



The better shopping experience

Corporate Responsibility
Report 2020

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About HL Display

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

HL solutions are installed in over 295,000 stores around the world. Head-

quartered in Stockholm, Sweden the Group serves more than 70 markets. 26 of these are covered by HL sales companies, while the remainder is managed by distribution partners located across the globe.

Our biggest markets are the UK, Sweden and France, and we cater to customers mainly in food and non-food retail as well as branded goods suppli-

ers. Our four production facilities are located in Sweden, Poland, the UK and China and handle a variety of industrial processes, including plastics and metal fabrication, printing, assembly and more.

HL has 999 employees and net sales of 1,520 MSEK. HL is a wholly owned subsidiary of the listed Swedish investment company Ratos.

2020 key figures

Stores

295,000

Markets

70+

Employees

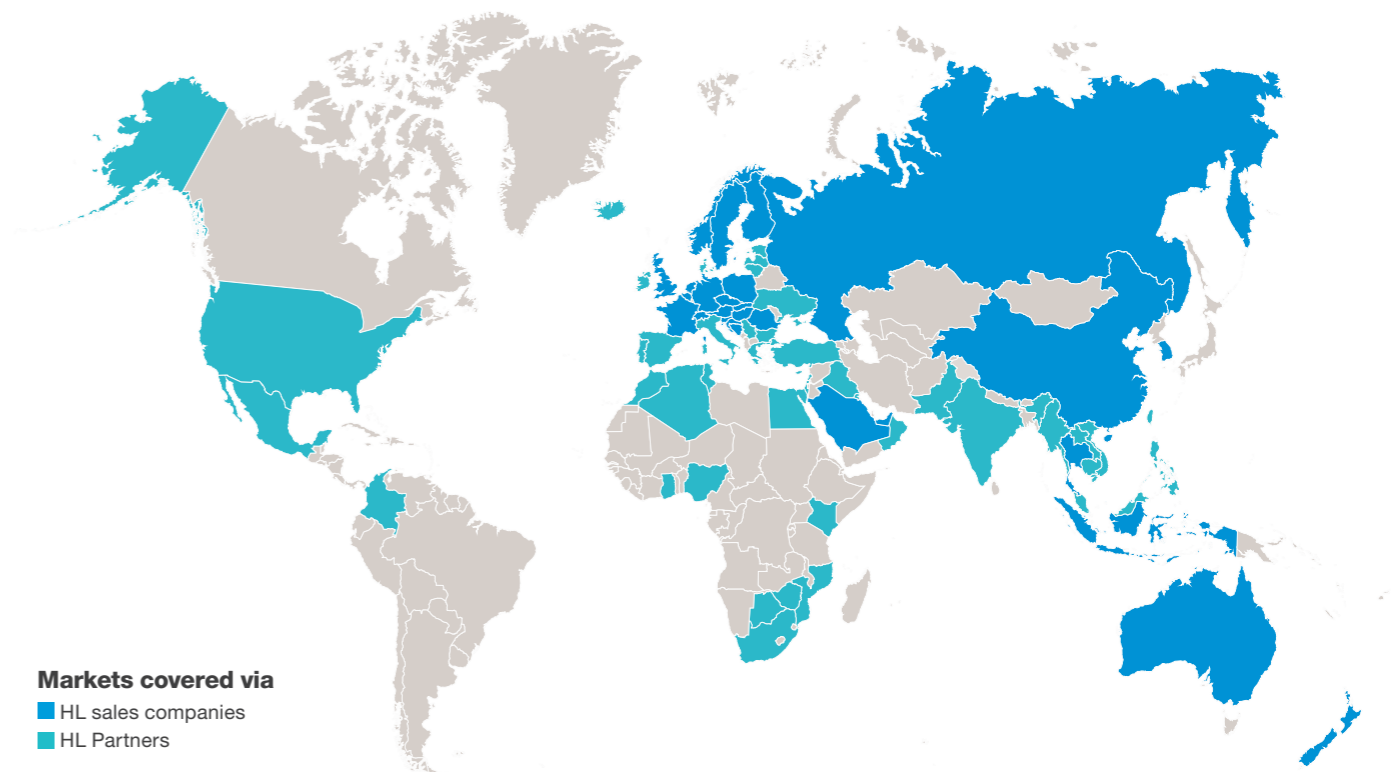
999

Net sales MSEK

1,520

Creating the better shopping experience

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

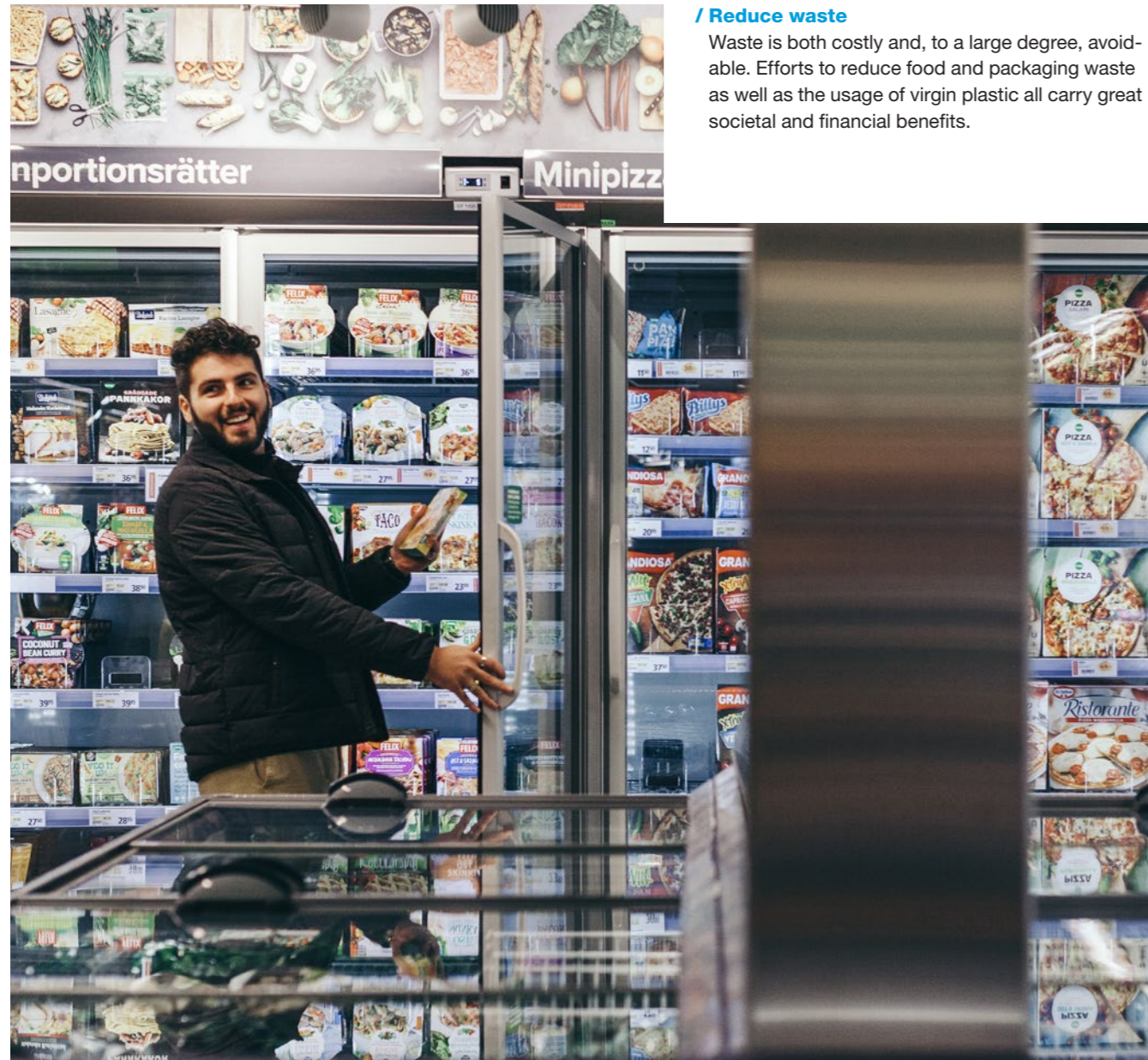


What kind of company we want to be

- / We strive to be European leaders with global reach
- / Staying close to customers, we build market leadership organically, and through acquisitions, and continue to drive profitable growth
- / We offer an industry-leading portfolio of retail proof solutions that solve our customers' challenges
- / De-centralised ownership of commercial results combined with group scale in purchasing, development, design and manufacturing
- / HL is a company that professionals are proud to be a part of

Our promise

With passion for retail development and pride in execution we partner with our customers to deliver on our promises.



/ Grow sales

More than 70% of shopping decisions are made in stores. Improving product presentation and reducing real or perceived out-of-stock improves sales.

/ Inspire shoppers

With experience from working with the world's leading retailers and brands, we have learned how to create solutions that drive differentiation, inspire shoppers and make their shopping trip worthwhile.

/ Drive automation

Our merchandising systems free-up staff by automating repetitive tasks so store personnel can spend time where it really matters – engaging with shoppers.

/ Reduce waste

Waste is both costly and, to a large degree, avoidable. Efforts to reduce food and packaging waste as well as the usage of virgin plastic all carry great societal and financial benefits.

Message from the CEO



Our vision is to be the preferred partner for innovative and sustainable solutions delivering a better shopping experience. In 2020, 'better' took on a new meaning; not only did we help our customers to create stores that are easy to manage and a joy to shop but, more importantly, stores that are safe for both shoppers and store employees. Thanks to our team of dedicated and skilled employees we were able to successfully take on a year of significant disruption and to continue to build a more sustainable business.

We entered 2020 with strong momentum. Profitable growth in 2019, in combination with clear strategic choices and an engaged HL team created the foundation for us to manage the impact of the pandemic. Our Crisis Policy helped us to navigate the immediate challenges posed by Covid-19, ensuring the health & safety of our employees as our #1 priority. Safety measures were swiftly put into place at production sites, distribution centres and offices to ensure our employees' safety and to keep production up and running.

We invested in digital solutions to not only enable our employees to work remotely whenever possible, but also to increase our internal communication. Regular live-streamed townhalls made sure employees received the latest updates on a regular basis and internal conferences usually held face-to-face were moved into a digital format, enabling us to reach more employees across the organisation. We also expanded our e-learning platform to secure continued possibilities for training and development. As a result, we were able to further increase the high engagement levels of our employees which makes me especially proud given the challenging year that lies behind us.

In-line with our vision to be the preferred partner for innovative and sustainable solutions, we switched production to add safety solutions to our product portfolio, supporting our customers to keep stores opened to service shoppers. Furthermore, we continued our focus on reducing the environmental impact of our business and finding ways to do more while wasting less. We increased sales of our Sustainable Choice range of solutions made from recycled or renewable materials and expanded our capacity to process recycled materials. We

also piloted a circular offer, retrieving worn-out HL solutions from retailers with the purpose to recycle them and bring them back to customers' stores as new products. UK retailer Tesco is the first customer to partner with us on a circularity project; please read more about this collaboration on page 18.

In April 2020, we committed to the Science Based Target initiative and are now working to define targets as well as a clear roadmap to ensure we deliver on this commitment. Reducing the environmental footprint of our operations remains a focus area for us in 2021 and beyond, not only to ensure the sustainability of our business but also to continue to support our customers on their journey to more sustainable stores.

