



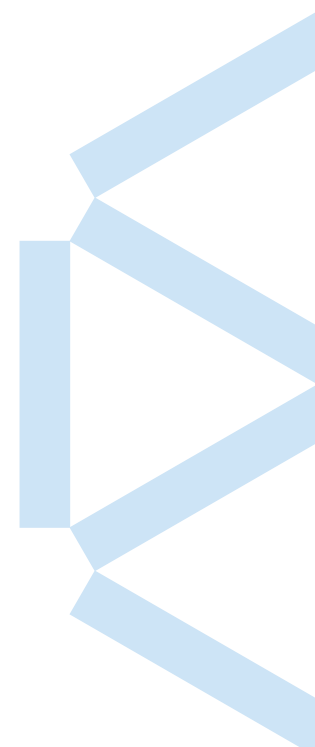
Sustainability Report 2022

 HARJU ELEKTER®

Electrifying Tomorrow

Table of Contents

Statement of the Chairman of the Management Board	3
Harju Elekter in brief	5
Who we are	5
Harju Elekter Group	6
Key events	7
Sustainability at Harju Elekter	9
Materiality topics	10
Sustainable development goals	11
Sustainability strategy	14
Stakeholder engagement	15
Governance	18
Customer focus	20
Employees	24
Environment	32
Responsible governance	38
EU Taxonomy for Sustainable Activities	42
Contents of the Global Reporting Initiative report (GRI)	47





A year of crisis laying a strong foundation

TIIT ATSO
Chairman of the Management Board

The year 2022 started optimistically at Harju Elekter, but it became clear in the first few months that the company would face yet another year of crisis, marking the third consecutive year of difficulties. After the start of Russia's full-scale military operations in Ukraine, customers who had increased their order volumes, significantly improved supply chains and prices of materials and components found themselves in a difficult situation once again.

To ensure that the supply chains continued to function despite the crisis, we increased our inventory. In addition, we initiated difficult negotiations with customers to increase prices and improve the economic results. Without taking into account one-time write-offs, we managed to improve the financial results in the second half of the year.

Together with the approval of the new strategic plan, the internal restructuring of the Group started in 2020 was almost completed. We have brought all production companies under the common Harju Elekter brand and introduced the tagline "Electrifying tomorrow". Through mergers, the company streamlined its operations, leaving

only the main production company with focused activities in each country of location.

Following changes to the Group's Supervisory Board in 2022, the management was given a more effective and responsible role in managing the Group. As a result, a strong Group management consisting of experts was formed, and a more centralized management approach was initiated, especially in areas such as financial management-control, production-supply chain, and sales-marketing. We are gradually working towards creating unified Harju Elekter Group.

In 2022, Harju Elekter faced a difficult situation with its long-term financial partners, the banks of the Nordic countries. These banks reneged on previously given promises, making the Group's liquidity situation increasingly challenging. This left Harju Elekter with no long-term financing for the purchase of a new factory in Sweden, forcing the company to temporarily use all available liquidity.

The situation improved at the end of the year with the loan agreement reached with the local Coop bank, which recognized the Group's strong capitalization, guarantees, and commitment to sustainable activities. Although the Group's capitalization is still strong, rapidly rising interest rates are a new and additional risk to our liquidity and financial results. In response, Harju Elekter has set a goal of reducing foreign capital and has already begun implementing a program to reduce inventory by implementing lean methodologies in production companies.

The ongoing war in Ukraine and the energy crisis have caused delays in the fulfilment of green revolution goals in the coming years. However, these events have also accelerated the fulfilment of long-term goals and deadlines. The energy crisis and green revolution have motivated Harju Elekter's customers to invest even more in electrification. Customers are increasingly demanding and in the future are expected to prefer companies that invest in environmentally friendly and socially responsible production.

We have consistently improved the disclosure of our sustainable activities, taking steps to link the sustainable way of doing business with our daily activities and thereby also promote business growth. In 2022, the Harju Elekter Group approved a sustainability strategy that focuses on four topics: customer focus, employees, environment, and responsible management. These topics will be the focus of the Group's five-year vision (2022-2026).

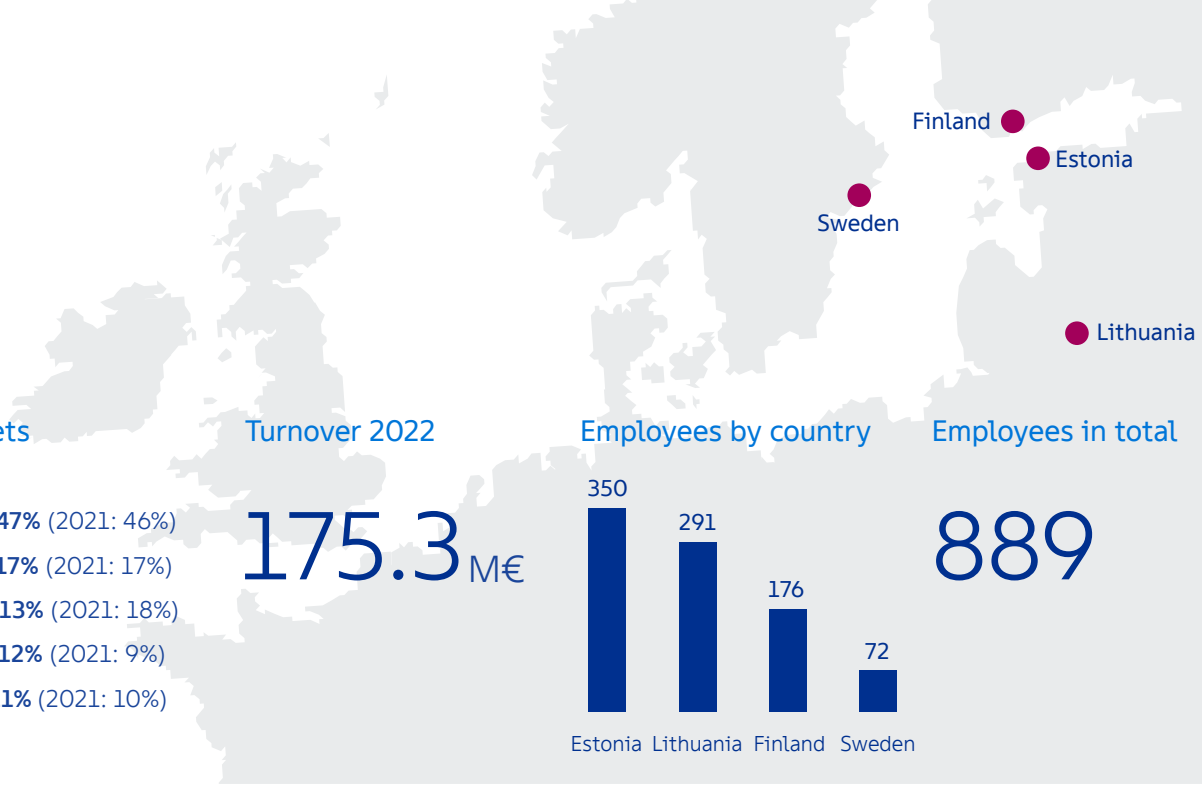
As we head into 2023, we feel that Harju Elekter is in a stronger position than ever before. We have laid a solid foundation for the future with our new strategic plan, which includes specific steps to strengthen the operation of the unified group. We have also completed our long-term investment plan, resulting in modern factories and equipment located in Estonia, Lithuania, Finland and Sweden. The Group has good liquidity and capitalization and a strong management structure.

The main goal for Harju Elekter in 2023 is to continue reviewing business directions and focus on improving production efficiency, ensuring timely product completion, and expanding the real estate investment portfolio through the construction of a new production building for the purpose of rental income. The company has ended its active business activities in retail and wholesale trade in Estonia, where risks taken a few years ago were realized in 2022. Harju Elekter's strategy, which is aligned with sustainability goals, prioritizes increasing sales volumes and profitability of industrial production and projects in the coming years.



TIIT ATSO
Chairman of the Management Board

Harju Elekter in brief



Who we are

Harju Elekter is an international industrial group with extensive experience in providing future proof solutions for electrical power distribution. Harju Elekter Group has its roots and head office in Estonia, and production plants in four countries: Estonia, Finland, Sweden and Lithuania.

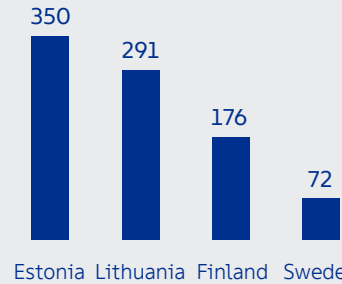
Share of revenue by markets



Turnover 2022

175.3 M€

Employees by country



Employees in total

889

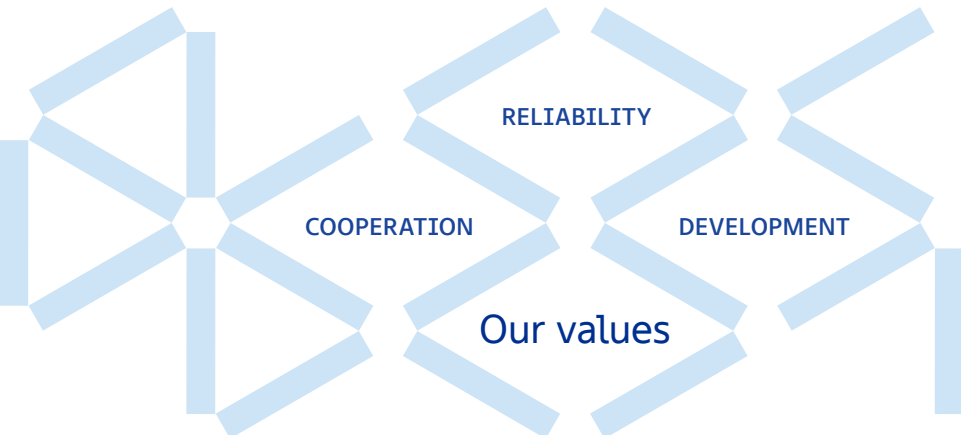
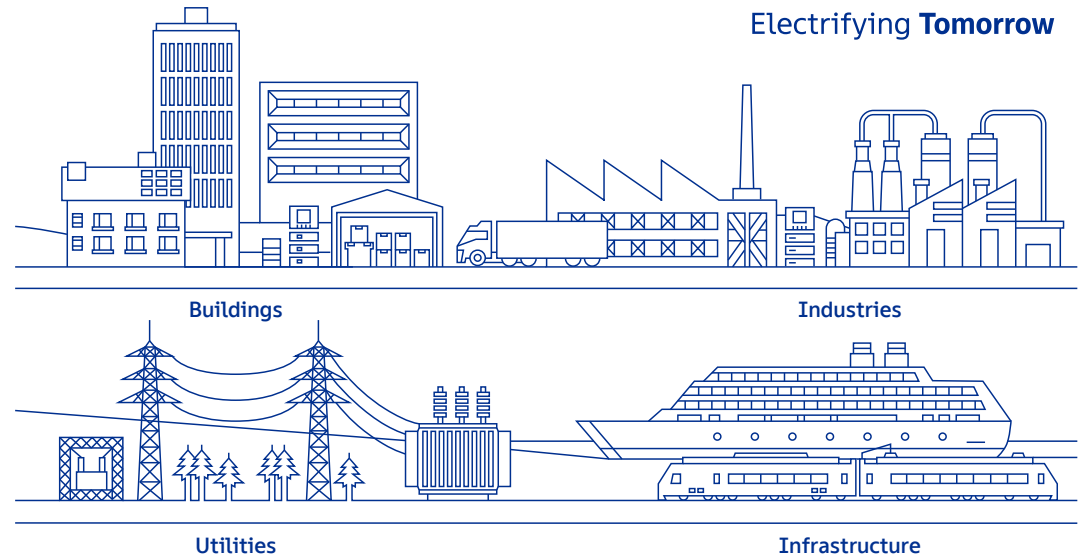
What we do

Harju Elekter contributes to a sustainable society by providing future-proof electrical power distribution solutions.

We engineer, manufacture, and install electrification solutions for utilities, industries, infrastructure, public and commercial buildings.

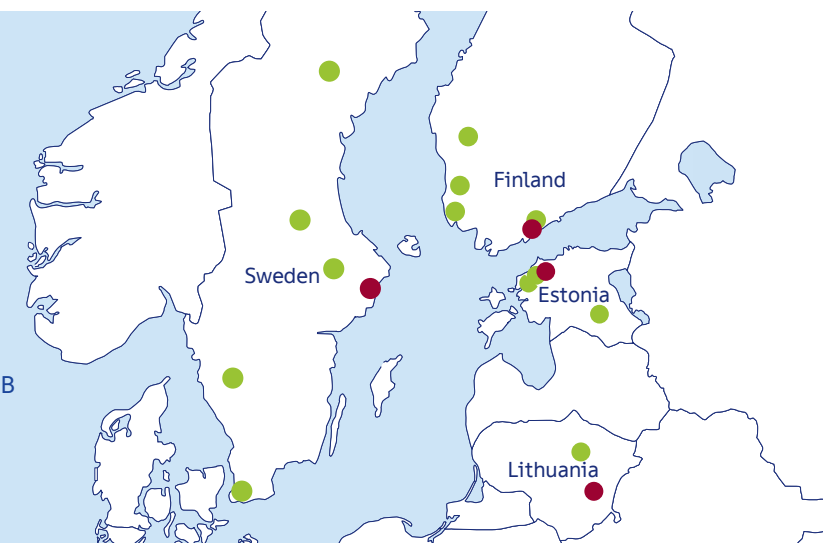
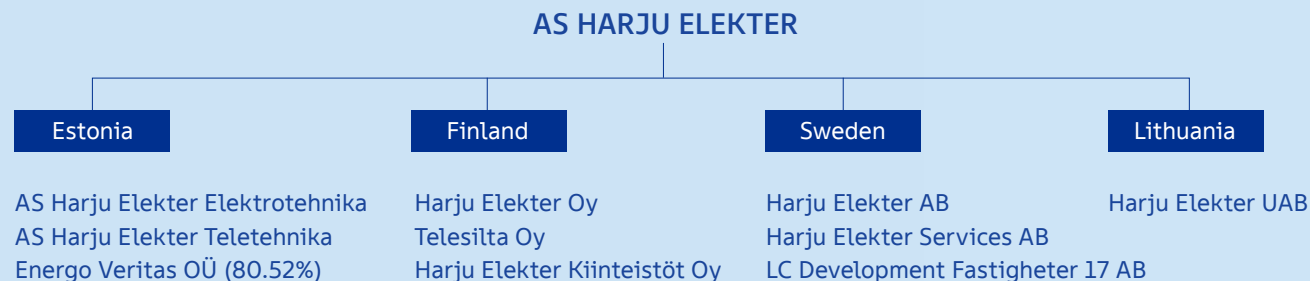


Electrifying Tomorrow



Harju Elekter Group

As of 31 December 2022



AS Harju Elekter's share in its subsidiaries

is 100%, unless stated otherwise.

