



Sustainability  
in Harju Eleker **2021**

The text is set against a blue background. 'Sustainability in Harju Eleker' is in white, while '2021' is in a larger, bold, light blue font. The background features a blurred image of a green field and trees on the left, and a dark blue wall with a red and black electrical outlet on the right.

# Contents

Operations and Business Philosophy	2
Harju Elekter Group	5
Sustainability in Harju Elekter	6
› Strategy	7
› Management	12
› Product and customer	14
› Personnel	19
› Environment	26
› Social involvement	31
Contents of the Global Reporting Initiative report (GRI)	33

**Harju Elekter is an international industrial group with over 50 years of experience**, whose main area of activities are engineering, manufacturing and installing of electrical distribution solutions. The customers of Harju Elekter are mostly large electricity distribution network, infrastructure, industrial, maritime, and utility companies in the Nordic countries.

## THE BUSINESS ACTIVITIES OF THE GROUP ARE DIVIDED IN THREE MAIN AREAS:



**PRODUCTION** – design, sales, production and after-sales service of electricity distribution, switching and conversion equipment as well as automation, process control and motor control equipment.



**INDUSTRIAL REAL ESTATE** – development of industrial real estate, project management, lease and associated services to lease partners and companies of the Harju Elekter Group.



**OTHER ACTIVITIES** – management of financial investments, retail and project-based sales of electrical goods and electrical installation work in shipbuilding.

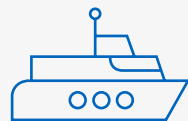
Our solutions are for:



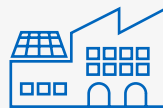
POWER GRID



INDUSTRIAL AUTOMATION



MARINE



BUILDINGS



TELECOM



E-MOBILITY



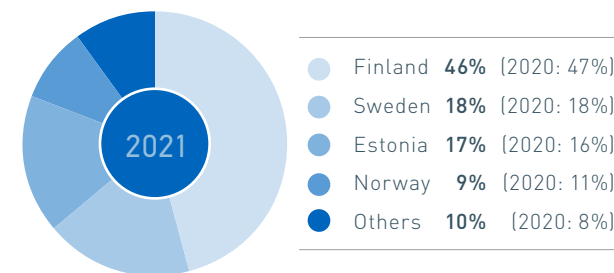
RAIL & INFRA

Harju Elekter has its roots and head office in Estonia, but more than 80% of the group's production is marketed outside Estonia, mostly in domestic markets in Finland and Sweden, where there are local sales and production units. The Group's largest production units are located in Estonia and Lithuania. Export sales from the manufacturing units to other geographical markets complements the local activities.

The goal of Harju Elekter is to be successful in the long term, adding value for shareholders and being the first choice for our customers and partners, and providing motivating work and development opportunities to our international team of 900 people.

The shares of AS Harju Elekter have been listed on the Nasdaq Tallinn Stock Exchange since 1997.

Share of revenue by markets



Main customers



INDUSTRIES



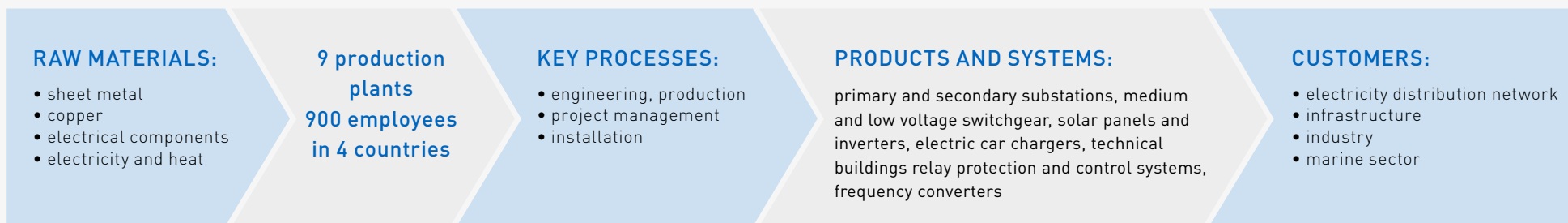
UTILITIES



INFRASTRUCTURE



The value chain of the Production segment:



# Harju Elekter Group

as of 31 December 2021



## The holding of AS Harju Elekter in its subsidiaries

The holding of AS Harju Elekter in its subsidiaries is 100%, unless otherwise stated in the chart