As we are starting to see the end of the pandemic on the horizon, we look forward to continuing to build a more sustainable company. It is with pride that I confirm our commitment and support for the UN Global compact and renew our ongoing commitment to the initiative and its principles.

Stockholm, 30 April 2021

Björn Borgman,
CEO, HL Display



The disruption and future of grocery retail

Megatrends shaping the retail landscape

In recent years, retail has been shaped by megatrends such as shoppers' expectations around convenience, experience, service and sustainability. Shifts in demographics and lifestyles including an increasing number of single households, a growing but aging population and urbanisation have led consumers to re-prioritise their time, and concerns around sustainability have urged them to reduce their environmental footprint.

The great disruption

As the Covid-19 pandemic disrupted all areas of life dramatically, it also impacted store operations and the way consumers shop. Shoppers' stock piling of pantry and hygiene items at the beginning of the pandemic changed supply chain patterns and made it difficult for store personnel to keep shelves well stocked. Hygiene measures were implemented rapidly as ensuring the health and safety of shoppers and store personnel became the key priority for any retailer.

The significant reduction of out of home activities changed both where and what consumers shop: while previously successful convenience players located in city centres or near offices suffered dramatic sales losses, grocery stores placed in residential neighbourhoods saw an upswing in sales as people spent more time at home. As consumers avoided crowded restaurants, more started to use delivery services or cooking at home, making many grocery retailers turnover rise significantly compared to the prior year. Other than in previous years, consumers reduced their number of shopping trips, preferring stores offering full assortments rather than specialists – or ordering groceries online, many times for the first time, in an attempt to avoid physical stores all together. As a result, growth of the online channel accelerated far beyond expectations. While many retailers fast-tracked possibilities to offer online shopping, identifying a delivery model which is financially viable still poses a challenge for many grocery players.

Which changes will last?

While many shoppers might return to some of their old habits once the pandemic is over such as visiting restaurants and shopping dinner for tonight on their way back from work, other trends like the increasing popularity of online grocery shopping might be here to stay. Ultimately, this will depend on if shoppers' changed behaviours which were a necessity during the pandemic, turn out to be beneficial to them in the future when they feel safe moving around more freely.

Sustainability is here to stay

One trend shows not only real staying power but even a renewed focus: the need for more sustainable products and stores. As shoppers increasingly prefer locally sourced and organic products and are looking for ways to reduce their environmental footprint for example by reducing their use of plastic, retailers have pushed sustainability initiatives forward despite the demands of managing the effects of the

pandemic. The introduction of packaging-free aisles, the opening of sustainable stores, intelligent supply systems ensuring better control over food waste and more closely defined requirements towards suppliers are just some examples for how grocery retailers address their shoppers' expectations.

Impact on HL's operations

The evolving retail landscape presents several opportunities for HL. As focus shifts away from the pandemic and back to creating more pleasurable and convenient shopping experiences that make the store visit worthwhile, questions of store efficiency might rise back up. To address this, we offer solutions to create attractive stores that are also easier to manage for store staff. Furthermore, a key HL initiative to help create more sustainable stores has been the replacement of virgin plastic with alternative materials. The possibilities of creating more sustainable solutions presents a major opportunity for HL.

Our mission

Make retail an experience, not just a transaction

Our vision

To be the preferred partner for innovative and sustainable solutions delivering a better shopping experience around the world

Our strategy

/ Growing Business & People

Growing our business profitably and continuously developing our people is essential to what we do. Leveraging our unrivalled market presence, experience in the industry and cutting-edge innovation, our entities are able to grow sales organically, and businesses we acquire allow us to accelerate profitable growth.

/ Best in Class Cost Efficiency

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

/ Leaders on Innovation & Sustainability

Our passion for grocery retail translates into an industry-leading portfolio of retail proof solutions that solve our customers' challenges. We innovate to create shopping experiences that are truly better. Inspiring shoppers, growing sales and reducing cost, and helping make stores more sustainable ... and our own operations too.

/ Easy to do Business with

We partner with our customers to grow their businesses. Excellent customer service, strong local market presence and a mindset of making things easy for those around us ensure an outstanding customer experience. Applying the same principles to our internal operations, this is a source of pride for us and true value for our customers.

Highlights 2020

Our vision is to be the preferred partner for innovative and sustainable solutions delivering a better shopping experience around the world. In 2020, we came even closer to fulfilling our commitment to ingraining sustainability into our daily operations.

Continuing to excel despite Covid-19



No compromises in safety

With the help of our employees, we implemented various safety measures at production sites, from taking temperatures when entering the sites to forming teams with different virus control responsibilities, in order to keep our employees safe and our factories up and running.

Focusing on our employees, and keeping them focused

To match our employees' needs in a changed working environment, we established digital townhall meetings for all employees to hear the latest updates from our CEO, live streamed globally first weekly, then once per month. We also communicated general Covid-19 guidelines, recommendations and measures to both office- and non-office-based employees through staff meetings, a newly created Covid-19 site on our intranet, the monthly CEO letter and posters in multiple languages.

New safety solutions to match the needs created by the pandemic

As a response to the outbreak of Covid-19, we quickly revamped our production by adding safety solutions to our portfolio. We supported our customers by creating face and counter covers, as well as protective screens and more.

Supporting local communities

To support essential workers during the pandemic, part of our production of face covers was sent free of charge to hospitals in the Gliwice region of Poland.

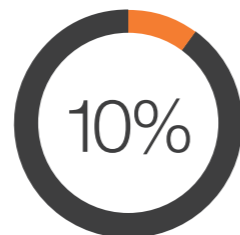
Helping customers to reduce waste

HL Sustainable Choice becomes part of our standard offer

During 2020, our HL Sustainable Choice offering was extended further and converted into part of our standard offer with a growing focus and customer demand on recycled plastics.

HL Sustainable Choice accounts for more than 10% of sales

Our ambition is to deliver sales growth of the Sustainable Choice offer of +10 percent year on year. In 2020, Sustainable Choice sales accounted for more than 10 percent of our total sales.



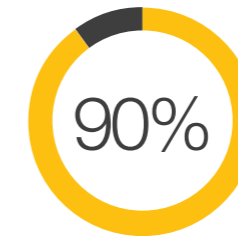
Closing the loop through circular solutions

During 2020, we pioneered a system to retrieve our own products at the end of their life, allowing us to use them as recycled raw material and thus, avoiding incineration.

Creating the best workplace

Employee engagement at 90%

90 percent of HL employees stated that they find their work engaging, according to our employee engagement survey (2019: 87 percent).



Continuing to operate in a challenging environment

Thanks to the hard work and efforts of our employees, we were able to remain functioning throughout the year despite Covid-19. For office and sales staff this meant working remotely and rigorous safety measures were taken at our factories and distribution centres to ensure we could keep production up and running.

Further expansion of our e-learning platform

Despite a challenging year, we managed to take several steps in our development plan, such as expanding our e-learning platform to include trainings in Competition Law, Sustainability and our Code of Conduct.

Investing in digital solutions

Large parts of our organisation were able to keep in touch digitally; our Global Sales Meeting was held online during 2020, as were two Global Leadership Forums, which allowed managers to share their best practices for Covid-19 management, amongst other topics.

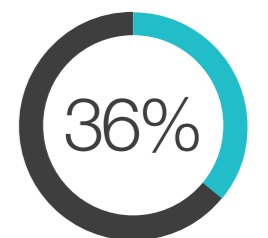
Driving continuous improvement in operations

Increased amount of externally sourced high-quality recycled material

We are continuously working to increase the supply of recycled material available. In 2020, we began a sourcing project that would increase our pool of reliable suppliers of high-quality recycled material. During 2020, to cover the growing need for recycled plastic, the amount of externally sourced recycled plastic increased from 45 tonnes to 210 tonnes.

Cutting emissions by being strategic about logistics

In 2020, we partnered with a fourth-party logistics provider in the Nordics to optimise freight logistics to all Nordic customers and outbound transport from our Sundsvall factory to European distribution centres.



Increased capacity for recycled plastic

We increased our investments in capabilities to recycle production waste; 36 percent of our plastic production waste was recycled into new products in 2020 (2019: 26 percent).

Committed to Science Based Targets

In 2020, we committed to the Science Based Targets initiative and will be setting targets during 2021.

Ensuring responsibility throughout the supply chain

New system for supplier management

In 2020, we invested in a supplier management system that will help us screen and monitor suppliers in order to avoid risk in the supply chain, as well as enable us to systematically gather data, store documents and have more systematic engagement with our suppliers. We are planning to launch this platform in 2021.

Our Purchasing Policy becomes our Code of Conduct for Suppliers

The HL Purchasing Policy was transformed into the Code of Conduct for Suppliers in order to push our suppliers even further to match our level of sustainability.

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 HL's commitments

Our operations are built upon 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 (replaced by our Code of Conduct for Suppliers as of 2021). The Corporate Responsibility Policy is discussed and approved annually by HL's Board of Directors and it describes the company's corporate responsibility ambitions. It was updated in 2020. Read more about our policies on <https://www.hl-display.com/about-hl/corporate-responsibility/>.

HL has been a member of the United Nations Global Compact since 2010. The principles of the Global Compact on human rights, labour, environment and anti-corruption have been an integral part of our strategy, culture and day-to-day operations. During 2020, HL became signatories of the Science Based Targets initiative and we plan on setting our Science Based Targets during 2021.

Management of corporate responsibility

The Group Management Team has the overall responsibility for HL's sustainability efforts, while local entities have a high degree of responsibility for sustainability work on a daily basis, particularly in regard to the environment and health and safety at the production facilities. Corporate responsibility performance is evaluated and reported to the Group Management Team following a defined reporting frequency. In 2020, in order to work towards our ambitions to become a sustainability leader within the industry, we appointed a Senior Product and Sustainability Manager who will drive forward HL's efforts in sustainability in an even more systematic way.

Stakeholder engagement

Employees:

HL's 999 employees, located across 26 countries, are fundamental to everything we do. We continuously invest in developing the best possible workplace, and in having an ongoing and transparent dialogue around opportunities, challenges and expectations – a key prerequisite for creating a motivational work environment where all employees feel encouraged to develop.

We engage through:

- / Day-to-day coaching and dialogue – intensified during pandemic
- / HighLight employee engagement survey
- / CEO awards
- / Performance appraisals
- / Monthly digital townhall meetings

Some of the topics raised:

- / Health & safety
- / Diversity & equal opportunities
- / Learning & development
- / Work-life balance

Customers:

HL caters to customers within grocery and non-food retail, as well as branded goods suppliers. Retail is a fast-evolving industry, driven by shopper expectations and technological progress; we support customers in creating inspiring in-store environments that are both profitable and more sustainable.

We engage through:

- / Regular digital or physical meetings
- / Social selling and advertising
- / Retail fairs prior to Covid-19

Some of the topics raised:

- / In-store health & safety of shoppers and store employees
- / Responsibility throughout the supply chain
- / Reduction of food, plastic and packaging waste
- / Long-lasting quality products

Shoppers:

As shoppers' lifestyles are evolving, so are their needs, expectations and demands. As we faced exceptional circumstances in 2020, established shopping patterns were disrupted. Understanding and adapting to those changes by delivering more sustainable shopping experiences that are also safe, convenient, and inspiring is vital to our customers' success and, in turn, our own.

