

SUSTAINABILITY REPORT 2022



TABLE OF CONTENTS

- 3 Hydroscand in brief
- 6 Hydroscand Energy: Part of the energy transformation
- 7 From our CEO
- 8 Our commitment to sustainability
- 10 How we work with sustainability



- 11 Environment – responsible consumption and production



- 17 Social - it is all about the people

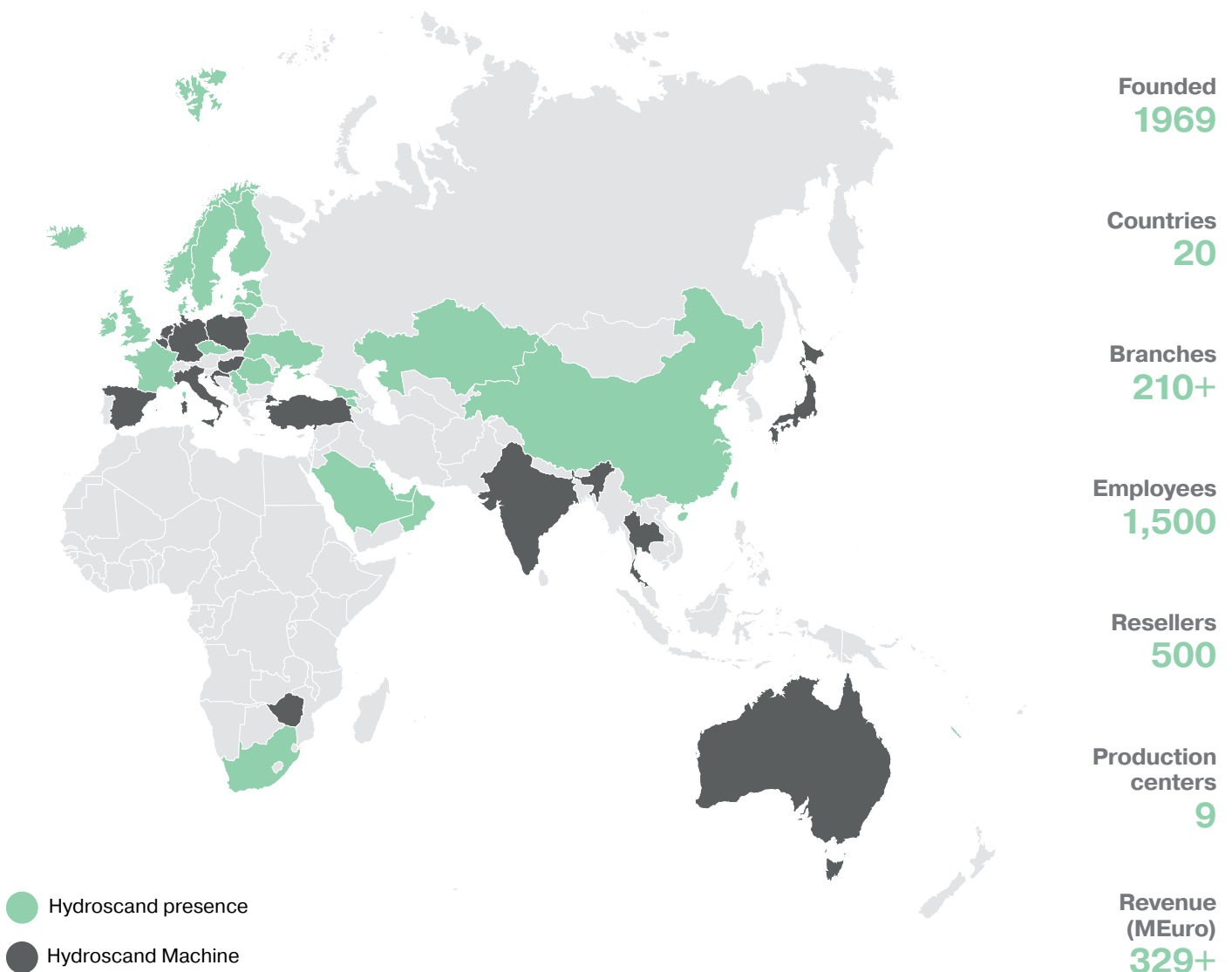


- 25 Governance – from responsible purchasing to customer relations
- 28 Looking into 2023
- 30 Appendix: Notes to the report

HYDROSCAND IN BRIEF

Hydroscand – an international family-owned business that provides solutions and services for hoses, fittings, and related products through a customer-driven and decentralized organization. Hydroscand was founded in 1969 in Stockholm, Sweden.

We work innovatively and customer-driven and always strive to find solutions that help our customers increase their productivity and profitability. We are committed to protecting our customers from operational disruptions and unscheduled downtime. We offer an extensive, innovative service portfolio supplemented by a broad product range. We deliver custom solutions with strong local support based on their unique demands. Our solutions are available through Hydroscand branches, mobile service units, production centers, resellers, and e-commerce. We are also a leading partner and solution provider to OEMs worldwide. Based on their unique demands, we deliver customized solutions with strong local support.



DEDICATED TO THE FLOW

Hydroscand, with around 1,500 employees in 20 countries, works to support our customers with solutions and services every day.

We are driven by our values:

CUSTOMER FOCUS

We consider the customer in everything we do, and the entire company is aligned with the needs of the customer. We constantly measure what our customers think about us and always strive to exceed our customers' expectations.

INNOVATIVE

We aim to be innovative and curious to find new solutions and services for our customers.

ENTREPRENEURIAL

Local entrepreneurship is part of our DNA, and combined with key functions in an international company, it makes us strong and quick to react.

TRUSTWORTHY

We are honest and act responsibly with a long-term perspective. Quality and safety matter to us. We strive to create a safe working environment and secure a sustainable future for society, our customers, and our employees.





OUR OFFERINGS

PRODUCT RANGE

We offer a complete range of hoses and fluid components with over 20,000 items. We always strive to fulfill our customers demand and can offer customized solutions too.

AFTERMARKET SERVICES

We help our customers beat downtime by offering differentiated and affordable services through our vast network of branches, mobile units, and on-site solutions.

GLOBAL OEM SOLUTIONS

Based on our customers' unique demands, we deliver tailor-made solutions for hoses and fluid components with strong local support from our worldwide production centers.

HYDROSCAND ENERGY: PART OF THE ENERGY TRANSFORMATION

Climate change, technology, and electrification are affecting the oil and gas sector on a global scale, and the pressure for sustainability is driving the industry toward a major transformation.

Hydroscand, with our broad, longstanding experience ranging from construction, marine and offshore, OEM productions, wind and hose asset management, has brought together experts to meet our customers' growing demands. This way, our solutions, and services form part of the necessary transition toward a sustainable society.



FROM OUR CEO



Frida Norrbom Sams

CONTINUED SUCCESS AND GREATER FOCUS ON SUSTAINABILITY

Hydros cand enjoyed another record year in 2022 in terms of both sales and EBIT. Our success is based on our fantastic employees' hard work and dedication in every country where our Group operates. We have a decentralized business model with freedom under responsibility, which emphasizes every individual's performance and contribution.

In 2022, we acquired 100% of the shares in Anderstorp Hydraulik AB in Sweden and Pathel Industries SAS in France (with subsidiaries in Spain and the UK). We added Spain as a new geographical market and skills in active hydraulics, hydraulic systems, and industrial couplings.

On 24 February 2022, our world changed. We have supported our distributor in Ukraine throughout the year and are supporting local aid organizations such as LetsDolt Ukraine. At the same time, we decided to divest our subsidiaries in Russia and Belarus for nominal amounts to local management.

We are committed to reducing our carbon footprint.

