



SUSTAINABILITY REPORT

Communication on Progress

HGF's basic beliefs

We believe that people and organisations flourish when they evolve together as a team. The employees that chose to work for HGF and the customers and supplier who want to do business with our company all subscribe to this basic belief. It has developed a very creative business environment in which we all like to be challenged, continuously improve, solve problems, have an influence and feel like we belong.

In these complicated times of the Corona virus pandemic, the abovementioned belief and company culture has helped us to stay focused and to continue to build a stronger future. It is in these times that the commitment to social responsibility is extra important and at the same time it unites the employees and stakeholders even more. HGF has been very careful to protect our employees and others that interact with our employees from possible covid-19 contagion. HGF has renewed its sponsorship of Médecins Sans Frontières to make a clear statement that we support the medical community.

In this context there has been no need for our corporate management to try to convince our organisation to adopt the principles of corporate social responsibility. It comes natural. It is however important for us to subscribe to a program that can help us in our sustainability efforts. We can, and should, improve in all areas related to human rights, labour relations, environment and anti-corruption. For this reason, HGF supports the UN Global Compact and its 10 principles. This communication on progress confirms our continued support and ongoing commitment to the initiative.

Halmstad, 28st of January 2021,

A handwritten signature in blue ink, appearing to read 'Christian Kiks', is written over a large, stylized blue circular graphic element.

Christian Kiks
CEO
HGF

AB HALMSTADS GUMMIFABRIK

Human Rights

HGF supports and respects the United Nations Declaration on Human Rights and accepts its responsibility to respect the rights of employees and society to the extent they are affected by the Group's activities. We have included this commitment in our company Code of Conduct in which we also specify our policies regarding these issues. The Code of Conduct is a mandatory policy document for all HGF employees. To make the Code of Conduct even more easily available, we have now edited an employee handbook available in our central training dojo.

We have developed a Sustainable Procurement Policy that has been sent out to all suppliers and that we require them to comply with. We assess all companies that wish to become a supplier to HGF and a minimum requirement is that they commit to the 10 principles of the UN Global Compact and that they have no involvement with conflict minerals.

Measurement of outcome: no reported cases of violations of human rights, neither within HGF nor in any of our suppliers.

Labour

At HGF we understand that a healthy, safe and motivating workplace is key to our company's success. Our code of conduct is therefore very clear on the basic requirements we have for all HGF group companies:

The HGF Group strives to be a respected employer - for current as well as for potential employees. The companies in the HGF Group shall provide a good physical and social work environment. The companies in the HGF Group shall also strive to be an attractive employer with respect to the personal and professional development of its employees.

The relationship with and among the employees shall be based on mutual respect and dignity, as well as reasonable influence in areas that affect the individual's work situation. All employees of the HGF Group shall work in accordance with the Group's values.

- *The terms of employment, including financial compensation and working-hours, offered to the Group's employees shall, as a minimum, comply with the minimum requirements according to national legislation or the standard of the industry.*
- *HGF does not accept forced labour, slave labour or other forms of involuntary work in the Group's workplaces. Nor does the Group allow the use of methods that limit the free movement of its employees.*
- *HGF does not hire persons below the age of 15, and where local legislation imposes a higher age limit, no persons below such age may be hired.*
- *HGF provides all of the Group's employees equal opportunities regardless of race, skin colour, sex, age, nationality, religion, ethnicity or other distinctive characteristics. The Group permits neither discrimination nor harassment.*
- *HGF recognizes the right of employees to form or become members of unions in accordance with the laws and principles of each respective country.*
- *The work environment offered by HGF shall be safe and sound. Each Group company is responsible for ensuring that all work is conducted in such a way that injuries and illness are prevented. Written health and safety instructions shall apply to the Group's workplaces.*

At HGF we have developed extensive procedures to ensure a good work place for every employee. This includes the definition of responsibilities for health and safety with union participation, training needs for health and safety, risk assessments for any new component or chemical, regular workplace checks to monitor health and safety, procedures to investigate and implement preventive actions for accidents and near-misses, procedures for cases of discrimination and/or harassment, procedures for the continuous improvement of the workplace, and procedures for rehabilitation of employees.

Large investment will be made during the Q1 2021 in a ventilation system for better indoor air quality and also in lifting equipment to improve ergonomics.