We engage through:

- / Feedback via our customers
- / Shopper insight research

Some of the topics raised:

- / Safety while shopping
- / More sustainable stores
- / Better shopping experiences

Suppliers:

HL's suppliers play a vital part in our ability to deliver innovative and sustainable solutions for better shopping experiences around the world. Development and availability of quality materials – including alternatives to virgin plastic – or finished goods are at the core of our offer to our customers.

We engage through:

- / Regular meetings and dialogue
- / Supplier audits up until March 2020

Some of the topics raised:

- / Development and sufficient availability of more sustainable materials
- / Ethics and ways of doing business
- / Value creation



Materiality review and focus areas

To identify the areas we should focus on in our sustainability efforts, we regularly review our materiality analysis.

In 2020, we conducted a materiality assessment with the goal of determining the most important sustainability topics to concentrate on. During a time of a rapidly changing external environment and stakeholder demands, it is essential to focus on what is most material. Internal stakeholders have been

engaged in this work and the materiality assessment has been discussed with HL management. In this assessment, several aspects have been considered: what is the importance and relevance of the topics to HL's business, what are the most important stakeholders expecting, and what is the degree of

impact that we can have on these topics. The assessment concluded that we will concentrate on the same four focus areas as before but some of the topics within those areas have been updated to reflect the changing landscape.

HL reviewed the **UN Sustainable Development Goals** in 2019 and identified the ones on which we have the biggest impact throughout our business and sustainability efforts. Three development goals were selected as the most important ones to address:



Goal 8.
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

How do we impact this goal?

- / Efficient production processes, including waste management and use of recycled and bio-materials
- / Our Code of Conduct and the Code of Conduct for Suppliers set the standard for doing business, for ourselves and our suppliers
- / Health & safety of our employees

Read more about our efforts under "Driving continuous improvement in operations" and "Ensuring responsibility throughout the supply chain".



Goal 10.
Reduced inequality within and among countries

How do we impact this goal?

- / Recruitment and HR practices covering diversity, promotions, salary, and more
- / Our Corporate Responsibility Policy has an increased focus on diversity

Read more about our efforts under "Creating the best workplace" and "Ensuring responsibility throughout the supply chain".



Goal 12.
Ensure sustainable consumption and production patterns

How do we impact this goal?

- / Our solutions enable our customers to reduce waste and their environmental footprint
- / We have launched HL Sustainable Choice to offer alternatives to virgin plastic

Read more about our efforts under "Helping customers to reduce waste" and "Driving continuous improvement in operations".

Focus areas and material topics:



Helping customers to reduce waste



Creating the best workplace



Driving continuous improvement in operations



Ensuring responsibility throughout the supply chain

Prioritised topics

- | | | | |
|---|--|---|---|
| <ul style="list-style-type: none"> / Expand our Sustainable Choice offer / Focus on end-of-life treatment of products | <ul style="list-style-type: none"> / Ensure safe work environments for our employees / Embrace diversity and equality of our employees / Develop and maximise employee engagement | <ul style="list-style-type: none"> / Increase use of recycled and more environmentally friendly materials / Reduce the carbon footprint of our operations | <ul style="list-style-type: none"> / Have a comprehensive supplier risk assessment / All HL suppliers to sign and adhere to Purchasing Policy |
|---|--|---|---|

Other topics we work with

- | | | |
|---|--|--|
| <ul style="list-style-type: none"> / Offer products that are resource efficient and long lasting / Provide information about the environmental impact of our products / Reduce food waste / Reduce consumer packaging | <ul style="list-style-type: none"> / Create a workplace where people live our values / Ensure that all our employees sign and adhere to our Code of Conduct / Ensure the same quality of employee experience to all employees | <ul style="list-style-type: none"> / Reduce raw material consumption / Decrease water consumption year by year / Improve the efficiency of our transportation / Have all our factories certified according to ISO 14001 and ISO 9001 Standards |
|---|--|--|

Key achievements

- | | | | |
|--|---|---|--|
| <ul style="list-style-type: none"> / HL Sustainable Choice is now part of our standard offer / Pioneered a system to retrieve our own products at the end-of-life and recycle them to use as raw material in production / Addition of safety solutions to our portfolio as a response to Covid-19 | <ul style="list-style-type: none"> / Continued to operate in a challenging environment through remote working and rigorous safety measures in our offices, factories and warehouses / Expanded e-learning platform / Held two digital Group Leadership forums where managers shared their best practices on Covid-19 management as well as a digital Global Sales Meeting / Increased communication with employees as part of our Covid-19 management | <ul style="list-style-type: none"> / Increased capacity for recycled plastic / Improvement of the production process to reduce scrap generated / Reduction of water consumption / Decrease of energy consumption / Reduction of emissions by being strategic about logistics | <ul style="list-style-type: none"> / Continued to sign Purchasing Policy, with both important and new suppliers / New Code of Conduct for Suppliers created and communicated, valid as of 2021 / Decision to move to a new supplier management system |
|--|---|---|--|

Targets 2021

- | | | | |
|---|---|--|---|
| <ul style="list-style-type: none"> / Increase sales of HL Sustainable Choice by 10 percent year on year / Develop a circular offer that can be extended across Europe | <ul style="list-style-type: none"> / No accidents leading to absence / Results of HL's annual Employee engagement survey to show: <ul style="list-style-type: none"> // At least 80 percent of employees experience equal opportunities // At least 80 percent of employees find their work engaging | <ul style="list-style-type: none"> / Define CO₂ reduction plan and have targets approved by Science Based Targets initiative / Increase the use of recycled material by 10 percent year on year | <ul style="list-style-type: none"> / All of our important suppliers* are covered in the supplier risk assessment / For 90 percent of our important suppliers to have signed our Code of Conduct for Suppliers |
|---|---|--|---|

*Our important suppliers are made up of the suppliers that cover 80 percent of our total spending

Read more on page 14

Read more on page 20

Read more on page 28

Read more on page 36



Prioritised topics

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

Other topics we work with

- / Offer products that are resource efficient and long lasting
- / Provide information about the environmental impact of our products
- / Reduce food waste
- / Reduce consumer packaging

Key achievements

- / HL Sustainable Choice is now part of our standard offer
- / Pioneered a system to retrieve our own products at the end-of-life and recycle them to use as raw material in production
- / Addition of safety solutions to our portfolio as a response to Covid-19

Targets 2021

- / Increase sales of HL Sustainable Choice offer by 10 percent year on year
- / Develop a circular offer that can be extended across Europe



Helping customers to reduce waste

HL provides solutions to retailers and branded goods suppliers to create shopping experiences that are better for profit and planet.

Our solutions support clients to develop more sustainable stores

A better shopping experience is also a more sustainable shopping experience. Helping customers to develop long-term sustainable businesses is a priority; that is why we provide our customers with innovative ways to reduce their environmental footprint. We are also saving resources and decreasing the use of virgin materials in a myriad of ways, including the increased use of recycled or bio-based materials instead of virgin ones. As the use of sustainable materials becomes more commonplace in HL products, we aim to encourage and enable a more circular flow of components and solutions by, for example, closing the loop and reducing the dependency on virgin fossil-based resources.

Altering production in response to the pandemic

During 2020, we were able to support our customers by co-developing protection and safety solutions. We were able to expand our standard

assortment quickly to include solutions such as protective screens and face and counter covers. "It was a turbulent year that brought significant learnings. The key goal for our customers was to keep their staff and shoppers safe and their stores open and we worked closely to develop solutions together with them," says Björn Borgman, CEO of HL Display. Our factories worked hard and proved to be agile in turning the production lines over to produce health and safety equipment. A portion of face covers designed and produced in our Gliwice factory was sent free of charge to hospitals in the region.

Helping customers to reduce packaging and food waste

Our aim is to help our customers reduce packaging and food waste by offering solutions ranging from bins for packaging-free merchandising to our Sigma™ system for fresh produce. Sigma™ is a modular merchandising solution tailored to create stunning visual displays and abundant presentations that showcase a larger variety of produce while minimising the need for large on-shelf inventory. The shelving and racking units will never rust, peel, chip or flake as they are made of anodised aluminium. Aluminium is

"We see great opportunities to increase the circularity of our business. This is a top priority. Almost daily we are conducting different trials with recycled materials in our factories."

Jonas Marking, Senior Product and Sustainability Manager

Helping customers to reduce waste

one of the best temperature conductors, drawing out and dissipating heat faster than steel, ensuring effective cooler circulation and maximizing refrigeration air flow. By installing Sigma™, our customers have seen both a reduction of food waste and an increase in sales.

Packaging-free merchandising

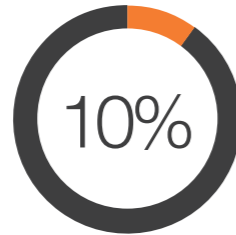
Even as the demand for packaging-free goods has decreased temporarily due to Covid-19, more and more retailers and brands are merchandising products unpacked in dedicated shelf sections, aisles or sustainable stores. We believe that this area will continue to grow in the future.

The display and dispensing of loose products give retailers an opportunity to create differentiation, reduce waste and drive higher margins. Simultaneously, they provide shoppers with a more authentic experience and greater options; they can pick their favourites and buy exactly the amount they need, all while avoiding unnecessary packaging.

The shift towards more sustainable material continues to be a consumer-driven trend accelerated by a growing awareness of the environmental impact of individual consumption. This has led to a growing number of retailers and brands having the reduction of plastic usage and waste as a top priority.

HL Sustainable Choice becomes part of our standard offering

We have been offering HL Sustainable Choice, a range of merchandising solutions made from bio-based or recycled materials developed in collaboration with academic research institutions, since 2018. Already in 2019, HL was able to offer customers a Sustainable



Sales of HL Sustainable Choice accounted for more than 10 percent of total sales

Choice for 37 percent of the assortment, starting with datastrips and shelf talkers. During 2020, the demand for a Sustainable Choice option has grown, especially from brand customers. While we were not able to reach our ambitious target of 200 MSEK in sales for this range in 2020, sales of Sustainable Choice accounted for more than 10 percent of total sales. Going forward, the target is to increase sales of Sustainable Choice products by 10 percent year on year. To further support the shift to alternative materials, selected products are available partly made from recycled plastics only, such as dividers and bins for packaging-free merchandising.

Recycled materials gaining momentum

The interest in recycled materials is growing rapidly and many companies are making significant efforts to increase their recycling and use of recycled material. In 2020, our focus on recycled materials became even clearer. We were able to increase our sourcing of recycled material from external parties to 210 tonnes (2019: 45 tonnes). However, securing the supply for recycled plastics remains a challenge, as the demand continues to be greater than the current supply.

Read more about our recycled materials on page 30.



Customer case:

Marks & Spencer implements 'Fill your own' refill concept



Marks & Spencer (M&S) recognises the increasing importance and popularity of packaging-free merchandising. Packaging-free merchandising, which has previously been more common now gaining momentum among zero waste stores, is now gaining momentum among big retail chains in the United Kingdom (UK), as they discover the benefits of using bulk bins, while meeting consumer preference.

Research* by M&S Food today shows that over 75 percent of consumers are consciously making efforts to reduce their use of plastic packaging. Refillable groceries are becoming more popular to support this ambition, with two thirds of shoppers more likely to adopt this concept now compared to the same time last year (2019), and about 23 percent of consumers actively search retailers that offer refillable groceries.