Last year, we focused on scope 1 and 2 emissions, in 2022 we have calculated scope 3 emissions. The year saw our first solar panels in our branch in Stavanger, Norway. We are also implementing solar panels in Sweden and Estonia. Because education forms an important part of this commitment, we have implemented a Group-wide e-learning tool, where one of the first courses is in sustainability.

In addition, we continue to support 'our' primary school in Appelsbosch, South Africa. In 2022, we had a record number of scholarships, and it was with immense pride and joy that I was able to meet the scholars at their high school. We are proud of the team helping us locally in South Africa; they have been instrumental in our journey to provide opportunities in a rural area since 2011.

Sincerely,

A handwritten signature in blue ink, appearing to be 'F. Norrbom Sams', written over a light blue horizontal line.

Frida Norrbom Sams
CEO, Hydros cand Group

OUR COMMITMENT TO SUSTAINABILITY

For Hydros cand, sustainability is a strategic priority for long-term profitable growth. We seek to contribute to a better environment while increasing the company's competitiveness. We also believe we have an important part to play in achieving the UN Sustainable Development Goals, the world's shared blueprint for eradicating poverty, fighting inequality, and stopping climate change by 2030.

The global goals also indicate where new solutions are needed, creating favorable business opportunities for Hydros cand. Our focus is on goals 5, 8, 12, and 13, where we can contribute through our operations, solutions, and expertise.

5 GENDER EQUALITY



SDG 5 GENDER EQUALITY

A corporate culture based on diversity contributes to the positive future development of Hydros cand. We value diversity and foster fair treatment and equal opportunity in the recruitment, remuneration, development, and advancement of employees, regardless of ethnicity, religion, political opinion, gender, age, national origin, language, sexual orientation, marital status, disability, or any other factor. Discrimination or unfair treatment is not tolerated.

8 DECENT WORK AND ECONOMIC GROWTH



SDG 8 DECENT WORK AND ECONOMIC GROWTH

Economic growth and financial progress create job opportunities, and we must ensure that such jobs are decent, safe, and non-harmful to the environment. Hydros cand promotes good working conditions and the safety of our employees, customers, and partners. We require suppliers to respect labor rights and adhere to anti-corruption principles.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



SDG 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

The natural resources provided by the planet must be used responsibly. In our daily operations, we offer solutions to promote the recycling and reuse of waste material and the safe final disposal of our used products. We can contribute to goal 12 by optimizing purchasing, production processes, and waste management.

13 CLIMATE ACTION



SDG 13 CLIMATE ACTION

We need to take immediate action to combat climate change. We acknowledge this situation by increasing awareness of and knowledge about the climate situation. A key objective here is to reduce our greenhouse gas emissions, and 2022 was the first year we mapped out our greenhouse gas footprint, setting a baseline for our upcoming improvement.

WORKING TOGETHER WITH OUR CUSTOMERS

We work closely with our customers to pursue sustainability initiatives and promote new working methods. Thanks to the closer collaboration, we have begun pushing an agenda to reduce the emissions with the support of our customers and their ambitious targets.

Hydroscand supplies solutions, services, and products to various industries and global construction and mining equipment leaders. We consider the customer in everything we do and strive to exceed the customer's expectations. It is essential for us to know what our customers think about our services and solutions. It enables us to offer better products and services. In 2022, we further developed our customer satisfaction metrics through a Customer Satisfaction Net Promoter Score (NPS). It has been rolled out in our Scandinavian markets, and next year it will be rolled out in all our markets and followed up annually.

One of our customers is Cargotec, a leading provider of cargo and load-handling solutions with the goal of becoming the global leader in sustainable cargo flow:

"There is no time to waste when it comes to the climate crisis - we must act now. At Cargotec, we recognize that if we want to grow, we need to find low and zero-emission ways to do it. At the same time, we must ensure that this work is founded on solid social responsibility and transparent governance throughout our value chain. This is ingrained in our company strategy, and we are serious about making it a reality.

It has been great to see how Hydroscand is committed to our Business Partner Code of Conduct and actively participates in our assessment program, improving overall sustainability performance."



Photo provided by Cargotec.

HOW WE WORK WITH SUSTAINABILITY

Our sustainability work is characterized by responsibility, transparency, ethical behavior, and respect for our stakeholders. We aim to strengthen the basis for long-term value creation and its contributions to sustainable development, driven by our defined corporate ESG agenda.

We aim to take the lead in advancing the sustainability of our industry. An important part of this is taking responsibility for the impact of our activities and decisions on the environment, society, and people. We are also implementing dedicated programs and a governance structure to integrate sustainability into our daily business further. We maintain an active, ongoing dialogue with our stakeholders to ensure that Hydroscand's priorities and methods are relevant over time. We are determined to drive change with our employees, customers, and partners.

Regarding the UN Sustainable Development Goals, Hydroscand is developing sustainability in three focus areas, each defined to form part of the long-term backbone of our sustainable development and future actions.



ENVIRONMENT RESPONSIBLE CONSUMPTION & PRODUCTION

Because we acknowledge climate change and its consequences, we strive to make better choices and optimize production and consumption.



GOVERNANCE FROM RESPONSIBLE PURCHASING TO CUSTOMER RELATIONS

We take responsibility for our purchasing and choice of suppliers. We play fair with a strict Code of Conduct and strive to work with suppliers and partners that share our goals.

**Together with our
suppliers and
customers,
we are acting to
become more
sustainable.**



SOCIAL IT IS ABOUT THE PEOPLE

We care about our employees, and we provide safe workplaces for them. We also work towards ensuring equal working conditions throughout the supply chain. We help communities thrive and address social change.

ENVIRONMENT

8/17 0575 1102-14-12 HYDROSCAND EGEFLEX 2 CO EN2SN 3/4" 1

2011 F





RESPONSIBLE CONSUMPTION & PRODUCTION

The climate crisis is one of the most defining issues of our time. Its global effects are far-reaching and impact both individuals and our business. We support our customers in transitioning to a more sustainable society through solutions and services in areas such as electrification, green energy, and waste management. Within our operations, we are working to reduce greenhouse gas emissions and other environmental impacts by reducing our energy consumption, minimizing waste, and responsibly handling materials and chemicals.

REDUCING OUR CARBON FOOTPRINT

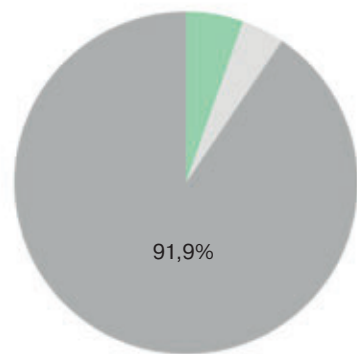
We are determined to reduce our climate impact. Our first step was to calculate scope 1 and 2 for our major markets. In 2022, we worked with a third-party expert team to calculate all three scopes, encompassing our whole value chain (Scope 1, 2, and 3). This way, we have a solid baseline to identify our hot spots and most important priorities.

The results show the most significant impact in Scope 3 (91,9%). Within Scope 3, most of the emissions come from purchased goods and services (73,3%) and upstream transportation and distribution (22,1%). The Scope 2 emissions are relatively moderate due to the 50% share of renewable energy.

With an established baseline, we will set ambitious and measurable greenhouse gas targets and implement a clear strategy and plan for how to achieve these targets. These actions will encompass the entire value chain, from raw materials, production, distribution, and consumer use to managing used products.