ESTONIA

AS HARJU ELEKTER

The Parent company of the Group, focused on coordination of co-operation within the Group's companies and managing industrial real estate holdings, located in Keila

AS HARJU ELEKTER ELEKTROTEHNIKA

Manufacturer of electrical equipment for energy distribution, industrial and construction sectors, located in Keila

AS HARJU ELEKTER TELETEHNIKA

Producer of customer-based sheet metal products for the electrical engineering and telecom sector, located in Keila

ENERGO VERITAS OÜ

A company trading in electrical materials and equipment in Estonia

FINLAND

HARJU ELEKTER OY

Manufacturer of electrical equipment for energy, industry, and infrastructure sectors, located in Ulvila, Kerava and in Kurikka

TELESILTA OY

Electrical engineering company specializing in electrical contracting for the shipbuilding industry, located in Uusikaupunki

HARJU ELEKTER KIINTEISTÖT OY

Industrial real estate holding company in Finland

LITHUANIA

HARJU ELEKTER UAB

Engineering and contract manufacturing of multidrive, MCC's and distribution systems, located in Panevėžys

SWEDEN

HARJU ELEKTER AB

Engineering company for MV/LV power and distribution solutions for the construction, infrastructure, and renewable energy sector; manufacturer of prefabricated technical houses located in Malmö, Borlänge, Stockholm, Borås, Luleå and Västerås

HARJU ELEKTER SERVICES AB

Industrial real estate holding company in Sweden

LC DEVELOPMENT FASTIGHETER 17 AB

(100% subsidiary of Harju Elekter Services AB)

The company that manages the Västerås factory

Strategical Investments

(31.12.2022)

ESTONIA

OÜ SKELETON TECHNOLOGIES GROUP (6.1%)
Developer and manufacturer of ultra-capacitors

FINLAND

IGL-TECHNOLOGIES Oy (10%)
Developer of parking & e-mobility solutions for electric car chargers

Key events

New management team

The Supervisory Board of Harju Elekter elected **Priit Treial** as the new Member of the Management Board and Chief Financial Officer, who took office on 14 November 2022. Since then, the Management Board of AS Harju Elekter has three members: Chairman **Tiit Atso**, Members **Priit Treial** and **Aron Kuhi-Thalfeldt**.

A new strong management team was created to manage the Harju Elekter Group centrally, which includes **Tiit Luman** (Chief Commercial Officer) and **Erko Lepa** (Chief Operations Officer) in addition to the Members of the Management Board. The Members of the Management Board of the Group are also members of the supervisory

boards of all Harju Elekter subsidiaries, which makes decision-making and management faster and more efficient. The establishment of the management team aims to bring strong sector knowledge and experience to the management of the international group, to centralise key areas, and to shape a unified organisation.



New plant and reorganisation in Sweden

It was decided to concentrate the various units of the Swedish subsidiary of Harju Elekter in Västerås, where a new production building of 6,282 m² was completed at the end of the year, which is wholly owned by Harju Elekter. The reorganisation of operations in Sweden will allow for more efficient production, lower logistics costs, and improved security of supply for customers, which is a prerequisite for profitable growth.



Stock exchange jubilee


Harju Elekter celebrated a quarter of a century since going public. During 25 years on the stock exchange, the Group has increased its turnover 22 times, and the company's market value has increased almost 10 times.

Harju Elekter is the most stable dividend payer on the Tallinn Stock Exchange – it is the only company in Estonia that has paid dividends every year since its listing.


Customer agreements




 **AS Harju Elekter Elektrotehnika** signed a contract with CERN, the European Organization for Nuclear Research, for the supply of low voltage switchgear. For Harju Elekter, the contract provides an opportunity to collaborate innovatively with an international research organization and contribute to the development of research technology.


 **AS Harju Elekter** signed a letter of intent with Reimax Electronics OÜ for the design, construction, and long-term lease of the nearly 6,000 m² production building at Allika Industrial Park.



 **Telesilta Oy** signed a contract with **Uudenkaupungin Työvene Oy** to provide turnkey delivery of electrical, automation, and navigation systems for trailing suction hopper dredger. The delivery will take place at the end of 2023 and the ship operator will be the Maritime Office in Gdynia, Poland.

 **Harju Elekter UAB** signed a contract with U.S. Steel Corporation (Exploratory Ventures LLC) to produce low voltage drives and MCC systems for their new Big River Steel facility in Arkansas.



 **Harju Elekter AB** continued its cooperation with **Region Stockholm**, the administrative authority responsible for public transport, and by February 2024 the substation of Odenplan metro station will be renewed.

Harju Elekter also entered into an agreement with **Gävle Energi AB** based on which the distribution substation will be renewed in the Gävle region by February 2024 and the reconstruction and civil works accompanying the project will be carried out. Once completed, the substation will contribute to meeting the electricity needs of both industrial and private consumers.

Strategic investment

Harju Elekter Oy increased its holding in technology company **IGL-Technologies Oy** from 5.5% to 10%. With the additional investment Harju Elekter sees an opportunity to strengthen the Group's activities in the field of e-mobility. In cooperation with IGL-Technologies Oy, Harju Elekter will continue to improve the availability of complete packages for electric car charging systems and expand the network in both the Nordic and Baltic markets. The role of Harju Elekter in the partnership has been the development, production, and sales of charging equipment hardware and the provision of technologically suitable software and operation of equipment at IGL.

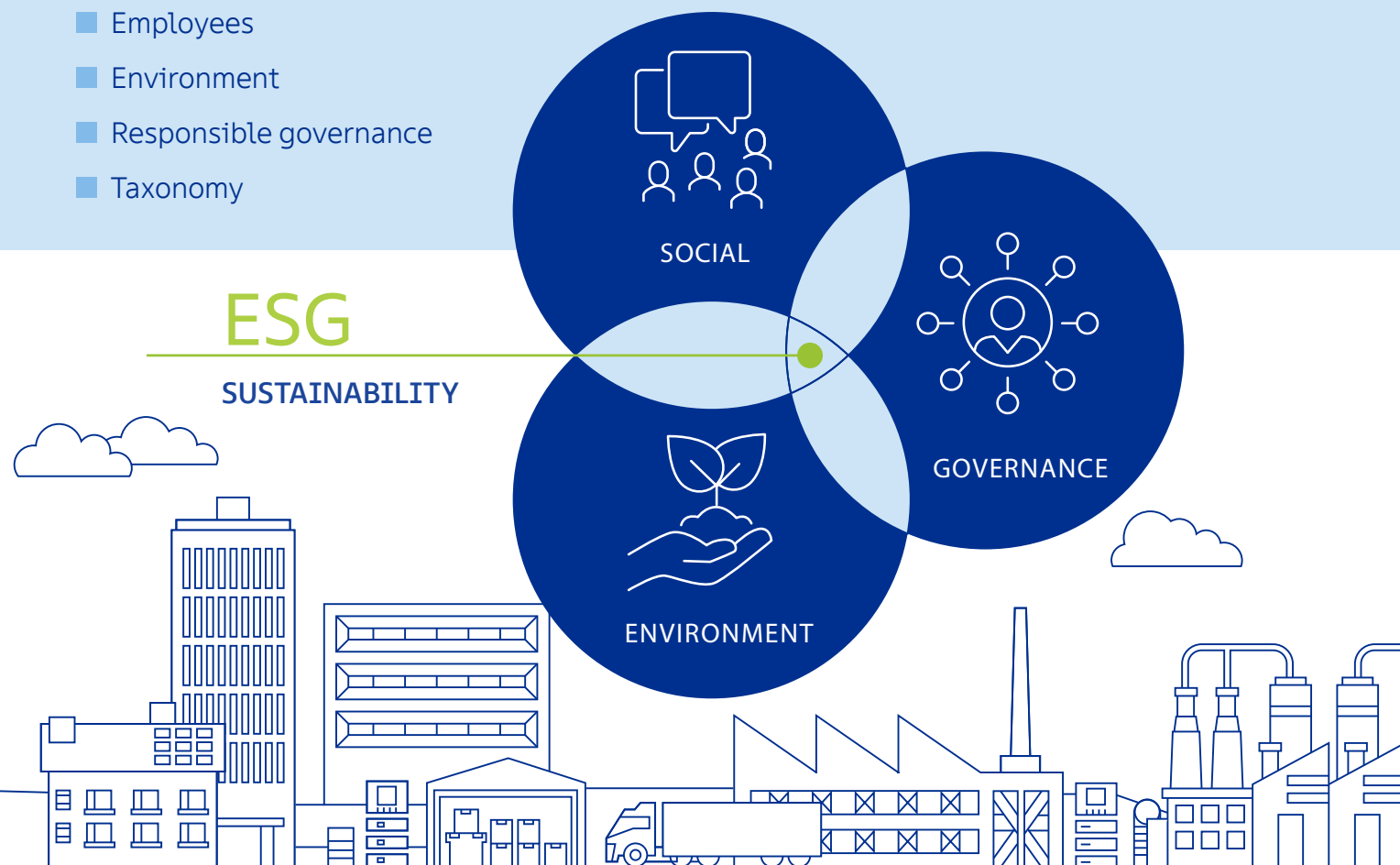


Sustainability at Harju Elekter

- Materiality topics
- Sustainable development goals
- Sustainability strategy
- Stakeholder engagement
- Governance
- Customer focus
- Employees
- Environment
- Responsible governance
- Taxonomy

Harju Elekter is committed to creating a sustainable society, business, living and natural environment, as we believe that this will contribute to the long-term viability of the Group.

In doing so, we take into account environmental, social impact, and governance issues (the ESG view - Environmental, Social, Governance).



Our sustainability ambitions are influenced by global targets aimed to reduce global warming, such as the Paris Agreement, the European Green Deal and the green transition. We will, therefore, ensure that our companies are increasingly efficient, environmentally friendly and involved in the implementation of new innovative technologies.

The Group's core business also contributes to the development of a sustainable society by supporting large-scale electrification with electrical equipment, which contributes to meeting climate targets. Grid-connected electrical appliances make it possible to replace environmentally unfriendly ways of generating energy, while there is a need to replace outdated electrical equipment with new, more environmentally friendly ones. While Harju Elekter cannot guarantee that only green energy will be used in manufactured electrical equipment, the trend is moving towards a more environmentally friendly electricity grid over the next 20 years, thanks to global ambition and demand.

In addition to its core business, Harju Elekter supports sustainable development through other areas of activities. In the real estate segment, the aim is to build increasingly energy-efficient buildings for both our own and our customers' use. The Group also contributes to increasing renewable energy production capacity by setting up solar parks.

Materiality topics

In 2022, we analysed and updated the materiality topics at Harju Elekter. We assessed the positive and/or negative impact (economic, environmental and social) of the organisation on these issues, as well as the impact of these topics on Harju Elekter. We also took into account issues relevant to internal and external stakeholders that influence their decision-making. The aim of this analysis was to ensure that the company focuses its resources and activities on the topics that have the greatest impact and the highest significance to our stakeholders.

To acquire internal stakeholder view, we asked the Local Management Teams of Harju Elekter production companies, the expanded Management Team of AS Harju Elekter and the Supervisory Board to complete the questionnaire created for this purpose. In analysing external stakeholders such as key suppliers and customers, we considered their own material topics, dialogues with them on sustainability issues, and their expectations for Harju Elekter. We also took into account important sector-specific issues, future directives, and the expectations of the main stakeholders when choosing priorities (see "Stakeholders expectations and needs").

These are parts of the strategic and operational management of the Group's companies, which are considered as fundamental principles in management decisions. Therefore, the Group's Annual Report 2022 provides an overview of all these issues. Important aspects of sustainability materiality topics are reflected in the international sustainability reporting framework, the GRI standard, the content of which can be found on the last pages of the report.

Materiality topics for Harju Elekter are the following:

- ① Customer focus
- ② Employee health and safety
- ③ Responsible governance
- ④ Employee wellbeing
- ⑤ Cyber security and data protection
- ⑥ Environmental management
- ⑦ Sustainable supply chain
- ⑧ Greenhouse gas footprint
- ⑨ Community engagement





Sustainable development goals




The United Nations General (UN) Assembly adopted the Sustainable Development Goals (SDGs) in 2015 with the aim of establishing a sustainable society across the world through community, environmental protection, and inclusive economic growth.




At Harju Elekter, we have identified three most impactful SDGs, which are 7, 8, 12, and 13.



Other SDGs that we support, but have lower impact, are goals 3, 4, 5, 9, 16 and 17. Our prioritisation process is based on our materiality analysis, impact evaluation, and internal and external stakeholder reviews. We focus on the SDGs that are most relevant to our business, set sustainability targets based on them, and engage in a wide range of sustainability activities in pursuit of these goals.

Sustainable Development Goal (SDG)	SDG target	How do we contribute to the goal at Harju Elekter?
 <p>SDG 3. Ensure healthy lives and promote well-being for all at all ages</p>	<p>3.4 By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.</p> <p>3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.</p>	<ul style="list-style-type: none"> • We strive to create an environment where our employees and contract workers can work without concerns over their health and safety in the workplace. • We offer our employees different benefits to promote the health of our employees.
 <p>SDG 4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p>	<p>4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.</p>	<ul style="list-style-type: none"> • In Harju Elekter we contribute to the development of our employees through internal and external training.
 <p>SDG 5. Achieve gender equality and empower all women and girls</p>	<p>5.1 End all forms of discrimination against all women and girls everywhere.</p> <p>5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.</p>	<ul style="list-style-type: none"> • Our decisions are based on the Code of Conduct of Harju Elekter. We apply equal opportunities and treatment irrespective of gender.
 <p>SDG 7. Ensure access to affordable, reliable, sustainable and modern energy for all</p>	<p>7.1 By 2030, ensure universal access to affordable, reliable and modern energy services.</p> <p>7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.</p> <p>7.3 By 2030, double the global rate of improvement in energy efficiency.</p>	<ul style="list-style-type: none"> • We offer various solutions for connecting renewable energy sources to the existing functioning electricity infrastructure. • We contribute to increasing the production capacity of renewable energy by building solar parks.

Sustainable Development Goal (SDG)	SDG target	How do we contribute to the goal at Harju Elekter?
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<p>SDG 8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p> <p>8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.</p> <p>8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-Year Framework of Programmes on Sustainable Consumption and Production, with developed countries taking the lead.</p> <p>8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.</p> <p>8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.</p>	<ul style="list-style-type: none"> • It is important for us to ensure a safe working environment and adequate working conditions for our employees and partners. • Our business has a positive economic impact through employment.
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	<p>SDG 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation</p> <p>9.2 Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries.</p> <p>9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities</p> <p>9.5 Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending.</p>	<ul style="list-style-type: none"> • We contribute to the production of sustainable solutions and the reduction of the carbon footprint through innovation and digitalization.
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<p>SDG 12. Ensure sustainable consumption and production patterns</p> <p>12.2 By 2030, achieve the sustainable management and efficient use of natural resources.</p> <p>12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.</p> <p>12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.</p> <p>12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.</p>	<ul style="list-style-type: none"> • We use resources responsibly and apply circular economy principles throughout our supply chain to fight with resource scarcity. • We are committed to reducing waste and increasing recycling and reuse rate. • We ensure that chemicals and hazardous materials are handled, stored, and disposed in an environmentally safe manner.

Sustainable Development Goal (SDG)	SDG target	How do we contribute to the goal at Harju Elekter?
 <p>SDG 13. Take urgent action to combat climate change and its impacts</p>	<p>13.2 Integrate climate change measures into national policies, strategies and planning. 13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.</p>	<ul style="list-style-type: none"> • Our goal is to reduce GHG emission in our supply chain and increase the environmental awareness and competence of our employees.
 <p>SDG 16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels</p>	<p>16.5 Substantially reduce corruption and bribery in all their forms.</p>	<ul style="list-style-type: none"> • Our operations are based on legislation and the Code of Conduct of Harju Elekter. We address potential conflicts of interest and avoid bribery, money laundering, and corruption at all levels. We have set high standards of trustworthiness, openness, and honesty, and we believe it is important to ensure that employees, customers, and partners have the opportunity to safely report information that suggests illegal or unethical behaviour through the whistleblowing channel.
 <p>SDG 17. Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development</p>	<p>17.16 Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries.</p>	<ul style="list-style-type: none"> • It is important to us to cooperate with our key partners. We want to create a dialogue with other responsible and like-minded companies, become more aware ourselves, and give more back to society and the community in order to be an exemplary employer for our employees.



