

Corporate Responsibility Report 2018



The better shopping
experience

Content

About HL Display	2
Creating the better shopping experience	3
Our customer promise	4
Message from the CEO.....	5
Highlights 2018	6
Trends shaping the retail world.....	8
Our strategy	9
Managing Corporate Responsibility at HL.....	10
Corporate Responsibility Policy and management	11
Stakeholder engagement.....	11
Materiality review and Corporate Responsibility focus areas	12
Our Corporate Responsibility focus areas.....	13
Helping customers to reduce waste.....	14
Bio-based resources replace PVC plastic	17
Creating the best workplace	18
Continuous improvement in operations.....	22
Ensuring responsibility throughout the supply chain.....	26
About the report.....	30

About HL Display

HL Display is an international supplier of store solutions for improved customer experience, profitability and sustainability. HL's offer includes products within store communication and merchandising solutions as well as lighting systems, secondary displays and bespoke store solutions and services.

HL's biggest markets today are Sweden, UK, and France, but our solutions are installed in more than 295,000 stores in more than 70 markets around the world. The three customer segments are retail food, brand manufacturers and retail non-food.

HL Display AB has its headquarters in Stockholm, Sweden, and sales companies in 26 countries in Europe, the Middle East and Asia. Our production facilities are located in Sweden, Poland, UK and China, and handle a variety of industrial processes, including plastics and metal fabrication, printing and assembly.

The company has 1,085 employees, net sales of SEK 1,554m and a total capitalisation of SEK 621m. HL is a wholly owned subsidiary of the listed Swedish investment company Ratos.

2018 key figures

295,000

stores

70+

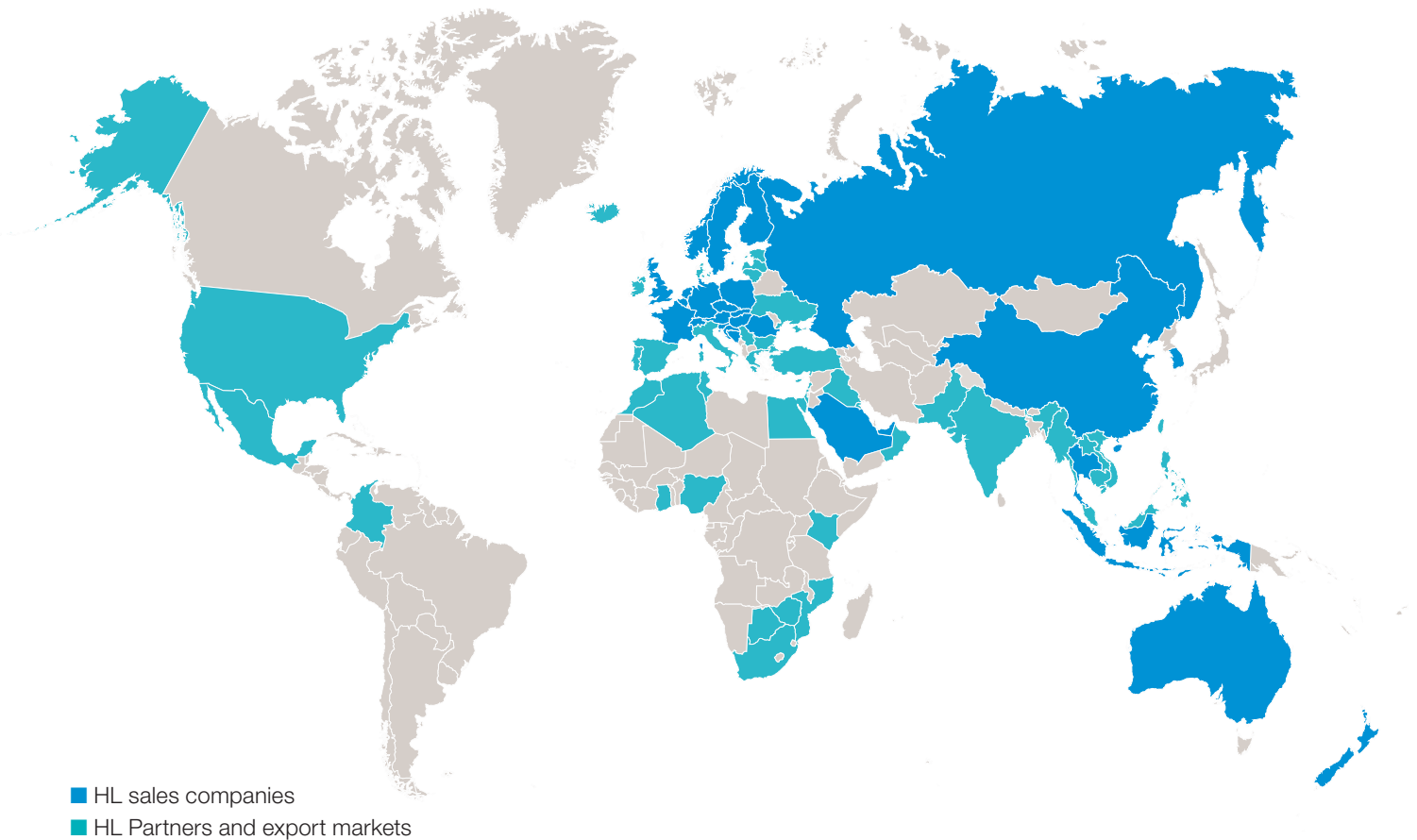
markets

1,085

employees

1,554

MSEK net sales



Creating the better shopping experience

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

Passion for retail

Our solutions are installed in 295 000 stores around the world and we are proud to be trusted suppliers to the biggest brands.

