



# Sustainability Report

Holmbergs Safety AB 2022



# Business model

## How income is generated

For over 80 years, Holmbergs' passion and commitment have shown the way for safety solutions. We are a global supplier of fastening systems for child car seats and commercial vehicles, with customers around the globe. We work extremely closely with our customers at an early stage in their development projects in order to be involved in and influence design, cost and time to market. Sales are direct to manufacturers of child car seats, bus seats and other commercial vehicles. Our largest share of sales is currently in the US.



**~50**

...million child car seats are currently in use with safety solutions from Holmbergs

**80+**

...years of passion and delivery

**71%**

...reduced risk of fatal injury

## Business model

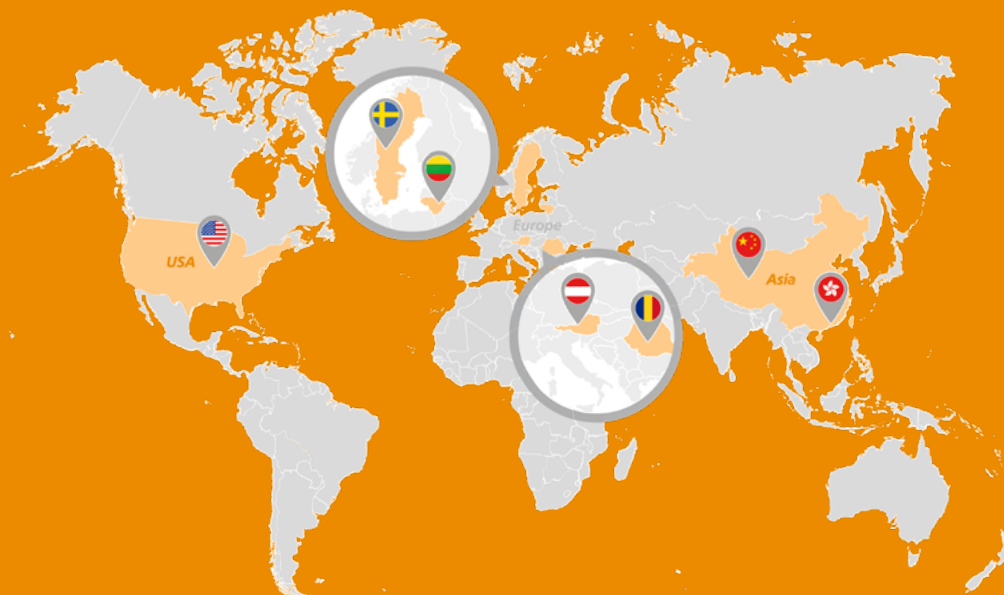
Holmbergs uses a business model that involves direct sales after our safety solutions have been incorporated in the design. The customer designs in fastening systems using Holmbergs' expertise and then continually orders our solutions - often throughout the life of the seat. An in-designed solution means a long-term collaboration where we support customers with annual tests and validations in order to demonstrate compliance with legal requirements.

Sales are managed directly with the customer and although the sales cycle is relatively long, the upside is a steady stream of revenue over a long period.

## Key activities

Holmbergs' head office is located in Halmstad, Sweden, and houses the group-wide functions for management, finance, sales and marketing, IT and development. There is a regional office in Hong Kong, where accounting, development and sales for the APAC region are managed locally. There are also sales and development offices in Salzburg, Austria and Kalamazoo, Michigan, USA.

The European production platform consists of Holmbergs Romania, where we manufacture high volumes of safety textiles for child car seats as well as fastening systems, and Lithuania, where we manufacture fastening systems in lower volumes for child car seats and commercial vehicles. We have two plants in Dongguan, China, where one is dedicated more to component manufacturing and the other to product assembly and stitching for complete fastening systems.



# Sustainable Holmbergs

We are extremely pleased and proud to present our sustainability report. This report describes our objectives in the various areas of sustainability: the environment, social factors, human rights and anti-corruption.

It also provides an account of our sustainability topics. To present a clear picture of the organisation's impact in the various areas of responsibility, we provide information on key performance indicators and/or policies in these areas. In addition, the report highlights the major operational risks for us within sustainability.

The accounts have not been subject to external review.

## Sustainability for us

Holmbergs' operations are governed by our vision of saving lives and minimising injury during transportation and on the road. We combine tangible value for business and society. As a company, we can promote saving lives on the road and during transport by being on the leading edge of technological advances of safety solutions for child car seats and commercial vehicles.

The foundation of our sustainability initiatives is the achievement of a "sustainable Holmbergs" from a financial, environmental and social perspective.





## Focus areas

Holmbergs' company management has established five key areas of focus in sustainability that lay the foundation for how the company promotes sustainable development globally.