### 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 (80.52%)

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

### 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, Finspång, Borås, Luleå and Västerås

#### HARJU ELEKTER SERVICES AB

Sales office in Stockholm

### Strategical investments

(31.12.2021)

#### ESTONIA

**OÜ SKELETON TECHNOLOGIES GROUP (6.14%)**  
Developer and manufacturer of ultra-capacitors

#### LATVIA

**SIA ENERGOKOMPLEKSS (14%)**  
MV/LV equipment sales organisation in Riga

#### FINLAND

**IGL-TECHNOLOGIES Oy (5.5%)**  
Developer of parking & e-mobility solutions for electric car chargers

# Sustainability in Harju Elekter

- |                        |                      |
|------------------------|----------------------|
| • Strategy             | • Personnel          |
| • Management           | • Environment        |
| • Product and customer | • Social involvement |

For Harju Elekter it is important to commit to the creation of a sustainable society, as well as business, living, and natural environment, and understands that this will contribute to the long-term viability of the Group. Expectations for addressing sustainability issues in a broader and targeted manner come from stakeholders important to Harju Elekter, namely from customers, partners, employees and investors, legislators and society at large.

For Harju Elekter, taking sustainability into account means taking responsibility for environmental, social impact, and governance issues (ESG: *Environmental, Social, Governance*).

In line with a mindset that appeals to Harju Elekter, it is responsible for influencing positive change in these areas through investments, leadership, and example.



## Strategy

The sustainability ambitions of Harju Elekter are influenced by global targets to reduce climate warming (such as the Paris Agreement) and the green transition. The Group is therefore making sure that its 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. On the one hand, grid-connected electrical equipment makes it possible to replace environmentally unfriendly ways of generating energy, while on the other hand, 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 building solar parks.

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



In 2021, Harju Elekter focused on the environmental dimension of sustainability, including the use of renewable energy, the reduction of negative environmental impacts of waste, and product life cycle analysis. The social impact dimension included activities targeting stakeholders. The governance dimension focused on employee involvement, promoting cooperation and satisfaction.

The stakeholders of Harju Elekter have been selected according to who has the greatest influence on the organisation's activities 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 NGOs, activities will be seen to create value for both sides.

With its stakeholders in mind, Harju Elekter has developed focus themes reflecting the importance of social responsibility issues to interested parties, and the impact and importance of these issues to the Group.

The initial mapping of focus topics, which has been subsequently refined, involved members of the Group's steering group and the heads of the major subsidiaries. In determining the factors most affecting the Group's performance, the issues raised by stakeholders during regular communication and feedback from customers and employees were taken into account. The analysis was led by independent consultants to ensure a high-quality and reliable result.

#### Harju Elekter focuses on the following:

- providing a high-quality product;
- designing a safe and healthy working environment;
- a fair and ethical business culture and strong financial performance;
- innovation and development in both products and processes;
- excellent customer experience and ensuring high satisfaction rate;
- continuous training and development of employees;
- cooperating with educational institutions and professional associations;
- reducing its ecological footprint;
- cyber-security;
- civic engagement.

The issues identified in the list are part of the strategic and operational management of the Group's companies, and these are taken into account as guiding principles for management decisions. Therefore, the 2021 Annual Report of the Group also provides an overview of the management and performance of all these topics. The key aspects of the sustainability focus areas in the report are reflected in line with the international sustainability reporting framework, the GRI standard, the table of [contents](#) of which can be found on the last pages of the report.

We can achieve the reduction of our ecological footprint by using resources efficiently in our processes, our products, as well as our daily activities. Harju Elekter shares the green vision of its stakeholders, which on the one hand inspires the Group's employees, and on the other hand sends a clear message to shareholders about the sustainability of the Harju Elekter Group.

The Group is convinced that a cleaner and more economical future is driven by innovative products and digitalisation of processes. In order to minimise its negative environmental impact and to increase its positive environmental

impact, Harju Elekter has defined environmental aspects, carried out an environmental impact assessment according to ISO 14001, and linked environmental activities to the organisation's management system and business processes. In the longer-term strategic perspective, we consider it important to invest in areas that support the Group's activities in both renewable and green electricity distribution, storage, and generation applications.