Global mindset

We design products and services with superior functionality and always act in accordance with fair social and labour values.

Strong family roots

Our committed family of co-workers embody the entrepreneurial spirit that founded our company.

Industrial leadership

With presence in more than 70 markets and certified production in four countries, we can ensure a fast and flexible process wherever you are.

Our customer promise

Solutions and services with superior functionality that enable retailers and brands to:

■ Drive sales

Research shows that more than 70 percent of purchasing decisions are made in store. Optimising categories, improving product presentation and reducing out-of-stock-situations have a vital effect on sales.

■ Save labour cost

Physical stores are looking to offer new services to earn the shopper's visit. Streamlining repetitive tasks such as re-stocking, fronting products and organising shelves frees up staff to spend more time engaging with shoppers.

■ Create differentiation

Our experience from working with the world's leading retailers and brands has taught us how to create solutions which drive differentiation to succeed in today's competitive landscape.

■ Reduce waste

Waste is both costly and, to a large degree, avoidable. Efforts to reduce food waste, material usage in packaging and to avoid theft all carry great societal and financial benefit.



Message from the CEO

When it comes to where and how to buy groceries, shoppers have more choice than ever before. Alongside the growth of online retailing, HL's customers operating physical stores are reinventing themselves and finding new ways to become even more efficient, sustainable and attractive for shoppers. We are proud to be part of their journey.



Our mission as a company is to help make retail an experience, not just a transaction. We pursue this mission guided by our vision: to be the preferred supplier in our industry and lead the development in creating innovative and sustainable solutions for a better shopping experience around the world. Our vision brings into focus the innovation required to make retail an experience, as well as the efforts required to create a more sustainable store.

In 2010, HL signed the UN Global Compact, confirming that we support the UN's fundamental values and the ten principles on human rights, labour, environment and anti-corruption, and that we are committed to make them part of our strategy, culture and day-to-day business.

We are now well on our way to drive the implementation and deliver the commercial output that brings our commitment and our vision to life. We strive to make it visible to employees every day: through the HL Code of Conduct which all employees sign upon joining, and as of 2019 also review every year; through our Corporate Responsibility Policy which is reviewed, updated and affirmed by our Board of Directors every year. And perhaps most tangible of all, through our company rallying cry of becoming the preferred supplier in our industry.

That means listening to our customers and stakeholders to deliver the right value, the right product, and the right service. That is why we in 2018 decided to launch HL Sustainable Choice, a growing range of both recycled plastics, and bio-based, compostable plastics. This was a momentous step for HL and an exciting addition to our market leading offer for our customers. And as this offer is expanded, it provides an everyday reminder to both employees and stakeholders that we are committed to our vision and to our role as a responsible employer and partner.

I am pleased to confirm our continued support for the UN Global Compact and renew our ongoing commitment to the initiative and its ten principles.

Stockholm, 7 May 2019

A handwritten signature in black ink, appearing to be 'Nina Jönsson'. The signature is fluid and stylized, with a long horizontal stroke at the end.

Nina Jönsson,
President and CEO, HL Display

Highlights 2018

Two years ago, HL formulated a vision to lead the development in creating innovative and sustainable solutions for a better shopping experience around the world. We are committed to our vision and our journey has continued in 2018.

Helping customers to reduce waste

Launch of HL Sustainable Choice

A range of merchandising solutions made of bio-based or recycled materials was launched during the year. HL aims to offer a Sustainable Choice solution on one third of the assortment by the end of 2019.

33% by 2019

Creating the best workplace



Equal opportunities and non-discrimination

HL is a multicultural company with operations in many countries around the world. The overall gender distribution is 45 percent women and 55 percent men.

100%

94%

Measuring employee engagement

In 2018 the response rate for HL's annual employee engagement survey was a record high 94 percent, reflecting how willing employees are to contribute.

Health and safety

All employees of HL's production facilities have undergone relevant health and safety training in 2018.

Driving continuous improvement in operations

97.1%

Recycling production waste

We aim to recycle 100 percent of our production waste and use recycled plastics when quality and supply chain permit it. In 2018, 97.1 percent of the total waste from our production was recycled, including 1,390 tonnes of plastic.

44%

Renewable energy

In 2018, 44 percent of HL's energy consumption came from renewable sources. HL's Sundsvall factory, as an example, runs entirely on hydro-generated electricity.

50%

Reducing waste

Over the past 4-5 years PVC scrap has been reduced by 50 percent. The total production waste reduction in 2018 was 72 tonnes.

10%

Reducing carbon footprint from transports

By re-locating the logistics centre for Nordic markets to reduce transport distances we achieved a 10 percent reduction of CO₂ emissions from transports.

Ensuring responsibility throughout the supply chain



Sustainability screening

All new significant business partners and suppliers have undergone sustainability screening in 2018.

100%

Code of Conduct

All HL employees sign the Code of Conduct upon joining, and as of 2019, review it every year.

Trends shaping the retail world

Circular economy

Digitalisation

Climate change

Population growth

As retail is evolving fast, responding to changing shopper needs and expectations is essential. Consumers are looking for convenience, expecting experiences and demanding commitments to sustainability.

Megatrends shaping retail

Megatrends like urbanisation, population growth and an aging population support retailers in strengthening their investments in physical stores and neighbourhood services. Other megatrends like climate change and overuse of natural resources are pushing both retailers and consumers to mitigate global warming and measure and reduce their environmental footprints, with stores focusing on renewable energy and energy efficiency. Promoting circular economy is increasingly on retailers' agenda and not least within plastics – initiatives for recycling, reducing and avoiding the use of plastics altogether are increasing.