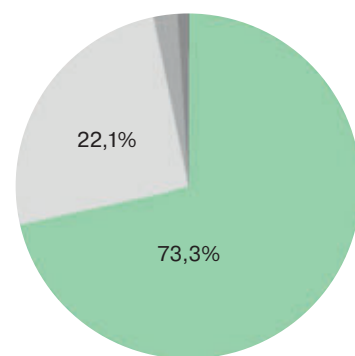
Greenhouse gas emissions 2022

Scope breakdown (1,2,3) % of total emissions



Scope 1 Scope 2 Scope 3

Emissions per scope 3 category (tCO₂e)



Purchased goods and services
Upstream transportation and distribution
Fuel- and energy-related activities
Business travel
Capital goods

Total emissions (tCO ₂ e)	62,830.90
of which Scope 1	2,593.46
of which Scope 2	2,502.68
of which Scope 3	57,734.76
Share of renewable energy or green certificates	50%



GRASPING THE BIG PICTURE

The world is moving toward a net zero economy. Investors and our customers require carbon disclosures, and consumers demand sustainable options. Before setting targets and measuring progress, we sought to grasp the big picture and get a reliable, solid baseline centered on emissions data from our entire value chain, from our suppliers to product end-of-life.

Because accurate emissions data on such a scale is difficult to collect and calculate correctly, we decided to involve a third-party expert on this – Normative. Normative draws from a database of millions of data points and uses a calculation methodology based on the Greenhouse Gas Protocol*, ensuring our calculations are comprehensive, accurate, and scientifically sound. We used Normative’s AI-powered carbon accounting engine to produce our carbon calculations.

Emissions are divided into three scopes

90% of emissions are typically within scope 3



Scope 1

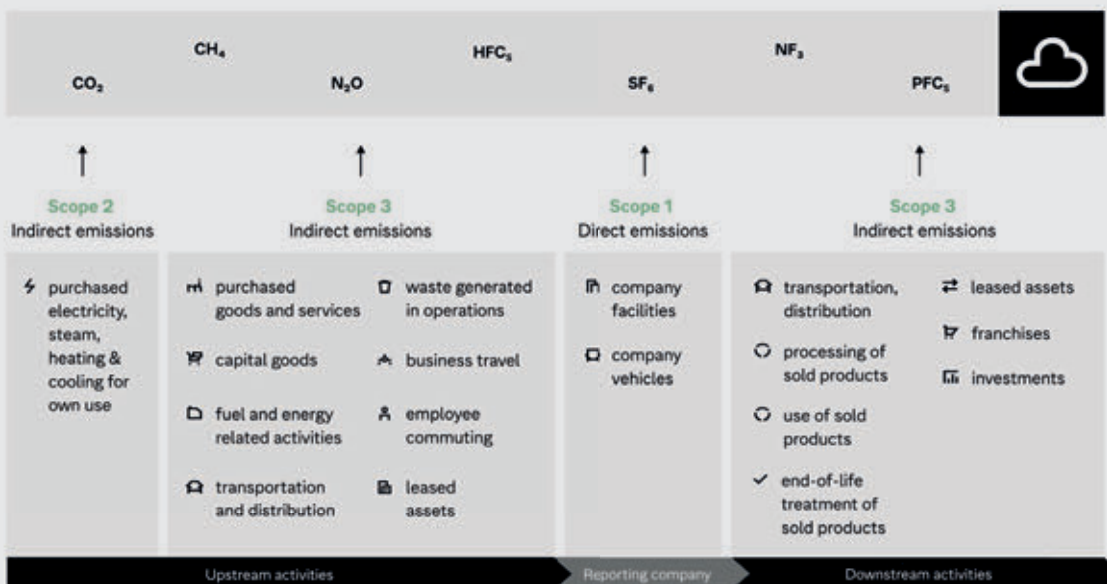
Direct emissions resulting from vehicles, fuel use, and/or chemical leakage

Scope 2

Indirect emissions resulting from bought electricity, cooling, heat and/or steam

Scope 3

Other indirect emissions that occur in the value chain of a company and are not already included within scope 2 (such as emissions resulting from purchased goods and services, transport, or business travel)



Graphics provided by Normative

*The GHG Protocol provides the most widely used greenhouse gas accounting standards. Their corporate accounting and reporting standards describe requirements, provide guidance for companies, and serve as the basis for every corporate reporting program globally.



Photo provided by Autostore.

ENERGY EFFICIENCY

Emissions linked to energy consumption are an inescapable part of Hydroscand's business and operations. Everyone in Hydroscand is responsible for achieving emission reductions, and this requires collaboration on the local and global levels. Innovation, technology, sustainability initiatives, data collection, and reporting all play a part in achieving our goal of reducing our environmental impact.

- We use green energy at production sites, warehouses and branches in Norway and Sweden. Read more about solar panels on the following page.
- Autostore, a warehouse modular robotics solution, has been implemented in Sweden and Norway. Like EVs, the robots use regenerative braking, returning power to the battery. They also mean fewer areas must be lit and kept at comfortable temperatures.

OPTIMIZING TRANSPORTATION

We strive to achieve high customer satisfaction levels and ensure all shipments are delivered on time and in full. We also work with optimizing our supply chain to limit the environmental impact of our transportation.

- In Sweden, logistics companies are evaluated to ensure compliance with ISO 9001 and 14001 requirements.
- Our company vehicle policy promotes the choice of green vehicles.
- We use electric charging stations at some branches.



INSTALLING SOLAR PANELS ON OUR ROOFTOPS



As a renewable power source, solar energy is essential in reducing greenhouse gas emissions and mitigating climate change.

It is why the Hydroscand office in Stavanger installed 360 solar panels on its roof in 2022. Even in Norway, which has few solar hours during the winter, the installation will generate an estimated 111,218 kWh per year, saving 52,262 tons of CO₂e annually.

The head office in Oslo is also about to install solar panels, and other European offices are making similar plans and looking into their local conditions.

Rune Rugland, Director of Hydroscand Energy, says:

"Another step in the right direction, and the goal is clear: we intend to be the industry leader in sustainability!"

I am proud that our largest single department in Norway has invested in solar panels for our sustainability work.

During the summer half year, we will produce more renewable electricity than we use, meaning we will have an energy surplus, which will be delivered to the grid. This will be just one of many sustainability initiatives, and I am looking forward to our next steps."

HYDROSCAND KAPPAFLEX 3 CO+

ID 19 mm WP 37.5MPa/5440psi MSHA IC-215/0 1106-73-12

MINIMIZING WASTE

We act to make production waste a valuable resource while reducing our greenhouse gas emissions. Minimizing waste is an important area for Hydroscand as there is considerable waste related to our products' purchase, assembly, and packaging. Used hoses are high risk if mishandled as they are a significant waste fraction and may contain harmful oil if spilled into the environment.

- As a service, we offer to receive used hoses to handle the waste correctly and minimize the risk of oil spills.
- In Norway and Sweden, we manage waste according to ISO 14001 at production sites, warehouses, and branches.
- Packaging material and pallets from suppliers are reused for customer products at production sites and warehouses.
- To minimize paper consumption, only digital brochures for customers are used in Latvia.
- Collecting and measuring waste are essential in helping us reduce waste and increase our level of sorting. To this end, we will develop a waste handling e-learning module in 2023 to train our employees how to recycle and minimize waste.

HANDLING MATERIALS AND CHEMICALS RESPONSIBLY

Every product or product component Hydroscand receives from third parties must comply with Hydroscand's product safety and chemicals criteria according to the specifications in our Supplier Code of Conduct. This helps us maintain high standards, comply with laws and regulations, and strive for as little environmental impact as possible. Risks related to using chemicals, hazardous substances, environmental accidents, and contamination are generally relatively low, although hazardous waste may occur.

- In 2023, we will launch an e-learning module that explains how to handle chemicals, assess risks, what to do in the event of spills, and how to handle hazardous waste.