Photographer: Kaia-Kristiina Kirikal

Sustainability strategy

In the second half of 2022, we developed a sustainability strategy at Harju Elekter, which received approval from the Group Management and is applicable to the entire Group. The strategy concentrates on four topics which will be the focal point for the next five years (2022-2026). The selection of these focus areas was determined by the materiality analysis and the sustainability development

goals. The sustainability strategy is based on four pillars: customer focus, employees, environment and responsible governance. We believe that Harju Elekter can make the most significant contribution to these areas, and that they also have the greatest impact on the company.

We established key indicators, short and long term goals for the four focus areas. We will periodically review

the strategy to ensure it remains up-to-date and improve it as necessary. Sub-topics without KPIs and targets will be reviewed in 2023. Each chapter of the focus topic provides a separate explanation of how the key indicators, objectives and analysis of the reporting period were conducted.



Successful **COOPERATION** with our customers leads to a sustainable future

OUR KEY FOCUSES

- Quality
- Customer satisfaction



We create future-proof electrification solutions with **TOMORROW IN MIND**

OUR KEY FOCUSES

- Greenhouse gas footprint
- Renewable energy
- Resource efficiency
- Circularity



Our key sustainability principles

DEVELOPMENT and our people are in the centre of Harju Elekter

OUR KEY FOCUSES

- Health and safety in the work place
- Employee development
- Employee satisfaction
- Diversity and fair treatment



RELIABILITY is earned through responsible governance

OUR KEY FOCUSES

- Compliance
- Misconduct reporting
- Sustainable supply chain



Stakeholder engagement

Stakeholder expectations and needs

Harju Elekter values the reliable cooperation with its stakeholders. We have mapped customers, employees, shareholders, suppliers, local authority and community as well as regulatory and supervisory authorities as key stakeholders. They were selected according to who has the greatest influence on the activities of Harju Elekter and who is most affected by the organisation. In relations with local authorities and residents, regulating and supervisory authorities, issues will be raised mutually on the basis of needs. In cooperation with educational institutions, professional associations, and non-governmental organisations, activities will be seen to create value for both sides.

Thanks to active communication with our various stakeholders, we understand their needs and expectations for our activities in the field of sustainability. Our engagement methods include meetings and discussions, oral and written surveys, and long-term collaboration. Harju Elekter shares the green vision of its stakeholders, which inspires the Group's employees and sends a clear message to shareholders about the sustainability of the Harju Elekter Group.

Stakeholder	Significance to HEG	Stakeholder expectation	Main activities
Customers	<ul style="list-style-type: none"> Basis of business 	<ul style="list-style-type: none"> Right quality products and optimized solutions with competitive pricing Portfolio with sustainable, energy efficient and technological solutions for electrical power distribution Cooperative and solution oriented customer centric culture Complete value chain On-time delivery Business ethics and anti-corruption Good reputation of being a reliable company that is easy to do business with 	<ul style="list-style-type: none"> Efficient production and value chain (starting from customer relations through design to execution) Investments (R&D activities), Local presence and key account management at the best Develop customer relationships through meetings, trainings, fairs, and visits Efficient project management from design to sourcing and from production planning to the end customer Code of Conduct and Whistleblowing system Certification (ISO 9001, 14001, 45001, 27001) Publicly listed company in Nasdaq Tallinn Stock Exchange
Employees	<ul style="list-style-type: none"> Healthy, competent and engaged employees are the basis of the company's efficient operation and its satisfied customers Critical resource for business continuity and growth 	<ul style="list-style-type: none"> Healthy and safe work environment Opportunities for career and individual development Fair recognition and reward Timely payment Timely and clear communication about strategies, goals, progress and changes Inclusive organisational culture Reliable employer 	<ul style="list-style-type: none"> Following the occupational health and safety standard ISO 45001:2018 or the principles of an internal management system for the work environment and safety Regular occupational risk assessments Employee satisfaction survey Performance interviews Trainings Regular salary review Improving internal communication Values programme
Suppliers	<ul style="list-style-type: none"> Enabler in customer satisfaction via quality, pricing and delivering capability Sustainable supply chain management 	<ul style="list-style-type: none"> Open, fair and mutually beneficial partnership Clear demand and open communication on supplier selection Sustainable supply chain management Following health and safety standards Indexed prices Joint offer development 	<ul style="list-style-type: none"> Supplier relationship management Creation of Supplier Code of Conduct Risk suppliers' identification and auditing Periodic supplier assessment Supplier complaints process
Shareholders	<ul style="list-style-type: none"> Decision makers through the General Meeting which is the company's highest governing body 	<ul style="list-style-type: none"> Financial performance and growing stock price Stable dividend Growth and efficiency Business strategy realisation Governance stability and sustainability Risk management Excellent reputation 	<ul style="list-style-type: none"> Dividend policy Implementation of Lean processes Implementation of Harju Elekter Group's strategy Updating Code of Conduct Monitoring and reporting Open and honest communication with stakeholders
Local authority and community	<ul style="list-style-type: none"> Social responsibility Impact on reputation Helps to grow the succession of the workforce 	<ul style="list-style-type: none"> Ethical behaviour Reliable employer and socially responsible corporate citizen Economic investments for local welfare Cooperation with schools, universities and local communities 	<ul style="list-style-type: none"> Student programs and internship opportunities Sponsorship projects Activity in social media, co-operation with local news papers and associations Promoting engineering education
Regulators and decision makers	<ul style="list-style-type: none"> Impact on reputation and doing business Evaluates the compliance 	<ul style="list-style-type: none"> Compliance with laws and regulations Environmental management and compliance Safety management and compliance Transparent reporting 	<ul style="list-style-type: none"> Reporting and informing according to requirements Following GRI in reporting

Social involvement

The Harju Elekter Group is an active and involved member of the community and supports the development of the sector in the countries where its business units and employees are located. The aim of the Group's support activities is to be a lasting partner and, therefore, focus primarily on building and developing long-term partnerships.

Harju Elekter has formulated two main lines of its sponsorship activities, according to which it will primarily support:

- education and young people's interest in technology;
- local youth sport.

In the framework of education and young people's interest in technology, Harju Elekter will continue various cooperation projects with educational institutions to develop and popularise engineering education among young people. In order to support local youth sports, Harju Elekter will continue to support Keila basketball, and football clubs, as the company values its contribution to the Keila community based on its history and the location of its headquarters.

Supporting engineering education

Harju Elekter awards scholarships named after itself to undergraduate or graduate students annually through the Development Fund of Tallinn University of Technology. Since 2001, a total of 77 students have participated in the scholarship programme. In 2022, one scholarship was awarded to a bachelor's degree student in electrical engineering.

Since 2016, Harju Elekter has been a gold sponsor of the Formula Student Team Tallinn, which brings together students from Tallinn University of Technology and Tallinn University of Applied Sciences. Since 2013, they have maintained an internationally high level of excellence in the design of electrical formula. In addition to a sporty image, it is also an educational project, aiming to raise the quality of educational practice and engineering education, and to popularise engineering. A new objective has been added to promote environmental sustainability, increase awareness, and to build competence in the field of electromobility in Estonia, as it competes with zero-emission cars powered by electricity.



Harju Elekter participates in cooperation programmes with regional educational institutions. Where possible, we will help to equip technical and scientific laboratories and contribute to scientific and research projects. Regular student study visits are organised to the Group's companies, and the employees of the companies contribute their knowledge and experience to the development of technology-oriented curricula. In addition to Tallinn University of Technology, Estonian companies have cooperation

programmes with Tallinn Vocational Education Centre, Tallinn University of Applied Sciences, Tallinn Polytechnic School, and the Tallinn Construction School. The Finnish company of Harju Elekter has close links with technical and vocational colleges in the region: Satakunta University of Applied Sciences and Novia University of Applied Sciences, Tampere University of Technology, and the Turku School of Economics.

The Lithuanian company of Harju Elekter cooperates continuously with the regional Panevėžys College of Electrical Engineering and Panevėžys Vocational Training Centre, as well as Visaginas Vocational Training Centre of Business and Technology, and the Lithuanian Maritime Academy.

Sector development and sustainability

The Group also considers it important to contribute to society through professional associations and organisations and focuses knowledge and people’s time on issues that

stand for fair competition and sustainable and safe product solutions. Organisations help us to keep up to date with the latest information, contribute to a strong business and economic environment, and have our say on amendments to the law. As a member of professional associations, we can have a say in developments in our field and keep up to date with new trends. Harju Elekter, in cooperation with the Estonian Association of Electrical Enterprises (EAEE), continues to raise the issue of electrical safety both in legislation and with the general public. Harju Elekter is a member of the Federation of Estonian Engineering Industry,

the Lithuanian Engineering Industry Association LINPRA, the Federation of Finnish Technology Industries, the Finnish Packaging Recycling RINKI Ltd, and other organisations.



In the reporting year, Harju Elekter cooperated with the Foundation of National Defence Development (Riigikaitse Edendamise SA) to help and support Ukrainian hospitals, medical personnel of the defence forces, and fighters.



The emergence of skilled engineers is the basis for the international competitiveness of industrial companies.

As the President of LINPRA, the Lithuanian Association of Engineering Industries, the Managing Director of Harju Elekter Lithuania, Tomas Prūsas, contributes to the next generation of engineers and the development of the sector. He helps to lead the work of the Association and promote engineering to in-school youth and to the people who shape their career choices: teachers and parents.

Among the societal activities of the Lithuanian company, an academy opened in August 2021, where current and future employees of the company are trained, has proved a significant and successful step. The aim of creating the Academy is to attract interest in the field of engineering in young people in Lithuania and to increase the qualifications of existing employees. In 2022, the city of Panevėžys recognized the Academy of Harju Elekter with a #PanevėžysJungiasi award in the category of increasing the potential of people.



Rohetiiger

In 2022, Harju Elekter joined the Green Tiger organisation. It is a multidisciplinary cooperation platform whose mission is to create and implement environmentally friendly practices in all sectors and develop a green economy.

"We see many great opportunities in joining Green Tiger. We want to create a dialogue with other responsible and like-minded companies, become more aware of the topic and give back to the society and community in order to be an exemplary employer for our employees."



Kaia-Kristiina Kirikal,
Corporate Sustainability
and Quality Manager

Governance

During the reporting period, we began the process of updating the Harju Elekter Code of Conduct, which will be published in 2023. We prepared common guiding principles for quality, environment and health and safety at the Group level, and plan to introduce them internally in 2023.

The management system of Harju Elekter is based on the requirements of the quality, environmental and occupational health and safety management system.

The subsidiaries of Harju Elekter are certified according to ISO 9001:2015 standard and all production companies have an ISO 14001:2015 certificate. AS Harju Elekter Elektrotehnika, Harju Elekter UAB and Telesilta Oy processes are certified in accordance with ISO 45001:2018.

Since 2017, Harju Elekter has been following the principles of the GRI (Global Reporting Initiative) in its reporting, which helps the organisation to stress the importance of sustainability and ensure better ESG communication to its stakeholders.

Organisational structure for sustainability initiatives

In 2022, the position of Sustainability Manager was created in Harju Elekter. Her responsibility is to manage sustainability issues at the Group level and to help harmonise the processes and goals of the Group's units. During the reporting year, a Sustainability Steering Committee and four Sustainability Teams were established in line with the strategy's focus topics of customer focus, employees, environment, and responsible governance.

The Sustainability Steering Committee is responsible for updating the organisation's material topics, developing Harju Elekter's sustainability strategy and setting key indicators and goals.

The Steering Committee's role is also to ensure that the goals are met and that the company complies with ESG-related regulations and legislation. The Sustainability Steering Committee is led by the Group Sustainability Manager, who reports directly to the Chairman of the Board.

The Sustainability Teams are responsible for implementing the sustainability strategy and preparing detailed action plans in all subsidiaries. They report directly to the Sustainability Steering Committee.

The Group Management is responsible for risk management and the approval of Group policies, including the sustainability strategy. They also monitor the implementation of the strategy and receive periodic progress reports from the Steering Committee.



Cybersecurity

At Harju Elekter Group, cybersecurity was one of the priorities in 2022 and will continue to be one of the priorities to ensure business continuity. Due to the increasingly serious threats in the cyber world, we put strong emphasis on preventive actions in the Group to protect business processes from the consequences of time- and resource-intensive cyberattacks. Harju Elekter's Lithuanian company also received ISO 27001 Information Security Management System certification in 2022.

Activities in 2022 to promote the Group's cybersecurity:

- We raised awareness among employees of the threats and ways of dealing with the cyber world. Similar to 2021, we conducted cyber hygiene training in companies within the Group so that employees have an overview and knowledge of how to operate safely in the cyber world.
- We made important investments to ensure safer IT infrastructure and introduced new technological solutions.
- We made several changes to improve the security of user accounts to prevent the misuse of accounts more effectively.

Risk management

At Harju Elekter, the Group Management is responsible for ensuring that risk management is part of strategic and operational management. The Audit Committee and Internal Auditor of the Group are responsible for supervising the activities of the risk management process and its performance.

We identify, manage and mitigate risks in the Group's companies to achieve financial and operational goals and prevent unexpected events.

The risk level score of the risk analysis framework is formed by the severity of the impact and the probability of the risk materialising. Periodic reviews of the risk level and activities are conducted during management meetings to identify and mitigate risks in a timely manner.

The risk analysis process was updated at the end of 2022, and in addition to financial risks, we consider social, environmental, and governance risks.

In terms of environmental risks, the Group is mainly affected by international and European Union requirements (e.g., CSRD - Corporate Sustainability Reporting, EU Taxonomy, Paris Agreement and European Green Deal).

We acknowledge that these regulations have a long-term impact on the company's competitiveness. Therefore, we strive to ensure compliance and transparent reporting.

The most significant employee-related risks are their high expectations regarding working conditions, including flexibility, development opportunities, and salary. These expectations can complicate the recruitment process and lead to increased voluntary turnover. To mitigate the risk, we have created a motivational package for employees with a transparent remuneration system and offer modern working conditions.

With a view to occupational safety, we monitor the guiding principles of occupational health and safety, and to mitigate the risks of business ethics, we are in the process of creating a revised Code of Conduct, the training of which will be organised for the Group employees in 2023. New principles will be introduced to our key suppliers as well.

In order to mitigate cybersecurity risks, the focus is placed on continuous prevention and training activities.

A comprehensive overview of the financial risks of the Group is available in the section of the annual accounts (see Financial risk management).

Risks are classified into the following subgroups:

- | | | |
|-------------------|-------------------------------|------------------------|
| ■ environment | ■ regulations and legislation | ■ supply chain |
| ■ employees | ■ information technology | ■ financial risks |
| ■ business ethics | ■ emergencies | ■ corporate governance |



Successful COOPERATION with our customers leads to a sustainable future

Harju Elekter provides competitive and optimum solutions to solve our customers' challenges in electrical power distribution. We use advanced technology and all our knowledge to provide sustainable and future-proof solutions. We provide high-quality service by delivering on what we promise without compromising quality. Harju Elekter aims to be the first choice for our partners to build a sustainable and safe future.



At Harju Elekter, our fundamental focus is on customers, to whom we strive to provide sustainable solutions for electrical power distribution and energy management.