Convenient and inspiring shopping experiences

With consumer behaviour evolving and technological advancements impacting retail at a fast pace, the grocery retail industry will continue to see change. The demand for convenience is increasing. Physical stores need to earn the shopper's visit, to create convenient and inspiring experiences that make it worth the trip. Therefore, retailers are investing in fresh food which is resilient to e-commerce and also in store cafés, food courts or even cooking classes – turning stores more into meeting places and emphasising the social aspects of shopping.

Helping shoppers to live more sustainably

As shoppers demand action, retailers and brands can do much to advance their ways of working and reduce their environmental footprint. But besides striving to reduce their own environmental impact, retailers are increasingly offering shoppers opportunities to consume more sustainably, for example by offering packaging-free products and switching to reusable packaging. Some retailers go a step further, informing shoppers of the carbon emissions of their purchases and providing lower-impact alternatives to help shoppers to make more sustainable choices.

Our strategy

Our mission:

To make retail an experience, not just a transaction

Our vision:

To be the preferred supplier in our industry, and lead the development in creating innovative and sustainable solutions for a better shopping experience around the world.

Best in class Customer Service

To become the preferred supplier, HL is improving the way we service our customers. Key to this is a decentralised sales organisation with Regional Distribution Centres located closer to customers, which reduces lead times and transportation distances. Efforts to digitalise our customer interfaces and offer more choice in terms of order fulfilment from a sustainability perspective is being investigated with the aim of future trials.

Industry leading Innovation & Sustainability

HL has a long-standing reputation for innovation and quality. We drive innovation both on existing assortment and through innovating new solutions and services. In our existing portfolio, we focus on continuous improvements through simplification of the offer, for example by reducing material usage. Innovation resources are focused on categories that help retailers drive experience, automation and sustainability. We develop both in-house and with R&D partners.

One HL Team

To make our mission and vision come to life, we are pulling together our diverse work force as one HL team and invest continuously to recruit, retain and develop talent. Our shared values are fundamental to the company's ability to deliver on our ambitions:

- Ownership
- Speed
- One HL Team

Our sustainability work is proving pivotal in driving pride in HL as a place to work and attractiveness as employer.

A photograph of three people (two women and one man) looking at a book together. The image is overlaid with a blue tint. The man in the center has a beard and glasses. The woman on the right has glasses and is smiling. The woman on the left is also smiling and looking towards the book. The book is open and held by the woman on the right.

Managing **Corporate Responsibility** at HL

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

Corporate Responsibility Policy and management

HL's operations are based on the company's values, vision and mission. We outline our approach to corporate responsibility in our Corporate Responsibility Policy, Code of Conduct and Purchasing Policy (<https://www.hl-display.com/siteassets/documents/hl-display-cr-policy.pdf>).

Since 2010, HL has been a member of the United Nations Global Compact. The UN's fundamental values and ten

principles on human rights, labour, environment and anti-corruption have been an integral part of company's strategy, culture and day-to-day operations.

The Corporate Responsibility Policy is discussed and approved annually by HL's Board of Directors and it outlines the company's corporate responsibility ambitions.

HL's Group Marketing Director has overall responsibility for the Group's

sustainability efforts with the support of other members of Group Management. The local entities have a high level of responsibility for day-to-day sustainability work, particularly regarding environmental and health and safety aspects at the production facilities. The effectiveness of the corporate responsibility performance is evaluated and reported externally by Group Management.

Stakeholder engagement

Stakeholder	Engagement	Sustainability topics raised and results 2018
Customers	Customer engagement through regular meetings, and newly established customer satisfaction survey, conducted for the first time in 2018 in the Nordics with plans to expand into other markets.	Reducing packaging, food waste and plastic waste has been confirmed to be essential for ambitious retailers.
Shoppers	Shopper engagement through day-to-day usage of HL's products in stores.	HL solutions are installed in more than 295,000 stores around the world.
Employees	Employee engagement through the annual employee survey, performance appraisals, CEO award, day-to day management and dialogue.	Response rate for the 2018 annual engagement survey was 94 percent. Results indicate that employees feel they can combine work and private life, they can get support from their colleagues, that their workload is on an acceptable level, and that they have equal opportunities.
Suppliers	Supplier engagement through regular audits and ongoing dialogue.	In 2018, HL conducted 17 audits of important suppliers and screened all significant new suppliers in line with our Purchasing Policy.
Academia	Active cooperation and partnerships in research projects related to bio-based materials.	Launch of the new product range, HL Sustainable Choice, produced with bio-based or recycled materials.
Owners and financiers	Owners are represented on the Board of Directors, active in discussions and steering the company and its sustainability agenda.	HL's Corporate Responsibility Policy is reviewed annually by the Board of Directors.