That is why, in December 2020, Marks & Spencer opened a new store in Staines, UK, its third store to feature the popular 'Fill Your Own' concept after its successful introduction at Hedge End and Manchester. The retailer is focused

on supporting customers to reduce, reuse, and recycle packaging, with over 50 lines of refillable grocery essentials that include products such as coffee beans, cereals, pasta and frozen fruit.

It allows shoppers better control over their purchase - choose the exact product mix and quantity they would like and avoid unnecessary package waste. Customers have the option to purchase reusable containers, or alternatively free, recyclable paper bags are made available to them. For their range of dried food, confectionery and coffee, HL installed 4eBins™ and Scoop Bins.

Outselling packaged alternatives

'Fill Your Own' has proven popular amongst shoppers at M&S, despite the shift in consumer behaviour during the pandemic, and over 40 percent of the lines are currently outselling the packaged alternatives.

If retailers and consumers joined forces to make a conscious effort towards offering and buying packaging-free products, it will be a win-win-win scenario - for the retailer, consumer, and environment.

*Figures from YouGov Plc via Marks & Spencer. Total sample size of 2,218 adults. Survey was undertaken online between 12th - 13th February 2020. The figures have been weighted and are representative of all GB adults (aged 18+).

Customer case:

Together towards a circular economy:
HL's and Tesco's partnership to close the loop

To take steps towards solving the widespread plastic problem and reuse as much of their plastic waste as possible, Tesco approached HL about closing the loop on their datastrips.

How plastic waste is currently handled globally is a massive problem, not the least because the current structures do not fully support a sustainable end-of-life treatment of plastic and steps towards a circular economy. One of the largest obstacles when it comes to closing the loop on plastic is the capacity to sort plastic waste – a process that Tesco has successfully put into place. As a step to minimize their environmental impact, Tesco built a system where they have complete control of their plastic waste streams. This system allows Tesco to recycle and reuse 70 percent of their plastic waste each year and the remaining 30 percent are resold on the market. The 30 percent are partially made up of PVC plastic, which is difficult to recycle, and Tesco is continuously working on finding solutions to close the loop on PVC plastics.

Datastrips brought back to life

As a provider of datastrips made of PVC to Tesco, HL was ready to take on the challenge to recycle the material in old datastrips to make new ones.

First, the recycled material needs to be processed to remove all types of contamination. This is key to ensuring that the quality of the new products is not compromised. The front of the new datastrips using recycled material need to have a high transparency to make it easy to read the price labels. They also need to be able to withstand the wear and tear of the retail environment just as well as those made of virgin material, to keep the same lifetime and ensure environmental benefits.

During the development process, the HL team worked to find the right balance between performance and cost, being careful not to impact the quality and lifetime of the end product. A very important

“The initiative shows that Tesco and our supply chain take our environmental impact seriously. HL has worked proactively to find solutions to make this a sustainable, long-term initiative. The recycled datastrips perform just as well as the ones made of new material, and after a few more tweaks, the pilot project will be sustainable going forward.”

Shane Riches, Procurement Manager
– Waste and Recycling at Tesco

part of the process has been fine-tuning the amount of recycled material that can be featured in the end product without impacting the quality or the production process.

As for this pilot project, the first of its kind for HL - the recycled datastrips are now being launched in Tesco's stores, closing the loop on part of Tesco's waste stream.

Rethinking collaboration in the supply chain

The key to unlocking closed loop solutions is breaking away from the current ways of working, rethinking the transaction model and introducing new players. This is where the importance of collaborating with the whole value chain comes in.

Since HL cannot create separate waste streams for its own products, new players need to be added into the mix, like waste management companies. As a datastrip supplier to Tesco, HL has been able to take back sorted PVC waste from Tesco through their waste management company and reproduce it into new datastrips that are reintroduced into Tesco's

stores. The ground breaking journey to closing the loop on datastrips is therefore three-fold. Through Tesco's process of handling waste, and thus acting as a collector and source of recycled material, the waste management company's sorting system and HL's capacity to clean and handle the used material, a pilot project has successfully been launched.

In this pilot, the value chain has successfully come together, leading to less usage of virgin material and avoiding incineration of the product at end-of-life.

“This project is an example of the shift needed in logistics in order to provide a circular offer. The whole value chain needs to work together and integrate our processes more than ever before.”
– Jonas Marking, Senior Product and Sustainability Manager at HL

The initiative is yet one more step that both HL and Tesco have taken to actively work to reduce their environmental impact, showcasing how proactive collaboration throughout the value chain on joint initiatives are building a sustainable future.



Helping
customers
to reduce
waste

Increasing supply of high-quality recycled material

“We see great opportunities to increase the circularity of our business. This is a top priority. Almost daily we are conducting different trials with recycled materials in our factories,” says Jonas Marking, Senior Product and Sustainability Manager. “The challenge is to balance the customer demand in terms of appearance and cost of the product with the material that is available on the market,” he explains.

During 2020, HL started up a sourcing project for recycled plastic focused on increasing our pool of reliable suppliers of high-quality recycled material.

Moving towards a circular economy

HL is taking active steps to drive development towards a circular economy. In 2020, we began to implement systems to collect our own products at the end of their life to be used as raw material in newly produced items, in order to solve the challenge associated with sourcing quality recycled material as well as to avoid incineration at the end-of-life.

210 tonnes
recycled material sourced
from external parties

We see great potential to reduce CO₂ emissions by closing the loop as approximately 40 percent of emissions come from incineration at end-of-life.*

“The most challenging aspect to solve is the collection and sorting of used products. In most cases it will not be practically possible to have customers run a separate waste stream for our products,” explains Jonas Marking. “We need to trace the waste from the retailer to try to find the point where our products can be separated from the stream. To solve this, we need to form partnerships with waste management companies and develop new business models with our customers,” he elaborates.

While we have launched pilot projects in this area and we have seen big interest in circular offers, it will take a long time to apply the solution to a wide range of

customers, partially due to the challenge of retrieving the material in an efficient way. We have the ambition to develop a circular offer that can be extended across Europe by the end of 2021.

Understanding the impact of our products

It is important to know the environmental impact of our products' whole life cycle and therefore we are actively working to understand this impact. To understand how our products affect the environment and in turn communicate this to our customers to help them make more sustainable choices, we conducted a life cycle assessment (LCA) for datastrips in 2017. This assessment, done by IVL, showed that 40 percent of the CO₂ emissions that are related to our datastrips come from the raw material and another 40 percent come from incineration at end-of-life. Furthermore, 15 percent of emissions come from our own operations in Sundsvall and the remaining five percent are related to transportation. Our aim is to continue compiling this information by conducting life cycle assessments for at least two more product ranges during 2021.

*Based on the Life Cycle Assessment for datastrips at HL Display AB, study compiled by IVL, 2017.

Creating the best workplace

HL aims to provide an inclusive and safe workplace where employees value their work, perform well and are given equal opportunities to develop. Therefore, HL continuously invests in developing the best workplace.

Engaged employees are the driving force behind our success

HL has 999 employees operating in 26 countries in Europe, the Middle East and Asia. The company is made up of many different professional groups, including sales representatives, factory workers, designers, procurement specialists, factory managers, warehouse employees and more, who all play different but equally important roles. Our employees' competence, performance, and wellbeing are fundamental for HL to continuously develop and improve our business. HL is committed to providing an inclusive workplace that attracts new talent and has a high retention rate.

Ensuring health and safety of employees

At HL, health and safety risks are mainly associated with production. We actively work to ensure safe workplaces with a good working environment in order to secure the delivery of high-quality products and solutions. HL works in a preventive and systematic way with workplace safety by regularly updating safety procedures and examining risk factors. Factories in Sundsvall, Gliwice and Suzhou comply with the health and safety standard OHSAS 18001, and the Harlow factory is under certification.

All employees at HL's production facilities and distribution centres undergo mandatory health and safety training, and additional trainings are conducted as required. HR team and facility managers of the respective production facilities are responsible for carrying out health and safety work.

HL aims to provide a safe workplace free of any workplace accidents. Safety is a continuous journey and a matter of investing in proactive measures that ingrain safety into our culture. At HL we conduct at least two internal audits per year to increase our systematic health and safety work. In 2020, seven accidents

Employees by employment contract

	Nordic countries			Rest of Europe			Asia			Total		
	Women	Men	Total	Women	Men	Total	Women	Men	Total	Women	Men	Total
Permanent employees	69	137	206	302	316	618	42	49	91	413	502	915
Temporary employees	8	0	8	39	29	68	2	6	8	49	35	84
Total	77	137	214	341	345	686	44	55	99	462	537	999



Prioritised topics

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

Other topics we work with

- / Create a workplace where people live our values
- / Ensure that all our employees sign and adhere to our Code of Conduct
- / Ensure the same quality of employee experience to all employees

Key achievements

- / Continued to operate in a challenging environment through remote working and rigorous safety measures in our offices, factories and warehouses
- / Expanded e-learning platform
- / Held two digital Group Leadership forums where managers shared their best practices on Covid-19 management as well as a digital Global Sales Meeting
- / Increased communication with employees as part of our Covid-19 management

Targets 2021

- / **No accidents leading to absence**
- / **Results of HL's annual Employee engagement survey to show:**
 - // **At least 80 percent of employees experience equal opportunities**
 - // **At least 80 percent of employees find their work engaging**



Creating
the best
workplace



100%
of employees had at
least one performance
review in 2020*

90%
of employees find their
work engaging

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

leading to absence or sick leave were reported (2019: 9). Furthermore, 15 minor accidents were reported in 2020 for a total of 22 accidents. Based on these accidents, our overall accident rate was 14.04 and our lost time accident rate was 4.47 per 1 million hours worked.* In 2020, no fatal accidents occurred (2019: 0).

All of HL's employees enjoy a range of wellness benefits, depending on the country and local rules and regulations. The benefits range from wellness allowances and contributions to fees covering sporting event participation, such as marathons, to contributions to health checks and private healthcare services. HL is keen to follow collective agreements in countries where such agreements are in place. 30 percent (2019: 30 percent) of our employees are covered by formal collective agreements.

The pandemic redefines safety

Health and safety took on a new meaning during 2020. We responded quickly to the Covid-19 pandemic, keeping our employees' health and safety a priority. 80 percent of HL European office staff began working remotely and we were able to minimise lay-offs by following local regulations on working time and furlough, as well as by maintaining a dialogue with local unions. New office rules, safety equipment, trainings and guidelines were put into place throughout HL. Our Suzhou factory was our first factory to be hit by Covid-19 and closed on 22 January 2020, but after new routines for safety and hygiene were put into place, as well as temperature measures and trainings, the factory was re-opened on 10 February 2020, making us the first to do so in the region.

In response to the Covid-19 pandemic, we increased communication to employ-

ees by, for example, creating a separate Covid-19 site on our intranet outlining general guidelines and recommendations and highlighting measures in our monthly CEO newsletter. Our CEO also held digital townhall meetings live-streamed globally for all employees, first weekly, then once per month. In our factories and regional distribution centres Covid-19 measures, guidelines and recommendations were communicated through staff meetings, chats and posters in multiples languages.

Case:

Proactive safety measures are key

All our factories take a proactive approach to safety with the goal of minimising incidents at our sites and creating a strong safety culture. To develop a safer work environment and increase the safety mindset of managers and employees, all our factories follow a safety process.