Our goal is to create and maintain lasting and sustainable customer relationships that serve the interests of both parties. Based on the core values of Harju Elekter, we consider competitiveness, innovation, quality and customer trust are essential elements in meeting the expectations and needs of our customers. All of these elements are interlinked and treated as a whole.

Harju Elekter is offering customers optimal and sustainable solutions in an increasingly complex energy world. Green transition, energy deficit, small-scale production of distributed electricity and mobile loads (electromobility) add additional challenges to the stability of networks from day to day. The new challenge is balancing energy consumption and production and replacing fossil fuels that burden the environment with more environmentally friendly ones. For this purpose, we work closely with our customers, from the decision-making and ordering process to the end of the lifetime of the equipment. If necessary, we will work together to create new solutions that meet the customer's needs and the requirements of the existing regulations.

With a focus on the customer, we have concentrated Harju Elekter's sales and product management into a single

unit covering the entire Group to have a comprehensive overview of the market needs and the various technical options. On this basis, we can offer customers even more suitable and competitive solutions. The vast majority of electrical equipment has a long lifespan, it is crucial to consider the whole lifecycle of products and solutions. Therefore, in the process of product development, we have created opportunities to retrofit them over time and used equipment and materials from manufacturers that have already proven their sustainability.

To better serve customers, increase competitiveness and produce more efficiently, a Group-wide production management function was established during the year, focusing on the transition to a lean concept in different production units.

Key focus	Key performance indicator	Target	Results as of 2022	Future initiatives
Quality	OTD (first confirmed date)	> 90%	69%	Setting common OTD monitoring principles (2023)
	COPQ (Cost of Poor Quality)	<0.1%	0.12% (included Estonian and Lithuanian factories)	Setting common COPQ monitoring and reporting principles (2023)
Customer satisfaction	NPS (Net Promoter Score)	> 80	70	Setting common NPS monitoring and reporting principles in the Group companies (2023)

Quality and product safety

The security of supply is an important quality indicator for Harju Elekter, which has become a significant challenge in recent years due to supply chain failures leading to extended delivery times. Despite the longer delivery times than initially agreed, we prioritise offering customers reliable deadlines to enable them to plan their work and activities more effectively. In order to achieve the security of supply, we have increased the stockpile of materials, which has partly helped to cope with the difficult situation. We continue to explore additional measures to mitigate supply chain risks and enhance our ability to deliver products and services to our customers.

In the accounting year, the timely delivery of compliant products by all the companies of the Group ranged from 51% to 100%. The Group-wide average was 73% (2021: 84%).

Our goal is to provide our customers
with a sense of security and
at least 90% security of supply.

We offer our customers safe, reliable and sustainable equipment designed according to current standards and good practice. Harju Elekter’s products are electrification solutions, which include distribution and substations, medium and low voltage switchgear, solar panels and inverters, electric car chargers, technical buildings,

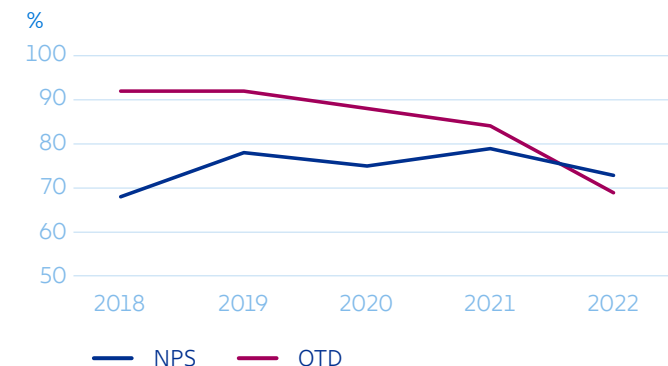
as well as relay protection and control systems and frequency converters.

At Harju Elekter, we are guided by the principle of quality without compromise. Product quality assurance in the supply chain is divided into 3 stages: quality of input materials, internal quality and customer complaints. Processes and routines have been created in the companies of Harju Elekter to detect and avoid errors as early as possible in the process and to eliminate them before the product reaches the customer. For this purpose, inspection will be carried out on input materials, production and products before the goods are released. Often, larger projects are subject to joint inspections with the contracting authorities (FAT). If any non-conformity is subsequently discovered at the customer's premises, all complaints will be dealt with as quickly as possible so that the technical characteristics of the product can be properly restored.

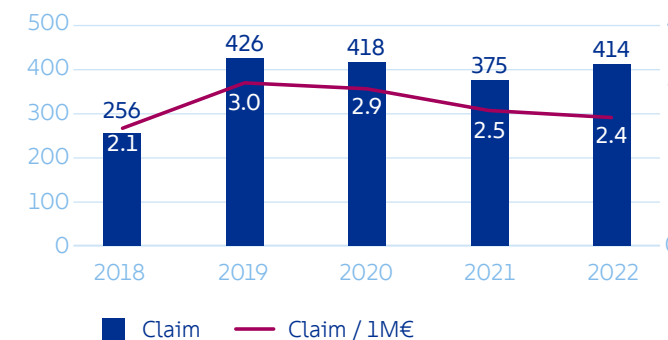
In the reporting year, the number of errors was at a similar level to the previous year, at 2.4 cases per € 1M turnover (2021: 2.5 cases). The main reasons for this are the continued search for new alternatives to existing solutions due to the shortage of materials and the increasingly improved and more accurate statistics. The cost of poor quality has also remained stable, remaining below 0.2% of turnover. In the reporting period, it was 0.12% of turnover (included are Estonian and Lithuanian factories) (2021: 0.19%).

In the history of the Group, there have been no known cases in the last few decades where production errors occurred in the companies of the Group, which would have created a life-threatening situation during the use of the finished product. The Group has concluded product liability insurance contracts to compensate for possible losses.

On-time delivery and customer satisfaction



Customer complaints



Customer satisfaction

Gathering customer feedback and recommendations is a crucial aspect for Harju Elekter. Although the Group's companies use different methods to collect and analyse feedback from the customers, they all measure overall satisfaction, willingness to recommend, and the extent to which products and engineering solutions meet expectations. The feedback received helps map customers' overall attitude towards the company, understand the reasons and draw conclusions. All customer referrals are recorded, analysed and the praise and criticism received is given further attention.

Customer satisfaction decreased in the reporting period due to the impact of global material shortages and uncertainty in supply chains caused by the war in Ukraine, resulting in a decline in the security of supply. The Group's average customer satisfaction was 70 out of 100 (2021: 75). The goal is to achieve an average customer satisfaction rate of at least 80.

Customers and partners about Harju Elekter



Many years ago, we were looking for a solid, professional partner in the Baltic region, and Harju Elekter was the obvious choice. Working with Harju Elekter means that our common agreements are kept and challenges are solved by cooperating well with one another. This is the best way to develop our partnership and achieve success. We hope you keep up the same professional competence that has been the company's driving force so far."

Tuomas Juvonen,
Jean Müller Finland, General Manager



Harju Elekter is a reliable partner to work with because of their professional people, commitment to working together at all levels, and well-specified inquiries. The reasons for choosing Harju Elekter as a partner were mostly related to their speed of service - a fast response time and quick after-sales support."

Olli Lehtonen,
Siemens Osakeyhtiö, Sales Director



The cooperation between Järvi-Suomen Energia and Harju Elekter is a genuine and constructive partnership. We can always trust that things will proceed as agreed. Deliveries keep and we get what we have ordered. Harju Elekter's professionals are quick to get a grip with things and are very innovative. They are also a flexible partner when piloting projects and testing new equipment."

Mika Matikainen,
Järvi-Suomen Energia Oy, Network Director



DEVELOPMENT and our people are in the centre of Harju Elekter

Harju Elekter considers health and safety in the workplace an absolute priority. We support the professional development of our personnel and the creation of the Learning Organization. We aim to build a culture where diversity and inclusion are key assets.



Harju Elekter recognises that the knowledge, skills, experience, and motivation of its employees are crucial to the company's effective and efficient operation. Our human resources strategy is designed to promote professionalism, flexibility, independence, and customer orientation among our employees.

In 2022, we approved the sustainability strategy that focuses on key areas where the company can make a meaningful contribution and have the greatest impact on our performance. One of our focus areas is the well-being and safety of our employees. We are committed

to providing a supportive environment that prioritises their health and safety, and we encourage professional development, foster a culture of learning, promote employee involvement, and ensure equal treatment for all.

Key focus	Key performance indicator	Target	Results as of 2022	Future initiatives
Health and Safety in the workplace	LTIFR (Lost Time Injury Frequency Rate)	< 3	10.8	<ul style="list-style-type: none"> Forming harmonized safety reporting system within Harju Elekter (2023) Carrying out ISO 45001 certification for Estonian sheet metal factory (2023-2024)
Employee development	% of employees received trainings	100%	36% of employees received external trainings at 2022	<ul style="list-style-type: none"> Implementing e-training and leadership development programs over the HEG (2026) Creating a system for measuring training hours within the Group (2023)
Employee satisfaction	Response rate for general job satisfaction survey	> 80%	The result of 2021 was 66%	<ul style="list-style-type: none"> Developing cross-group satisfaction survey (2023) An analysis of the causes of voluntary turnover (2023)
	Voluntary turnover	< 15%	26%	
Diversity and fair treatment	Employee by age group	under 30 years 24%, 30-49 years 52%, 50 years and over 24%	Results of 2022 under 30 years 21%, 30-49 years 55%, 50 years and over 24%	<ul style="list-style-type: none"> Creating a transparent system for pay gap analysis (2024)
	Pay gap	To be confirmed	Data not available	



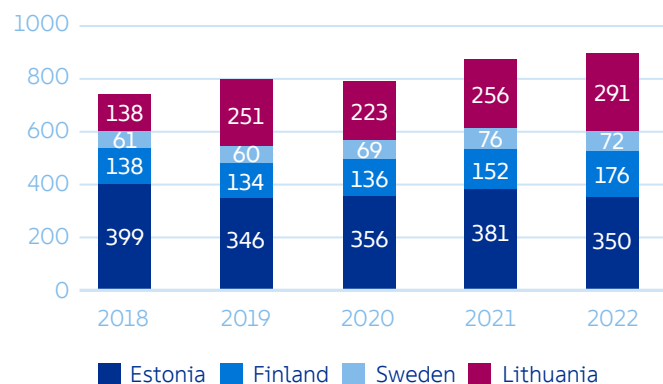
Employees

At the end of the reporting period, Harju Elekter employed 889 people, which is 24 employees more than a year ago. The biggest increase in the number of employees was in Lithuania, due to the expansion of the factory.

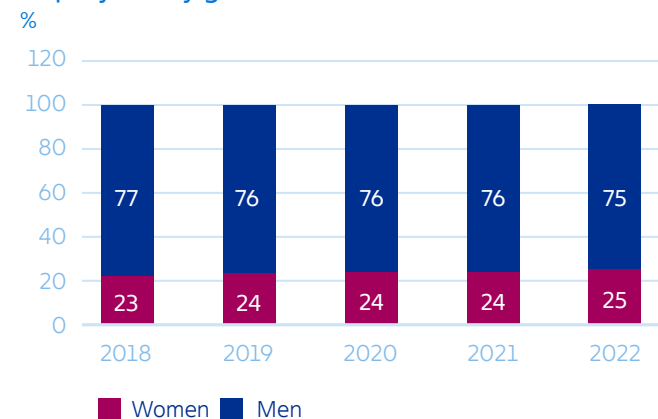
A total of 97% of all employees of Harju Elekter work full-time and 98% have an employment contract of indefinite duration.

The gender distribution of the Group's workforce has remained relatively stable over the past five years, with women representing approximately 25% of the total workforce. This is a result of the specific nature of the Group's core business. Out of the 16 top managers (Supervisory Board, Management Board and Managing Directors), one is a woman.

Number of employees



Employees by gender



Overview of employment as at the end of the reporting period:

Employees	2021		2022	
	Total	% of all employees	Total	% of all employees
Total number of employees	865		889	
incl. Management Board and Managing Directors	12	1%	10	1%
incl. administrative and engineering staff	278	32%	305	34%
incl. workers	575	67%	574	65%
incl. Supervisory Board, Management Board and Managing Directors	16		16	
incl. men	15	94%	15	94%
incl. women	1	6%	1	6%
incl. 30-49 year-old	9	56%	10	62%
incl. 50 year-old and older	7	44%	6	38%
New employees	193		253	
incl. men	44	23%	66	26%
incl. women	149	77%	187	74%
incl. under the age of 30	76	39%	103	40%
incl. 30-49 year-old	97	50%	127	50%
incl. 50 year-old and older	20	11%	23	10%
Employees left	122		224	
incl. men	28	23%	35	16%
incl. women	94	77%	189	84%
incl. under the age of 30	40	33%	99	44%
incl. 30-49 year-old	72	59%	94	42%
incl. 50 year-old and older	10	8%	31	14%



Working environment, occupational safety and health

Harju Elekter prioritises the safety and well-being of its employees by adhering to internal guiding principles and processes for work environment and safety, as well as complying with applicable legislation and other relevant requirements. Health and safety management is strategically important across all companies within the Group.

To maintain a safe working environment, a risk assessment of the workplace is conducted periodically to evaluate compliance with regulations, identify potential risks, and address employee concerns.

The Group assesses risks itself and with the help of a trusted service provider. The risk assessment of the working environment consists of three parts: a workplace inspection, taking measurements and interviews with employees to ensure their involvement

We carry out periodic workplace surveys and audits to identify and prevent hazards. We react to changes in the working environment and identify potential risks in the creation of new jobs. We value open communication with our employees and encourage them to report any potential hazards or risks. Based on the results of the analysis, we develop a work environment action plan to create a safe and healthy work environment for our employees.

The main risks at the Harju Elekter production facilities include mobile forklifts, manual lifting of heavy weights, handling sharp metal components, the use of work equipment with incorrect work methods, and the risk of electric shock. Companies use a hierarchy of control measures to reduce the level of risk and eliminate hazards.

We have taken several steps to eliminate the hazards in our factories. We have rearranged work areas to ensure separate movement areas for workers and vehicles. Additionally, we have created safety instructions, provided personal protective equipment and conducted safety trainings for employees. Safety tours, which observations help to prevent accidents at work, are also conducted regularly.

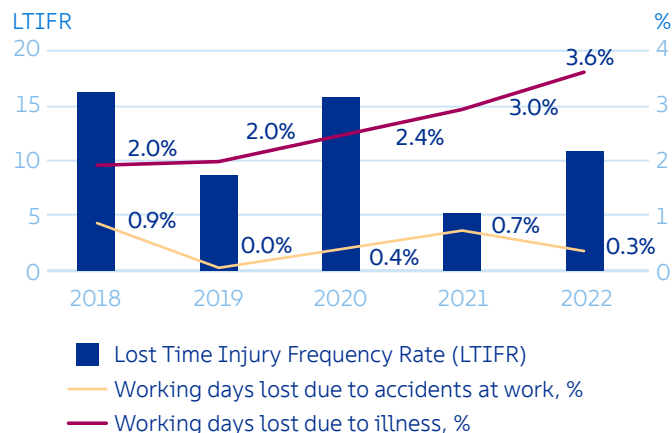
Working with the occupational health co-operation partner, we conduct medical examinations of employees in accordance with the procedure provided by law and after a period determined by the occupational health doctor. The service provider maps the risks related to mental health and prepares health audit reports with recommendations for improving employees' health.

In 2022, activities were continued to mitigate the risk of COVID-19 to prevent outbreaks at work and ensure the safety of employees. To this end, companies implemented stricter requirements, depending on the situation: wearing protective masks at the workplace, disinfecting surfaces and hands, limiting the reception of guests, and, where possible, referring employees to the home office.