Materiality review and Corporate Responsibility focus areas



In 2017 HL conducted a materiality review during workshops arranged and facilitated by HL's owner Ratos. In this exercise HL's impact on sustainable development was categorised and prioritised. In 2018 the analysis has been updated to reflect changes in HL's vision and strategy. In this analysis, both stakeholder interest, and HL's biggest impacts have been considered. As a result HL focuses its corporate responsibility efforts in four areas:

- Helping customers to reduce waste
- Creating the best workplace
- Driving continuous improvement in operations
- Ensuring responsibility throughout the supply chain



Our Corporate Responsibility focus areas

Helping customers to reduce waste

- We offer products that are resource-efficient – not only in manufacturing, but also in transportation and installation
- We commit to give sufficient information for end-of-life treatment of products
- We aim to offer our customers a Sustainable Choice solution on one third of the assortment by the end of 2019

Driving continuous improvement in operations

- We aim to recycle 100 percent of our production waste
- We strive to use electricity from renewable sources
- We minimise our water consumption
- We aim to have all our factories and distribution centres ISO 14001 and OHSAS 18001 certified by 2020
- We actively pursue projects with our partners in order to reduce the carbon footprint of our transports

Creating the best workplace

- We create a workplace where people live our values
- We streamline our processes to ensure same quality of employee experience to all employees
- We develop and measure employee engagement
- We attract and retain talent

Ensuring responsibility throughout the supply chain

- We aim for all suppliers serving HL to sign our Purchasing Policy
- We secure freedom of association, anti-discrimination, anti-corruption and workplace safety through a continuous pursuit of the objectives set out in our policies
- We ensure all our employees sign and adhere to our Code of Conduct



Helping customers to reduce waste



Aims

- We offer products that are resource-efficient, not only in manufacturing but also in transportation and installation
- We commit to give sufficient information for end-of-life treatment of products
- We aim to offer a Sustainable Choice solution on one third of the assortment by the end of 2019

HL provides retailers and brand manufacturers with solutions that drive sales, save labour cost, create differentiation and reduce waste.

From store communication, merchandising and secondary displays to bespoke design and services, HL focuses on improving the shopping experience whilst its solutions are increasing clients' cost efficiency and improving their environmental footprint.

Furthermore, HL's growing range of sustainable merchandising solutions made of recycled or bioplastics help HL's customers on their journey to a more sustainable store.

Helping customers to reduce waste

HL can help customers to reduce their environmental footprint in several ways. Food waste is reduced for example by solutions that showcase a greater variety of products with smaller inventory. Energy efficiency improvements are gained by cooling systems with shorter times for restocking and customers can reduce packaging waste by using bins for bulk merchandising. Customers also have the choice of moving to products made of bio-based or recycled materials.

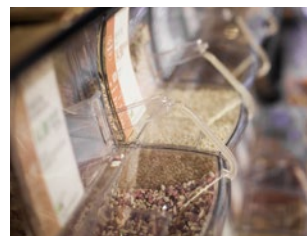
HL's solutions, like Sigma™, RotoShelf™ and bulk merchandising solutions are supporting retailers in creating a better shopping experience.



Reducing food waste



Reducing energy waste



Reducing packaging waste



Sustainable Choice

Sigma™ is a modular merchandising system tailored to create stunning visual displays and abundant presentations to showcase a greater variety of produce without the need for large inventory. The shelving and racking units are made of anodised aluminium that will never rust, peel, chip or flake. Aluminium is one of the best conductors of temperature, drawing out and dissipating heat quicker than steel, which ensures effective cooler circulation and maximises refrigeration air flow.

“The results have been successful because the food waste has been reduced notably. This is because now we sell more of the produce with a lot lower amount lost.”

Tero Turkia, Store Owner at K-Supermarket Valtari, Finland



Bins for packaging-free merchandising

Bulk merchandising is growing in popularity across multiple markets and categories. From speciality stores to grocery chains, this trend has seen more retailers display and dispense loose products in solutions such as bulk bins at unprecedented speed. And with good reason: bulk merchandising offers the opportunity to create differentiation, reduce waste, and drive higher margins. Bulk merchandising delivers a more authentic and engaging shopping experience, allowing shoppers to pick their favourites and buy exactly the amount they need, while helping to reduce packaging waste.

“When we implemented HL’s bins they were well received by our customers because they save packaging material.”

Ricardo Eric Rabago,
Product Purchasing Manager at Coop Basel, Switzerland

New solutions made of bio-based or recycled materials

More and more retailers and brands pledge their ambition to reduce plastic usage and waste dramatically. Both recycled and bio-based plastics play an important role in the journey to a more sustainable store. Recycled plastics reduce the environmental footprint by significantly reducing virgin plastic usage while bio-based plastics made from renewable resources such as sugarcane and corn mean avoiding fossil-based plastic altogether.

In 2018, HL took a big step forward with the launch of HL Sustainable Choice, a range of merchandising solutions made of bio-based or recycled materials developed in collaboration with academic research institutions.

HL partnered with KTH Royal Institute of Technology in Stockholm and IVL (Swedish Environmental Research Institute) to develop products made of bio-based materials. While IVL provided in-depth insights on environmental impact throughout the entire life cycle of products, HL worked with KTH to find the right bioplastic – bio-based, degradable and with the right material properties – to produce a high-quality product.

The result of this work is HL Sustainable Choice, a growing range of sustainable merchandising solutions made of bio-based or recycled materials which complements our original assortment. Starting with datastrips and shelftalkers, our ambition is to offer our customers a sustainable choice on one third of the assortment by 2019.

Interview:

Bio-based resources replace PVC plastic

In a successful example of academia and industry collaboration, HL's partnership with KTH Royal Institute of Technology and IVL (Swedish Environmental Research Institute) brings more sustainable choices to HL's customers.

The collaboration with KTH and IVL began in 2017 as part of HL's ambition to be at the forefront in creating innovative and sustainable solutions for a better shopping experience.

In 2018, the partnership resulted in the development of datastrips made of bioplastic based on sugarcane and corn, reducing the use of fossil-based plastic. IVL investigated how a datastrip affects the environment during its entire life cycle, from extraction of raw materials to end-of-life management. KTH provided knowledge and insights on bio-based materials with the right properties to produce high quality products.

