tobias Lind emphasises recycling as the best current alternative to reduce carbon emissions for PVC - it is a plastic that can be recycled multiple times. However, challenges arise in finding the right sources of recycled PVC to achieve the necessary quality. "When discussing the use of recycled materials, quality and lifespan are partly compromised due to less knowledge about the material received. With the push to use recycled material, one forgets that quality and lifespan can be affected," says Jonas Marking, Sustainability Manager at HL. Through our partnership with Thevinyl, as well as Thevinyl's internal research, we can secure the quality and lifespan and thus fulfil our customers' expectations.

The trickle-down effect of collaboration
Both Thevinyl and HL face increasing customer inquiries about climate and recycled material footprint. In part, Thevinyl's customer inquiries come from HL, which in turn come from our customers. This trickle-down effect will most likely increase as the need for traceability and transparency in the value chain will grow with the introduction of more legislation in the area. Thevinyl, responding to this demand, conducts Life Cycle Assessments, the results of which can be used by their customers, like HL, for a better understanding of the footprint of products.

Collaborative efforts between Thevinyl and HL aim to innovate solutions for the challenge in quality. "It is essential to rethink how collaboration works. In the future, more collaboration will be necessary," describes Tobias Lind. Thevinyl extends its collaboration to include their suppliers. For example, together with Innovyn, who provides PVC powder to Thevinyl, they are exploring ways to jointly reduce carbon emissions. Going forward, HL and Thevinyl will continue to work closely to conduct tests and experiment on new solutions within PVC.

Visit

Thevinyl Companys webpage — web

Ineos Innovyn 2022 HL Corporate Responsibility report — web

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Our circular approach
We continue to develop 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, including collection, sorting, milling, cleaning and reusing materials from worn-out products. They have also developed a production process as part of our Circular Offer. In 2023, we further expanded our Circular Offer to reach a wider customer base and have extended our capabilities to include another set of techniques and materials. Thanks to this our factory in Gliwice could recycle 13 tonnes of material coming from used products in 2023.

Throughout 2023, we continued our commitment to transitioning towards more sustainable packaging materials in our operations.

Moving from fossil-based to bio-based
To support and enable our customers in transitioning to more sustainable stores, HL strives to become an industry leader in alternative materials and solutions. Since 2018, we have been utilising a bio-based plastic called PLA, derived from renewable sources like plant starch from sugarcane or corn. While the adoption of PLA-based products has historically been constrained by elevated material costs, we anticipate that challenges associated with bio-based plastics, such as cost and recyclability issues, will gradually be resolved.

Energy consumption
In 2023, HL's production energy consumption amounted to 23.2 GWh (2022: 22.7* GWh), with 60% of our energy sourced from renewable sources (2022: 61**%). Our Sundsvall factory operates entirely on hydro-generated electricity, and the Gliwice factory relies entirely on renewable energy. Our commitment to reducing electricity consumption in our factories remains; RDC Central and West as well as the Gliwice factory have fully installed LED lighting and control systems during 2023. Furthermore, in the beginning of 2024, solar panels were installed on the Harlow factory.

60% of our energy is sourced from renewable sources. Our Sundsvall factory operates entirely on hydro-generated electricity, and the Gliwice factory relies entirely on renewable energy.

Reducing water consumption
We use water during the production process when cooling extruded and injection-moulded plastic products. In 2023, our company's production facilities utilised 381,567 m^3 of water (2022: 329,001 m^3). The majority of water consumption occurs at the Sundsvall factory, which draws water from their own well. 19,792 m^3 of the total water used by HL came from municipal sources (2022: 18,315 m^3), constituting 5.2% of total water consumption (2022: 5.6%).

Making logistics more efficient to reduce emissions
The majority of HL's shipments are made by truck, including those from our European factories to distribution centres within Europe and onward to our customers. Sea transport is predominantly utilised for shipping components and ready-made goods from Asia, along with tools procured in Asia for use in our European factories.

In our effort to reduce carbon emissions, we implemented several logistics enhancements in 2023. Collaborating with our freight logistics partners, we consolidated freight flows from Asia for two out of our three product groups sourced from the region. By consolidating all of the HL shipments of components to the Gliwice factory, we can increase fill rate in containers and subsequently reduce carbon emissions. During 2024, we plan to expand the consolidation to include our final product group.