These are:

- Safe and innovative products
- Sustainable, toxin-free materials
- Commitment for our employees
- Business ethics
- Energy efficiency

The sustainability topics that are regarded as most material for our operations and our stakeholders are:

- Safety innovations
- Product safety for end-users
- Product quality assurance
- Production health and safety
- Product certification and transparency
- People's health, and the safe and healthy use of toxin-free materials in our products
- Anti-corruption and integrity
- Sustainable design and positioning

Holmbergs' understanding of the demands and expectations of its stakeholder groups for its operations is a prerequisite for long-term, sustainable value creation. There is a continual dialogue around what is material in sustainability in order to obtain valuable feedback for efficient sustainability initiatives. Our stakeholders are:

- The board of directors/owners/investors
- Customers, resellers and users of child car seats
- Suppliers and their employees
- Employees
- Partners



## Organisation of sustainability initiatives

Our strategic sustainability initiatives must create new business opportunities, strengthen the brand and reduce business risks. This also ensures our future business since customers are imposing increasingly stringent demands on us. These sustainability initiatives are monitored by the Board of Directors and governed by the company's management team. The daily sustainability initiatives are integrated into the organisation through our processes and in the operations through our management system.

## The UN's 2030 agenda for sustainable development

The UN has compiled 17 sustainable development goals (SDGs) that the world leaders have pledged to achieve by 2030.

Holmbergs takes responsibility and works actively in the areas that are relevant to our operations in order to enable the achievement of these SDGs. Holmbergs' target areas are linked to SDGs 3, 8, 9, 11 and 12. We have chosen to focus on these five SDGs, which are the most relevant for us and where we can make the greatest impact.

Holmbergs has a particularly crucial role to play in promoting the achievement of SDG 3, Good health and well-being. Particularly, target 3.6 - halving the number of global deaths and injuries from road traffic accidents by 2020. Goal 11, Sustainable cities and communities is also essential for Holmbergs. Here, we promote target 11.2 by developing and offering products to improve traffic safety in the transportation of children. Child safety seats in passenger vehicles reduce the risk of fatal injuries for infants by 71% and by 54% for toddlers. We are proud to have been part of this development.





## Goals

3

### **Good health and well-being**

To develop and manufacture products that save lives. To invest in the health and well-being of the staff. Read more on pages 9-16.

8

### **Decent work and economic growth**

To promote safe and secure work environments for the long-term. Read more on pages 9-12.

9

### **Industry, innovation and infrastructure**

To invest in research and development. Read more on pages 13-16.

11

### **Sustainable cities and communities**

To develop and manufacture products for sustainable transports that save lives. Read more on pages 13-17.

12

### **Responsible consumption and production**

To develop and manufacture products that are safe and toxin-free. Read more on pages 9-17.



## Holmbergs' sustainability targets

The management of Holmbergs has set up five main environmental, social and governance (ESG) targets to measure and improve the company's effects on sustainability and society.

Strategic area	KPI'S	Long term target	Performance 2022	Annual target 2023
1. Saving lives and minimising injury during transportation and on the road through innovation and fault-free products.	1a. Zero field failures. 1b. Product development that improves child car seat safety. 1c. Quality and environmental performance certifications.	1a. Zero field failures. 1b. Continuous R&D to improve safety features. 1c. Maintain relevant certifications.	1a. Zero field in 2022. 1b. Roll-out DigitalSafety executed during 2022, further product enhancements implemented and ongoing. 1c. Obtained IATF 16949, ISO 9001 and ISO 14001 certifications where applicable.	1a. Zero field failures. 1b. Roll-out of DigitalSafety product. 1c. Maintain relevant certifications.
2. Moving towards circularity and low-impact products.	2a. To increase use of recycled material and reduce waste. 2b. Reduce GHG emissions.	2a. Product offering with recycled material. 2b. Net Zero.	2a. Discussion with the supplier on use of recycled plastics ongoing. 2b. Reported scope 1 and 2 emissions; initial reporting of scope 3 screening; to be further developed.	2a. Evaluate increased use of recycled material and recycling of scrap. 2b. Create full baseline emissions for scope 1-3; set reduction targets and create action plan for reduction.
3. Commitment to our employees.	3a. Reduced absenteeism 3b. eNPS	3a. Reduced absenteeism 3b. Improved eNPS for selected categories of employees.	3a. Marginal improvement of absenteeism from by 0,2 p.p. to 5,2%. 3b. Improved eNPS at two European sites. eNPS reduced at Chinese sites, where a significant reduction in manning has been executed at the time of the survey.	3a & b. Continue to improve working conditions by upgrading of facilities and machinery. Improve eNPS by 5 p.p. from 2022.
4. Ethical business conduct	4a. Ethics training & controls.	4a. Employees annually trained in ESG.	4a. All new permanent employees signed CoC. Whistleblower accessible for all employees. New versions of CoC and Whistleblower policies approved by the BoD.	4a. Implement CoC e-learning and in-person training material for employees.
5. Responsible supply chain management	5a. Number of supplier audits performed. 5b. Share of suppliers who signed Supplier CoC.	To strengthen supply chain management to monitor and control risk.	5a. 30 supplier audits performed in 2022. Covid restrictions in China continue to limit supplier visits. 5b. 67% of suppliers signed Supplier CoC.	5a. Perform 25 supplier audits in 2023. 5b. Achieve >75% of suppliers signed Supplier CoC.