"We need to reduce our dependency on fossil-based materials, include circularity in the business model and move towards a bio-based economy. It's not just a question of replacing a PVC based material. We need to consider the whole life cycle of alternative materials and alternative processes. I see HL as pioneers in this area, they are committed to get truly sustainable solutions to the market", says Emma Strömberg, Associate Professor for Fiber and Polymer Technology at KTH. Sebastian Welling, Project Manager at IVL agrees:

"It is inspiring to work with a company with such high ambitions as HL. They have a strategy and work goal-oriented

towards traceable material flows, minimised waste and recycled materials. Their customers now have the opportunity to select from a range of products that resulted from our collaboration: HL Sustainable Choice."

They are both certain that a fossil-free society hinges on collaborations between the academic world, research institutes and the industry.

"We would never be where we are without input from science and research. At the same time, the research has to be implemented and adapted to the needs of the market. The link between the different perspectives is where we find sustainable solutions", Sebastian says.

A clear vision coupled with a solutions-oriented mindset and a willingness to think outside the box. That is key.

"Everyone at HL, from the factory floors in Sundsvall, Poland and China to management, is working towards the same goal. I think the fact that they have such a strong shared vision is attributable to a very genuine commitment. We are happy to be part of the journey", Emma says.



Sustainable
Choice

The better shopping experience

Creating the best workplace



Aims

- We create a workplace where people live our values
- We streamline our processes to ensure same quality of employee experience to all employees
- We develop and measure employee engagement
- We attract and retain talent

HL invests continuously in developing the best workplace, with the aim of ensuring that employees value their work, appreciate their employer and are highly motivated.

Creating a culture where people live HL's values

To further promote HL's values – ownership, speed and one HL team – a CEO award is given out every quarter to an individual or a team that embodies our values and contributes to company culture, be it through innovation or by excelling in team work. Anyone can nominate candidates and the number of nominations has increased significantly since the launch of this initiative in 2017.

Streamlining processes to ensure best employee experience

HL has invested in creating systematic HR processes to ensure all its employees are treated with the same quality standards. Streamlined processes include salary- and recruitment processes, performance management and also systematic procedures like conducting exit interviews if a person decides to leave HL. Through the exit interviews HL gains important feedback but also

conveys the message that people are truly valued and respected. In 2018, yet another step for streamlining and providing employees with quality management tools was taken when a common project management model was created. All managers and project leaders have received training based on the model and are expected to use it, and the model is available to all employees.

CEO award – Who should be awarded?

<p>Ownership</p> <p>Someone who...</p> <ul style="list-style-type: none"> ■ is proactive, constantly working to deliver a better way of operating ■ sees something that is broken, and fixes it, not just walks by ■ makes innovation happen 	<p>Speed</p> <p>Someone who...</p> <ul style="list-style-type: none"> ■ is customer-focused in her/his way of working ■ is eager to deliver and display a clear sense of urgency ■ contributes to taking informed decisions ■ carries out implementation and does not stop half way through 	<p>One team</p> <p>Someone who...</p> <ul style="list-style-type: none"> ■ succeeds by making others succeed, acts as a true enabler for others ■ wins by making things easy for those around her/him, not only for herself/himself ■ takes extra steps to reach out across functional and or geographical boards
--	--	---

Total employees working full time

93%

Female:

89%

full time

Male:

96%

full time

Equal opportunities and non-discrimination

HL is a multicultural company with world-wide operations. We strive to give all employees equal opportunities for professional development, promotion and pay growth, regardless of background, gender, ethnicity or age. Zero-tolerance applies to all forms of discrimination and women and men with comparable qualifications and work tasks should have the same opportunities and working conditions. Salary is to be based upon level of difficulty and achievement and all employees should have the same opportunities for promotion, development and training.

The overall gender distribution is 45 percent women and 55 percent men (2017: 46 percent women, 54 percent men). Some of the functions within the company are well balanced with a fairly equal distribution of men and women. In other areas, more remains to be done. The positions where women and men are fairly balanced include procurement specialists, factory managers and production operators.

HL is working on several long-term initiatives to increase gender equality in recruitment and career development. Recruitment ads aim to be inclusive and encourage applicants of both genders. The goal is to seek the best candidates for the job and increase opportunities for those who are less represented within the company. HL business partners are qualified in using tests to evaluate candidates' ability, behaviour and personality, to ensure an unbiased and well-founded decision based on merits.

Attracting and developing talent

HL has a well-established annual performance review process, which forms the basis for individual employee development. The process consists of annual performance appraisals, in which employees receive constructive feedback on their work, together with clear goals defined jointly by the employee and their immediate supervisor. This also includes a development plan, including training needs, with future development steps to be taken, and career planning. A mid-year review takes place after every six months, in which the individual goals and development plan are followed up.

Based on the employee survey, 86,4 percent of employees had performance appraisal in 2018, while some employees were newly hired and had not yet gone through the process.

HL works continuously on further training for employees to ensure they are well-equipped for success in their work. As an example, HL offers continuous product training for sales personnel where the company's product managers organise local training for the sales force as well as operations teams around the world. In addition, global sales trainings for key account managers and account executives are held twice a year.

In order to secure alignment and commitment to company strategy, HL has also set up a Leadership Forum, which is a cross-function meeting held twice a year. It is aimed primarily at the company's top managers, such as regional and factory managers.

Employees by employment contract

	Women	Men	Total
Permanent employees	435	557	992
Temporary employees	53	40	93
Total	488	597	1,085

	Nordic		Rest of Europe		Asia		Total
	Women	Men	Women	Men	Women	Men	
Permanent employees	63	140	318	365	54	52	992
Temporary employees	7	6	43	32	3	2	93
Total	70	146	361	397	57	54	1,085

Measuring employee engagement

HL conducts an annual employee engagement survey, called HighLight Engagement Survey, covering all of its employees. In 2018, the response rate was a record high 94 percent, reflecting the high level of engagement HL employees show.