We have also introduced a new logistic partner in the Nordics who has been supporting us in reducing our freight distances, and in turn, our emissions. This has been done through improving batch and box sizes to increase fill rate as well as reducing the amount of linehauls to Norway and Finland.

All of HL's transport suppliers are required to have environmental programs in place, with EuroVI environmental class mandated for all new freight forward suppliers since 2018.

Continuous improvement through certified management systems
HL ensures the highest safety standards in production and minimal waste generation through our management systems and policies for quality, work and conduct. Our continuous 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 across all that we do but also for fostering engagement among our employees. All of our five factories prior to acquisitions in 2023 are ISO 9001 and 45001 certified. All except Harlow are ISO 14001 certified. All Regional Distribution Centres are ISO certified according to all three standards. The newly acquired factories are not certified. Our objective is to obtain ISO 14001 certification for the Harlow factory in 2024. HL is fully compliant with REACH, the EU's chemical legislation, and we require suppliers to sign a written undertaking regarding REACH.

**The 2022 report incorrectly used Megawatt as the unit of measure when Gigawatt should have been used. The number of energy consumption for 2022 has been adjusted to include the energy consumed in Leeds.*
***Last year's report stated the incorrect%age of energy sources from renewable sources. The reason for this due to unprecise reporting which has been remedied during 2023.*

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HL's Code of Conduct for Suppliers and supplier assessments convey our strong position against corruption and our ambition to be at the forefront of supply chain responsibility within our industry. These initiatives ensure that our suppliers practise honesty, integrity and responsibility.

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Prioritised topics

Have a comprehensive supplier risk assessment in place

Have all HL suppliers sign and adhere to our Code of Conduct for Suppliers

Other topics

Conduct supplier on-site audits

Supplier Full Review as evaluation tool

Key achievements

The Code of Conduct for Suppliers was updated to include more human rights and environmental aspects and will go live in 2024

Group Sourcing mapped all of HL's recycled plastic material sourcing and use for the first time

95% of our suppliers have been engaged in our supplier management system

Results 2023

Suppliers accounting for 95% of total spend covered in supplier self-assessment

85% of all suppliers have signed our Code of Conduct for Suppliers

Eleven on-site audits conducted

Targets 2024

To repeat the self-assessment for important suppliers which have completed the self-assessment in 2021 and account for 80% of total spend

For all new suppliers to sign the Code of Conduct for Suppliers

Ten on-site audits to be conducted

Supplier full review of the 50 biggest suppliers

**Important suppliers are those suppliers who stand for 80% of spend.*

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

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HL's supply chain
At HL, we aim to lead the industry in supply chain responsibility. Recognising that a significant portion of HL's impact on people and the environment occurs within our supply chain, we believe that effectively addressing and managing sustainability issues requires strategic collaboration with our key suppliers. In 2023, we once again continued to deepen our engagement with suppliers.

HL has a total of around 1,700 suppliers, approximately 1,000 of which supply our factories and approximately 700 serve our distribution centres. Among these, we identified 160 as important suppliers* in 2021, collectively representing approximately 80% of our spending that year. In 2022, we expanded our supplier outreach to include the next tier of suppliers, encompassing an additional 90 suppliers who provided at least 300,000 SEK worth of services and goods. In 2023, we focused our efforts on the next tier of suppliers, covering 65 suppliers during the year. In total, through the efforts that began 2021, HL has now actively engaged 95% of our suppliers in various stages of our supply chain management system.

Our Code of Conduct for Suppliers
Our aim is to ensure that all HL suppliers uphold the same standards as HL and to encourage them to align with our sustainability practices. These standards are outlined in our Code of Conduct for Suppliers, covering the following areas:

Human and labour rights

Business ethics related to, for example, corruption

Sustainable growth

Environmental care

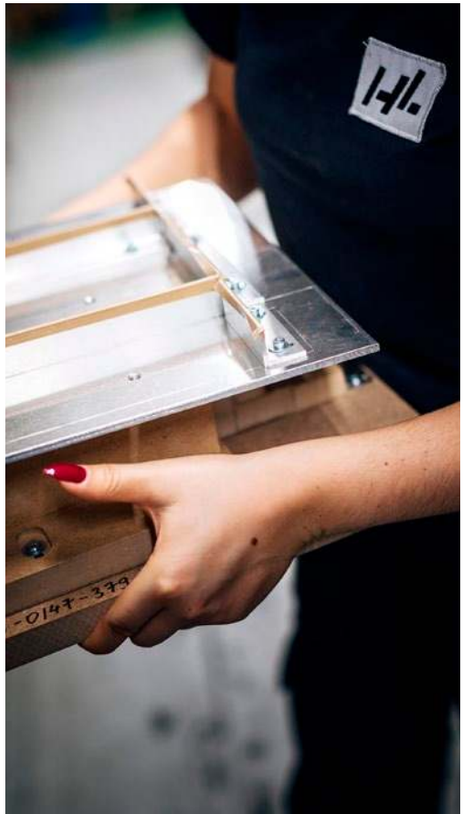
Health and safety

The Group Purchasing Director is responsible for the updates and implementation of the policy. To promote widespread understanding and inclusion, our Code of Conduct for Suppliers is available in English, French, Chinese, Polish, German and Swedish.

Our purchasing team systematically work towards increasing the%age of suppliers that have engaged with and signed our Code of Conduct for Suppliers, with quarterly reviews tracking their progress. By the end of 2023, 85% of all our suppliers accounting for 90% of spend had signed the Code of Conduct, exceeding our target. Since the revision of our Code of Conduct for Suppliers in 2021, all new suppliers have signed the policy. In 2023, we had no instances of contract termination with business partners due to corruption-related violations.

In cases where a supplier refuses to sign the policy, the HL Purchasing Manager notifies our Group Purchasing Director and requests the supplier to provide their own Code of Conduct. If the supplier's Code of Conduct aligns with HL's requirements, the supplier is considered to have signed our policy. If not, the supplier is phased out or replaced.

HL factory in Gliwice, Poland



95%

of suppliers have been engaged in various stages of HL's supply chain management system

2021
160 suppliers were identified as important suppliers*

2022
90 additional suppliers who provided at least 300,000 SEK worth of services and goods

2023
65 additional suppliers

** Our important suppliers are made up of the suppliers that cover 80% of our total spending in 2021.*

During 2023, our Code of Conduct for Suppliers was updated to include further human rights and environmental aspects and will be launched in 2024. With this launch, we will ensure all new suppliers sign the latest, updated Code of Conduct for Suppliers and will inform all important suppliers who previously signed the Code of Conduct for Suppliers of the updates.

Supplier risk assessment
As the world continues to change at a seemingly faster rate, it becomes even more important for us to understand the risks in our supply chain and anticipating and addressing any vulnerabilities that may arise. We understand that our largest human rights related risks and impacts occur upstream in our value chain, as well as some of our largest environmental impacts. It is therefore important that we continue to develop our supply chain management, understand the risk areas in which our value chain operates and work with our suppliers when it comes to sustainability.

During 2023, we conducted a comprehensive supplier risk assessment to understand and ensure a resilient supply chain. This assessment targeted all suppliers contributing to over 85% of our spend, equating to one million SEK. The objective of the assessment was to evaluate the overall risks within our supplier base.

Most of the assessments revealed a favourable outlook. We did identify several cases of single sourcing in procurement, i.e., instances where we exclusively source from a single supplier. These cases varied between raw materials, freight, logistics and beyond. In such cases we defined and implemented robust action plans to mitigate potential risks associated with such dependencies.

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Group Sourcing Project

At HL, we understand that one of the largest impacts we have on the environment is through the materials we source and use.

Our commitment to increasing the amount of recycled material used grew within the Group Sourcing team during 2023. During the year, Group Sourcing has focused on two projects - mapping recycled plastic materials and developing quality standards.

The first project focuses specifically on traceability and availability of recycled plastic material. The project involved the purchasing teams from Sundsvall, Gliwice, Suzhou, Harlow and Regional Distribution Centre West and collected data from our Sundsvall, Gliwice, Suzhou and Harlow factories. The project enabled us to gain a comprehensive overview of the collective status of purchased recycled plastic and has initiated monitoring procedures for plastic recycling in each factory. Monthly follow-ups are planned for 2024, emphasising the project's commitment to ongoing assessment and improvement. While the project was led by the Group Purchasing team, it was significantly benefited by substantial input provided by project managers.