As part of strategy implementation, we have introduced a new key performance indicator called the Lost Time Injury Frequency Rate (LTIFR). LTIFR is the ratio of the number of accidents at work which result in health damage to an employee's incapacity for work per million hours of work. The objective is to keep this figure below three (the result for 2022 was 10.8).

None of the accidents at work resulted in death and no cases of occupational disease were recorded. On average, the Group's companies lost 0.3% of working days due to accidents at work and 3.6% due to illnesses. Although

Work accidents and lost working days



the number of accidents at work increased compared to the previous period, the percentage of lost working days decreased, as accidents at work resulted in fewer lost working days.

We plan to increase our focus on the working environment and safety issues to achieve our goals. In 2023, we will begin the preparation of ISO 45001:2018 certification at the Estonian sheet metal factory. We intend to launch a common incident registration system for Harju Elekter Group companies to ensure a safe working environment and reduce the number of accidents at work by identifying and raising awareness of incidents.

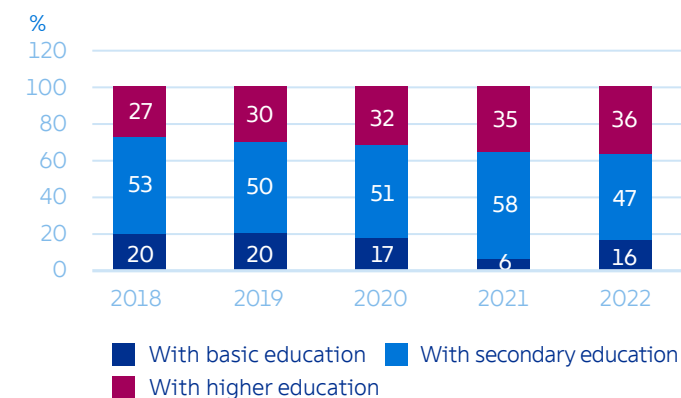
To promote a culture of occupational safety, a week of occupational safety was organised in the Estonian units during the accounting year, where employees were made aware of healthy workplaces. The main topic was how to maintain your physical and mental health. In addition, a digital platform, VITS, was implemented at the Estonian factory to streamline occupational safety and health processes.

Employee development and succession

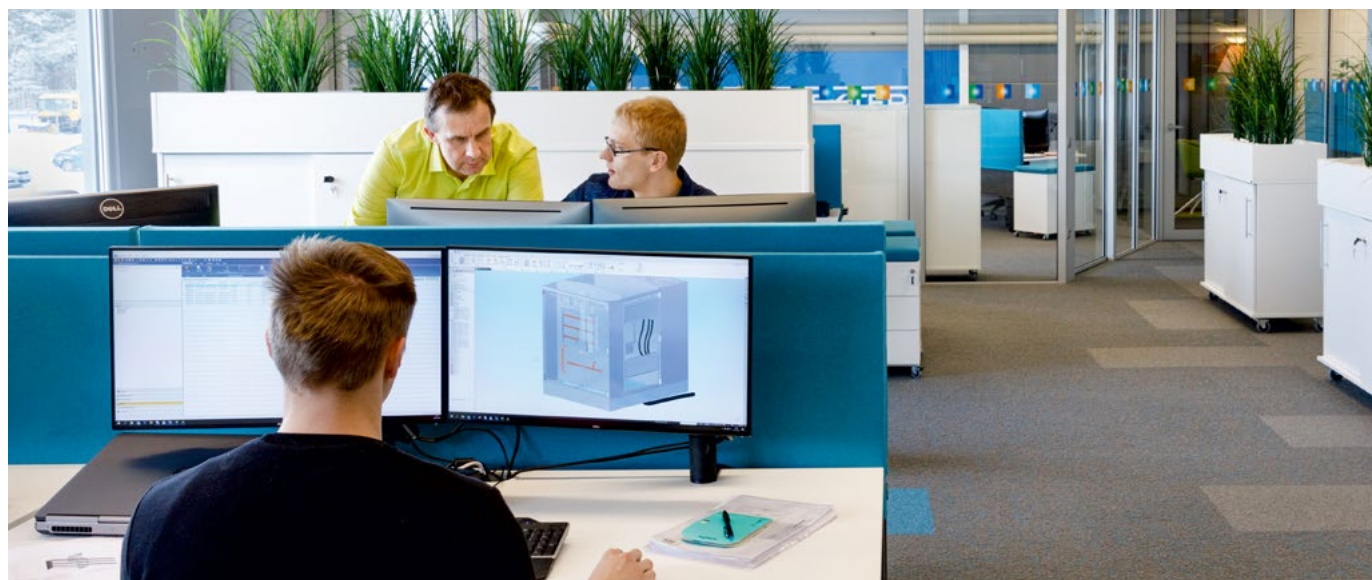
Harju Elekter is committed to supporting the all-round development of employees, strengthening teams and promoting the sharing of experience. Harju Elekter encourages the acquisition of additional education as well as skills and specialised professions alongside work. Annual comparisons demonstrate that the proportion of employees with higher education in the Group has increased significantly.

We believe that the involving employees in the decision-making process is crucial to help them understand the decisions and to be able to support the company in its development. To gather employees' expectations and feedback, Harju Elekter carries out annual development interviews to identify training needs and to obtain valuable feedback on the company and its management. In 2022, 84% (2021: 71%) of administrative and engineering

Education of the employees



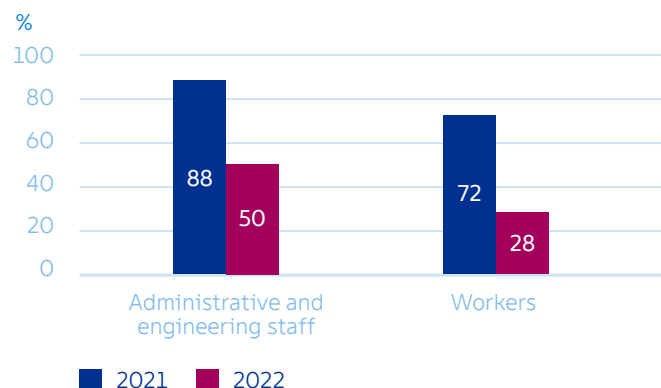
personnel and 57% (2021: 59%) of production personnel had development interviews. All of the Group companies will continue to develop adaption training and programmes for new employees, adding more Group-wide and



responsible business principles. In the reporting year, a special professional training programme was started for new employees in Estonia and a new career page was introduced in Sweden. Training for managers has provided them with practical tools to improve management and guidance for smoother cooperation.

In Estonia, a large-scale lean management training programme was started. Its aim is to apply both new theoretical knowledge and practical methods of lean philosophy in our production. In addition, trainings were provided primarily to employees who needed to improve or rotate their professional knowledge. In Lithuania, the training academy continued to increase the qualifications of engineers and work-based learning. Overall, the volume of external training has decreased in the accounting year due to the difficult times of the economy. Instead, more in-house trainings were organised. 50% of the administrative and engineering staff and 28% of the employees received external training. We plan to develop

Proportion of employees who participated in external training



a system for measuring training hours in the Group's companies in the next period to get a better overview of which training courses the employees have completed (group-wide training, professional training, etc.). In addition, as part of the strategy, we plan to introduce a Group-wide training and e-learning programme by 2026. At the moment, we are monitoring how many employees have had any training and set a goal of 100%.

For the growth of engineers,
Harju Elekter supports academic
learning in universities by sharing
practical experience and knowledge.

We organise tours and job shadowing days for young people, participate in student events, provide practical work experience, and assist students in writing course and graduation papers, offering the opportunity to use Group companies as research sites. In 2022, there were 21 (2021: 29) pupils and students in internships at the Harju Elekter Group companies. Such an opportunity creates for the Harju Elekter companies a succession of employees of people who are ambitious and willing to develop.

Employee satisfaction and motivation

Employee feedback plays an important role in Harju Elekter's organisational culture. We have made it a strategic goal to conduct a cross-group satisfaction survey and set the survey response rate at 80%. A satisfaction survey shall be carried out every two years to find out the opinions of employees. The 2021 survey focused on measuring the satisfaction of work, work colleagues,

management culture and development opportunities. The Swedish unit was not able to participate due to reorganisation. Swedish and Finnish companies carried out a slightly shorter survey in 2022 at their own initiative. In 2023, the satisfaction survey will be carried out on a Group-wide basis and will include more topics.

Results of the satisfaction survey by country as of 2022

%	Estonia	Finland	Lithuania	Weighted average
Satisfaction	75	84	62	74
Response rate	68	69	53	66

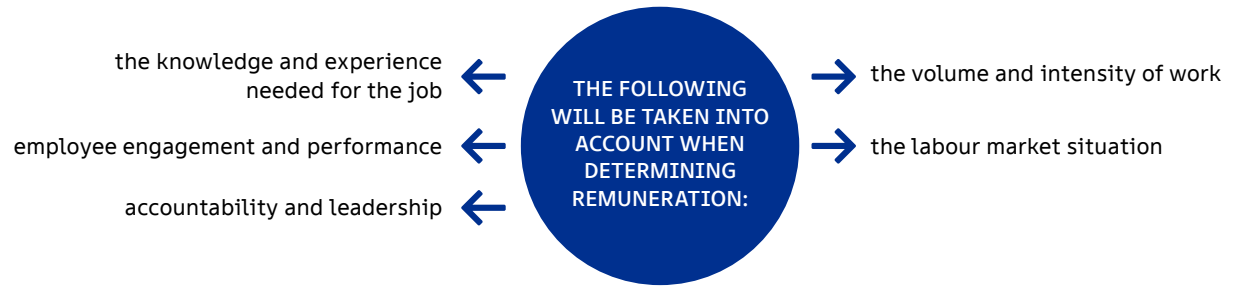
In 2022, the labour turnover rate (the number of employees who voluntarily left the company during the year divided by the average number of employees) in the Harju Elekter companies was 26%, which is higher than in 2021 (15%). The significant increase in employee turnover in Lithuania was caused by a large number of new employees who left partly due to the expectation of too complex technical skills and insufficient support for settling in. The increase in the Swedish company's turnover has been influenced by a change in the location of production units. It will be important to further analyse the causes of voluntary turnover and aim to reduce the figure.

As an employer, we consider it very important that the work and private life of our employees is balanced. This is why the company does not favour overtime and allows workers flexible working hours. People whose jobs allow work from a home office and combine it with office work. In addition to the work-life balance, we consider it important to ensure a supportive mental and physical working environment. In cooperation with the employee, the working conditions

of the home office shall be assessed on the basis of a risk analysis and instructions for working in the home office. Recent challenging years have increased mental health risks. We have carried out various studies to support employees in the Harju Elekter companies, conducted seminars and shared materials on mental health to support employees. We are organising various physical movement challenges to alleviate the mental burden. The Harju Steps, a Group-wide walking competition held in the summer, has become a tradition. From 2022, employees of the companies based in Estonia are offered a health allowance under which they can choose between a sports allowance or supplementary health insurance, depending on their needs. In addition, the companies have health rooms with massage chairs and other supporting equipment for alleviating forced positions.

The Group's remuneration policy is developed to provide fair, motivating, transparent and legally compatible remuneration. The aim of the policy is to recruit staff with the skills, competences, and experience to deliver the strategy, to align the interests of employees and shareholders, and to motivate employees. The remuneration systems consist of basic and variable pay, benefits, and employee incentives.

The decision on the level of remuneration is based on objective criteria. Most employees of the company have the opportunity to earn performance-based pay, which is calculated using clear and transparent principles.



For employees with length of service, we offer additional benefits in the form of additional leave; for the duration of national defence exercises, we partially maintain the remuneration.

A variety of possibilities and channels are used to best reach, involve, and listen to employees, as well as establish an open organisational culture. To increase the unity of Harju Elekter, we aim to create programmes involving

all companies and employees of the Group. In 2022, a Group-wide intranet was introduced to facilitate the flow of information and create a common information space. The recognition of employees is supported by the "Praise your colleague" initiative in the Intranet, through which all employees are able to recognise their colleagues. In addition, at the end of each year, the Colleagues of the Year, i.e., the people who have best represented Harju Elekter's values, are selected and recognised.

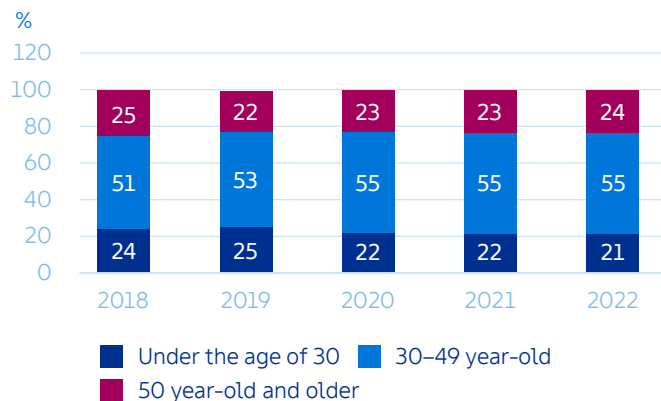


This year, **Veikko Kivipõld**, the Head of Department, was awarded the title of Colleague of the Year in the category of Harju Elekter's value Development. Veikko has been part of the Harju Elekter family for more than 15 years. "Initially, I was only planning to come for a short time, but gradually I learned new skills, work roles, and so I became the Head of Department. A supportive and inclusive culture and the opportunities offered by the employer have enabled all this."

Diversity and fair treatment

Harju Elekter employs people from different cultural, educational, and professional backgrounds. It is important for us to ensure that no one is discriminated based on their age, gender, religion, origin, disability, marital status or any other circumstances. These issues are also outlined in the Group's Code of Conduct.

Employees by age



The average age of a Harju Elekter employee is 40.7 years old. We are committed to keeping staff in different age groups so that there is the succession of young people and the sharing of older generation experiences to ensure the company's sustainability.

The majority of our employees, 64%, have less than 5 years' length of employment, while 18% of employees have more than 10 years. The successful future of Harju Elekter relies on the cooperation of long-standing professionals in their field and young future top scorers. The sustainable development of the company is powered by a diverse workforce with extensive experience.

In our personnel policy, all recruitment and promotion decisions are based on gender-neutral and non-discriminatory equality-based and measurable characteristics, such as education, skills and experience, and, where appropriate, regulatory requirements. The search for filling vacancies is open, but in addition, job offers are notified internally. We encourage our employees to continuously evolve and support the movement between teams.

Harju Elekter accepts trade union membership among its employees. Trade union agreements have been concluded in five companies within the Group. Manufacturing companies operating in Estonia have a constructive cooperation with the Keila Industrial Park Trade Union (KETA), where around 20% of the employees are registered as members. At the end of the year, benefits and pay systems in collective agreements were reviewed and updated in the light of the economic environment. The obligations and benefits set out in a collective agreement apply to all workers, regardless of trade union membership. Employees in the Group's Lithuanian company belong to the local trade union on a voluntary basis, and employees in the Finnish and Swedish companies belong to local professional associations.



Career change: from cosmetician to quality control engineer

Ieva Malinauskaitė took the opportunity to participate in an electrician's vocational training programme and is excellent proof that in just one year it is possible to make a real change in a career and acquire new skills. "At the moment I'm working as a quality engineer, but I still have a lot of questions, and I don't think I'll have any fewer in the future, so I have to keep learning and improving," says Ieva. She adds that the specific nature of the company's activities ensures a dynamic and development-friendly environment for employees. Due to the fact that Harju Elekter's Lithuanian production unit works on the basis of project-based orders, the employees also need to constantly update their skills and knowledge - with tomorrow in mind.