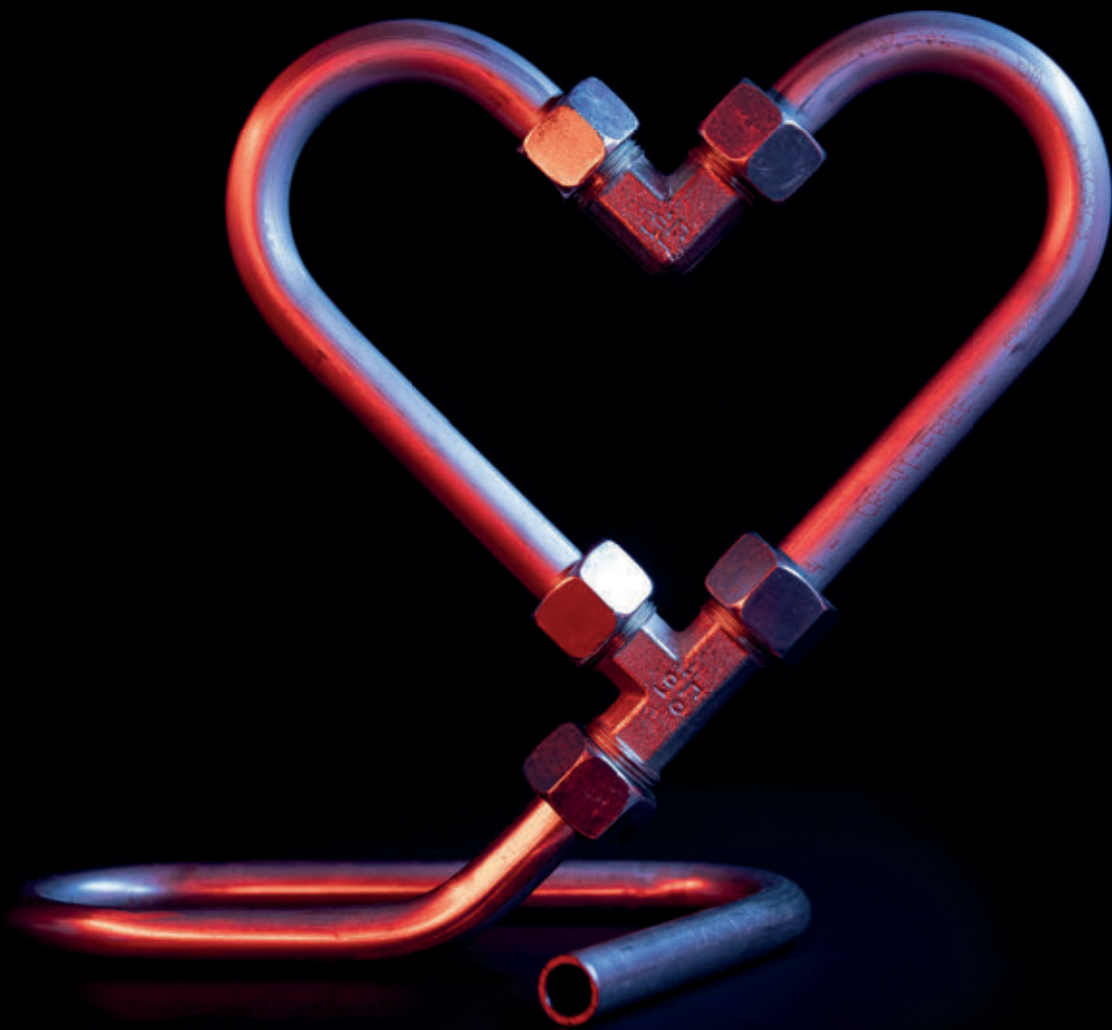
SUPPLY CHAIN, CONFLICT MINERALS AND SUBSTANCES OF CONCERN

Hydroscand Group has a portfolio of suppliers located in different parts of the world, including countries listed as high-risk. Therefore, we must consider the risk that some of our suppliers have shortcomings concerning environmental and social issues such as reducing greenhouse gas emissions and human rights.

Hydroscand Group suppliers substantially impact substances of concern, especially in the products Hydroscand purchases from suppliers.

- Through our Supplier Code of Conduct, we ensure that our suppliers maintain our high standards, comply with laws and regulations, and strive to have an as little environmental impact as possible. This applies especially to conflict minerals, REACH regulations, and the RoHS and EU Waste Framework Directives.
- We constantly work to ensure our suppliers sign our Supplier Code of Conduct. To ensure supplier compliance, we will also follow up with our suppliers more proactively, with complete assessments, self-assessments, and the Supplier Code of Conduct.

SOCIAL





IT IS ALL ABOUT THE PEOPLE

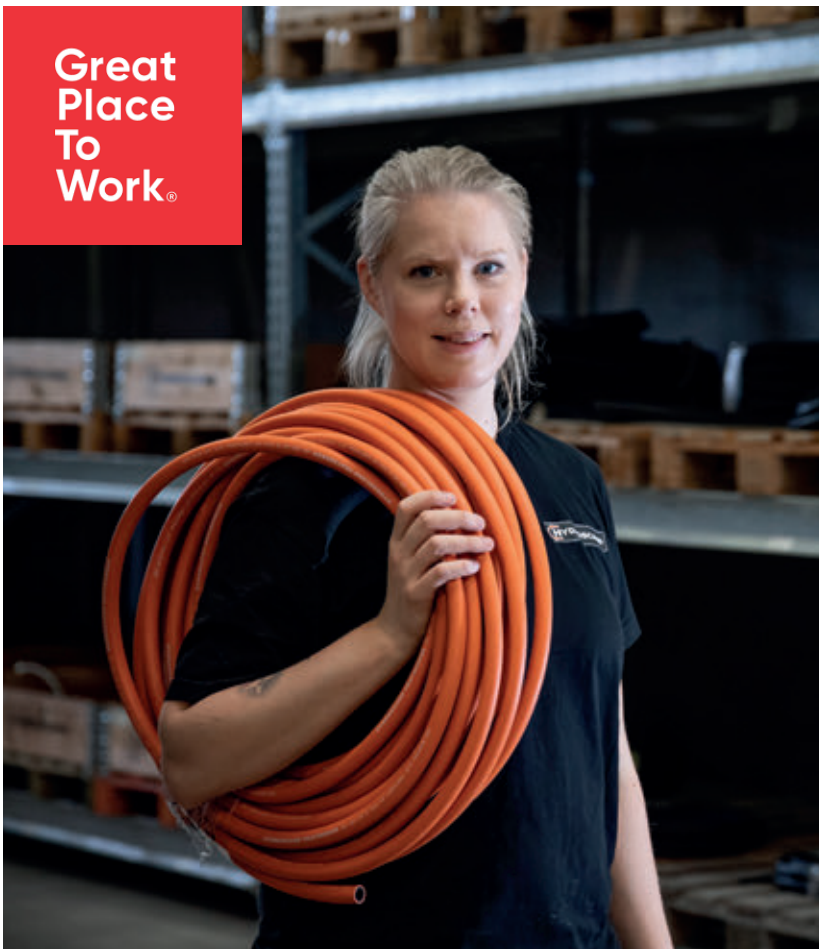
We want to create attractive, inclusive, and sustainable workplaces where our employees are motivated, engaged, and deliver results. We are also aware that our business affects people further away in the value chain, such as suppliers' employees and workplaces, and the local communities where we have our branches, which is why we work with human rights throughout the value chain.

AN ATTRACTIVE WORKPLACE

We aim to be the industry leader when it comes to employee satisfaction. We hold yearly employee dialogues and surveys.

- In 2022, we used one of the world's most extensive employee surveys, "Great Place to Work," to measure and evaluate our organizational culture. We then conducted our first employee survey across multiple countries. We are delighted that we could cover more than 70% of our workforce, providing a solid baseline for future surveys.
- Six out of eight entities were certified according to "Great Place to Work." This is a very positive outcome, given that this was our first time participating in Great Place to Work.