During the year, Group Sourcing delved further into understanding the different qualities of recycled material that we can require from our suppliers. The project involved close discussions with product managers to determine and establish product and quality standards aimed at improvement of our processes and products. In 2024, we will conduct various follow-up procedures including, for example, monthly reporting of recycled plastic material consumption. We are also redesigning the supply chain set-up for recycled PVC to ensure the quality of the material and an even supply.

Recycled plastic material

Visit

Sustainable Choice offer web

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Our supplier management system
We see significant value in effectively managing our relationships with suppliers and ensuring sustainability across our entire supply chain. In 2019, we initiated the development of a more systematic process to monitor sustainability risks, with a primary focus on our important suppliers. This process has evolved into four steps, comprising of an initial screening of new suppliers, a self-assessment questionnaire, on-site audits and a supplier full review. The purpose is to ensure that our suppliers adhere to our high sustainability standards.

In 2021, we launched our supplier management platform, Kodiak, further aiding the management system. Kodiak facilitates a more organised engagement with our suppliers by centralising all essential data and documentation required in the process. Additionally, it notifies us when follow-ups are necessary, such as when certifications and documents expire.

HL's purchasing team conducts a screening of new suppliers when they sign the Code of Conduct for Suppliers. In instances where non-compliance with the Code of Conduct for Suppliers is identified, our approach prioritises cooperation and corrective actions. However, persistent non-compliance may result in the termination of the contract. There were no reported violations of the Code of Conduct in 2023 (2022: 0).

Initial screening
The initial phase of HL's supplier assessment process takes place within the Kodiak supplier management system. The Kodiak system conducts an initial evaluation of the supplier, including, for example, the geographical location of the supplier's operations, and notifies our purchasing team in case the supplier is flagged as a potential risk.

HL factory in Harlow, UK

0

There were no reported violations of the Code of Conduct in 2023

HL's self-assessment questionnaire
The second step of our supplier management process involves distributing a self-assessment questionnaire through the Kodiak system to suppliers in focus and those flagged as a potential risk in step one. Comprising of 30 questions aligned with criteria from our Code of Conduct for Suppliers, the assessment covers 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 a comprehensive understanding. While we initially planned to update the questionnaire in 2023, the questionnaire will now be expanded in 2024 to include more detailed questions regarding human rights and additional environmental aspects.

Initially, in 2021, the self-assessment scope focused on our important suppliers and was extended to the next tier of suppliers in 2022. In 2023, the scope was extended further. Upon completion, the Kodiak system assigns a risk score to the supplier, ranging from low to high. The HL purchasing team then reviews both the score and the corresponding self-assessment questionnaire. For suppliers falling within the medium to high-risk category, the initial step is to assess whether the supplier can modify its operations to comply with our Code of Conduct for Suppliers. Depending on the severity of deviations, an action plan is implemented. In 2023, the system did not approve seven suppliers (2022: six suppliers), and actions will be taken to either ensure compliance with HL's requirements or phasing out the supplier.

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HL factory in Sundsvall, Sweden

On-site audits
An important tool for ensuring supplier compliance with the Code of Conduct for Suppliers involves conducting on-site visits and audits. During 2023, we completed eleven on-site audits, with at least two audits conducted by each of our factories. The selection of the suppliers to audit is in part decided based on the compiled evaluation of the initial screening assessment, the self-assessment questionnaire as well as the supplier's risk level, size and strategic significance. All eleven suppliers achieved favourable results.

HL's purchasing team is responsible for conducting these visits and audits, which are divided into two steps. Initially, HL ensures that our suppliers fully comprehend and comply with the requirements specified in our Code of Conduct for Suppliers. Subsequently, representatives from the HL team perform an on-site review based on pre-defined criteria, aiming to verify that the production site aligns with our requirements. While we initially planned to further develop the human rights criteria for audits in 2023, the work has been postponed to 2024.

Our supplier assessment management process:

Step 1
Initial screening
When new suppliers have signed the Code of Conduct for Suppliers, they are entered into the Kodiak supplier management system where a first screening is conducted.

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.