# Our employees

Holmbergs is a world-leading, international organisation with 1,200 employees on three continents. Achieving our shared goals and growth with quality requires a strong, shared corporate culture and core values. Our corporate culture is built on how we interact with one another, with our customers, and with society as a whole to achieve our business goals. This has its roots in our history and is crucial for our long-term success. This is the foundation of everything we do.

We manage our human resources work with our common core values policy. It is important for us that all employees are aware of our values and how we work according to them.

## Holmbergs' values

Holmbergs is an international company marked by the entrepreneurial spirit, with a high rate of growth, exciting technological advances and close proximity to customers. Sharing core values that ensure that decisions and working methods are carried out in accordance with our long-term strategy is therefore important in our organisation. Holmbergs' values serve as a guiding light for our daily work and how we treat our customers, suppliers, colleagues and other stakeholders.

The success of Holmbergs' is built on employee competence. We want to be able to attract, employ, retain and develop individuals whose competence, potential and personal qualities are in line with the four dimensions of Holmbergs' fundamental values:



**Innovating for life**



**Committed to success**



**Quality in everything we do**



**Dedicated to safety**

## Attractive employer

Having competent, committed employees with a good sense of well-being is crucial for the company's continued development and future. For us, retaining and developing current competence and ensuring a sustainable, safe working life for our employees is important. Our goal is to be an attractive employer that maintains a high work environment standard in our plants and respects human rights throughout its operations.

The minimum age for employment in all of Holmberg's plants is 18. Signed written contracts with basic information are available in local languages for all employees. Salaries comply with collective agreements in Sweden and follow applicable market salaries and legislation for other operations.

The overall goal for Holmbergs is to continually improve the outcome of the employee survey (eNPS). The survey covers the entire workforce divided among Lithuania, China, Romania and Sweden. The latest survey shows that the majority of our employees greatly appreciate the management team's capacity for leading the operation. The areas that employees feel could be better concern opportunities for advancement. In 2021, we had the goal of improving the results of the employee survey, which Holmbergs succeeded in doing.

## Occupational health and safety

We regard having a healthy work environment as a fundamental condition for doing a good job. Various initiatives to protect good health are on offer. In Sweden, occupational health services and a physical check-up every other year are offered. Workloads are monitored on a routine basis and through performance evaluations. Medical examinations are offered on a yearly basis to the entire staff in Lithuania and Romania, in accordance with legal requirements. Valid insurance is in place in China and Lithuania to protect against injuries to staff and damages to companies. In Romania, staff are offered social insurance and meal coupons.

Necessary protective equipment such as helmets, hearing protection and acoustic curtains are provided, and their use is monitored regularly. In 2020 and 2021, we focused in particular on protecting operations and staff from the spread of infection in China. This entailed extensive control of body temperature, extra hygiene procedures, expanded and special cleaning routines, the use of face masks, minimised external visits to office and plants as well as minimised travel to customers and suppliers.





At Holmbergs, we naturally have a vision zero regarding workplace accidents, and we work actively to prevent injuries and to identify and manage incident reports at our head office and at our plants in Europe and Asia. The work environment at the plants is monitored regularly by local authorities.

The sick leave figure at Holmbergs is low. We monitor absence due to sick leave and work on activities to keep it at low levels. We finished off the year with sick leave levels at the plants between 1 and 10% per month and thereby succeeded at maintaining sick leave in accordance with the targets set for the year. The coronavirus has had no noticeable impact on sick leave.

### **Committed, competent employees**

Our employees are expected to take the initiative and the responsibility for performing their work tasks in an exemplary manner, and to actively promote their own development.

All managers are expected to conduct regular performance reviews with their staff. Training is planned and carried out in accordance with the company's needs and the staff wishes for further development.

Employee survey's are conducted for all employees. By measuring how employees perceive our workplaces, we gain insights that allow us to make the right decisions.

Staff turnover for the Group's plants varies between 0 and 25% per month among production staff. Holmbergs has a low level of staff turnover for salaried employees and key individuals, and the ambition is to keep this level low. In China, we have seen generally higher levels of staff turnover over the past few years, which has led to measures including a review of forms of employment from temporary to permanent, serving healthy and nutritious food, a high standard in housing and healthy sanitary spaces. Sick leave in Lithuania is higher than in Holmbergs' other plants; however, this level is in line with customary levels in Lithuania.