During 2020, we further developed our safety process in our Sundsvall factory by implementing follow-up on Risk Observations. The Risk Observation process ensures that employees pinpoint potential risks, helping to prevent incidents from occurring. By implementing a more rigorous follow up, we ensure that action is taken to address the reported observations. Nearly 100 observations have been reported to managers and operators in production during 2020, which shows that the safety mindset is well adopted by employees.

Furthermore, we conduct safety inspections called "Skyddsronden" at the Sundsvall factory. The inspections follow up on observations in all areas, from bad lighting to damaged safety equipment. To ensure that different perspectives are included, the process is carried out by teams of personnel that are both part of the working area and not.

"It is really important to invest in preventive safety measures, not only to secure production and lower cost, but most importantly to protect personnel from injuries," explains Jan Åström, Quality Manager at the Sundsvall factory. As a result of high safety culture, there have been no serious incidents in 2020. "Production during the second half of 2020 was running at 21 percent higher capacity than ever before, without any extra incidents and less personnel on sick leave due to factory-related incidents," Jan Åström reports.

Equality and diversity are fundamental

A diverse organisation is necessary for a successful and innovative business, especially for a multicultural company with global operations like HL. Thus, it is essential for us to provide equal opportunities to all employees regardless of gender, religion, ethnic background, sexual orientation, family situation or age. We are committed to maintaining, and are actively working to develop, an inclusive workplace

*Hours worked are derived from an estimation based on head count and theoretical worked hours at HL's production sites, which could impact the accuracy of the above data.

where zero-tolerance applies to all forms of discrimination and harassment. This is outlined in our Corporate Responsibility Policy. Our Code of Conduct focuses on the complexity of diversity issues and the importance of creating an inclusive workplace where everyone can thrive.

At HL, the overall gender distribution is 45 percent women and 55 percent men (2019: 46 percent women, 54 percent men, based on permanent employees). However, there are areas where this division is not as balanced. The gender distribution of managers at HL is, for example, 27 percent women and 73 percent men. In other areas, such as procurement specialists and factory managers, the gender distribution is fairly even. We are also proud to have a relatively even gender balance among production operators, a profession usually dominated by men.

Same quality of employee experience for all employees

We ensure that all employees are treated with the same quality standards through our streamlined HR procedures for recruitment, salary processes and performance management, as well as the exit interviews that are conducted if an employee decides to leave HL.

As part of the recruitment process, our HR business partners are qualified in using tests to evaluate candidates' abilities, behaviour and personality to ensure an unbiased and well-founded decision based on merits. Furthermore, recruitment ads aim to be inclusive and encourage applicants of all genders.

All employees with comparable qualifications and work tasks should have the same working conditions. Salary is to be based on the level of difficulty and performance compared to targets. In order to provide equal opportunities in career development, HL has a systematic approach to employee development and promotion. For example:

During our internal talent review process management teams evaluate their team members' career potential and performance according to set criteria. This process reduces risk of subjective decision making regarding individual career opportunities and development.

Our Compensation & Benefits Policy helps managers make neutral decisions about pay raises, based on qualification and performance.

We conduct an annual measurement on employees' perception of being treated equally in the workplace. Should the results indicate that a particular department, country or area has an unacceptably low score, we act accordingly.

According to our annual employee engagement survey, 58 percent of HL employees believe they are given equal opportunities (2019: 56 percent) and another 21 percent of employees chose not to answer (2019: 22 percent). We are actively working to understand the driving forces behind these answers and to give equal opportunities to all HL employees.

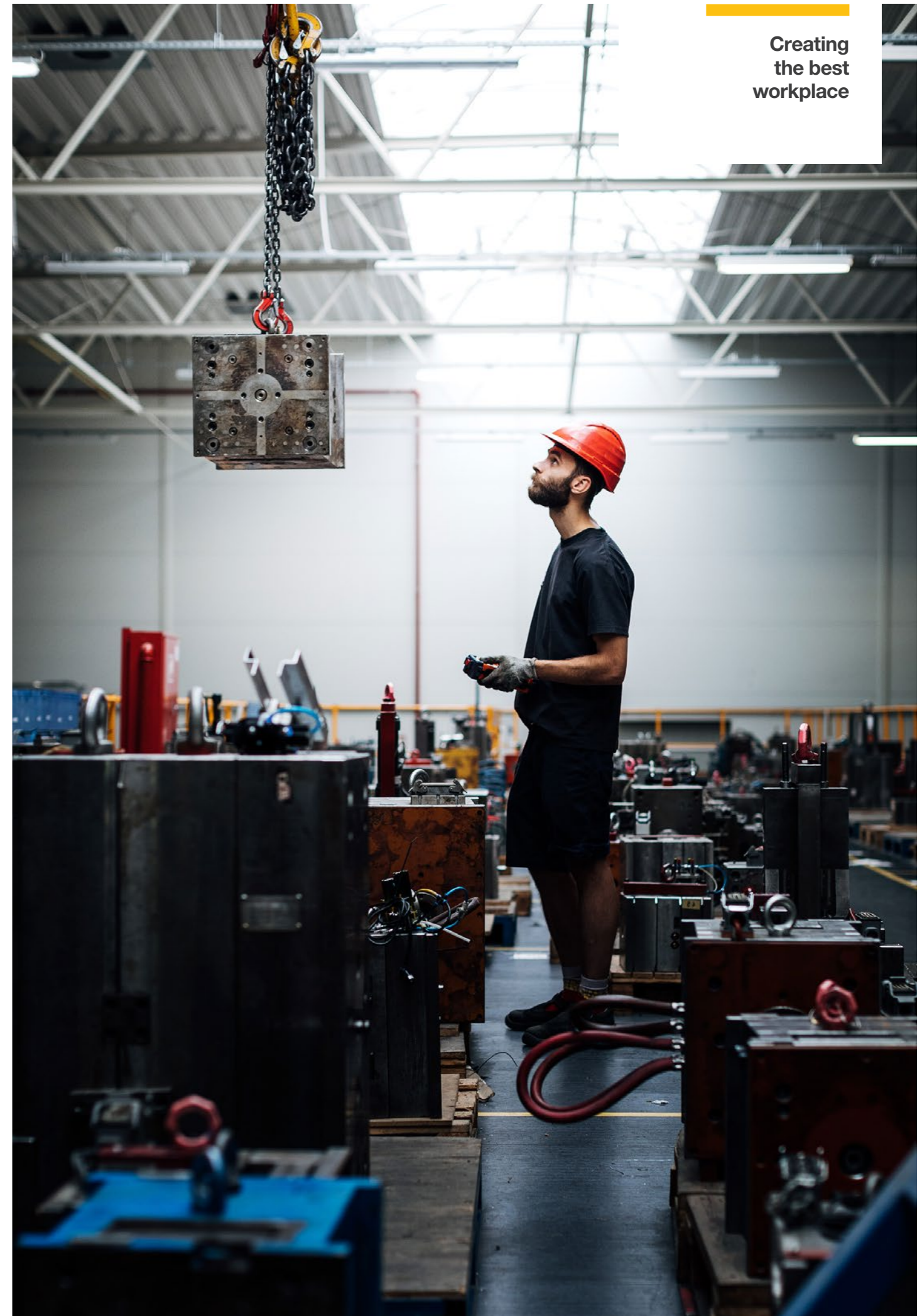
Exit interviews play an important role for HL; they give us an opportunity to convey the message that people are truly valued and respected. They also allow us to gain important feedback to analyse and act upon to improve our position as an employer. Our exit interviews are conducted digitally through a survey, as well as through more in-depth personal interviews. The digitalisation of the process has led to a wider reach, increasing participation rates and transparency. The systematic way of collecting feedback has also improved the possibility of identifying underlying trends.

New e-learning increases availability of trainings

While we had to cancel most of our classroom trainings and introduction days given seismic shifts in the way business was conducted in 2020, we were still able to hold many of our trainings online.

In 2020, we expanded the amount of content on our e-learning platform HL Learning Academy to include trainings on Competition Law and Sustainability, as well as our own tailored Code of Conduct training (read more on page 27). We encouraged our employees to complete trainings on the platform, and the Code of Conduct training was mandatory for all office-based employees to be completed by the end of 2020.

Furthermore, HL's Group Leadership Forum, a cross-functional meeting held twice per year, took on a different form. The forum gathers primarily the company's managers, such as area directors, factory managers and functional leaders, with the purpose of securing alignment and commitment to the company strategy, as well as developing leadership skills. The first of the 2020 meetings was held as planned as a face-to-face meeting focusing on leadership development, while the second one was held digitally with a focus on strategy. Due to the special circumstances of 2020, we also added an additional digital forum in the summer where participants shared best practices for Covid-19 management with each other. Additionally, our annual Global Sales Meeting was also held digitally. This did not only enable us to share strategies, initiatives and inspiration with leaders within the sales organisation but also, due to the meeting being held online, we were able to include a wider audience which we are looking to partially replicate in 2021.



Creating a culture where people live HL's values

A CEO award is given out every quarter to an individual or team that embodies HL's values – Ownership, Speed and One Team – and contributes to a positive company culture, whether through innovation or by excelling in teamwork. Anyone can nominate candidates, and the nomination process strengthens the feeling of belonging with colleagues all over the world, something that was even more important during 2020. In 2020, 121 nominations were received.

CEO award – we embrace HL values

Ownership

Someone who...

- / ... 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

Speed

Someone who...

- / ... is customer-focused in their way of working
- / ... is eager to deliver and displays a clear sense of urgency
- / ... contributes to taking informed decisions
- / ... carries out implementation and does not stop halfway through

One Team

Someone who...

- / ... succeeds by making others succeed, acts as a true enabler for others
- / ... wins by making things easy for those around them, not only for themselves
- / ... takes extra steps to reach out across functional and/or geographical borders



Case:

Exceptional leadership during exceptional times

As 2020 was such an exceptional year, HL also gave out a CEO Special Leadership award. It was awarded to Tina Zhu, Factory Manager in Suzhou.

Our factory in Suzhou was the first factory that was hit by the pandemic, and our only factory to shut down in 2020. The factory was closed between 22 January and 10 February 2020 and operational capacity was back at 100 percent by 25 February 2020. During a very hectic and uncertain period, many employees worked relentlessly to ensure that government policies were followed, and safety procedures were implemented, such as setting up teams with different virus control responsibilities. Factory Manager Tina Zhu believes that it was possible to get the impact of the virus under control by being well organised, encouraging everyone to take ownership and work as one team. "When facial masks were out of stock in Asia, a batch was sent from Poland to enable staff to come back to work. And when the mask supply in China improved, we sent masks to our HL friends in Europe instead," says Zhu. "Again, great evidence that we act as One Team."

Measuring employee engagement

HL conducts an annual employee engagement survey, called HighLight Engagement Survey, for all our employees. Our employees show a high level of engagement; despite the circumstances of 2020, the response rate was 91 percent (2019: 95 percent). The overall results of the survey show that employees are satisfied and while the results can differ across functions and/or locations, there are no significant differences between how men and women responded to the survey.

The survey covers four areas: Efficiency, Leadership, Engagement and Sustainable Work Life. In 2020, scores for all four areas improved with the exception of sustainability which stayed stable.