We were proud many employees gave favorable scores regarding Respect, Fairness, Pride, Credibility, and Camaraderie. However, we aim even higher and want our workforce to find Hydros scand a great workplace. To achieve this, we constantly work on work actions and ideas emerging from the survey. We will conduct annual employee surveys and follow up on the results across all entities.



Trust Index Overall Scores

- 71% favourable scores
- 19% neutral scores
- 10% unfavourable scores



SKILLS AND LEARNING

The continuous development of employees and managers is crucial for Hydroscand's long-term success and its ability to attract and retain the right skills. The environment in which we operate is complex and constantly changing. This requires us to be quick to develop, train and adapt. Learning and development must form a fundamental part of our employees' everyday life through training programs, learning from new challenges at work, and coaching. Hydroscand takes a structured approach to identify the skills and talent needed to deliver on our business strategy.

- We run leadership and functional courses to support efficient leadership and give leaders more time for employee support. Leadership training is provided to managers, both new and current.
- We are shifting from a traditional approach to learning to more digital channels. We have launched the "Hydroscand Global Academy" e-learning platform, covering various topics to develop all our employees. The Academy can create Learning Lifecycle Platforms to digitize parts of classroom training to control the skills our staff should have during the different stages of their careers.





AN INCLUSIVE WORKPLACE

Hydroscand is an international business with operations in several parts of the world. We believe that employees from different backgrounds provide us with the diversity of skills and knowledge crucial for our organization, which everyone at Hydroscand appreciates.

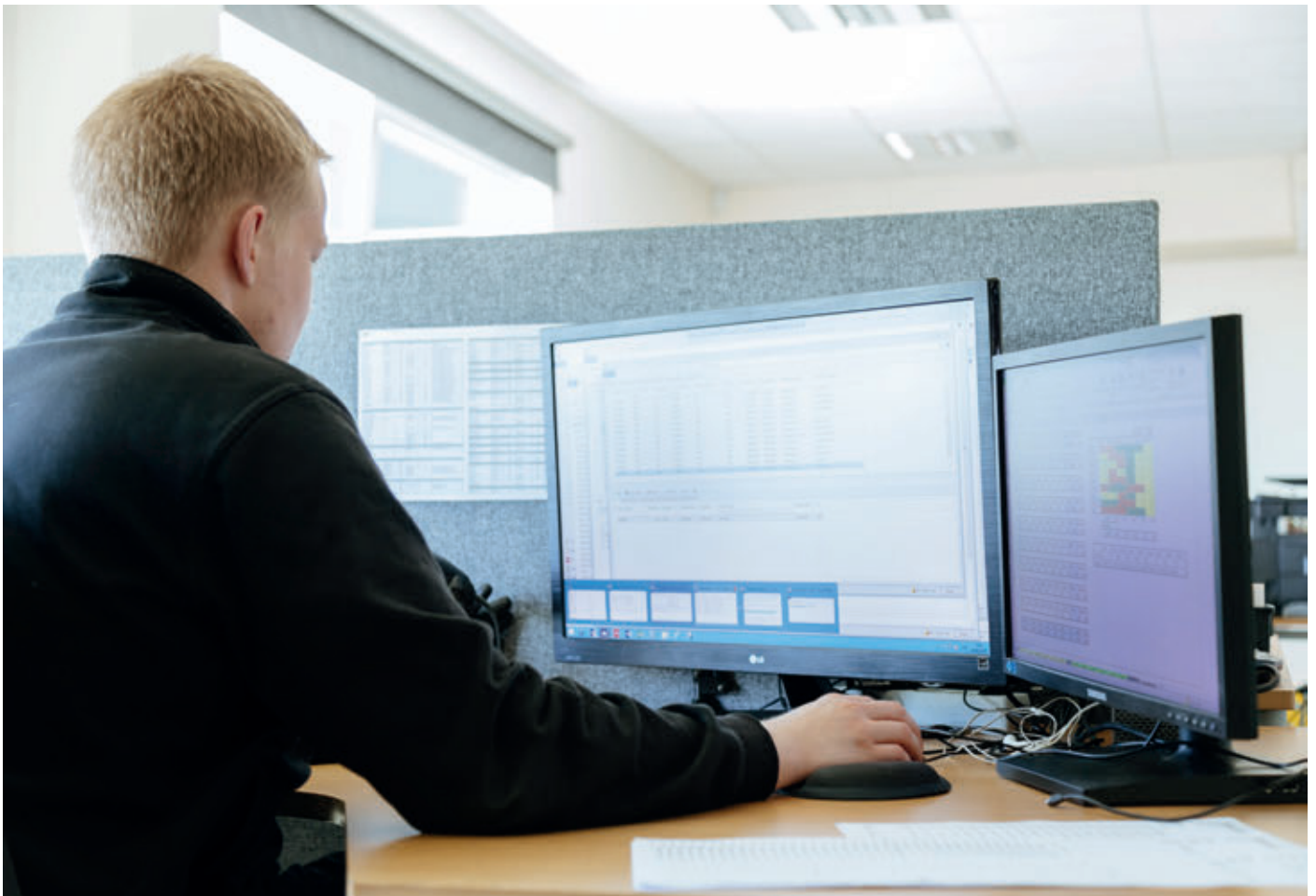
Thus, it is second nature for Hydroscand to respect every individual. To ensure everyone - regardless of gender, sexual orientation, gender identity, ethnicity, disability, religious beliefs, political opinion, or age - enjoys the same opportunities and conditions, we work to achieve equality and take diversity issues into account in recruitment and human resource development. This is stipulated in our Code of Conduct and Diversity Policy.

However, male employees are generally predominant in the industry in which Hydroscand operates. Because this is also reflected in Hydroscand at the different levels in the organization, there is a risk that we miss out on knowledge and skills that could otherwise contribute to the company's development. So, we promote diversity in our job advertisements.

DIVERSITY - GENDER	2022*	2021**
Total number of employees	1 499	845
Share women/men % Total employees	19/81%	17/83%
Share women/men % Group Management	22/78%	30/70%
Share women/men % Managing Directors	8/92%	6/94%
Share women/men % Board of Directors	29/71%	29/71%

* The 2022 data include all entities except Georgia, Armenia, and Kazakhstan since they were not included in the human resources system. Russia and Belarus were excluded during the reporting year.

** The 2021 data include Sweden, Norway, Finland, and the Czech Republic, which were included in the human resources system during 2021.





GROWING TALENT FOR OUR BUSINESS



Marius Dahl

Hydroscand needs to secure and grow our workforce for the future. One way to do this is to recruit and support individuals needing assurance and mentoring to develop their talent.

Marius Dahl contacted Hydroscand when he was 18 years old, at a time in his life when he was tired of school and did not know what to do next. Geir Sjøholm, Branch Manager at Hydroscand Tønsberg in Norway, managed to set up a two-year trainee program under a Norwegian public initiative. It allowed for structured mentoring and staged funding.

Over time, Marius took on more and more responsibilities. When the two years had passed, he was happy to accept the offer to begin full-time employment as a service staff member at Hydroscand. That was four years ago, and today Marius continues to enjoy his job, especially working with his team.

Geir Sjøholm is convinced that traineeships are the way forward for Hydroscand:

"In Norway, there are few training opportunities in hydraulics. This is a chance to tailor the skills development that is essential for our business. At the same time, it is fantastic that we can do our bit in society and help motivate people that need extra support at a particular time in their lives."



HEALTH, SAFETY AND WELL-BEING

Our highest priority is for everyone working at or visiting Hydros cand's production facilities and offices to be safe and healthy. Our employees' health, safety, and well-being are also crucial to the success of our business.