## Key performance indicators

	2022	2021	2020
Employees by country			
Sweden	15	14	15
Lithuania	96	95	126
China	350	558	467
Romania	500	577	572
Hong Kong	14	15	18
Austria	6	6	10
Hungary	0	0	0
US	3	3	2
Of whom, women			
Women	703	921	856
Men	281	347	350
Staff turnover (%)			
Salaried employees	1%	1%	1%
Production staff	5% (CN)	20% (CN)	14% (CN)
Sick leave (%)			
Salaried employees			
Lithuania	2%	5%	5%
China	1,0% / 1,0%	1,4% / 7,2%	1,3% / 6,4%
Romania	1,3%		
Production staff			
Lithuania	8,6%	8,4%	9,5%
China	1,0% / 1,0%	1,4% / 7,2%	1,1% / 4,4%
Romania	4,2%	4,5%	



# Products that save lives every day

Holmbergs' operations are governed by our vision of saving lives and minimising injury during transportation and in traffic through delivery of fault-free products. We promote sustainable development through offering products that ensure the safety of children on the road. Holmbergs believes that this is our most important positive social impact.

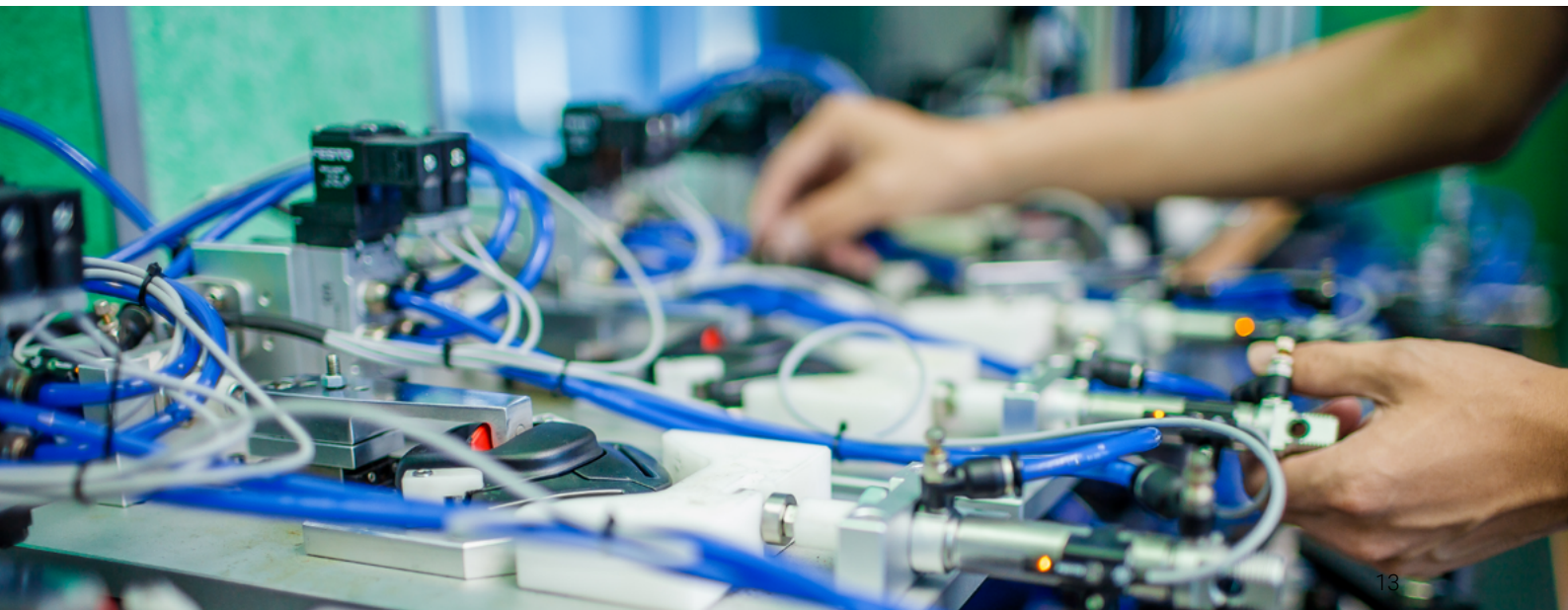
Holmbergs' code of conduct governs our ambitions of reducing the amount of waste and efficient energy use in its operations. Local and international environmental legislation must be followed, and environmentally friendly technology must be encouraged during development processes.

## Innovation

Holmbergs' position as a market leader is built on a long history of R&D and innovation. For over 80 years, our passion and our commitment have shown the way for safety solutions and seat belts. We have a long history of developing prize-winning innovative and reliable safety products that have saved lives every day.