We create future-proof electrification solutions with TOMORROW IN MIND

Harju Elekter contributes to a sustainable future and emission reduction by developing efficient and durable electrical power distribution products and solutions. We are committed to decreasing our carbon footprint and implementing circular economy principles throughout our supply chain to fight climate change and resource scarcity.



One of Harju Elekter's strategic focus topics is the environment. As a result of the environmental impact assessment, we defined the main environmental aspects as the consumption of electricity and heat energy in the production facilities; the use of components and materials

in the products; the generation of waste and product transportation.

Based on the outcome of the assessment, we selected key indicators for the most significant impacts and set

targets (see table below) to reduce negative environmental impacts and mitigate climate change. In 2023, we will conduct a more in-depth analysis of the use of materials and waste management, which will help us determine key indicators for these aspects.

Key focus	Key performance indicator	Target	Results as of 2022	Future initiatives
Greenhouse gas (GHG) footprint	GHG emissions scope 1 & 2	Reduce 50% by 2026 (base year 2021)	<ul style="list-style-type: none"> Scope 1 and 2 emissions were calculated for the first time and base year (2021) was set First targets set for scope 1 & 2 reduction 2022: 3,350.6 tCO₂e (2021: 3,360.1 tCO₂e) 	<ul style="list-style-type: none"> Actions to reduce scope 1 and 2 emissions (continuous) Carrying out scope 3 measurements in Estonian factories and setting targets for scope 3 emission reduction (2023)
	GHG emissions scope 3	To be confirmed	Data not available	
Renewable energy	Investments to increase the amount of produced renewable energy	-	Installed capacity of solar power plants in 2022 was 140 kW (whole capacity: 2,403 kW)	<ul style="list-style-type: none"> Start switching to renewable electricity in Estonian factories (2023-2024)
	Ratio of consumed renewable electricity from total electricity consumption	100% by 2026	29%	
Resource efficiency	District heating consumption (kWh/m ²)	Reduce 15% by 2026 (base year 2022)	58.2 kWh/m ²	<ul style="list-style-type: none"> Continue efforts on energy efficiency and reducing municipal water consumption
	Electricity consumption (kWh/revenue*1,000)	Reduce 17% by 2026 (base year 2022)	32.3 kWh/revenue*1,000	
	Domestic water consumption (m ³ /number of employees)	Reduce 20% by 2026 (base year 2022)	9.1 m ³ /number of employees	
Circularity	To be confirmed	To be confirmed	Data not available	<ul style="list-style-type: none"> Carrying out Green Audit in Estonian factory (2023)

The environmental management of Harju Elekter is based on three principles:

- 1 compliance with environmental laws, regulations and other interested parties' requirements;
- 2 periodic environmental analysis and environmental impact assessment;
- 3 implementation of the necessary improvement measures and the ISO 14001 environmental management standard in the Group's production companies.

There were no violations of environmental laws or regulations at Harju Elekter in 2022 or in previous years.

Greenhouse gas footprint

During the reporting year, we initiated the process of measuring our carbon footprint and setting goals to reduce our emissions throughout the Harju Elekter Group.

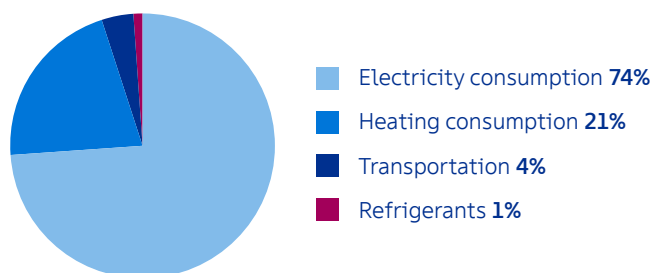
The Greenhouse Gas (GHG) footprint is calculated by following the Greenhouse Gas Protocol, the most commonly used global standard for measuring and managing GHG emissions from business, value chains and mitigation measures. The standard includes the assessment of seven greenhouse gas emissions.

We selected scope 1 and 2 and took 2021 as the base year for our calculations. Scope 1 consists of direct emissions from sources owned or controlled by the company, and scope 2 consists of indirect GHG emissions from purchased energy.

The carbon footprint calculation includes the following Group companies: AS Harju Elekter, AS Harju Elekter Elektrotehnika, AS Harju Elekter Teletehnika, Harju Elekter Oy, Telesilta Oy, Harju Elekter UAB, Harju Elekter AB. The boundaries are defined on the basis of operational control, which means that we considered all emissions arising from sources and activities that are directly controlled by the Harju Elekter.

In 2022, Harju Elekter's GHG footprint (scope 1 and 2) was 3,350.6 tCO₂e (2021: 3,360.1 tCO₂e). The largest share of the emissions was accounted for by electricity and heat purchased and consumed.

GHG emissions (scope 1 and 2)



tCO ₂ e	2021	2022
Petrol	39.4	30.0
Diesel	100.4	99.9
Liquid gas (LPG)	11.7	10.2
Natural gas	133.8	83.7
Refrigerants (leakage)	0.2	20.9
Scope 1	285.5	223.7
Purchased electricity	2,553.7*	2,429.0*
Purchased heating	520.9*	677.0*
Scope 2	3,074.6	3,106.0
tCO₂e /revenue* 1,000,000	22.0	19.1

*Based on the reported values by the service providers, the results for heat and electricity are in tCO₂.

Harju Elekter Group's carbon footprint results for 2021 have been certified by a third party.

In the reporting year, we set emission reduction targets for scope 1 and 2. By 2026, we plan to reduce GHG emissions by 50%. To achieve this, we aim to increase energy efficiency and the share of renewable energy consumed in our production facilities.

Furthermore, in 2023, we will begin calculating scope 3 emissions in our Estonian production units. These emissions refer to indirect emissions resulting from upstream and downstream activities in the value chain of a company.

Renewable energy production

In order to reduce its ecological footprint, Harju Elekter has focused on the production and use of renewable energy. By investing in solar panels, the Group is both reducing the carbon footprint and saving on energy costs.

During the reporting year, Harju Elekter's solar power plant portfolio grew by 140 kW, raising the total capacity for renewable energy generation to 2,403 kW. A solar power plant installed at 308 kW capacity will be launched in the Västerås manufacturing facility in Sweden in 2023.

In 2022, the Group's solar power plants generated 2,273 MWh of electricity, of which 230 MWh was used for own consumption.

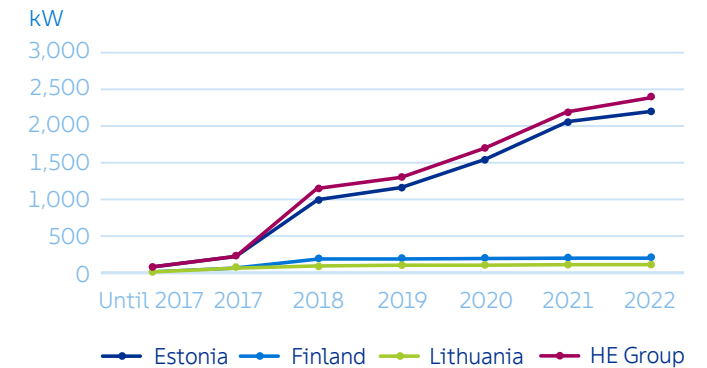
Over the year renewable energy production increased from 1,733 MWh to 2,273 MWh, an increase of around 31%.

29% (2021: 23%) of the electricity consumed by the Group's companies and 4% (2021: 4%) of the heat consumed came from renewable energy sources. Both Swedish and Lithuanian companies of Harju Elekter covered 100% of their electricity consumption with renewable energy.

The Swedish factory produced 16% of its own renewable energy and the Lithuanian factory 5%. We have set a goal to consume 100% of our electricity from renewable sources by 2026.

The use of solar energy accounts for an increasing share of the Group's own and tenants' current energy consumption. The Group will continue to integrate solar power plants into new and renovated production buildings. Most of the solar electricity (2,043 MWh) was sold directly to the tenants of the buildings or to the grid.

Capacity of installed solar power



Use of resources

Energy

The Group's companies reduce electricity and heat consumption through smart and sustainable technologies and energy-efficient buildings. In addition to the buildings used by the subsidiaries, it is important to also ensure energy efficiency for the industrial real estate under development in the Keila and Allika Industrial Park and Haapsalu.

In 2022, the Harju Elekter companies consumed 5,663 (2021: 5,715) MWh of electricity and 3,350 (2021: 3,525) MWh of heat energy, which remains at the same level as in the previous period.

We are committed to increasing energy efficiency in the Group's companies. We plan to reduce heat consumption per heated surface by 15% (2022: 58.2 kWh/m²) and electricity consumption per turnover by 17% (2022: 32.3 kWh/turnover*1000) by 2026.

Our thermal energy efficiency targets will be achieved through reducing overheating and optimising temperatures, building new energy-efficient buildings, renovating existing production buildings, implementing more energy-efficient ventilation aggregates, and reconstructing thermal assemblies.

In 2022, the Estonian factory continued to replace old fluorescent lamps with LED lighting, and also installed luminaires with motion sensors. Replacing the indoor and

outdoor lighting of the Group's various buildings with more energy-efficient lighting has been a long-term activity, with the aim of replacing all previous lighting with LED lighting solutions. In the following periods, we will move forward with the exchange of fluorescent lamps in other companies.

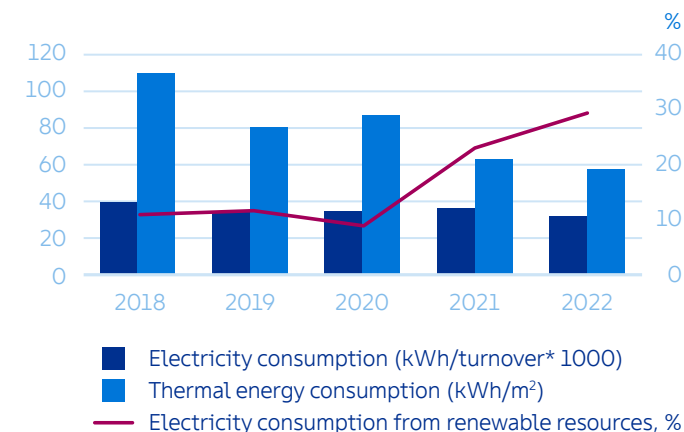
The companies of Harju Elekter are making a concerted effort to replace outdated production machines with new, more energy-efficient ones, with the aim of reducing the energy needed to run the equipment.

Harju Elekter is committed to environmentally sustainable industrial real estate development. When constructing new buildings, a thorough assessment is conducted to determine the most suitable heating solution for the building or type of production. All new buildings built by Harju Elekter since 2017 have been equipped with rooftop solar panels, and this principle will continue to be followed. Older buildings are being renovated to improve energy-efficiency, including insulation of walls and roofs and modernisation of heating and ventilation systems.

Such improvements will help to better meet tenants' growing expectations, value environmental benefits and more sustainable energy use, and save on running costs.

AS Harju Elekter Teletehnika has a heat recovery system integrated into the building's technical systems, which enables the company to produce heat from residual heat. In total, this amounted to 82 MWh (2021: 66 MWh), representing 14% of total heat consumption.

Energy consumption



Materials and waste

For Harju Elekter, the reuse of resources and recycling of waste, following the principles of the waste hierarchy, is important.

The Group's factories generate production and municipal waste. Production waste, including metal waste (e.g., steel and copper), plastic waste, hazardous waste and packaging waste (film, carton, cardboard), will be sorted and sent for recovery or recycling. Municipal waste is generated by non-production activities.

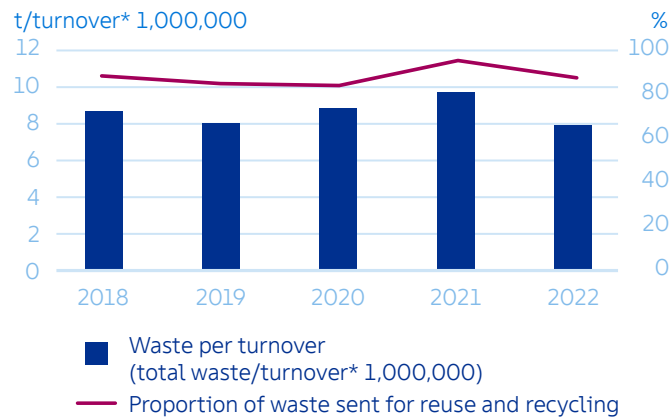
Metal and packaging residues are reduced by optimising production processes. Majority of the packaging materials are recycled both in-house and when the products are dispatched to customer. Circulating containers are used with some suppliers.



Metal factory's paint lines use powder paints, which is one of the most popular surface treatment methods in the metal industry. Powder paints do not contain solvents or heavy metals and are therefore environmentally friendly. Any leftover paint from the paint lines is collected and recycled.

Waste management instructions have been prepared to guide waste sorting, and waste containers and bins have been marked, as well as staff trained. The companies have contractual and reliable partners for waste management,

Waste



who provide the Group's companies with information on waste statistics.

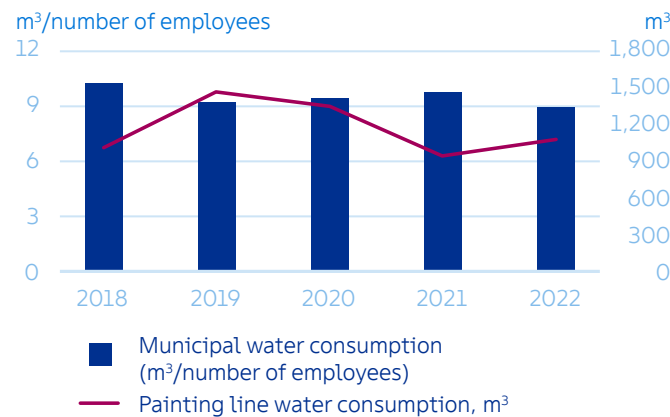
Compared to previous periods, the proportion of hazardous and non-hazardous waste has decreased.

The Group's companies attach great importance to compliance with European directives and the use of environmentally friendly components in their products, and therefore have REACH and RoHS databases in order to be certain of the composition of components.

Water consumption

Harju Elekter Group's water consumption in the reporting year was 9.1 (2021: 9.3) ML. The main use of water in the companies is for domestic purposes. At the Estonian sheet metal plant, water is used in the production of the paint line processes, which accounts for 12% of total water consumption. Compared to previous periods, water consumption has remained at the same level. We have set a goal to reduce 20% domestic water consumption by 2026 compared to 2022.

Water consumption



Product life cycle

Harju Elekter's goal is to provide its customers with safe, flawlessly functioning and long-lasting solutions that are sustainable for both society and the environment.

Typically the lifetime of an electrical installation is calculated to be 40 years or more. Therefore, it is necessary to create solutions while considering the possibility of retrofit and the handling of materials at the end of product's lifespan.

By extending the life and increasing the proportion of recyclable materials, Harju Elekter contributes to reducing the environmental impact of electrical installations. Along with the development of new technologies, materials that are less burdensome to the environment (e.g., SF6 free equipment) will also be introduced to ensure the safety and reliability of Harju Elekter's solutions for many years to come.

To reduce the environmental impact of electrical installations throughout their lifecycle, we plan to conduct a scope 3 analysis and develop a green roadmap for our Estonian manufacturing plants in 2023. The analysis will provide a better understanding of the carbon footprint of components and materials used in the production process, enabling to make informed decisions and identify opportunities for improvement.