Most of the work conducted in Hydros cand combines various kinds of manual labor. Because there is a risk of accidents occurring at work, we must address the potential risk to our employees' health, safety, and well-being. We do this by training and ensuring employees are educated in health and safety issues.

Our employees also enjoy the freedom of association, the right to organize and bargain collectively.

We also demand that our business partners and suppliers apply the same high standards as those we impose on ourselves. Read more in the Governance and Business Ethics section below.





OUR ROLE IN SOCIETY

Hydroscand contributes to local initiatives in our countries through activities such as sponsoring playgrounds, sports teams, and non-governmental organizations (NGOs). Here are a few of the initiatives carried out in 2022.

New playground in Czech hospital

The new playground for children at Ostrava Hospital, for which Hydroscand CZ was the main sponsor, was officially opened and handed over to the Pediatric Clinic in October. The playground was built by the "Sára dětem" foundation, which helps treat child cancer patients in a hospital in Ostrava.

Children can now spend their time outside on slides, swings, or in a little house on chicken legs. We are happy to be part of this project, making the hospital stay a little happier for young patients and their parents.



Playful house to make the stay at the hospital a little happier.

Sponsoring Albany Junior School in the United Kingdom

During the World Cup in 2022, everyone in the UK was focused on football, so Hydroscand UK supported Albany Junior School with a donation of footballs for their new football team.



Albany Junior School with a donation of footballs for their new football team.

Continuous engagement in South African school

Hydroscand has actively supported various activities in Appelsbosch, South Africa, since 2011. It began when Hydroscand established a business in South Africa and visited the village of Appelsbosch and one of its primary schools.

Among the things we have supported the pupils with over the years are better IT equipment and broadband, better air conditioning, the construction of several classrooms, inspiring outdoor environments that promote movement and play, and the renovation of the school's toilets. Hydroscand also awards scholarships annually to the school's best pupil or pupils. The scholarship allows pupils to complete their education at the upper secondary level. This commitment has changed, and will continue to change, the prospects for many children in Appelsbosch.



Top Achiever, Dux Scholar, and Frida Norrbom Sams Scholarship recipient, Oluhle Mdlalose, with Principal Christabel Ngcobo.



HUMANITARIAN SUPPORT TO UKRAINE



In 2022, the whole world was affected by the war in Ukraine and the resulting human suffering. Our retailer in Ukraine, Hydrohose, has been severely harmed by the war. We have been able to help some of our affected colleagues through financial support for employees who opened their homes to refugees from Ukraine, as well as trying to find job openings in other Hydroscand entities.

Moreover, Hydroscand honors the decisions of the EU and abides by all of the EU's sanctions on Russia and Belarus. This means we have not supplied goods from our entities to Russia or Belarus.

Hydroscand contributes with humanitarian aid through donations to the Red Cross, Doctors without Borders, the UNHCR, and LetsDolt Ukraine - organizations supporting more than 40 million Ukrainians holed up in shelters and in need of urgent help.

GOVERNANCE



FROM RESPONSIBLE PURCHASING TO CUSTOMER RELATIONS

As a family-owned company that has been operating since 1969, Hydroscand has a long tradition and history as an honest, responsible company. Sustainability is incorporated throughout our operations and forms an integral part of Hydroscand's overall governance.

The Board of Directors has overall responsibility for Hydroscand's organization and administration. Our CEO is responsible for managing the day-to-day administration of the Group and follows the Board's guidelines and instructions. There is a designated Group HR and Sustainability Manager at the Group level to ensure that we work with sustainability as set out in Hydroscand's ambitions and goals. Sustainability-related issues are a standing item at the company's Group Management meetings. Also, sustainability topics are regularly addressed by different business units, global units, and the company's Group functions. In 2022, ESG was also considered in the overall annual budget process. Moving forward, we will further integrate sustainability issues into overall day-to-day governance.

We are committed to providing transparency concerning targets, progress, and actions to deliver our sustainability ambitions. Since 2021, we have disclosed our greenhouse gas emissions performance annually through the Sustainability Report in line with the relevant frameworks.

HUMAN RIGHTS

Working with business ethics and human rights requires perseverance. Because there will always be new challenges and ways to demonstrate commitment, we constantly learn, listen, and raise standards.

We are firmly committed to a zero-tolerance approach to human rights violations in the value chains we control. At Hydroscand, we respect every individual. Our employees enjoy the freedom of association and the right to organize and bargain collectively. We also work proactively to prevent discrimination and harassment in the workplace. No harassment, written, oral, or digital, is accepted.

This also encompasses our suppliers' employees and workplaces. Most of Hydroscand's business is conducted in Scandinavia and Europe, where human rights are generally protected by legislation and the risk of violation is deemed low. However, Hydroscand also operates in high-risk countries, where our focus is on demanding the same high standards regarding human rights.





CODE OF CONDUCT

The Hydroscand Group's Code of Conduct describes how employees are to act, how the company operates, and Hydroscand's commitment to human rights. All Hydroscand's subsidiaries are bound by the Code of Conduct, which is based on the following international guidelines, as supported by the Hydroscand Group:

- United Nations Global Compact, Ten principles
- UN Sustainable Development Goals, Agenda 2030, 17 goals
- United Nations Universal Declaration of Human Rights
- OECD guidelines

The Supplier Code of Conduct sets forth our expectations for each of our suppliers and aligns with the expectations we maintain for our directors, officers, employees, and representatives. All new suppliers sign the Supplier Code of Conduct. Our Supplier Code of Conduct ensures that our suppliers maintain high standards, comply with laws and regulations, and strive for as little environmental impact as possible. This applies especially to conflict minerals, REACH regulations, and the RoHS and EU Waste Framework Directives.

We have implemented a whistleblower policy in all the countries we operate in. Any suspicion of fraudulent conduct, bribery, or similar behavior must be immediately reported. The system is open to external parties, such as consultants, subcontractors, and suppliers for whom Hydroscand's commercial ethics regulations and whistleblowing policies are part of the supplier's agreement.

CORRUPTION AND ANTI-BRIBERY

Hydroscand has policies and regulations for our employees and business partners to ensure our core values are respected throughout our operations and supply chain. We have zero tolerance for corruption and bribery. In these cases, we work more actively against corruption and anti-bribery. The crime risk is relatively low as we do not conduct business with public authorities or the public sector. Still, there will be a risk of corruption in terms of being active in countries categorized as high-risk.

EU-TAXONOMY

As part of the EU's green growth strategy, the EU taxonomy was enacted in 2020. This is a classification tool for environmentally sustainable investments. The taxonomy directive does not cover Hydroscand's sales, capital, and operating expenditures for this reporting period. But since we will be covered in the future and there is an interest from our stakeholders, we will begin analyzing our operations to comply with current and future disclosure requirements in 2023.

By Hydros cand's ESG agenda, 2022 will be the baseline year for our scopes 1, 2, and 3 emissions and will lay the foundation for our future sustainability actions, goals, and KPIs. In our ongoing journey, we will maintain our ambition to improve sustainability throughout our value chain.

ENVIRONMENT (E)

In 2023, we will analyze the hot spot in our whole value chain based on our carbon footprint findings. We will also further increase data accuracy from our hot spots with a more detailed analysis based on activity data. This will establish the framework for our long-term emissions ambition: Net Zero. Furthermore, we will continue working to find solutions and activities to reduce our environmental impact on all entities. Lastly, we will work on how we follow up with our suppliers to ensure they remain compliant and are also working towards reducing their environmental impact.

SOCIAL (S)

Several actions will be implemented in 2023 to safeguard our employees. In spring 2023, we will launch three sustainability modules to teach our employees about sustainability, waste, and chemical handling. We will also continue expanding the Great Place to Work survey to include all entities and follow up to ensure our employees are satisfied with us as their employer. Lastly, we will map out the potential risks to human rights throughout our supply chain, ensuring our suppliers comply with EU laws and regulations.