## Product development

By continually improving our design process and increasing product quality, our customers can rely on us as a long-term partner. Our R&D employees around the world have a broad range of know-how and experience in all types of personal fastening systems, and we specialise in protecting individuals from small children to adults. We work from idea to concept development, to full-scale production. Our customers can always rely on us as regards confidentiality, performance and quality.







## Sustainable products and services

Holmbergs works actively on the following areas within sustainable production:

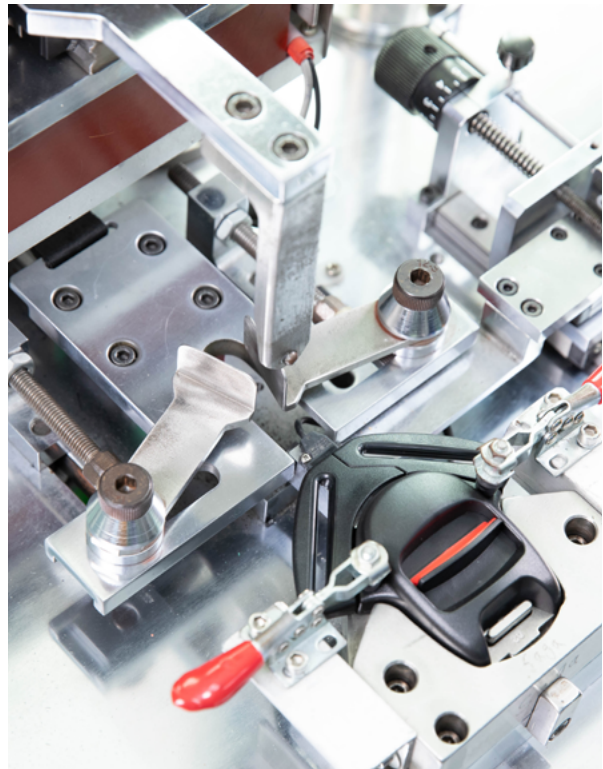
- Products that comprise a fundamental component in safe child car seats and safe transportation
- Sustainable product development
- Sustainable production and logistics



Holmbergs promotes sustainable global development by offering products that meet strict requirements for safety and valuable comfort, thereby enabling our customers' sustainable products. Together, we make road traffic safer.

There is much we can do to prevent injuries. Our products under the Holmbergs brand range from harness systems for child car seats to advanced cover and ISOFIX base solutions. Our products are used in passenger vehicles, trucks, buses, aircraft and specialized vehicles. We also manufacture customized products used for the safe transportation of pets.

The largest problem in our industry is the incorrect use of child car seats. It does not matter how safe the child car seat is if it is incorrectly installed, or if the child has not been properly strapped in. In 2020, Holmbergs launched RollFix™, a completely unique product that improves userfriendliness and safety for children. RollFix™ makes it easy to strap a child in correctly every time, regardless of who is strapping them in.



Technology is advancing, which imposes strict requirements on safe products combined with a number of environmental aspects. Materials management is a crucial part of our product development process, with overlaps in several areas from identifying materials and their composition for new products to requesting a quote from suppliers and reporting on materials composition in parts delivered to our customers. We achieve our commitments to limiting our impact on the environment, using toxin-free products and fulfilling legal requirements and specific customer requirements through careful testing during product development and in conjunction with supplier audits. We passed COP tests and chemical tests during the year. The input materials in the products and our manufacturing processes meet the latest international requirements. We minimise the use of environmentally hazardous substances in our operations through compliance with REACH environmental legislation.



When product components are to be disassembled at the end of their life cycle, it is important that the product contains as few materials as possible, which increases the degree of recycling and makes sorting easier. Using fewer materials in production is therefore a requirement in Holmbergs's specifications for new development and for design changes in existing products. We specialise in providing our smallest passengers with the best protection possible. Holmbergs's markets have varying requirements for approval, which guarantee that the child car seat meets the fundamental safety requirements of each safety standard. The company's products are approved under applicable control ordinances and other directives in the market; refer to the table below.

	Europe	USA	Canada	China
Safety standard	UNECE R44 UNECE R129	FMVSS 213	CMVSS 213	GB 27887

Table: Safety standards by market for the Child Safety business area

## Sustainable production

The manufacture of Holmbergs's products primarily involves stitching and assembly, which take place at four plants: one in Lithuania, one in Romania and two in China. We endeavour to maintain a proper standard and work environment at our plants. The production processes have a relatively small environmental impact, since assembly and stitching represent the largest part. The procedure for processing and sheet metal rolling, on the other hand, has a certain amount of environmental impact. The production of sheet metal requires a great deal of energy.