The survey is closely linked to the company strategy and covers four areas: Efficiency, Leadership, Engagement and Sustainable work life. Ever since the launch of the survey in 2016, an important part of the study has been to discover how sustainable the working culture at HL is. The results have shown a steady positive increase in this area. While there can

be differences across functions or locations, overall people feel work life balance is at an acceptable level, and that they have equal opportunities. There are no significant differences between how men and women responded.

Based on the feedback obtained through the survey, HL prioritises and implements improvements that strengthen the company's position as an employer. In addition to aggregate results at company level, results are shared with, and owned by each local manager. There are about 100 managers that receive results for their teams allowing them to take measures to improve their business.



Ensuring health and safety of employees

Health and safety risks at HL are mainly associated with production. HL aims to ensure safe workplaces with a good working environment by carrying out preventive work, including regular updates of safety procedures and examination of different risk factors.

90 percent of all employees have their workplace controlled by a formal joint management-worker health and safety committee. In 2018, all factory employees at HL's production facilities have undergone health and safety training. The number of workplace accidents leading to absence or sick leave in 2018 was 9 (2017: 7) and no fatal accidents occurred (2017: 0).

HL is keen to follow collective agreements in countries where such agreements are in place. 29 percent (2017: 17) of employees are covered by formal collective agreements.



Continuous improvement in operations

- with a focus on efficient use of resources



Aims

- We aim to recycle 100 percent of our production waste and use recycled plastics when quality and supply chain permit it
- We strive to use electricity from renewable sources
- We minimise our water consumption
- We aim to have all our factories and distribution centres ISO 14001 and OHSAS 18001 certified
- We actively pursue projects with our partners in order to reduce the carbon footprint of our transports

HL strives to improve environmental performance by complying with policies and standards and placing continuous efforts to reduce the environmental impact of its production.

Responsible production means running factories in an efficient and environmentally responsible way. The company's management systems and policies for quality, work and conduct ensure minimal waste and the highest standards of safety during production.

HL's biggest environmental impacts are caused by the use of raw materials, mainly plastics, consumption of water and energy in production as well as waste and transportation of goods and people.

The majority of the products in HL's portfolio are produced at the company's own factories. HL has production in four factories:

- Sundsvall in Sweden for extrusion of plastics
- Gliwice in Poland for injection moulding, heat bending and printing

- Harlow in the UK for metal, injection moulding, heat bending and printing
- Suzhou in China for extrusion and injection moulding of plastics

All factories certified or under certification

Continuous improvement of operations and environmental and quality management of HL's factories are based on internationally recognised standards.

All four factories are compliant with the ISO 9001 quality standard. HL aims to have all factories and distribution centres ISO 14001 and OHSAS 18001 certified. Today, 75 percent of factories are ISO 14001 certified, with Sundsvall, Suzhou and Gliwice being certified and Harlow under certification. Factories in Sundsvall, Gliwice and Suzhou also comply with the health and safety standard OHSAS 18001, and the Harlow factory is under certification.

HL's biggest environmental impacts



Use of plastic raw materials



Plastic waste



Use of energy and water in production



Transportation

Production waste management 2018 (metric tonnes)

	Plastic	Metal	Packaging material	Mixed material	Other safe waste	Total safe waste	Hazardous waste
Recycled/granulated in-house for own production	342	–	–	–	–	342	–
Recycled externally	1,048	342	250	21	244	1,905	1
Recycled for heating	–	–	–	304	–	304	–
Deposit/non-recycled	–	–	–	–	65	65	12

Aiming to reuse all plastic waste in production

HL's main raw material is plastic, notably PVC. In 2018, however, HL began producing products made of plastics that are starch-based instead of oil-based and thereby biodegradable, so-called PLA-materials.

Still, the waste generated at HL's factories consists largely of plastics. HL addresses the problem of waste in production in two ways – reduce and reuse. Firstly, by continuously streamlining production processes we strive to reduce plastic waste generated. Secondly, we recycle plastic and other waste as far as possible.

The biggest impacts with regards to reducing raw material consumption is linked to our work to enhance production processes. The aim is to produce less scrap and increase capacity for using recycled material. This work accelerated and took several steps in 2018.

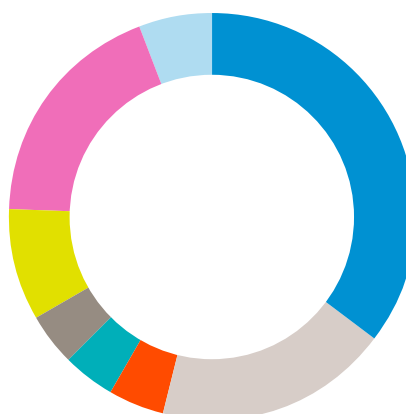
HL's ambition is to recycle all production waste and to use all plastic waste in the production of new products. In 2018, 97.1 percent (2017: 90.2) of the total waste from our production was recycled. The last 4-5 years have seen tremendous progress, with a reduction of 50 percent in PVC scrap. In 2018, we recycled 1,390 tonnes of plastic, and the total waste reduction in 2018 was 72 tonnes.

When manufacturing and sourcing new materials, HL complies with REACH, the EU's chemicals legislation. Suppliers must also guarantee compliance with all applicable environmental laws and sign a written undertaking regarding REACH.

In 2018, several initiatives were taken to reduce the usage of chemicals. In HL's factory in Gliwice, the maintenance department changed supplier of chemicals, which allowed them to reduce the chemical use by 30 percent and reduce the number of substances from 26 to 15.