One of the areas where employee satisfaction is the highest is engagement; 90 percent of employees state that they find their work engaging (2019: 87 percent). While the survey showed that one of the lowest levels of satisfaction is related to workload, 70 percent of all employees consider their workload to be on an acceptable level (2019: 70 percent).

HL's strategy and the HighLight survey are closely linked; we use the obtained feedback to prioritise improvements that strengthen our position as an employer. Results are aggregated on a company-wide level and shared with all managers and all employees globally. Each manager with a team of five or more members receives the result for their team specifically. All managers are expected to take ownership and implement measures to improve their businesses based on the results, and all employees participate in workshops to develop the action plans which are then followed up on during the following year.

Strong commitment to anti-corruption and safeguarding human rights

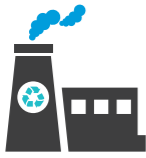
HL supports and respects internationally proclaimed human rights. Our Code of Conduct helps us manage our sustainability by clearly defining the fundamental principles that every company representative and partner should follow. Based on the ten principles of the Global Compact, it defines HL's zero-tolerance stance on bribery, extortion and corruption and demands

Creating the best workplace

strict adherence to regulatory requirements. All HL employees sign the Code of Conduct upon joining the team. HL's tailored Code of Conduct e-learning course is intended to deepen our employees' understanding of our Code of Conduct through practical exercises and dilemmas, while simplifying the annual Code of Conduct review process. During 2020, 94 percent of white collar employees have completed the training. In 2020, zero violations of the Code of Conduct were reported (2019: 3).

Whistleblowing

Since 2013, HL has had an operating whistleblowing function. Whistleblowing Centre, the whistleblowing channel in use, is part of TripleB, an external Swedish sustainability consultancy. Employees, external partners and other stakeholders are guaranteed anonymity when reporting malpractice through the whistleblowing site. The Group Marketing Director, who is responsible for HL's sustainability work, and the Group HR Director, receive the reports made through the whistleblowing system directly. Additionally, the principal owner Ratos' representative on the Board of Directors receives the reports simultaneously. Malpractices that HL wants to bring attention to include possible non-compliance with local laws or breaches of HL's Code of Conduct and Purchasing Policy in areas such as human rights, labour, and anti-corruption. Reports submitted 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 2020, three reports were made through the whistleblowing system (2019: 0).



Prioritised topics

- / Increase use of recycled and more environmentally friendly materials
- / Reduce the carbon footprint of our operations

Other topics we work with

- / Reduce raw material consumption
- / Decrease our water consumption year by year
- / Improve the efficiency of transportation
- / Have all our factories certified according to ISO 14001 and ISO 9001 Standards

Key achievements

- / Increased capacity for recycled plastic
- / Improvement of the production process to reduce scrap generated
- / Reduction of water consumption
- / Decrease of energy consumption
- / Reduction of emissions by being strategic about logistics

Targets 2021

- / Define CO₂ reduction plan and have targets approved by Science Based Targets initiative
- / Increase the use of recycled material by 10 percent year on year



Driving continuous improvement in operations

HL strives to improve environmental performance by complying with policies and standards and making continuous efforts to reduce the environmental impact of our whole value chain.

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

Sustainable operations are essential

Taking responsibility for the environment through the way we operate, develop and innovate, is central to HL's vision of providing a better shopping experience. Our ambition is to minimise environmental impact, and integrating sustainability into our way of operating has become a part of our culture. Our own environmental impact is mainly made up of the raw material that is used during the production process. Other important sources of environmental impact linked to production include energy use and water consumption. HL's own factories produce the majority of the products in our portfolio. Therefore, running our factories in an efficient and

environmentally responsible way is key in reducing our operations' environmental impact.

Examples of continuous improvements at our sites

- / Conversion of production lines to produce protection and safety gear for in-store use, such as face and counter covers and protective screens
- / Focus on product design and specification to improve product lifetime, including UV stabilizers, durability tests and overall product quality in order to reduce cost and waste for customers
- / Introduction of spectrophotometer in our Gliwice factory to control quality of incoming goods e.g. to confirm raw material is in-line with specifications
- / Scrap from operations in the Gliwice factory is divided into more fractions in order to recycle and reuse more internally. This scrap is also sold to be used for alternative fuel.

- / Introduction of segregation of mixed plastic waste into fragments in our warehouses to be able to recycle more (e.g. PET, PS, PVC, PP)

- / Increase of the amount of factory waste that we can recycle in own production to 36 percent (2019: 26 percent)

HL's impact on climate change

In 2019, HL carried out a carbon footprint study to understand our operations' impact on climate change. The study was done in accordance with the GHG Protocol and with support from IVL Swedish Environmental Research Institute. Our main impact on climate change is from the use of raw material (purchased goods and services) at around 70 percent*. Of the materials we use in production, plastics have the largest adverse impact on climate change followed by metal. The use of energy in production, end-of-life treatment of sold products, and outbound transport of goods are other major contributors to HL's impact on climate change.

*Based on data collected for 2018, the 2019 study showed which of HL's direct and indirect activities are the main contributors to our emission of greenhouse gases.

Impact on climate change, results from Scope 1, 2 and 3 divided by activity

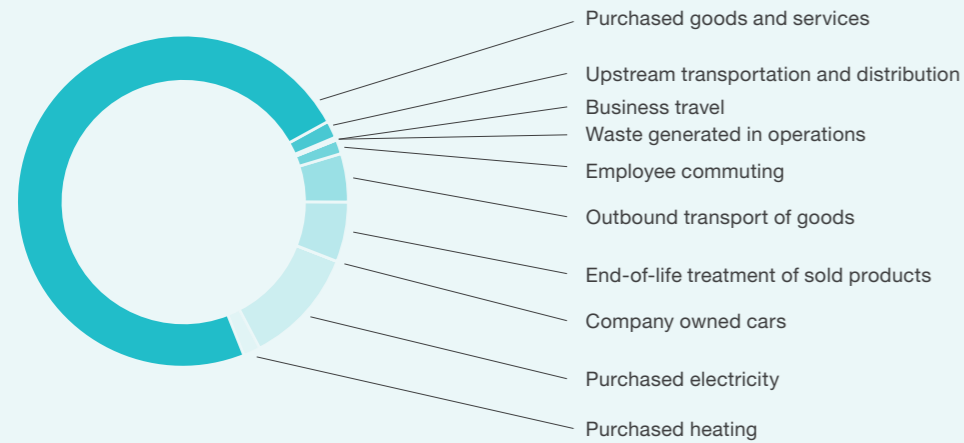


Illustration: Based on data from 2018, the total contribution to climate change via emissions from HL's organisation was 92,257 tonnes CO₂-equivalents in total. Of that, scope 3 emissions amounted to 80,460 tonnes CO₂-equivalents and scope 2 emissions to 11,785 tonnes CO₂-equivalents.

The carbon footprint study is central in setting the baseline for improving operations and guiding our efforts to reduce environmental impact. It also provides insights into which actions would have the biggest effect on reducing greenhouse gas emissions from operations.

Almost 90 percent* of HL's contribution to climate change emanates from activities in scope 3 (upstream and downstream indirect emissions). The rest of our carbon footprint is in scope 2 (indirect emissions from purchased energy), where purchased electricity for HL's factory in Gliwice, Poland is a major contributor. The large impact is explained by both the fossil-based electricity mix in Poland coupled with the quantity consumed; if solar energy was used instead, the climate impact could be decreased by almost 90 percent*, reducing HL's total impact on climate change by about 7 percent*. The footprint study will be renewed and updated during 2021.

During 2020, HL became signatories of the Science Based Targets initiative. During 2021, we will work on defining targets and a detailed action plan on how to ensure a reduction of our climate footprint in-line with the Science Based Targets initiative's ambition. Our targets will be published on our website once they are approved.

Our approach: reduce and recycle
HL's main raw material is plastic, particularly PVC and PET. To cut our carbon footprint, we focus on decreasing the use of virgin fossil-based materials through efficient design and production processes, reducing and recycling our production waste, as well as strengthening our sourcing of recycled materials. We are also investigating alternative materials such as bio-based plastic, and are investing in innovation to develop our production. Furthermore, we are now prioritising the management of the end-of-life treatment of our products and closing the loop of materials and we will continue to do so in the coming years.

Our efforts in enhancing production processes are closely linked to our ambition to reduce raw material consumption. We strive to minimise waste generated by continuously streamlining our production processes. In 2020, the production in our factories created 2,423 tonnes of safe waste (2019: 2,432 tonnes) of which 1,173 tonnes were plastic waste (2019: 1,204 tonnes). In addition, we aim to recycle as much waste as possible in our production processes. We have increased our capacity for using recycled materials; this includes grinding capacity for production waste and capacity to mix recycled materials with virgin materials in a controlled manner. In 2020, we recycled 36 percent of all generated waste in-house (2019: 26 percent). What we cannot recycle in our own processes we sell to external parties with the aim to ultimately recycle 100 percent of our production waste.

*Based on data collected for 2018, the 2019 study showed which of HL's direct and indirect activities are the main contributors to our emission of greenhouse gases.

Driving continuous improvement in operations



84%
of all safe production waste was recycled

36%
of factory waste is now recycled in our own production

Driving continuous improvement in operations



Total energy consumption decreased by

- 3.2%

Share of green energy increased by

+ 0.4%

As part of our sustainability efforts, we have continued working with our waste management system, making our way of measuring and reporting more detailed. During 2020, the categories for measuring recycled materials have been split further, impacting the accuracy of the numbers reported in 2019. Based on our updated process, 84 percent of our total safe waste from production in our factories was recycled in 2020 (2019: 83 percent). 13 percent was recycled for heating or used in energy recovery (2019: 14 percent) and 2.4 percent was deposited (2019: 3.2 percent).

Apart from our own production waste, we have a strong focus on increased sourcing of recycled materials from external parties. However, securing the right quality is a challenge. The material needs to fit with the production process and the look and feel of the product needs to meet customer expectations. For example, when high transparency is required only very high-grade materials can be used. With demand for recycled plastic on the rise, costs for recycled material is often higher than for virgin. In 2020, we sourced 210 tonnes of recycled plastic (2019: 45 tonnes).

A number of measures have been introduced to improve waste management:

- / Introduction of fully recycled carton boxes for warehouse and shipping operations
- / Replace foil made of plastic with foil made of paper
- / Reduce the amount of fillers inside of boxes
- / Improved waste management by better segregation
- / Training of production and warehouse operators in waste management

Increased use of recycled plastics

To support HL's customers in their transition to more sustainable stores,

we aim to be the alternative materials and solutions leader in our industry. In 2018, we started using PLA-based plastic made from renewable materials such as plant starch from corn or sugarcane. Since then, we also took further steps to grow our portfolio of products made from recycled materials. More of our suppliers are able to supply our main raw materials as recycled, and we increased our focus on circular solutions.