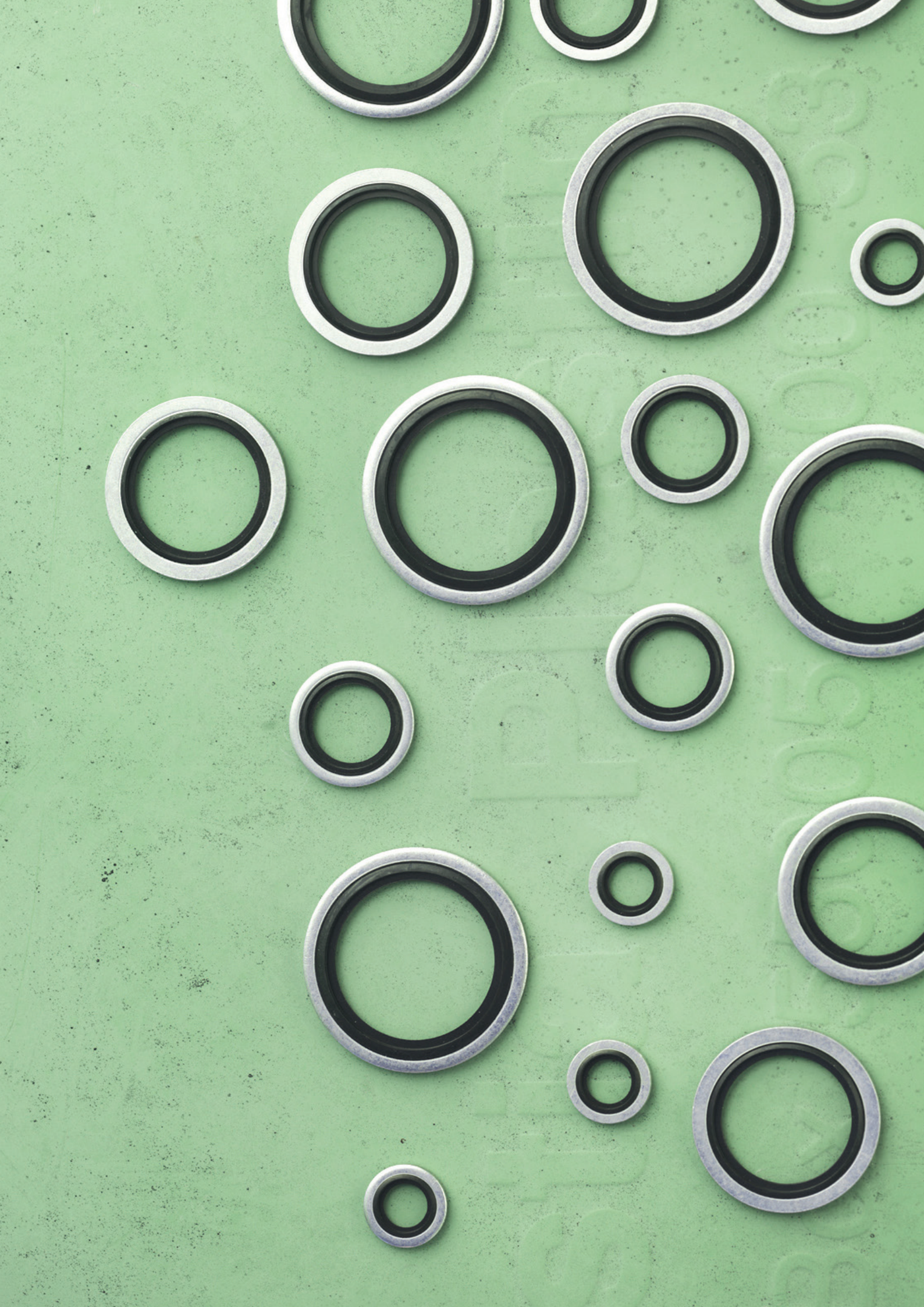
GOVERNANCE (G)

We will focus strongly on ensuring ESG is integrated into day-to-day governance throughout Hydros cand. This includes reviewing the supplier chain's risk management system, where we will continue to ensure that all strategic suppliers have signed our Supplier Code of Conduct. As we provide all our stakeholders follow established policies and guidelines, we will also review our supplier follow-up processes regarding, e.g., breaches of human rights.

Building on our carbon footprint survey, we will establish new sustainability targets and an action plan to meet them.

LOOKING INTO 2023





APPENDIX: NOTES TO THE REPORT

General reporting principles

The Board of Directors has overall responsibility for Hydroscand's sustainability report.

The social and environmental data reported pertains to the 2022 calendar year.

The figures cover the Hydroscand Group's wholly owned subsidiaries and subsidiaries of which Hydroscand owns at least 50%. Newly acquired businesses are included in the report as soon as possible, though no later than when they have been part of the Group for one calendar year.

This report covers the following Hydroscand entities:

- Hydroscand AB (Sweden)
- Hydroscand Automotive (Sweden)
- Hydroscand Machine AB (Sweden)
- Hydroscand Armenia
- Hydroscand China
- Hydroscand Czech Republic
- Hydroscand A/S (Denmark)
- Hydroscand Eesti (Estonia)
- Hydroscand Suomi (Finland)
- Hydroscand France
- Hydroscand Georgia
- Hydroscand Ltd (Ireland)
- Hydroscand Kazakhstan
- Hydroscand SIA (Latvia)
- Hydroscand UAB (Lithuania)
- Hydroscand AS (Norway)
- Hydroscand S.R.L (Romania)
- Hydroscand ZA (South Africa)
- Hydroscand Ltd (United Kingdom)

ENVIRONMENT

Greenhouse-gas emissions (GHG emissions):

All emission calculations have been generated based on transactions and activities such as fuel, transport, business travel, and materials and by pairing those with emissions data from Normative's database, which follows the GHG Protocol Standard. The Normative methodology follows a hybrid method between transaction and activity input data and sources such as DEFRA, Exiobase, and AIB to calculate and validate emission data.

SOCIAL

The total number and proportions of people was calculated at the end of the calendar year.

ESG RISK ASSESSMENT

ENVIRONMENTAL RISK ASSESSMENT (E)