At the end of 2019, Holmbergs acquired an additional plant in Qingxi, China. Work



is under way to improve standards at the factory to bring it up to the same high level as that in Holmbergs's other plants. This plant will also be environmentally certified under national legal requirements. This entails measures such as reconstruction of the premises in order to achieve a closed system for groundwater and cooling water, which will result in improved infrastructure and a reduced negative environmental impact. Both plants in China have a standardised working method that is quality-certified under IATF and ISO 9001.

Holmbergs has a textile plant in Romania. Holmbergs Romania is a European manufacturer of primarily coverings, but also harness systems for child car seats. The plant has a standardised working method that is quality-certified under ISO 9001 and has an environmental management system that is certified under ISO 14001. SMETA methodology was employed during the year to review and ensure our social and environmental requirements through site visits and interviews with 42 employees. No deviations or observations were noted during the audit. Two good examples were observed: the company provides staff benefits in the form of meal coupons and travel subsidies for parts of the cost of private transportation.

## Logistics

Products from our own plants are shipped to customers primarily by sea and fully packed trucks. Faster shipping methods such as aircraft or rail are used as needed. This way, we facilitate efficient deliveries of goods to the right place at the right time.

## Energy efficiency

Energy consumption at Holmbergs is the most significant environmental aspect over which Holmbergs has full control. This consists primarily of electricity and heating for our properties and plants. We strive to make our products as efficient as possible through low levels of energy consumption. As a step in increasing energy efficiency, Holmbergs will investigate the possibilities of solar panels at the plants in China.

## Reuse, recycling and waste

Controlling the production processes achieves efficient manufacturing that saves on materials with the least possible loss, waste and energy use. Holmbergs minimizes the use of environmentally hazardous substances in its production through compliance with REACH environmental legislation.

Plastic is sorted for recycling at all plants. At the Qingxi plant in China, metal scrap is also sorted and sold for recycling. Recycling metal scrap maximises metal recycling from available metals. Through our recycling initiatives, we have facilitated the use of recycled material instead of virgin, which saves both resources and energy. The company's recycling of steel corresponded to savings of 2,251 tonnes of CO<sub>2</sub> in 2022. This corresponds to a full 1,400,000 miles of petrol, according to the industry organisation.

## Key performance indicators

	2022	2021	2020
Zero field failures	0	0	0
NSS test	OK	OK	OK
Chemical test	OK	OK	OK
Metal scrap for recycling (kg)	1,068	1,334	1,298
Of which stainless steel	32	117	39
Of which chrome-molybdenum	1,036	1,217	1,259
Carbon emissions from energy use in own premises, CO <sub>2</sub> (tonnes)	2,880	2,109 (of which 618 from new plant in Romania)	1,238 (of which 788.8 from new plant in China)

# Sustainable business

A key factor for Holmbergs is conducting business and taking responsibility for our supply chain in an ethical manner. Our reputation and our customer's confidence are some of the company's most valuable assets. So we are careful to maintain our good reputation as a reliable partner and focus on carrying out our operations responsibly. It is of the greatest importance that our suppliers comply with international guidelines regarding quality, social responsibility and environment as well as Holmbergs's own Code of Conduct.

## Sustainable supply chain

At Holmbergs, the ambition is to influence the conduct of employees and business partners in a positive direction. We do this through measures such as monitoring compliance with ethical norms, and commitment among suppliers and business partners. We expect that our suppliers will deliver outstanding quality, respect human rights and employee working conditions, and take responsibility for their environmental impact.

Holmbergs's environmental impact is positively impacted through the construction of toxin-free products and managing operations in an environmentally aware manner. Holmbergs also stands for healthy working conditions and regard for human rights in production, and continually endeavours to have a positive impact in this regard.





There are safety directives and environmental legislation that the company must comply with. We therefore require that our suppliers adhere to the latest guidelines. Since certain included components are tested regarding safety requirements, it is of great importance that these suppliers comply closely with our technical specifications and have a high level of understanding of the background to these requirements. We ensure this by bringing our suppliers and partners in at an early stage in development processes, and through regular audits and careful arrival checks.