In 2020, 13,866 tonnes of material were used in HL's production (2019: 14,736 tonnes), whereof 65 percent were plastics (2019: 68 percent). 7 percent of all

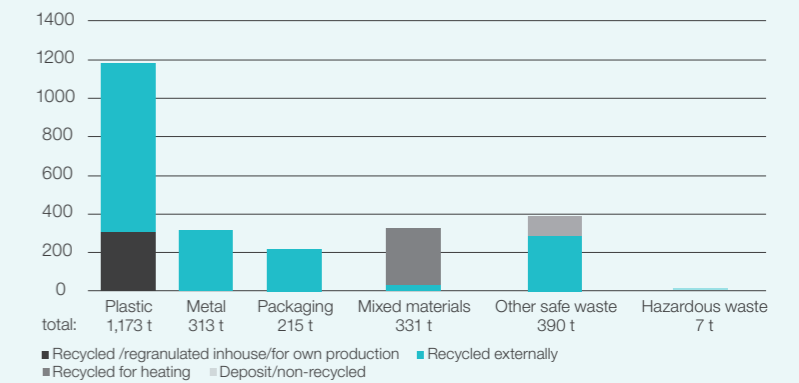
plastic used in production was recycled or bio-based (2019: 4 percent).

Improvements in energy consumption

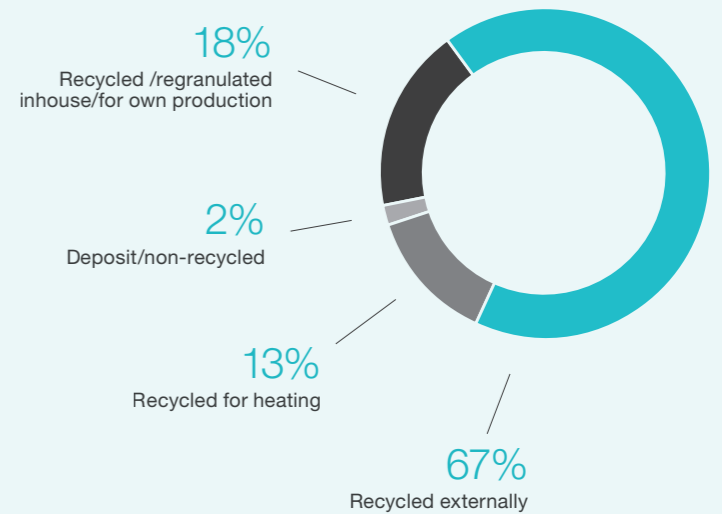
HL's energy consumption in production in 2020 was 24.6 MWh (2019: 25.4 MWh) and 45.8 percent of our energy consumption came from renewable sources (2019: 45.5 percent). Our factory in Sundsvall runs entirely on hydro-generated electricity. However, the Gliwice factory is a major contributor to HL's impact on climate change due to the fossil-based electricity used and the quantity consumed.

Production waste management 2020

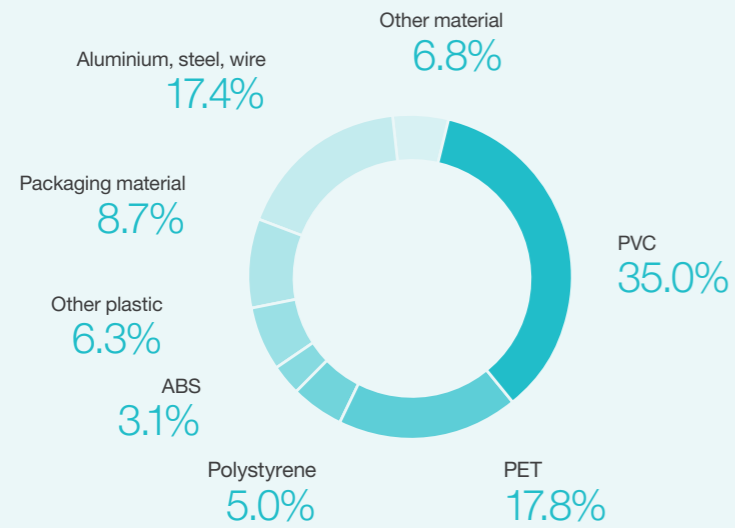
(metric tonnes)



Total safe waste (tonnes)



Raw material and input goods



We have implemented various measures to reduce electricity consumption in our factories. These measures range from moving towards LED and time-controlled lighting to using waste heat from machinery:

- / Continuous improvement and process optimisation in factories in order to reduce number of production lines
- / Introduction of Overall Equipment Efficiency software to be more resource efficient
- / Consolidation of line hauling leading to reduction in CO₂ emissions
- / Digitalised workflows
- / Maintenance of injection moulding and extrusion equipment

Water usage

Water usage is part of the production process when cooling extruded and

injection-moulded plastic products. 320,832m³ of water were used at the company's production facilities during 2020 (2019: 377,759m³). In 2020, the Sundsvall factory in Sweden addressed their cooling water consumption, their second largest consumable, by building their own well. The Sundsvall well stood for 145,307m³ of our water usage, meaning that our total demand for municipal drinking water was reduced to 175,525m³.

Becoming more strategic about logistics to save emissions

The majority of HL's shipments are made by truck. These shipments include those from our European factories to our European distribution centres and further on to our customers. Ready-made goods from Asia and the US and tools purchased in Asia for use in the European factories are primarily shipped using sea transport.

While some shipping is still air bound, we further reduced airfreight from Asia to Europe in 2020. In order to minimise

our carbon footprint in 2020, we have implemented transport consolidations to better use transport space and improve efficiency as well as consolidated line hauling. Furthermore, we implemented cross-docking Scandinavian customers for goods delivered from Polish suppliers. We also conducted a pre-study on distribution and transport flows at the Gliwice factory, which will help us to further reduce our footprint linked to transports. Additionally, we have begun supplier reallocation projects in order to minimise transportation.

HL actively collaborates with partners to continuously identify more efficient ways to distribute products and to increase filling rates, to further reduce the carbon footprint of inbound and outbound transport. During 2020, we began a strategic partnership with a fourth-party logistics provider in the Nordics in order to optimise freight logistics to all Nordic customers, as well as outbound transport from our Sundsvall factory to European distribution centres. This collaboration has led to an increased fill rate and allowed us to push for the latest environmentally friendly technology in truck fleets. HL requires all of its transport suppliers to have environmental programmes in place. Since 2018, EuroVI – Environmental class – is required for all new freight forward suppliers.

Certified management systems for continuous improvement

HL ensures minimal waste and the highest standards of safety during production through the company's management systems and policies for quality, work and conduct. Continuous improvement of operations and environmental and quality management in our factories are based on internationally recognised standards. All four factories are compliant with the ISO 9001 quality standard. Three out of four are ISO 14001 certified and we aim to certify the fourth. We also comply with REACH, the EU's chemicals legislation, and suppliers must sign a written undertaking regarding REACH.

Driving continuous improvement in operations



Water consumption decreased by

– 15.1%

Consumption of municipal drinking water decreased by

– 53.5%

Ensuring responsibility throughout the supply chain

HL's Purchasing Policy demonstrates our strong position against corruption, ensuring stakeholders practice honesty, integrity and responsibility.

HL's supply chain

HL has approximately 1,800 suppliers in total, of which approximately 1,100 suppliers supply our factories and 700 supply our distribution centres. 144 of our suppliers are defined as important suppliers, making up about 80 percent of spending.

Our biggest impact on managing sustainability issues in our supply chain lies in working strategically with the 144 important suppliers. In 2020, 100 percent of HL's important suppliers have been screened in-line with our Purchasing Policy, thereby agreeing to meet our defined requirements. Our purchasing team works systematically to increase the share of suppliers that sign our Purchasing Policy and reviews the progress quarterly.

HL introduced a more systematic process to monitor sustainability risks in our supply chain in 2019. This process focuses on our important suppliers and was developed further in 2020. HL's purchasing team conducts a screening when a new supplier enters into a relationship with HL. During the first step of the screening process, our suppliers conduct a self-rating in the form of our self-assessment questionnaire. The questionnaire is based on criteria in our Purchasing Policy and covers several areas including corruption, right to collective bargaining and child labour. We are planning on updating the questionnaire with more targeted questions in 2021. The HL purchasing team reviews the self-assessment questionnaire, conducts a risk assessment and gives

the supplier a score ranging from low- to high-risk. For suppliers falling in the medium- to high-risk category, various actions are taken depending on the deviation's severity. Systematic support to suppliers to achieve improvements includes CSR-audits, re-audits and supplier communication. 100 percent of new suppliers were screened in line with the Purchasing Policy in 2020.

Our way of working with suppliers

HL regularly conducts site visits and audits in order to ensure that suppliers comply with the Purchasing Policy and to engage with important suppliers. Our purchasing teams conduct these visits and audits which are split into two parts. As a first step, HL en-



Prioritised topics

- / Have a comprehensive supplier risk assessment
- / All HL suppliers to sign and adhere to our Purchasing Policy

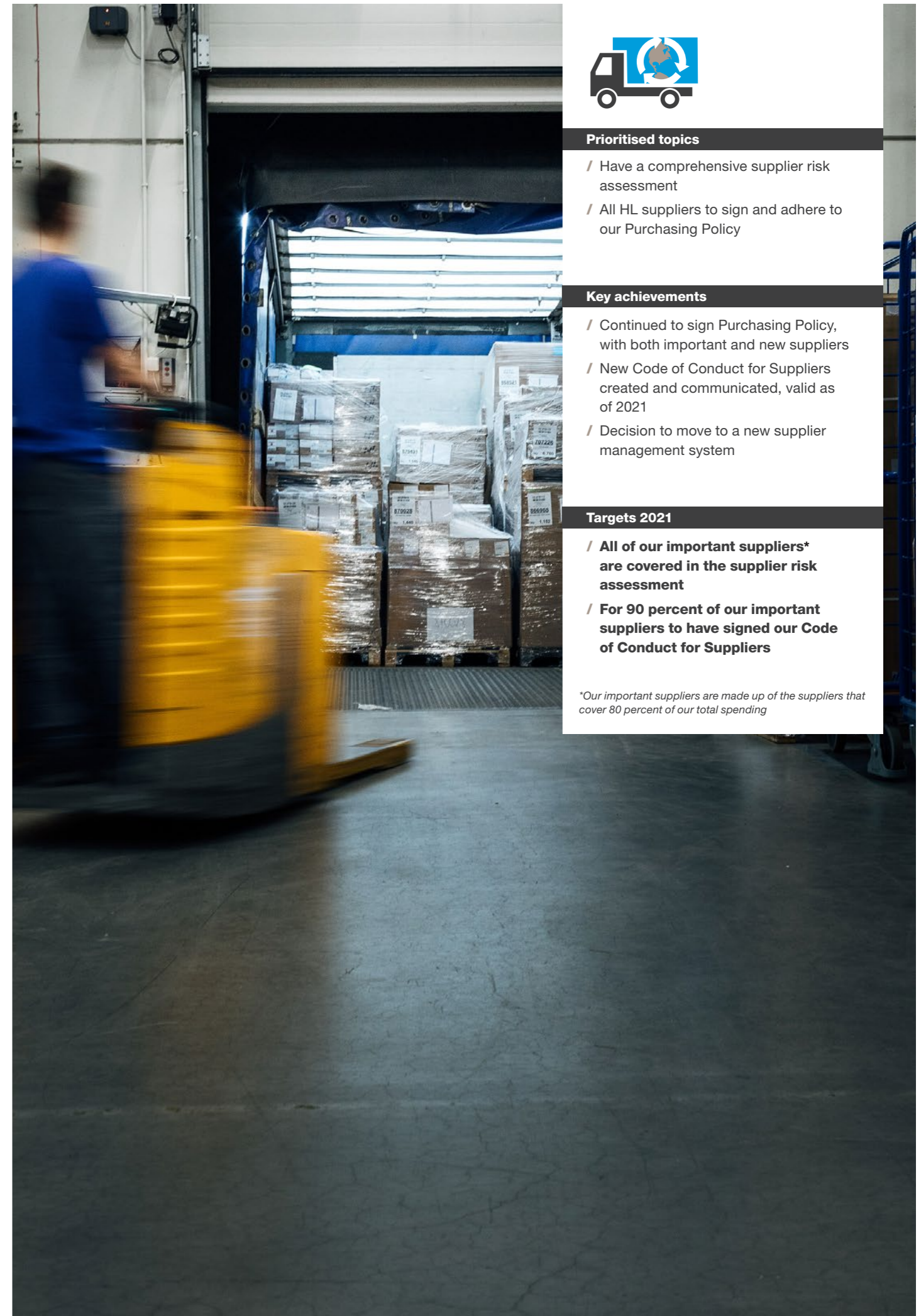
Key achievements

- / Continued to sign Purchasing Policy, with both important and new suppliers
- / New Code of Conduct for Suppliers created and communicated, valid as of 2021
- / Decision to move to a new supplier management system