RELIABILITY is earned through responsible governance

Harju Elekter conducts business with integrity in accordance with the law and ensures that our management principles, work methods, and structures are transparent, reflecting the responsibility and the highest ethical standards. We do not implement or tolerate illegal and unethical business practices or involvement in corruption in any way. We cooperate together, strengthen existing partnerships, and create new alliances by sharing our skills and knowledge.



At Harju Elekter, we rely on fair, transparent, and ethical management principles in its communication with all stakeholders. That is why we have focused on responsible management and integrated these issues into our sustainability strategy.

Key focus	Key performance indicator	Target	Results as of 2022	Future initiatives
Compliance	% of employees committed to the Code of Conduct	100%	Started developing Group-wide Code of Conduct, which will be published at the beginning of 2023	<ul style="list-style-type: none"> • Publishing and updated Code of Conduct and training of our employees (2023) • Introducing Code of Conduct to the suppliers (2023) • Publishing and introducing new Group policies (Quality, Environment, OH&S) (2023-2024)
	% of TOP suppliers committed to the Code of Conduct	100%	Plan to form Code of Conduct for Suppliers	
	% of employees who have gotten introduction of new Group policies (Quality, Environment, OH&S)	100%	In 2022 we developed new policies	
Misconduct reporting	% of employees completed whistleblowing channel training	100%	Started making preparations for setting up whistleblowing channel	<ul style="list-style-type: none"> • Setting up whistleblowing channel in Estonia and carrying out training to employees (2023) • Whistleblowing channel set up in other countries (2023-2024)
Sustainable supply chain	% of key suppliers have filled self-assessment	100%	70% of suppliers filled the self-assessment	<ul style="list-style-type: none"> • Developing a supplier audit plan based on self-assessment results (2023) • Carrying out supplier audits according to the audit plan (2023-2026)
	% of planned supplier audits have been carried out	100%	Data not available	

Fair and ethical business practices

The Group has a zero-tolerance policy towards corruption (including bribery, conflict of interest, abuse of position and influence, embezzlement) and unfair competition (including the dissemination of know-how and inside information and its use for personal gain), both for employees and partners.

In order to prevent, avoid and mitigate the risks of corruption and unfair competition, we have agreed on certain principles: for example, in the case of large-scale transactions, we involve an additional decision-maker to avoid conflicts of interest that may arise, among other things, from business, family or other ties. Employees are prohibited from accepting or giving gifts or benefits with the purpose of influencing a customer in a way that is more favourable to themselves or the company. In our activities, we follow laws and established practices and norms.

We have established rules, guidelines, and verbal agreements at the management levels of the companies of Harju Elekter to increase transparency and mitigate reputational risks, and thereby maintain the Group's credibility in the market and in its relations with the stakeholders. Key persons must declare their business interests and holders of inside information must comply with the established rules of conduct. To ensure that Group employees are aware of the required guidelines and responsibilities, they are introduced to the internal rules of the job upon taking up their positions and regularly undergo area-specific training and internal audits.

In 2022 the Harju Elekter Group:

- did not register any corruption-related incidents, resulting in the dismissal of any employees of the Group's company, the imposition of corresponding fines or the filing of any lawsuits, and the termination or suspension of the renewal of agreements with business partners due to corrupt behaviour;
- did not register any non-compliances with existing regulations (including social, economic, and environmental) in the companies' activities, thus, no fines or non-monetary sanctions were imposed;
- did not register any cases where companies contributed to political activities either in cash or in kind;
- AS Harju Elekter Elektrotehnika was approached in a court case. Due to a significant decrease in the workload of the employee trustee's position, the company was forced to lay off the trustee. The employee decided to defend their rights in the Labour Dispute Committee, whose decision contained legal inaccuracies, which is why the case has been referred to the court.

Developing an open organisational culture helps to ensure that employees have the information they need to make informed decisions and that management is aware of critical transactions and potential non-compliances involving high economic risks.

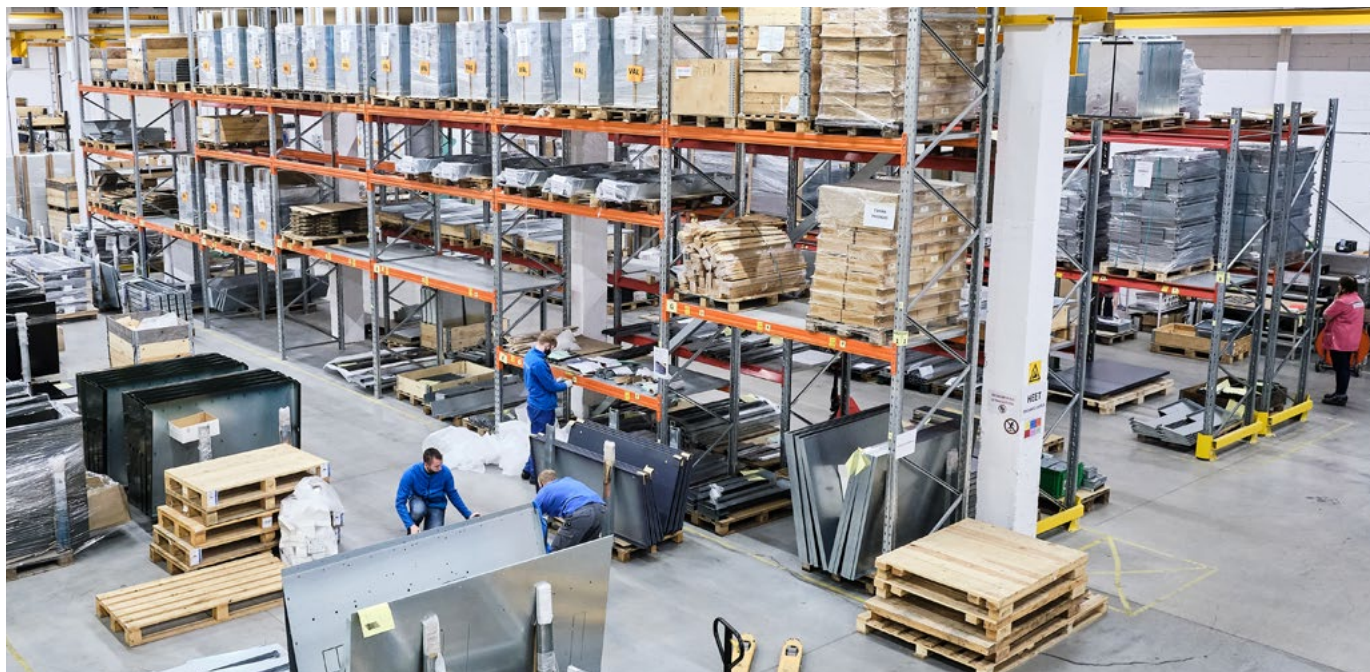
In 2023 we will update Code of Conduct and conduct training for all Group employees. In addition we intend to introduce updated guiding principles in the areas of quality, environment, working environment and safety.

In our operations, we have set the highest standards of honesty, reliability and openness and ensure that our transactions comply with ethical standards. It is important for us to ensure that our employees, customers and partners report information that suggests illegal, unethical or fraudulent behaviour. If today there is an opportunity to report a breach or conflict of interest by e-mail mainly to employees, we are in the process of establishing a whistleblowing platform where all persons working or working with us have the opportunity to report the above violations without following pressure methods.

Sustainable supply chain

We consider it good practice to organise tenders and consider alternatives when making purchases to obtain suitable purchasing conditions. The selection of supplier is based on factors such as reputation, reliability, quality, delivery conditions and price. The main cooperation partners tend to be permanent, and new ones are sought when the need arises, or a new product is launched.

During the reporting year, the focus was on close cooperation with suppliers in relation to global supply chain challenges, both due to rising prices of purchased components and extended delivery times. To mitigate these problems and find solutions, all companies in the Group placed greater emphasis on monitoring supplier performance, continuous communication, and finding common solutions with suppliers. In order to mitigate the risks, companies increased their stock levels and identified alternative suppliers.



It is important for the Group's companies to maintain good partnerships with suppliers and to provide continuous feedback. Periodic supplier assessments are carried out, in which feedback is sent to suppliers and development opportunities are reviewed together in accordance with the results.

During the reporting period, five audits were carried out in Finland, covering quality, environmental and social issues. In addition, we sent a self-assessment questionnaire to 56 major suppliers in the Group, covering topics such as strategic management, quality management, production, product development, supplier management, environment, occupational safety and health and social responsibility. The self-assessment questionnaire was completed by 70% of suppliers.

The aim of this assessment was to map the risks associated with the supplier, evaluate the performance of suppliers and promote sustainability issues. Based on the analysis of the results, we plan to prepare a Group-wide supplier audit plan in 2023.

Specific social and environmental criteria have been agreed with 36% of the Group's suppliers. In 2023, we aim to introduce a Code of Conduct for suppliers, with the goal of having 100% of key suppliers adhere to our principles.

EU Taxonomy for Sustainable Activities

In 2020, the European Union adopted a classification system that establishes a list of environmentally sustainable activities – the EU Taxonomy regulation,¹ which establishes the criteria for classifying economic activities as environmentally sustainable. By fulfilling these criteria, sustainable economic activities contribute to the achievement of the European Union’s environmental objectives.

A list of economic activities that are eligible to make a substantial contribution to these objectives is adopted

through delegated acts. As of the end of 2022, a delegated act has been adopted regarding the objectives of mitigating and adapting to climate change (the 'Climate Act')². The climate delegated act focuses on the nine economic activities as they have the greatest potential to contribute to the climate objectives.

Harju Elekter Group discloses the proportion of taxonomy-eligible and taxonomy-non-eligible economic activities in their total revenue, capital expenditure (CapEx) and operational expenditure (OpEx) in accordance with the delegated act supplementing reporting obligations³. According to the implementation timeline outlined in the taxonomy regulation act, Harju Elekter Group assessed the alignment of taxonomy-eligible activities with the taxonomy regulation and disclose the proportion of taxonomy-aligned activities in the revenue, CapEx and OpEx.

Harju Elekter’s 2022 taxonomy report section covers manufacturing, energy, construction, and real estate activities.

¹ Regulation (EU) 2020/852 of the European Parliament and of the Council.

² C(2021) 2800 final.

³ C(2021) 4987 final.



Proportion of Harju Elekter revenue from products or services associated with Taxonomy-aligned economic activities in 2022

	NACE code(s)	Proportion of revenue EUR'000	Proportion of revenue %	Substantial contribution criteria		DNSH criteria (Does Not Significantly Harm')						Taxonomy-aligned proportion of revenue, 2022
				Climate change mitigation %	Climate change adaptation %	Climate change mitigation yes/no	Climate change adaptation yes/no	Water and marine resources yes/no	Circular economy yes/no	Pollution yes/no	Biodiversity and ecosystems yes/no	
A. Taxonomy-eligible activities (A.1 + A.2)		42,430	24.2%	24.2%	0.0%							
A.1. Environmentally sustainable activities (Taxonomy-aligned)		4,984	2.8%	2.8%	0.0%							0.0%
<i>incl 3.1 Manufacture of renewable energy technologies¹</i>	C27.1.2	4,241	2.4%	2.4%	0.0%		no	no	no	no	no	0.0%
<i>incl 4.1 Electricity generation using solar photovoltaic technology</i>	D35.1.1	370	0.2%	0.2%	0.0%		yes/no ²	-	yes/no ²	-	yes/no ²	0.0%
<i>incl 7.7 Acquisition and ownership of buildings</i>	L68.2.0	373	0.2%	0.2%	0.0%		no	no	yes	no	no	0.0%
A.2. Taxonomy-Eligible but not environmentally sustainable		37,446	21.4%									
<i>incl 3.1 Manufacture of renewable energy technologies¹</i>	C27.1.2	0	0.0%									
<i>incl 3.6 Manufacture of other low carbon technologies¹</i>	C27.1.2	34,495	19.7%									
<i>incl 4.1 Electricity generation using solar photovoltaic technology</i>	D35.1.1	0	0.0%									
<i>incl 7.7 Acquisition and ownership of buildings</i>	L68.2.0	2,951	1.7%									
B. Taxonomy-non-eligible activities		132,863	75.8%									
Taxonomy-non-eligible activities		132,863	75.8%									
Total (A+B)		175,293	100.0%									

¹ Transitional activity.² Solar panels that meet the criteria "Does Not Significantly Harm" and are installed on the roof of buildings.

Proportion of Harju Elekter CapEx from products or services associated with Taxonomy-aligned economic activities in 2022

	NACE code(s)	Proportion of revenue EUR'000	Proportion of revenue %	Substantial contribution criteria		DNSH criteria (Does Not Significantly Harm')						Taxonomy-aligned proportion of revenue, 2022
				Climate change mitigation %	Climate change adaptation %	Climate change mitigation yes/no	Climate change adaptation yes/no	Water and marine resources yes/no	Circular economy yes/no	Pollution yes/no	Biodiversity and ecosystems yes/no	
A. Taxonomy-eligible activities (A.1 + A.2)		13,429	88.1%	88.1%	0.0%							
A.1. Environmentally sustainable activities (Taxonomy-aligned)		12,847	84.4%	84.4%	0.0%							0.0%
<i>incl 4.1 Electricity generation using solar photovoltaic technology</i>	D35.1.1	332	2.2%	2.2%	0.0%	-	yes/no ²	-	yes/no ²	-	yes/no ²	2.1%
<i>incl 7.1 Construction and real estate activities</i>	F41.2.0	11,200	73.5%	73.5%	0.0%	-	no	no	no	no	no	0.0%
<i>incl 7.3 Installation, maintenance and repair of energy efficiency equipment ¹</i>	F43.2.1	100	0.7%	0.7%	0.0%	-	yes	-	-	yes	-	0.7%
<i>incl 7.7 Acquisition and ownership of buildings</i>	L68.2.0	1,215	8.0%	8.0%	0.0%	-	no	no	yes	no	no	0.0%
A.2. Taxonomy-Eligible but not environmentally sustainable		582	3.8%									
<i>incl 4.1 Electricity generation using solar photovoltaic technology</i>	D35.1.1	141	0.9%									
<i>incl 7.1 Construction and real estate activities</i>	F41.2.0	0	0.0%									
<i>incl 7.3 Installation, maintenance and repair of energy efficiency equipment ¹</i>	F43.2.1	0	0.0%									
<i>incl 7.7 Acquisition and ownership of buildings</i>	L68.2.0	441	2.9%									
B. Taxonomy-non-eligible activities		1,815	11.9%									
Taxonomy-non-eligible activities		1,814	11.9%									
Total (A+B)		15,243	100.0%									

¹ Transitional activity.² Solar panels that meet the criteria "Does Not Significantly Harm" and are installed on the roof of buildings.

Proportion of Harju Elekter OpEx from products or services associated with Taxonomy-aligned economic activities is 0% in 2022.

Specification of information accompanying key performance indicators

1. Accounting method

In the assessment of the Taxonomy-eligible part, Harju Elekter Group was guided by the descriptions of performance indicators and the definitions of numerator and denominator set out in Annex I to the Taxonomy Regulation governing information to be disclosed.² The company used the definitions of performance indicators to calculate the share of Taxonomy-eligible activities, given that the performance indicators for the 2022 report are the share of Taxonomy-eligible activities in revenue, in capital expenditure, and in operating expenditure. The identification of the numerator was based on the descriptions of activities set out in Annexes I and II³ to the Taxonomy Regulation Climate Delegated Act.