Supplier full review
HL finished developing the final step of the supplier assessment process, a comprehensive supplier full review, in 2022. The review process is a collaborative effort involving not only the purchasing team but also logistics, procurement and quality teams. This approach incorporates a diverse range of perspectives. We have introduced a standardised review template that examines both raw materials and finished goods, covering various 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 process are facilitated through the Kodiak system. To acknowledge outstanding performance, the respective purchasing team managers personally present HL Display awards to the top two suppliers in each team, resulting in a total of ten awards. Suppliers with results deemed insufficient are provided with action plans. All action plans are documented in Kodiak and are subject to follow-ups every six to twelve months.

The supplier full review is conducted every second year. No reviews were conducted in 2023, they will instead resume in 2024.

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Governance at HL Display

Having the right policies and processes in place is crucial for governing and managing our business in a sustainable and ethical manner.

The Group Management Team* holds the overall responsibility for HL's sustainability efforts, including the development of due diligence processes and the management of our environmental, social and economic impacts. Our CEO, Björn Borgman, is responsible for overseeing and making decisions regarding the management of our impacts. Corporate responsibility performance is regularly evaluated and reported to the Group Management Team following a defined reporting frequency. The Group Management Team are recruited to their roles through internal or external selection processes, and their performance is evaluated following the same performance review process which is applied to all other HL employees. The sole exception is the CEO, who undergoes an annual evaluation conducted by the HL Board of Directors.

The Group Management Team, in collaboration with the Board of Directors, develop, approve and update our strategies and goals as needed. They also review and approve the annual sustainability report. The Sustainability Manager, in close dialogue with the Group Marketing Director and the rest of the Group Management Team, is responsible for driving HL's sustainability efforts in a more systematic manner. Local entities play a significant role in daily sustainability efforts, particularly with regard to the environment and occupational health and safety at production facilities.

In 2023, the Group Management Team engaged in eight different sustainability-related workshops and meetings covering, for example, supply chain reviews covering sustainability, a sustainability function review and employee engagement survey results.

The remuneration policy at HL aims to foster professional growth, as well as reflect and reward outstanding performance. The policy must always be carried out in a way that ensures fair and non-discriminatory practices based on gender, ethnicity, religion and other factors. 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 process must be individual and differentiated. Unless specified otherwise in a collective agreement, the same principles for salary setting apply to all employees.

The annual total compensation ratio for HL's highest-paid individual compared to the median of the organisation was 10.48 in 2023 (2022: 10.98), while the ratio of the percentage age increase in annual total compensation for the highest-paid individual compared to the median was 1.26 (2022: 1.69). This data was gathered through HL's HR Information System, Talentsoft. In calculating this, 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 incentive structures are designed to provide objective metrics and set the right goals at the right levels. This means a focus on long-term incentives and strategic targets, particularly for the most senior roles within the organisation. It is not common practice for us to employ sign-on bonuses or extraordinary retirement benefits for senior individuals.

HL manages conflicts of interest through its Code of Conduct. Employment contracts explicitly require 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 ensures proper documentation and approval from the right levels when it comes to potential conflicts related to board memberships, shareholdings with suppliers or interests in other related parties. The policy covers all HL employees. For more information on our Code of Conduct **see page 25** →

** The Group Management Team is appointed through recruitment processes.*
*** The HL Board of Directors consists of our CEO as well as three representatives from our owner Ratos.*
**** Compensation ratios take the base salary into account, but not any other cash allowances, bonuses, commissions, cash profit-sharing or 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.*

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HL Display's Corporate Responsibility Report is a consolidated report covering the global operations of the HL Display Group, including HL Display Holding AB and all its subsidiary legal entities. Operations beyond HL's direct control, such as suppliers, are not covered by the report. The report serves as HL's communication on sustainability efforts and their progress, as part of the company's commitment to the UN Global Compact for the fiscal year 2023. It is prepared in accordance with the Global Reporting Initiative (GRI) Standards 2021 and certain datapoints from the adopted ESRS have been applied where relevant. HL reports comprehensive sustainability data and information on an annual basis. The presented information has not been assured by an external party.

This report was published in May 2024.