In 2022, Harju Elekter plans to renew its sustainability strategy to contribute to achieving climate neutrality and to contribute to the UN Sustainable Development Goals (SDGs) through the business activities of Harju Elekter. Based on this, Harju Elekter will reinforce its mission to behave responsibly and establish a framework for achieving these sustainable goals. As the harmonisation of processes and objectives across the Group's companies will play a major role in reducing the ecological footprint, a new position will be created in 2022 to ensure the management of sustainability issues at Group level.

## 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.<sup>1</sup> In the 2021 annual report, Harju Elekter Group discloses for the first time the key performance indicators (KPIs) required by the Taxonomy regulation.

The Taxonomy regulation sets out conditions that an economic activity must fulfil to qualify as environmentally sustainable. These conditions aim to establish the means by which an economic activity makes a substantial contribution to the following environmental objectives:

1. Climate change mitigation
2. Climate change adaptation
3. The sustainable use and protection of water and marine resources
4. The transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems

<sup>1</sup> Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088.

<sup>2</sup> C(2021) 2800 final.

<sup>3</sup> C(2021) 4987 final.

A list of economic activities that are eligible to make a substantial contribution to these objectives is adopted through delegated acts. As of 31 December 2021, a delegated act for the environmental objectives of climate change mitigation and climate change adaptation has been adopted.<sup>2</sup> The climate delegated act focuses on the following sectors and economic activities as they have the greatest potential to contribute to the climate objectives:

1. Forestry
2. Environmental protection and restoration activities
3. Manufacturing
4. Energy
5. Water supply, sewerage, waste management and remediation
6. Transport
7. Construction and real estate activities
8. Information and communication
9. Professional, scientific and technical activities

Considering Harju Elekter Group's economic activities, the Group discloses taxonomy-related information regarding manufacturing, energy and construction and real estate activities.

Harju Elekter Group discloses taxonomy-related KPIs in accordance with the implementation timeline outlined in the delegated act supplementing reporting obligations.<sup>3</sup> In 2021 annual report, 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). Next year, Harju Elekter Group will assess the alignment of taxonomy-eligible activities with the taxonomy regulation and disclose the proportion of taxonomy-aligned activities in the revenue, CapEx and OpEx.

## Taxonomy-related activities

	Revenue			CapEx			OpEx		
	NACE code(s)	Absolute revenue (EUR '000)	Proportion of revenue (%)	NACE code(s)	Absolute CapEx (EUR '000)	Proportion of CapEx (%)	NACE code(s)	Absolute OpEx (EUR '000)	Proportion of OpEx
<b>A. Taxonomy-eligible activities</b>									
<b>A.1. Environmentally sustainable activities (Taxonomy-aligned)*</b>	-	-	-	-	-	-	-	-	-
<b>A.2. Taxonomy-Eligible but not environmentally sustainable **</b>		<b>30,486</b>	<b>20.0%</b>		<b>3,964</b>	<b>46.0%</b>		<b>47</b>	<b>2.4%</b>
<i>incl 3.1 Manufacture of renewable energy technologies</i>	C27.1.2	1,841	1.2%	C27.1.2	0	0.0%	C27.1.2	0	0.0%
<i>incl 3.6 Manufacture of other low carbon technologies</i>	C27.1.2	25,384	16.6%	C27.1.2	0	0.0%	C27.1.2	47	2.4%
<i>incl 4.1 Electricity generation using solar photovoltaic technology</i>	D35.1.1	132	0.1%	D35.1.1	444	5.1%	D35.1.1	0	0.0%
<i>incl 7.1 Construction and real estate activities</i>	-	-	-	F41.2.0	2,275	26.4%	F41.2.0	0	0.0%
<i>incl 7.7 Acquisition and ownership of buildings</i>	L68.2.0	3,129	2.0%	L68.2.0	1,245	14.4%	L68.2.0	0	0.0%
<b>Total (A.1 + A.2)</b>		<b>30,486</b>	<b>20.0%</b>		<b>3,964</b>	<b>46.0%</b>		<b>47</b>	<b>2.4%</b>
<b>B. Taxonomy-non-eligible activities</b>									
<b>Taxonomy-non-eligible activities</b>		<b>122,271</b>	<b>80.0%</b>		<b>4,658</b>	<b>54.0%</b>		<b>1,935</b>	<b>97.6%</b>
<b>B</b>		<b>122,271</b>	<b>80.0%</b>		<b>4,658</b>	<b>54.0%</b>		<b>1,935</b>	<b>97.6%</b>
<b>Total (A+B)</b>		<b>152,757</b>	<b>100.0%</b>		<b>8,622</b>	<b>100.0%</b>		<b>1,982</b>	<b>100.0%</b>

\* In accordance with the disclosure obligations, the alignment of the eligible activities was not assessed for 2021 report.