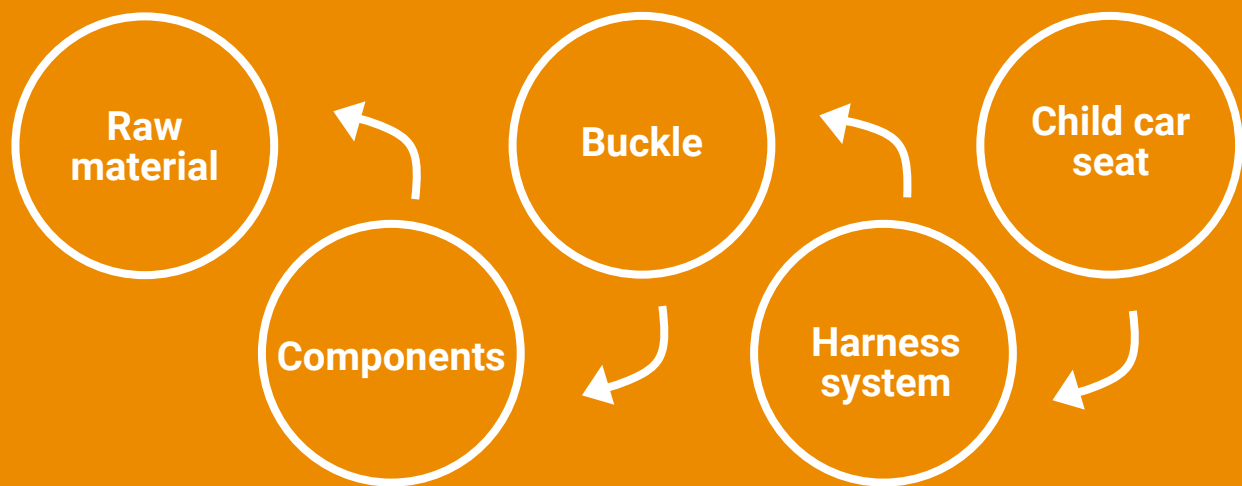
			
<b>Raw material supply</b>	<b>Production</b>	<b>Management and marketing</b>	<b>Customer / end user</b>
<ul style="list-style-type: none"> <li>&gt; Climate impact of metals and plastics</li> <li>&gt; Use of renewable and recycled plastics and metals</li> <li>&gt; Hazardous chemical use and pollution in the supply chain</li> <li>&gt; Environmental impacts of metal sourcing</li> <li>&gt; Supplier labor conditions and human rights</li> <li>&gt; Supplier health and safety</li> <li>&gt; Sanctioned countries</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Climate impact</li> <li>&gt; Chemicals and pollution</li> <li>&gt; Resource efficiency</li> <li>&gt; Recycling and waste management</li> <li>&gt; Sustainable packaging</li> <li>&gt; Labor conditions and human rights</li> <li>&gt; Health and safety</li> <li>&gt; Anti-corruption and integrity</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Sustainable design and positioning</li> <li>&gt; Working conditions and culture</li> <li>&gt; Safety innovation</li> <li>&gt; Diversity</li> <li>&gt; Anti-Corruption and integrity</li> <li>&gt; Data security</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Responsible product disposal and circular design</li> <li>&gt; Product durability</li> <li>&gt; Product weight saving benefits</li> <li>&gt; Environmental benefits of protecting cargo</li> <li>&gt; Protect end-user safety</li> <li>&gt; Access and affordability</li> <li>&gt; Human health and plastics</li> <li>&gt; Product certification and transparency</li> </ul>

Table: Holmbergs’ ESG influence through the value chain



## Traceability

Traceability is a key issue, a requirement and a stamp of quality for us and our customers. Our products must be traceable at any time throughout their life cycle and throughout the supply chain. Test reports and necessary documentation for traceability are therefore strict supplier requirements.



## Code of Conduct

The Code of Conduct provides guidance for how Holmbergs' employees are to act ethically, and in accordance with the company's values. The Code of Conduct generates a corporate culture that promotes integrity, our values, equality, ethical guidelines and the company's policies. The underlying principle for the Code of Conduct is to always do the right thing, and if we are unsure to ask someone who knows.

The Code of Conduct is available in local languages and applies to everyone in the Holmbergs Group, including all direct and indirect subsidiaries, and we ensure that all Board members, managers and employees familiarise themselves with it. Through compliance with the Code, we

guarantee that our operations are carried out professionally, honestly and ethically. This is ensured in our own operations through recurrent communication. We also communicate the Code to our largest suppliers and require that they sign it to confirm that our suppliers support, respect and prioritise these key areas.

The Code of Conduct has been approved by the company's Board of Directors and is available internally on the company intranet. The Code is also available to employees through onboarding.

## Whistleblowing

Good business relations, a healthy work environment and ethical conduct are highly important for Holmbergs. We have clear internal procedures that make it possible for all employees to report suspected illegal or regulatory violations without risk of reprisals. Our employees undergo regular training for the purpose of avoiding improprieties or wrongdoing. The basis for how we work can be found in Holmbergs's Code of Conduct.

Employees in the Group are encouraged to report serious misconduct to an official appointed by the company. Anonymous reporting is also permitted. The expectation is that reported violations will be thoroughly handled, with the goal of working towards a satisfactory solution with reasonable actions.

The whistleblower procedure has been approved by the company's Board of Directors. In 2021, we had no cases of misconduct that resulted in actions.