Performance indicator related to revenue –

The denominator included revenue which is generated in the course of the Group's traditional business and is in accordance with International Accounting Standard IAS 1 §82. The Group's core business is the manufacture and sale of electrical distribution and control equipment, as well as various metal products. In addition, it earns income from project and retail sale of electrical goods, rental of industrial real estate, and electrical installation work in the shipbuilding sector. The numerator included revenues of the company from activities that according to the Group correspond to the descriptions of activities in the Taxonomy Regulation Climate Delegated Act.

Performance indicator related to capital expenditure –

The denominator included the investments made by the Group in 2022. During the year, the Group invested in tangible and intangible fixed assets, and accounted for new lease contracts under IFRS accounting. The numerator also includes those capital expenditures that are related to Taxonomy-eligible economic activities. In addition, the numerator also includes capital expenditures that are related to the purchase of output from Taxonomy-eligible economic activities and individual measures enabling the target activities to become low-carbon or to lead to greenhouse gas reductions. At that, it has been considered that individual measures will be implemented within a period of 18 months.

Performance indicator related to operating expenditure –

The denominator included direct non-capitalised development costs incurred in 2022. The numerator equals the share of the operating expenditure included in the denominator that the Group considers Taxonomy-eligible economic activities.

2. Information about assessment of compliance with the Taxonomy Regulation

Description of activities and explanation of the assessment of compliance

In mapping Taxonomy-eligible economic activities, Harju Elekter was guided by the NACE codes of activities outlined in the technical screening criteria of the Climate Delegated Act and the description of the activity. According to the Taxonomy Regulation, activities contributing to climate targets are divided into three: low-carbon activities, enabling activities, and transitional activities. The Harju Elekter Group's activities include both low-carbon activities and enabling activities. The Group did

not assess the technical criteria for climate change adaptation because the company has no corresponding areas of activity.

In 2022, the activities of Harju Elekter covered by the Taxonomy Regulation are:

- NACE C27.1.2, which corresponds to the Taxonomy Regulation Climate Delegated Act activity No. **3.1 Manufacture of renewable energy technologies**. Harju Elekter manufactures substations and other electricity distribution equipment for solar, wind and hydro power plants. This is an enabling activity for renewable energy production according to climate change mitigation criteria. In the reporting period, the Group is unable to assess the compliance of these activities with regard to undermining other climate goals, as it has not assessed the circularity and environmental impact of the products. In 2023, Harju Elekter will carry out a carbon footprint calculation and a green audit which will help to provide the relevant assessment in subsequent periods.
- NACE C27.1.2, which corresponds to the Taxonomy Regulation Climate Delegated Act activity No. **3.6 Manufacture of other low carbon technologies**. The Group manufactures chargers and heaters for electric vehicles. Another enabling activity of the Group is the production of substations and other electricity distribution equipment that are sold for the modernisation and construction of low-carbon ships. This is an enabling activity that contributes to climate change mitigation. Harju Elekter's products are used in final solutions, which is why the Group does not have a sufficient overview to assess the compliance of these projects with the technical screening criteria.

² C(2021) 4987 final, Annex I, point 1.1.

³ C(2021) 2800 final.

- NACE D35.1.1, which corresponds to the Taxonomy Regulation Climate Delegated Act activity No. **4.1 Electricity generation using solar photovoltaic technology**. The Group produces and sells renewable electricity generated by solar panels. This activity makes an important contribution to climate change mitigation as it generates electricity using photovoltaic technology. The Group has assessed that solar farms installed in place of fields or forests are detrimental to the achievement of environmental objectives. Roof-mounted solar farms do not cause any significant detriment.
- NACE F41.2.0, which corresponds to the Taxonomy Regulation Climate Delegated Act activity No. **7.1 Construction of new buildings**. The Group invests in new energy-efficient production buildings. The energy performance label of the newly completed building in Sweden meets the technical screening criteria for climate change mitigation. Despite the fact that the construction was designed and carried out in accordance with building standards that comply with European Union regulations, the Group cannot currently confirm that the field of activity in question does not jeopardise other environmental objectives. No further risk analyses have yet been carried out for the criteria under the Regulation.
- NACE F43.2.1, which corresponds to the Taxonomy Regulation Climate Delegated Act activity No. **7.3 Installation, maintenance and repair of energy efficiency equipment**. The Group invests in the installation and replacement of energy-efficient light sources. The screening criteria for climate change mitigation are met because the replacement of energy efficient light sources in the Group's buildings meets the minimum requirements set out in the applicable national legislation implementing Directive 2010/31/EU. This activity does not significantly undermine any of the environmental or social objectives set out in the Regulation.
- NACE L68.2.0, which corresponds to the Taxonomy Regulation Climate Delegated Act activity No. **7.7 Acquisition and ownership of buildings**. The Group is engaged in the development, project management and leasing of industrial real estate. Harju Elekter's buildings built after 2020 meet the screening criteria for climate change mitigation where the energy label proves the high energy efficiency of the respective buildings.

The majority of the Group's suppliers are in Europe, where we can see that the level of social risks is lower than in other countries. For a more detailed overview on this topic, see chapter "**Sustainable supply chain**". In order to avoid accounting twice for the same key performance indicators related to revenue, capital expenditure and operating expenditure, each economic activity was considered on a project and order basis. In addition, Group-wide transactions were mapped.

3. Background information of key performance indicators

Revenue – The Group manufactures electric vehicle chargers and heaters, develops and leases industrial real estate, and generates income from renewable energy production. As an enabling activity, it manufactures substations and other electricity distribution equipment for the production of solar, wind, hydroelectric and low-carbon ships.

The quantitative breakdown of the numerator is shown in the table (see activities 3.1, 3.6, 4.1, 7.7).

Capital expenditure – Capital expenditure includes direct investments in real estate and solar power plant development. The installation of energy efficient light sources and the construction of a new energy-efficient production space in Sweden have been taken into account as individual measures.

The quantitative breakdown of the numerator is shown in the table (see activities 4.1, 7.1, 7.3, 7.7).

Operating expenditure – Operating expenditure includes direct operating costs incurred in the development of electric vehicle chargers and heaters. There were no corresponding expenditures in the reporting year.

Contents of the Global Reporting Initiative report (GRI)

Since 2017, the Group has based its annual report on the standards of internationally highly recognised and widely used the Global Reporting Initiative (GRI) at the “Core” level. The topics proceeding from the GRI requirements have been integrated into the rest of the report as an integrated part of it.

The report covers the environmental, social and responsible governance, responsible management and market behavior issues that are most important from the point of view of the Group’s activities and influence and expectations of stakeholders. The table with GRI content presented below includes data on the activities of the Parent company and its

subsidiaries AS Harju Elekter Elektrotehnika, AS Harju Elekter Teletehnika, Energo Veritas OÜ, Satmatic Oy, Telesilta Oy, Harju Elekter UAB, Harju Elekter AB, unless otherwise noted. Harju Elekter Services AB is included in the report only with the data on the personnel. Data have been collected and presented by each company under common methodology and with the level of detail that the Group companies collect on the basis of materiality.

GRI standard	Disclosure no	Disclosure title	Page no	Key explanations
Foundation (GRI 101: 2016)				
General disclosures (GRI 102: 2016)				
Organizational profile				
	102-1	Name of organization	p. 1	
	102-2	Activities, trademarks, products and services	p. 5-8, 21, annual report p. 51-68	
	102-3	Location of head office	p. 6	Keila (Estonia)
	102-4	Location of operations	p. 6	
	102-5	Ownership and legal form	annual report p. 69-71	
	102-6	Markets served	annual report p. 53, 57-67	
	102-7	Scale of the organization	p. 6, annual report p. 49, 51-56	The nature of activities and products differ by the company and, therefore, they are presented on the basis of revenue instead of the number of units produced.
	102-8	Information on employees	p. 25-31	

GRI standard	Disclosure no	Disclosure title	Page no	Key explanations
Organizational profile				
	102-9	Supply chain	p. 6, annual report p. 43, 57	"To produce the main products of the Group, i.e. the production of electric distribution and control equipment (1) the products are designed according to the initial task; (2) necessary components are purchased from suppliers or produced by subsidiaries of the Group; (3) products are complemented; (4) tested and (5) dispatched or taken to the customer's site."
	102-10	Significant changes occurred in the reporting period	p. 3-4, 7-8, 41, annual report p. 51-56, 69-72	
	102-11	Precautionary Principle or approach in environmental issues	p. 9-14, 32-37	
	102-12	External initiatives	p. 11-16, 15-17, 19, 21-23, 34, annual report p. 74-81	
	102-13	Membership of associations	p. 17	
Strategy				
	102-14	Statement from Chairman of the Management Board	p. 3-4	
Ethics and integrity				
	102-16	Values, principles, standards, and behavioral norms	p. 5, 18, annual report p. 42	
Governance				
	102-18	Governance structure	p. 18, annual report p. 74-76	
Stakeholder engagement				
	102-40	List of stakeholders	p. 15	
	102-41	Collective bargaining agreements	p. 31	
	102-42	Identification and selections of stakeholders	p. 15	
	102-43	Approach to stakeholder engagement	p. 10-11, 15-17, 23, 25-31, annual report p. 69, 74	
	102-44	Key topics and concerns raised	p. 15	

GRI standard	Disclosure no	Disclosure title	Page no	Key explanations
Reporting practice				
	102-45	Entities included in the consolidated financial statements	annual report p. 91, 110	
	102-46	Defining report content and scope of topics	p. 10	
	102-47	List of material topics	p. 10	
	102-48	Restatement of information of previous reports		No restatements
	102-49	Changes in reporting		No changes
	102-50	Reporting period	p. 1	
	102-51	Date of most recent report		Audited Annual Report of Harju Elekter Group for 2021 was published at 30 March 2022
	102-52	Reporting cycle	annual report p. 2	
	102-53	Contact point for questions regarding the report		Merili Pärnpuu, merili.parnpuu@harjuelekter.com
	102-54	Compliance with the GRI standard	p. 47	
	102-55	GRI content index	p. 47-52	
	102-56	External assurance		The GRI report has not been certified by any third parties
SUSTAINABILITY FOCUS TOPICS				
Product quality				
Management approach (GRI 103: 2016)	103-1 to 103-3		p. 14, 20-23	
	non-GRI	Customer complaints	p. 22	
	non-GRI	Products delivered to customers on time in accordance with required specifications	p. 21-22	
Customer experience				
"Management approach (GRI 103: 2016)"	103-1 to 103-3		p. 14, 20-23	
	non-GRI	Customer satisfaction	p. 23	

GRI standard	Disclosure no	Disclosure title	Page no	Key explanations
Environmental impact of products				
Management approach (GRI 103: 2016)	103-1 to 103-3		p. 32-37	
	non-GRI	Renewable energy production	p. 35	
Economic performance (GRI 201: 2016)				
Management approach (GRI 103: 2016)	103-1 to 103-3			
	201-1	Direct economic value generated and distributed	annual report p. 49, 51-56, 77-81, 87-89	
Anti-corruption activities (GRI 205: 2016)				
Management approach (GRI 103: 2016)	103-1 to 103-3		p. 40	
	205-3	Confirmed incidents of corruption and actions taken	p. 40	
Energy consumption (GRI 302: 2016)				
Management approach (GRI 103: 2016)	103-1 to 103-3		p. 35-36	
	302-1	Organisatsiooni sisene energiatarbimine	p. 35-36	
Emissions (GRI 305: 2016)				
Management approach (GRI 103: 2016)	103-1 to 103-3		p. 34	
	305-1	Direct (Scope 1) GHG emissions	p. 34	
	305-2	Energy indirect (scope 2) GHG emissions	p. 34	
Waste (GRI 306: 2020)				
Management approach (GRI 103: 2016)	103-1 to 103-3		p. 34, 37	
	306-3	Waste amount and types	p. 34	
	306-4	Amount of recycled and reused waste and types	p. 34	
Water and Effluents (GRI 303: 2018)				
Management approach (GRI 103: 2016)	103-1 to 103-3		p. 37	
	303-5	Water consumption	p. 37	

GRI standard	Disclosure no	Disclosure title	Page no	Key explanations
Environmental compliance (GRI 307: 2016)				
Management approach (GRI 103: 2016)	103-1 to 103-3		p. 34	
	307-1	Non-compliance with environmental laws and regulations	p. 34	
Supplier environmental assessment (GRI 308: 2016)				
Management approach (GRI 103: 2016)	103-1 to 103-3		p. 41	
	308-2	Negative environmental impacts in the supply chain and corrective measures	p. 41	
Employment (GRI 401: 2016)				
Management approach (GRI 103: 2016)	103-1 to 103-3		p. 26-31	
	401-1	New employee hires and employee turnover	p. 26, 29	
	401-2	Employee benefits and incentives	p. 29-30	Presented by the description of the motivation system of employees. Benefits and incentives are for contract employees.
	non-GRI	Interns	p. 16	
	non-GRI	Employee level of education	p. 28-29	
	non-GRI	Employee satisfaction and feedback	p. 29-30	
Occupational health and safety (GRI 403: 2016)				
Management approach (GRI 103: 2016)	103-1 to 103-3, 403-1, 403-2		p. 27-28	
	403-9	Injuries at work	p. 28	
Training and education (GRI 404: 2016)				
Management approach (GRI 103: 2016)	103-1 to 103-3		p. 25, 28-29	
	404-1	Average hours of training per year per employee	p. 28-29	Data is provided with a detail that the Group companies have considered important.
	404-3	Percentage of employees receiving regular performance and career development reviews	p. 28-29	Data is provided with a detail that the Group companies have considered important.
	non-GRI	Employee participation in training courses	p. 28-29	

GRI standard	Disclosure no	Disclosure title	Page no	Key explanations
Diversity and equal opportunities (GRI 405: 2016)				
Management approach (GRI 103: 2016)	103-1 to 103-3		p. 31, 40, annual report p. 80	
	405-1	Diversity of governance bodies and the entire staff	p. 26, 31, annual report p. 75-80	Data is provided with a detail that the Group companies have considered important.
Non-discrimination (GRI 406: 2016)				
Management approach (GRI 103: 2016)	103-1 to 103-3		p. 15-17	
	406-1	Incidents of discrimination and corrective actions taken	p. 15-17	
Local communities (GRI 413: 2016)				
Management approach (GRI 103: 2016)	103-1 to 103-3		p. 41	
	413-1	Activities with local community engagement, impact assessments, and development programs	p. 41	The Group companies assess their impact and plan activities in local communities on an ongoing basis in their everyday work (incl. introducing innovations and making decisions on the basis of feedback and proposals received from the community), separate impact assessments have not been performed.
Supplier social assessment (GRI 414: 2016)				
Management approach (GRI 103: 2016)	103-1 to 103-3		p. 41	
	414-1	Negative social impacts in the supply chain and actions taken	p. 41	
Public policy (GRI 415: 2016)				
Management approach (GRI 103: 2016)	103-1 to 103-3		p. 9-10, 18, annual report p. 74	
	415-1	Political contributions	p. 40	
Customer health and safety (GRI 416: 2016)				
Management approach (GRI 103: 2016)	103-1 to 103-3		p. 22	
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	p. 22	
Socio-economic compliance (GRI 419: 2016)				
Management approach (GRI 103: 2016)	103-1 to 103-3		p. 40	
	419-1	Non-compliance with laws and regulations in the social and economic area	p. 40	

See the full Annual Report of Harju Elekter for 2022 here:

harjuelekter.com/wp-content/uploads/2023/03/Annual-Report-of-Harju-Elekter-2022-pdf.pdf

AS HARJU ELEKTER
Paldiski mnt 31,
76606 Keila, Estonia
info.he@harjuelekter.com
www.harjuelekter.com