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HGF has a plan for gender equality. At the time of this report the percentage of women in our two Management Teams (the Swedish factory Management Team and the Latvian factory Management Team) has increased to 45%: 6 men and 5 women, which is very rare in a manufacturing company.

There have been no public investigations and/or legal cases related the labour situation in any of HGF's sites during the past year. Total sick-leave is down from 11.9% in 2015, to 6.8% in 2016, to 6.2% in 2017, to 6,5% in 2018, and to 4,1% in 2019. Sick leave was up again slightly in 2020 to 5,4% due to the Corona pandemic when employees were encouraged to stay at home when experiencing the slightest symptoms.

HGF has been very serious about the health and safety issues surrounding the Corona virus pandemic adopting measures such as:

- Continuous and clear information to all employees on
 - How to protect themselves and others
 - What benefits are available if they need to stay at home because they themselves are sick or if they have a family member who is sick
 - What the status of the pandemic is in our region
 - What the general guidelines are from the public health authorities
 - What the company is doing to protect our employees
- Facilitating face masks
- Placing hand sanitiser gel dispensers in strategic locations in the company
- Making it possible for employees to work from home
- Restricting visits
- Minimizing the number of internal meetings

Environment

According to our environmental policy, HGF shall minimise its impact on the environment through dedication to preventive actions and continuous improvement, but also by making sure everyone is properly trained and that the mandate to take action is clearly delegated.

We have been ISO14001 certified for many years and this means that we have clearly defined our areas of environmental impact and that we have established our environmental goals, or action areas if you wish. These are:

1. Reduce our use of energy.

We have reduced our total energy consumption every year since 2016. The decrease from 2018 to 2019 was 5,8% and the decrease from 2019 to 2020 was 6,8%.

2. Reduce the use of dangerous chemicals

Continuous work is done by our Materials Department to reduce the use of dangerous chemicals. During the past year we eliminated the use of primer in our production of weightlifting discs. We have now decided to take the next step in that printing process and invest in cleaning equipment with solvent recycling.

3. Minimise transports, both internal and external

The work we do with our production system, which is based on lean production principles, continuously challenges our logistics systems. At this point we unfortunately have no appropriate indicator to analyse the amount of transports within the HGF group. We are working on projects to optimise packaging for components to reduce transports from our suppliers.

4. Minimise our waste volume

We have implemented a quality system to continuously reduce our scrap rate and we reduced it from 5% to around 1,5% over the last 10 years.

Overall waste volume decreased with around 10% in 2020 compared to 2019.

Apart from the points above, we have made huge investments in a new production line for products made out of recycled rubber tires.

Our Sustainable Procurement Policy, which has been sent out to all suppliers states:

- *The supplier shall identify relevant environmental legal and other requirements and ensure continued compliance with the requirements.*
- *It is encouraged that the supplier implement and maintain an environmental management system such as ISO 14001 or comparable system.*
- *The supplier should look to minimise the use of energy and natural resources and maximise the use of renewable energy sources.*

We assess all companies that wish to become a supplier to HGF and a minimum requirement is that they commit to the 10 principles of the UN Global Compact, but they must also show that they have an environmental management system.

Anti-corruption

HGF's code of conduct is very clear when it comes to corruption:

HGF aims to be perceived as a trustworthy, long-term and reliable collaboration partner and will act professionally, honestly and ethically correct. The Group does not tolerate corruption, bribes and unfair practices that may limit competition. All sales activities and marketing of HGF's products and services shall be conducted in compliance with relevant laws and regulations in each respective country.

- *HGF shall not offer or make undue payments or give other compensation to any person or any organization for the purpose of inducing such person or organization to act in breach of prescribed obligations in order to engage HGF or to retain assignments for the Group.*

- *HGF shall not - directly or indirectly -request or accept any form of undue payment or other compensation given for the purpose of inducing the Group to act in breach of HGF's prescribed obligations.*
- *For the purpose of avoiding conflicts of interest, employees of the HGF Group may only give or accept gifts or services that are in compliance with general business practice, do not breach applicable law, do not represent any major financial gain and cannot reasonably be regarded as constituting bribes.*

2017 we developed and implemented a whistle-blower policy to make it easier for any employee to safely report suspected cases of corruption. In 2019, it was translated to all group languages and made more easily available on the intranet. Now it has also been included in a new employee manual that we have made available. So far no cases have been reported and we have no reported public legal cases regarding corruption neither against the company nor any of our employees.