## Human rights

Holmbergs stands for healthy working conditions and regard for human rights in production, and continually endeavours to have a positive impact in this regard. Monitoring of the supply chain has been integrated into communication of the Code of Conduct.

Holmbergs's products include metals and minerals that are mined around the globe. Our ambition is for extraction to take place in a manner that does not violate the UN Universal Declaration of Human Rights. We therefore manage the issue of conflict minerals, including compliance with the US Dodd-Frank Act (SEC) by ensuring access to materials information that is collected and published in IMDS reports.

## Purchasing processes

Holmbergs's partners and suppliers are encouraged to apply business principles that are in line with our Code of Conduct. Our purchasing agreements allocate responsibility among the parties, and we incorporate sustainability in the business. Over the last year, we conducted an initiative to strengthen current purchasing agreements with the addition of equipment contracts (for equipment that Holmbergs makes available to our suppliers in order to manufacture parts for us).

Delivery to Holmbergs requires approval of the supplier in a supplier assessment. Since the requirements continually become more stringent, assessments are conducted at regular intervals. Our process for supplier evaluation is built on evaluations prior to and during our partnership and are linked primarily to quality, safety and traceability. This process is based in part on site visits and in part on self-evaluation forms. Performance in these areas is evaluated, and if the supplier does not fulfil the requirements communicated, this will result in discrepancies that must be reported and addressed.

Owing to the prevailing coronavirus pandemic in 2020 and 2021, site visits could not be conducted in accordance with the targets set. Audits took place instead through self-evaluation forms, which were supplemented this year with more questions regarding environmental considerations and social commitment.



## Key performance indicators

	2022	2021	2020
Number/proportion of employees trained in the code of conduct	TBD	TBD	TBD
Code of conduct signed by key suppliers (%)	China 45/50 Lithuania 34/50	China 17/71 Lithuania 5/33	China 35/71 Lithuania 9/36
Supplier audits conducted through site visits, by plant	China 25/50 Lithuania 6/50	China 5/71 Lithuania 4/36	China 3/71 Lithuania 0/36
Supplier audits conducted through self-evaluation forms	China 25/50 Lithuania 0/50	China 15/71 Lithuania 32/51	China 17/71 Lithuania 31/51
CSR evaluations conducted through self-evaluation forms	China 27/50 Lithuania 5/50	China 13/71 Lithuania 5/36	China 16/71 Lithuania 11/36



# ESG risks and opportunities

By staying on the leading edge of technological development and the manufacture of high-quality products, Holmbergs has a vital opportunity to help save more lives during transport and on the road. Like all operations, ours is associated with – and subject to – certain risks. By managing these responsibly, we realise that there are opportunities that – managed correctly – will lead to increased value creation. In 2020, Holmbergs integrated analysis of sustainability risks into the overall risk process. It is important to us to identify risks and opportunities and define measures to address them.

The following areas of risk and opportunity have been identified in our risk management process:

## Operations in various countries

Holmbergs currently conducts operations in various countries, which exposes the company to their legal, political, statutory and social requirements, and unpredictable economic conditions. In emerging markets, in particular, Holmbergs is exposed to certain risks associated with doing business abroad.

- o In 2020, the company acquired a plant in Romania in order to offer customers a broader range of products and for the opportunity to expand production capacity.
- o Holmbergs's Code of Conduct encompasses issues that govern our ambition to act in a manner that is ethical, socially sustainable and in line with the company's values.

## Environmental risks

Holmbergs's environmental risks are mainly related to deliveries of natural resources (such as energy, water and air) and vulnerability to environmental occurrences. In the short term, there are transition risks related to increased regulation as regards responsibility for end-of-life products as well as reporting requirements. The EU strategy for a circular economy is also relevant for Holmbergs to monitor and manage. Failure to comply with laws and environmental requirements could lead to a poor reputation that could impact the Holmbergs brand.

- o The amount of waste and efficient energy use in its operations. Local and international environmental legislation must be followed, and environmentally friendly technology must be encouraged during development processes.



## Governance risks

Governance risks involve primarily political and financial risks as well as ensuring ethical conduct in business and the privacy and protection of the customer's data.

- o The governance risks are managed through our active initiatives in Holmbergs's Code of Conduct, through which protection of the customer's data is controlled.

## Climate risks

The greatest climate risk is the EU's circular strategy, which could impact product design.

- o The company does not yet have a strategy for promoting circular solutions, but the issue is under investigation and is being handled by the management team.

## Physical environment risks

The primary physical environment risk is extreme weather incidents, which could disrupt the supply chain and logistics.

- o The company's strategy for managing extreme weather is to have production and sales facilities located geographically in areas that are less exposed than other areas to heavy rains and flooding.

Financial risk management is described in more detail in the statement of operations, in Note 3.







## **Holmbergs contact person key sustainability matters**

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