Raw materials and input goods in percent 2018 (2017)

■ PVC	35.4	(31.7)
■ PET	18.7	(15.6)
■ Polystyrene	4.4	(3.2)
■ ABS	4.0	(2.9)
■ Other plastic material	4.2	(7.7)
■ Packaging material	8.8	(10.6)
■ Aluminium, steel, wire	18.6	(15.9)
■ Other material	5.8	(12.4)



Improvements in water and energy consumption

HL's direct electricity consumption in production was 25.6 MWh (2017: 25.8 MWh). 44 percent of HL's energy consumption comes from renewable sources and, as an example, HL's Sundsvall factory runs entirely on hydrogen-generated electricity. Various measures for reducing electricity consumption are being implemented at the factories. These range from heating the premises using waste heat from machinery to installing time-controlled lighting.

Examples of the energy efficiency improvements in our factories in 2018:

- Replacement of lighting to LED-energy to reduce power consumption by 50 percent (Gliwice, Harlow, Suzhou)
- Prolonged the hydraulic oil of injection machines usage life by filtering the oil to reduce 1900 l oil annually (Suzhou)
- Injection machines' motors were improved to achieve power energy saving of about 30 percent

- Improvement of dryer tank to reduce power consumption of injection line by 30 percent (Suzhou)
- Process efficiency improvements in order to reduce number of production lines (Gliwice, Sundsvall)
- Phase out old machine equipment (Harlow, Sundsvall, Gliwice, Suzhou)

Water usage is part of the production process when cooling extruded and injection-moulded plastic products. In 2018, 365,631 m³ of water (from municipal water supplies) was used at the company's production facilities (2017: 367,499 m³).

HL's factory in Gliwice, Poland uses a closed cooling water system to reduce water consumption, while work is underway to significantly reduce water consumption at the Sundsvall factory in Sweden. In 2019, the Sundsvall factory will have a well of its own for process water consumption, meaning so called drinkable water will no longer be used in the production process.

11,185

"Green" electricity (MWh)

8,117

"Regular" electricity (MWh)

6,279

Gas (MWh)

Efficiency improvements in logistics to reduce CO₂ emissions

HL improves transport efficiency by continuous efforts to increase the number of products per package and eliminate unnecessary packaging material. How efficiently a product can be packaged is factored into the product development phase. In 2018, a bigger structural change in the distribution set-up to the Nordic countries was made to reduce transport distances and CO₂ emissions. The distribution centre for the Nordic countries was moved from Poland to Sweden reducing transport distances and resulting in 10 percent reduction of CO₂ emissions.

EuroVI – Environmental class for all new freight forward suppliers

HL requires all its transport suppliers to have environmental programmes in place. The majority of shipments are made by truck, for example from the European factories to the European

distribution centres, and from the distribution centres to the customers. Sea transport is the primary shipping method for ready-made goods from Asia and the US, as well as for tools bought in Asia for use in the European factories. Projects are actively pursued with partners to continuously find more efficient way to distribute products, in order to further reduce the carbon footprint of both inbound and outbound transports. EuroVI – Environmental class – is required for all new freight forward suppliers starting from 2018.

The company's fleet of vehicles

It is HL's ambition to gradually reduce CO₂ emissions from our fleet of vehicles. The company has four different categories of vehicles and there are limits on CO₂ emissions for each category. These limits are reviewed every 12-18 months to see if they can be lowered. The upper limit for CO₂ emissions is currently 125 g/km.

Ensuring responsibility throughout the supply chain



Aims

- We aim for all suppliers serving HL to sign our Purchasing Policy
- We secure freedom of association, anti-discrimination, anti-corruption and workplace safety through a continuous pursuit of the objectives set out in our policies
- We ensure all our employees sign and adhere to our Code of Conduct



HL's Code of Conduct demonstrates the company's strong position against corruption, ensuring employees and stakeholders practice honesty, integrity and responsibility.

Code of Conduct – strong commitment to anti-corruption and safeguarding human rights

HL supports and respects the protection of internationally proclaimed human rights and makes sure that the company is not complicit in human rights abuses.

With a zero-tolerance stance on bribery, extortion or corruption, strict adherence to regulatory requirements and a third-party whistleblowing service, the Code of Conduct clearly defines the fundamental principles that every company representative and partner should follow.

All HL employees sign the Code of Conduct upon joining, and as of 2019, review it annually. HL did not have any corruption-related incidents that led to disciplinary action in 2018 (2017: 0).

Purchasing Policy ensuring same standards from suppliers

HL has about 2,300 suppliers of production inputs supplying one factory in Asia and 3 factories in Europe. Finished products are also sourced from about 150 suppliers through distribution centres.

It is of great importance to HL that all suppliers adhere to the same standards as HL. We have clear requirements for our suppliers outlined in the Purchasing Policy. HL has an on-going campaign to increase the share of significant suppliers signing the Purchasing Policy. This is followed up in quarterly purchasing reviews.

Steps to ensure responsibility in supply chain:





Jordgubbar

Hallon
18.50

18.50

Hallon
STYCKFRYSTA

Hallon/blåbär
88.89

20

2 FÖR
45:-

FRYSTA HALLON

Mango

Hudlösa Bär

20

By signing the document suppliers agree to meet defined requirements in several areas including compliance with ILO (International Labour Organisation) conventions and other international guidelines related to human rights and labour. In addition, there are clear guidelines on business ethics (corruption) and environment. Should non-compliances with the Purchasing Policy be detected corrective action and cooperation with the supplier is always prioritised. Ultimately however, the failure to comply with the policy can lead to the contract being terminated. No violations of the Code of Conduct or the Purchasing Policy were reported in 2018.