Targets 2021

- / **All of our important suppliers* are covered in the supplier risk assessment**
- / **For 90 percent of our important suppliers to have signed our Code of Conduct for Suppliers**

**Our important suppliers are made up of the suppliers that cover 80 percent of our total spending*



sures that our suppliers have a complete understanding of the Purchasing Policy and apply our requirements in accordance with the policy. The second part of the audit relates to the production organisation. Based on several predefined criteria, representatives from HL perform a review on site to make sure that the production site is aligned with our production requirements. In 2020, audits were conducted prior to March and then paused as site visits to suppliers were no longer possible during the Covid-19 pandemic. Six formal audits were conducted prior to March 2020 (2019: 33).

Cooperation, capacity-building and corrective actions with the supplier are always prioritised in cases where non-compliances with the Purchasing Policy are detected. Ultimately, failure to comply with our Purchasing Policy may lead to the termination of the contract.

Zero violations of the Purchasing Policy were reported in 2020 (2019: 0).

Purchasing Policy becomes Code of Conduct for Suppliers

It is important for HL to ensure that all suppliers adhere to the same standards. During 2020, we evolved our Purchasing Policy into our new Code of Conduct for Suppliers, which takes active steps to push our suppliers to join HL at our level of sustainability. The new policy outlines HL's requirements for suppliers and covers several areas including compliance with ILO (International Labour Organisation) conventions and other international guidelines related to human rights and labour. Furthermore, clear guidelines for business ethics (corruption) and environment are outlined. To ensure a comprehensive understanding of our Code of Conduct for Suppliers, it has so far been translated into Chinese, Polish, French and Swedish. The new Code of Conduct for Suppliers will be implemented as of 2021 and we have set the ambition that 90 percent of important suppliers will sign this new policy during 2021.

Main requirements of our Purchasing Policy/new Code of Conduct for Suppliers

- / Human and Labour Rights
- / Business Ethics
- / Sustainable Growth
- / Environmental Care
- / Health & Safety

New system enabling systematic engagement and improved data collection

One of the important investments made in 2020 is the Kodiak supplier management system that will enable us to systematically gather data, store documents, and have more systematic engagement with our suppliers. We are planning to launch this platform in Q1 of 2021 and expect the system to help us become even more structured in our supplier management efforts.

Ensuring responsibility throughout the supply chain

Our updated assessment process:

Step 1: Initial assessment

New suppliers are entered into the Kodiak supplier management system, where a first assessment is made.

Step 2: Self-assessments

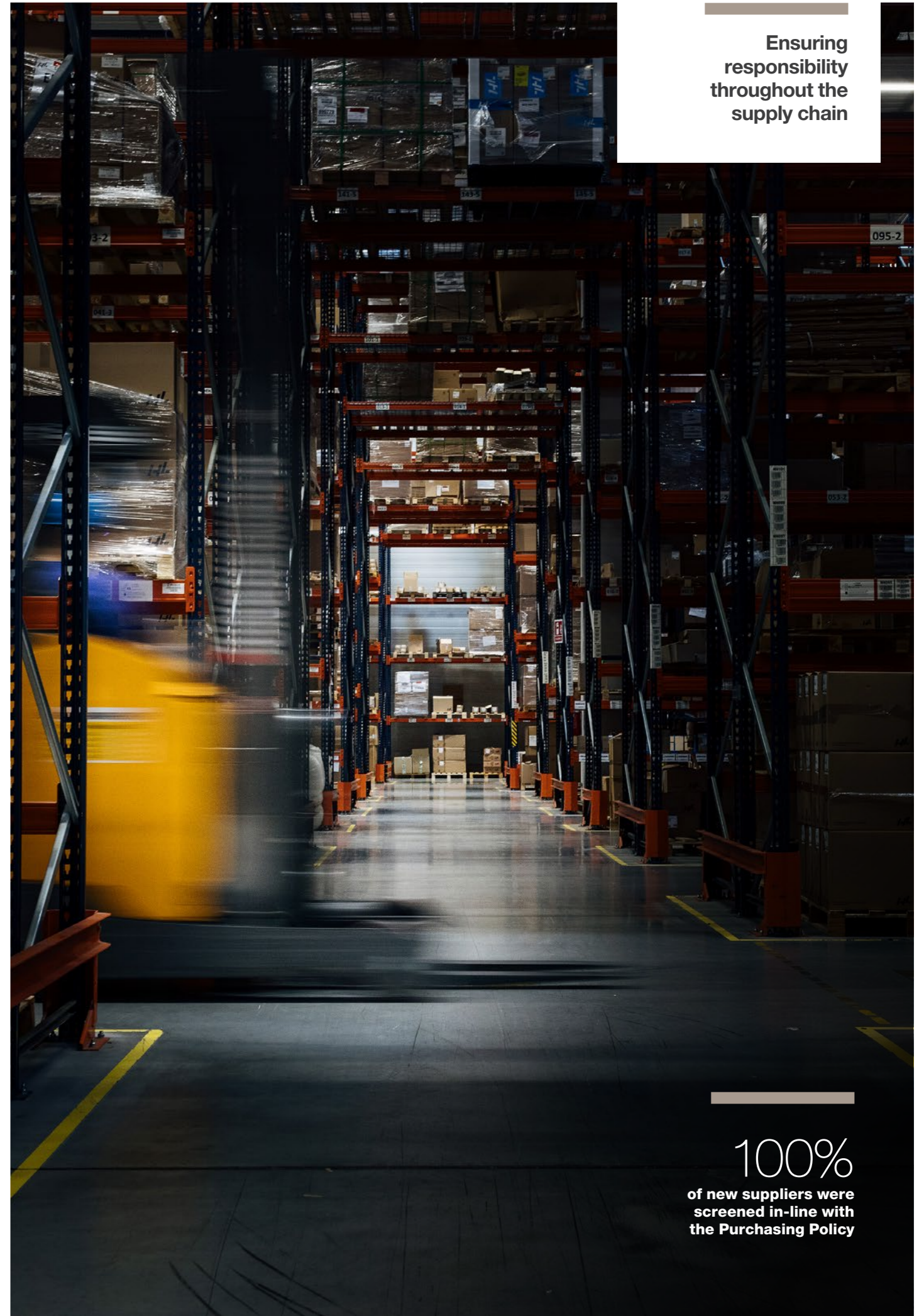
Self-assessment questionnaires are sent out to all important suppliers as well as the suppliers that the Kodiak system marks as a risk in step one.

Step 3: On-site audits

On-site audits are conducted. The number of audits per year will be based on the results of the self-assessment questionnaires.

Step 4: Supplier performance evaluation

Supplier performance is evaluated, including following-up with suppliers on necessary adjustments, as well as questions regarding quality, on-time deliveries, etc.



100%
of new suppliers were screened in-line with the Purchasing Policy

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 Organization	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 organization	2	
	102-8 Information on employees and other workers	20-27	
	102-9 Supply chain	36-38	
	102-10 Significant changes to the organization and its supply chain	-	No significant change
	102-11 Precautionary Principle or approach	-	HL Display works to prevent and minimize risk of sustainability topics. The company's decisions shall, as far as possible, be supported by established facts.
	102-12 External initiatives	10	
	102-13 Membership of associations	-	UN Global Compact, various trade organisations in the markets where HL Display operates
Strategy	102-14 Statement from senior decision-maker	5	
Ethics and Integrity	102-16 Values, principles, standards, and norms of behaviour	3, 5, 10, 11, 26, 27, 38	
Governance	102-18 Governance structure	hl-display.com	
Stakeholder engagement	102-40 List of stakeholder groups	11	
	102-41 Collective bargaining agreements	23	
	102-42 Identifying and selecting stakeholders	11	
	102-43 Approach to stakeholder engagement	11	
	102-44 Key topics and concerns raised	11, 13	
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	13	
	102-48 Restatements of information	24, 33	In the 2019 report, it was incorrectly stated that 78% of employees believe that they are given equal opportunities. This has now been adjusted to 56% believe they are given equal opportunities and 22% chose not to answer.
	102-49 Changes in reporting	-	No significant changes in the reporting
	102-50 Reporting period	-	2020
	102-51 Date of most recent report	-	May 2020
	102-52 Reporting cycle	-	Annual
	102-53 Contact point for questions regarding the report	-	Jonas Marking, Senior Product and Sustainability Manager, HL Display
	102-54 Claims of reporting in accordance with the GRI Standards	40	
	102-55 GRI content index	40-41	
	102-56 External assurance	-	The report has not been externally assured.

Material Topics

	Disclosure	Page reference/URL	Comment
Economic			
Anti-corruption 2016	103-1/2/3 Management approach	27, 38	
	205-3 Confirmed incidents of corruption and actions taken	27, 38	
Environmental			
Materials 2016	103-1/2/3 Management approach	29 – 33	
	301-1 Materials used by weight or volume	30, 33	
Energy 2016	103-1/2/3 Management approach	28, 29, 33, 34	
	302-4 Reduction of energy consumption	32 – 34	
Emissions 2016	103-1/2/3 Management approach	28-30	
	305-1 Direct (Scope 1) GHG emissions	29 – 30	All the carbon footprint emissions are based on 2018 data
	305-2 Energy indirect (Scope 2) GHG emissions	29 – 30	All the carbon footprint emissions are based on 2018 data
	305-3 Other indirect (Scope 3) GHG emissions	29 – 30	All the carbon footprint emissions are based on 2018 data
Effluents and Waste 2016	103-1/2/3 Management approach	28, 30 – 33	
	306-2 Waste by type and disposal method	33	
Social			
Occupational Health and Safety 2018	103-1/2/3 Management approach	20 – 23	
	403-1 Occupational health and safety management system	20 – 23	
	403-2 Hazard identification, risk assessment, and incident investigation	23	
	403-3 Occupational health services	20 – 23	
	403-4 Worker participation, consultation, and communication on occupational health and safety	20 – 23	
	403-5 Worker training on occupational health and safety	20 – 23	
	403-6 Promotion of worker health	23	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	20 – 23	
	403-9 Work-related injuries	23	
	Own disclosure: Number of workplace accidents leading to absence or sick leave	23	
Supplier Social Assessment 2016	103-1/2/3 Management approach	36 – 38	
	414-1 New suppliers that were screened using social criteria	36	





The better shopping experience

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