For questions about the report, contact:
Valentine Bourgal,
Sustainability Manager, HL Display

GRI standard	Disclosure	Location	Omission Reason explanation
GRI 2: General disclosures 2021	2-1 Organizational details	2-4, 41	
	2-2 Entities included in the organization's sustainability reporting	41	
	2-3 Reporting period, frequency and contact point	41	
	2-4 Restatements of information	22, 33	
	2-5 External assurance	41	
	2-6 Activities, value chain and other business relationships	3-4, 14	
	2-7 Employees	21	
	2-8 Workers who are not employees	-	Information unavailable. Data to be collected for next year's report.
	2-9 Governance structure and composition	40, hl-display.com/about-hl/organisation/	
	2-10 Nomination and selection of the highest governance body	40	
	2-11 Chair of the highest governance body	40	
	2-12 Role of the highest governance body in overseeing the management of impacts	12, 40	
	2-13 Delegation of responsibility for managing impacts	40	
	2-14 Role of the highest governance body in sustainability reporting	40	
	2-15 Conflicts of interest	40	
	2-16 Communication of critical concerns	24	
	2-17 Collective knowledge of the highest governance body	40	
	2-18 Evaluation of the performance of the highest governance body	40	
	2-19 Remuneration policies	40	
	2-20 Process to determine remuneration	40	
	2-21 Annual total compensation ratio	40	
	2-22 Statement on sustainable development strategy	6	
	2-23 Policy commitments	10, 22, 36	
	2-24 Embedding policy commitments	10, 22, 24-25, 36	
	2-25 Processes to remediate negative impacts	12, 24, 40	
	2-26 Mechanisms for seeking advice and raising concerns	24	
	2-27 Compliance with laws and regulations	No instances of non-compliance occurred.	
	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	
	2-30 Collective bargaining agreements	21	

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GRI 3: Material Topics 2021	3-1 Process to determine material topics	12	
	3-2 List of material topics	13-14	
Business ethics and anti-corruption			
GRI 3: Material Topics 2021	3-3 Management of material topics	10, 13, 25, 34-38, 40	
GRI 205: Anti-corruption 2016	205-3 Confirmed incidents of corruption and actions taken	25	
Responsible value chain			
GRI 3: Material Topics 2021	3-3 Management of material topics	10, 13, 34-39	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	36, 38	
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	36, 38	
Circularity, including material use			
GRI 3: Material Topics 2021	3-3 Management of material topics	10, 13, 26-28, 31, 37	
GRI 301: Materials 2016	301-1 Materials used by weight or volume	31	
	301-2 Recycled input materials used	31	
Energy			
GRI 3: Material Topics 2021	3-3 Management of material topics	10, 13, 26-28, 33	
GRI 302: Energy 2016	302-4 Reduction of energy consumption	33	
Emissions to water, soil and air (non-GHG)			
GRI 3: Material Topics 2021	3-3 Management of material topics	10, 13, 26-28, 33	
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	33	
GHG emissions			
GRI 3: Material Topics 2021	3-3 Management of material topics	10, 13, 26-30	
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	30	
	305-2 Energy indirect (Scope 2) GHG emissions	30	
	305-3 Other indirect (Scope 3) GHG emissions	30	
Product design			
GRI 3: Material Topics 2021	3-3 Management of material topics	10, 13, 15-18, 31-33	
Own disclosure	Sustainable product development	15-18, 31-33	
Waste			
GRI 3: Material Topics 2021	3-3 Management of material topics	10, 13, 26-28, 31	
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	31	
	306-2 Management of significant waste-related impacts	31	
	306-3 Waste generated	31	
	306-4 Waste diverted from disposal	31	

GRI standard	Disclosure	Location	Omission Reason explanation
Competence development			
GRI 3: Material Topics 2021	3-3 Management of material topics	10, 13, 19-22, 24-25	
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%age of employees receiving regular performance and career development reviews	24	
Product design			
GRI 3: Material Topics 2021	3-3 Management of material topics	10, 13, 19-22	
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	22	
	403-2 Hazard identification, risk assessment, and incident investigation	22	
	403-3 Occupational health services	22	
	403-4 Worker participation, consultation, and communication on occupational health and safety	22	
	403-5 Worker training on occupational health and safety	22	
	403-6 Promotion of worker health	21	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	22	
	403-9 Work-related injuries	22	
Own disclosure	Number of workplace accidents leading to absence or sick leave	22	
Human rights			
GRI 3: Material Topics 2021	3-3 Management of material topics	10, 13, 34-39	
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	36, 38	
Job creation			
GRI 3: Material Topics 2021	3-3 Management of material topics	10, 13, 19-21, 24	
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	21	