Main Requirements of HL's Purchasing Policy

- Human and Labour Rights
- Business Ethics
- Sustainable Growth
- Environmental Care
- Supply Chain Responsibility

Audits and site visits

HL regularly makes site visits and audits, with the most important suppliers being audited once every other year. During 2018, HL conducted 17 such audits of important suppliers and all significant new suppliers in 2018 were screened in-line with the Purchasing Policy.

The audit is made up of two parts. The first part is intended to ensure suppliers fully understand and apply HL's

requirements in accordance with the Purchasing Policy. The second part relates to the production organisation. Representatives from HL perform a review of the site based on several predefined criteria, making sure that the production site is aligned with the requirements to produce for HL. The result of the review is a rating ranging from A, which is the rating of a top supplier, to D, which leads to immediate termination of the contract. The B and C ratings imply that improvements are needed to various extent.

Whistleblowing

A whistleblowing function has been in operation at HL since 2013. The whistleblowing channel in use is called Whistleblowing Centre, which is part of TripleB, an external Swedish sustainability consultancy. By using the whistleblowing site, employees are guaranteed anonymity when reporting malpractice. Reports made through the system go directly to the Group Marketing Director who is responsible for HL's sustainability work, the Group HR Director, and simultaneously to the principal owner Ratos' representative on the Board of Directors. Examples of malpractice that HL wants to be brought to attention include possible non-compliance with local laws or breaches of HL's Code of Conduct in areas such as human rights, labour and anti-corruption. Reports that come through the whistleblowing channel are investigated centrally. If the malpractice report proves to be well-founded and correct, it will result in disciplinary and, where applicable, legal action. In 2018, no reports were made through the whistleblowing system (2017: 1).

About the report

This report has been prepared in accordance with GRI Standards Core option. It constitutes HL's Communication on Progress as part of the company's commitment to the UN Global Compact. The report covers the global activities of the

HL Display Group, i.e. HL Display Holding AB and all its subordinate legal entities. Operations beyond HL's direct control, such as suppliers, are not included in the report. The presented information has not been assured by an external party.

General Disclosures

	Disclosure	Page reference/URL	Comment
Organisational Profile	102-1 Name of the Organisation	2	
	102-2 Activities, brands, products and services	2, hl-display.com	
	102-3 Location of headquarters	2	
	102-4 Location of operations	2-3	
	102-5 Ownership and legal form	2	
	102-6 Markets served	2-3, hl-display.com	
	102-7 Scale of the organisation	2	
	102-8 Information on employees and other workers	20	
	102-9 Supply chain	27	
	102-10 Significant changes to the organization and its supply chain	–	No significant change
	102-11 Precautionary Principle or approach	23-24	
	102-12 External initiatives	–	UN Global Compact
	102-13 Membership of associations	–	UN Global Compact plus various trade organisations in the markets where HL operates
Strategy	102-14 Statement from senior decision-maker	5	
Ethics and Integrity	102-16 Values, principles, standards, and norms of behaviour	4, 9, 11, 27	
Governance	102-18 Governance structure	11, hl-display.com	
Stakeholder engagement	102-40 List of stakeholder groups	11	
	102-41 Collective bargaining agreements	21	
	102-42 Identifying and selecting stakeholders	11-12	
	102-43 Approach to stakeholder engagement	11-12	
	102-44 Key topics and concerns raised	11	
Reporting practice	102-45 Entities included in the consolidated financial statements	–	HL Display Holding AB and all subordinate legal entities
	102-46 Defining report content and topic Boundaries	–	GRI's reporting principles have been taken into consideration
	102-47 List of material topics	12	
	102-48 Restatements of information	–	None
	102-49 Changes in reporting	12	
	102-50 Reporting period	–	2018
	102-51 Date of most recent report	–	June 2018
	102-52 Reporting cycle	–	Annual
	102-53 Contact point for questions regarding the report	–	Peder Clason, Group Marketing Director, HL
	102-54 Claims of reporting in accordance with the GRI Standards	30	
102-55 GRI content index	30-31		
102-56 External assurance	30		

Material Topics

	Disclosure	Page reference/URL	Comment
Economic			
Anti-corruption	103-1/2/3 Management approach	11-12, 26-27, 29	
	205-3 Confirmed incidents of corruption and actions taken	27	
Environmental			
Materials	103-1/2/3 Management approach	9, 11-12, 14-17, 22-24	
	301-1 Materials used by weight or volume	24	
Energy	103-1/2/3 Management approach	11-12, 14-17, 22-23, 25	
	302-4 Reduction of energy consumption	25	
Water	103-1/2/3 Management approach	11-12, 22-23, 25	
	303-3 Water withdrawal	25	
Effluents and Waste	103-1/2/3 Management approach	11-12, 14-17, 22-24	
	306-2 Waste by type and disposal method	24	
Social			
Occupational Health and Safety	103-1/2/3 Management approach	11-12, 21-23	
	403-1 Workers representation in formal joint management-worker health and safety committees	21	
	Own disclosure: Number of workplace accidents leading to absence or sick leave	21	
Supplier Social Assessment	103-1/2/3 Management approach	11-12, 26-27, 29	
	414-1 New suppliers that were screened using social criteria	29	



The better shopping experience

HL DISPLAY AB (publ)
Box 1118, Cylindervägen 18
SE-131 26 Nacka Strand - Sweden
Phone: +46 8 683 73 00
info@hl-display.com
www.hl-display.com