Area	Risk	Risk management and policies
Environment and climate	<ul style="list-style-type: none"> • Because Hydroscand buys products from suppliers involved in large-scale raw materials processing, our risks in terms of negative environmental and climate impact are substantial. • The major environmental risks identified are energy consumption (Scope 2) and, by extension, greenhouse gas (GHG) emissions in our supply chain (Scope 3, and transport & logistics (Scope 3). 	<ul style="list-style-type: none"> • We are mapping our environmental impact in Scopes 1, 2, and 3. • As an international company, we acknowledge our impact on the environment through our supply chain and logistics. • We are committed to establishing a baseline for our emissions and working proactively towards decreasing our emissions.
Energy consumption and GHG	<ul style="list-style-type: none"> • Hydroscand Group operates with warehouses, storage, and offices in many countries, leading to high GHG emissions in some countries due to the high use of increased fossil energy. 	<ul style="list-style-type: none"> • We have been charting our electricity consumption to enable us to direct our efforts to the countries where we have the highest consumption and emissions. Green certificates, renewable energy, and solar panels are part of our Scope 2 emissions reductions. • Each country sets its Scope 1 and 2 reduction targets.
Supply chain, conflict minerals and substances of concern	<ul style="list-style-type: none"> • Because the suppliers in the Hydroscand Group portfolio are located in different parts of the world, including countries listed as high-risk, we have to recognize that some suppliers will be in breach of environmental and social issues such as upholding human rights and reducing GHG emissions. • Hydroscand Group's suppliers substantially impact substances of concern, especially leaders in the products Hydroscand purchases from suppliers. 	<ul style="list-style-type: none"> • Through our supplier code of conduct (SCoC), we ensure that our suppliers maintain our high standards, comply with laws and regulations, and strive to have as little the environmental impact as possible applies especially to conflict minerals, REACH regulation, ns, and the RoHS and EU Waste Framework Directives. • We will also follow up with our suppliers more proactively, with complete assessments, self-assessment, and the Supplier Code of Conduct to ensure supplier compliance.
Waste	<ul style="list-style-type: none"> • Used hoses are considered to be a high risk if handled incorrectly as they are a significant waste fraction and may contain oil that is harmful if spilled into the environment. • Minimizing waste is an important area for Hydroscand as there are considerable amounts of waste related to the purchase, assembly and packaging of our products. 	<ul style="list-style-type: none"> • As a service, we offer to receive used hoses in order to handle the waste correctly and minimize the risk of oil spills. • Collecting and measuring waste play an important part in helping us reduce waste and increase our level of sorting. • To this end, we will develop a waste handling eLearning module in 2023 to teach our employees how to recycle and minimize waste.
Chemicals	<ul style="list-style-type: none"> • Risks related to using chemicals, hazardous substances, environmental accidents, and contamination are generally relatively low, although hazard hazards may occur. How we handle chemicals can be a risk and lead to negative impacts on the environment and our employees. 	<ul style="list-style-type: none"> • Because handling chemicals correctly is essential to avoid risks, we will launch an eLearning module that explains how to handle chemicals, assess risks, what to do in the event of spills, and how to handle hazardous waste.
Governance and communication	<ul style="list-style-type: none"> • Hydroscand Group's suppliers substantially impact substances of concern, especially in products. • Hydroscand purchases from suppliers. 	<ul style="list-style-type: none"> • Each country is responsible for reporting its significant environmental factors and has been given the tools to do so. Countries must report their scope 1 and 2 emissions yearly to Hydroscand Group. Hydroscand Group is responsible for reporting on Scope 3. • The Board and Group management review the reports annually.

SOCIAL RISK ASSESSMENT (S)

Area	Risk	Risk management and policies
Human rights	<ul style="list-style-type: none"> • The majority of Hydros cand’s business is conducted in Scandinavia and Europe, where human rights are generally protected by legislation and the risk of violation is deemed low. • However, it is essential to recognize that Hydros cand also operates outside of Europe in countries deemed as high-risk, where our focus is on demanding the same high standards regarding human rights in every country, we operate in. • Because we also see a risk in our supply chain, we must demand the same high standards of our business partners and suppliers as we do of ourselves. 	<ul style="list-style-type: none"> • Under our Code of Conduct (CoC), Hydros cand respects human rights and international conventions regardless of the country we operate in. • If you are a part of Hydros cand, we expect our country organizations to have policies and processes to prevent any breach of human rights. • We also actively follow up on supplier compliance with the SCoC to ensure they respect human rights and international conventions.
Social and labour rights	<ul style="list-style-type: none"> • Because we regard our employees as our most valuable resource, losing skills critical to the organization is a significant risk. • It is, therefore, essential for Hydros cand to attract and retain employees and continue developing them. 	<ul style="list-style-type: none"> • Because Hydros cand’s employees are responsible for our success, so we seek to be attractive employers. • We strive to attract, develop, and retain qualified, motivated staff in a professional environment. • We have launched an eLearning platform covering various topics to develop our employees.
Children’s rights, working hours, right to organize and discrimination	<ul style="list-style-type: none"> • As is the case with human rights, we see a potentially high risk that some of the countries we operate in will violate the ILO convention. Thus, an essential part of our work concerns ensuring that we, our business partners, and suppliers comply with European and our internal standards. 	<ul style="list-style-type: none"> • Under no circumstances will we accept child labor or forced or compulsory labor in our business or partners’ activities. • We also abide by local wage regulations and collective bargaining agreements and ensure working hours, including overtime, do not exceed applicable requirements. • Our employees also enjoy the freedom of association, the right to organize and bargain collectively. • We also work proactively to prevent discrimination and harassment in the workplace. No harassment, written, oral, or digital, is accepted. • Because Hydros cand strives to maintain a transparent business environment, so we have also implemented a whistleblower policy in all the countries we operate in. Any suspicion of fraudulent conduct, bribery, or similar behavior must be reported immediately.
Health, safety and well-being	<ul style="list-style-type: none"> • Most of the work conducted in Hydros cand combines various kinds of manual labor. Therefore, there is a risk to our employees’ health, safety, and well-being. • Because there is a risk of accidents occurring at work, we must address the potential risk to our employees’ health, safety, and well-being. 	<ul style="list-style-type: none"> • Hydros cand is dedicated to providing healthy, safe working environments in our operations. We seek to minimize work-related accidents. • We demand that our suppliers provide safe, healthy, hygienic workplaces. We also require that they conduct training and educate their employees on health and safety issues.
Diversity	<ul style="list-style-type: none"> • Diversity at Hydros cand is reflected by its nature as an international business with operations in many parts of the world. Thus, it is second nature for Hydros cand to respect every individual. However, while we are an international company with natural diversity, there is a risk that not everyone in Hydros cand will comply with our policies and principles regarding diversity. • We must also acknowledge that male employees generally predominate in the industry in which Hydros cand operates. Because this is also reflected in Hydros cand at the different levels in the organization, there is a risk that we miss out on knowledge and skills that could otherwise contribute to the company’s development. 	<ul style="list-style-type: none"> • Hydros cand’s employees come from diverse backgrounds and are essential to the company’s success. • Our approach is to provide everyone with the same opportunities and conditions. • A diversity of skills and knowledge are crucial for our organizations, which everyone at Hydros cand appreciates. • Hydros cand promotes equality and considers diversity issues in recruitment and human resource development.

GOVERNANCE RISK ASSESSMENT (G)

Area	Risk	Risk management and policies
<p>Business ethics</p>	<p>• As a family-owned company that has been operating since 1969, Hydros cand has a long tradition and history as an honest, responsible company. However, because Hydros cand is an international company with operations in many countries, there is a risk that not all parts of Hydros cand will abide by the values of honesty and responsibility. Hydros cand has policies and regulations for our employees and business partners to minimize this risk to ensure our core values are published throughout our operations and supply chain.</p>	<p>• Hydros cand’s Code of Conduct means we respect fundamental rights. We aim to conduct business sustainably by ethical, social, and environmental principles.</p> <p>• As a company that has been around since 1969, we aim to maintain and enhance our reputation as an honest, responsible company internally and externally through our business partners and suppliers.</p>
<p>Anti-corruption</p>	<p>• We have zero tolerance for corruption and bribery and we deem the risk of corruption to be relatively low as we do not conduct business with public authorities and the public sector. However, there will still be a risk of corruption in terms of being active in countries categorized as high-risk. It’s our job to make sure our employees and business partners follow our zero-tolerance policy for corruption.</p>	<p>• Hydros cand has zero tolerance for corruption and bribery. Our employee training in this matter includes behaving honestly and responsibly when doing business with others.</p> <p>• Hydros cand’s employees may neither receive nor give any payment, gift, or other remuneration that is a Effects may be perceived to affect the objectivity of business decisions.</p> <p>• Also, our SCoC demands that our suppliers comply with international anti-corruption conventions.</p>





SUSTAINABILITY AS A FOUNDATION FOR OUR BUSINESS

Hydroscand, now an international business with over 1,500 employees, was founded more than 50 years ago by Björn Holmström. It is still family-owned, and a new generation is building the company to become even more sustainable.

Read more about our sustainability work at www.hydroscand.com