\*\* A.2. includes all Harju Elekter Group's taxonomy-eligible activities. The alignment of these activities with the taxonomy regulation will be disclosed in 2022 annual report.

## Specification of disclosures accompanying the KPIs

### 1. Accounting policy

Harju Elekter Group determined the taxonomy-eligible proportions of revenue, CapEx and OpEx according to the specification of KPIs as outlined in the Annex I of the delegated act supplementing reporting obligations.<sup>4</sup> The specification of denominators and numerators related to revenue, CapEx and OpEx KPIs were used, considering that the KPIs in the 2021 report concern eligibility. The descriptions of activities defined in the climate delegated act Annex I and II<sup>5</sup> were the basis of determining and allocating revenue, CapEx and OpEx to the numerator.

**KPI related to revenue** – The denominator covers the revenue derived from the Group's regular business activities and that is recognized pursuant to

the International Accounting Standard (IAS) 1, paragraph 82(a). As the principal activity, the Group manufactures and sells electricity distribution and control apparatus and other fabricated metal products. In addition, Harju Elekter Group's revenue is related to the project and retail sale of electrical goods, rental of industrial real estate and installation of electrical systems on vessels. The numerator was calculated as the part of the net revenue derived from products or services that, according to the Group's assessment, correspond to the descriptions of the economic activities listed in the climate delegated act.

**KPI related to CapEx** – The denominator includes Group's investments made in 2021. The Group invested in tangible and intangible assets during the financial year of 2021 and accounted for new lease agreements based on IFRS 16. The numerator equals to the part of CapEx that, according to the Group's assessment, is related to taxonomy-eligible activities. In addition, the numerator includes

<sup>4</sup> C(2021) 4987 final, Annex I, section 1.1. | <sup>5</sup> C(2021) 2800 final.

CapEx that is related to purchases of output from taxonomy-eligible activities or individual measures that enable the target activity to become low-carbon or to lead to greenhouse gas reductions. It was considered that the latter measures must be implemented and operational within 18 months.

**KPI related to OpEx** – The denominator includes direct non-capitalised development costs. The numerator equals to the part of OpEx that, according to the Group’s assessment, is related to taxonomy-eligible economic activities.

## 2. Assessment of compliance with Regulation (EU) 2020/852

### Description of activities and assessment of compliance

Harju Elekter Group determined the list of taxonomy-eligible activities in reference to the description of the activities and corresponding NACE codes specified in the climate delegated act Annex I and II.

Economic activities that are eligible to the technical screening criteria of the climate delegated act can be divided into three groups: low carbon activities, enabling activities and transitional activities. Harju Elekter Group’s taxonomy-eligible activities are low carbon and enabling activities.

The Group’s eligible activities are the following:

- NACE C27.1.2 that corresponds to the activity 3.1. in the climate delegated act: Manufacturing of renewable energy technologies. By manufacturing substations for solar, wind and hydroelectric power plants, the Group enables the production of renewable energy.
- NACE C27.1.2 that corresponds to the activity 3.6. in the climate delegated act: Manufacture of other low carbon activities. The Group manufactures electric car charging equipment and heating solutions. Another enabling activity is the manufacturing of power distribution solutions that are used for retrofitting water transport.
- NACE D35.1.1 that corresponds to the activity 4.1 in the climate delegated act: Electricity generation using solar photovoltaic technology. The Group produces and sells renewable energy generated using solar panels.

- NACE F41.2.0 that corresponds to the activity 7.1. in the climate delegated act: Construction of new buildings. The Group invests into new energy efficient manufacturing buildings.
- NACE L68.2.0 that corresponds to the activity 7.7 in the climate delegated act: Acquisition and ownership of buildings. The Group develops, manages, and leases out industrial real estate.

Harju Elekter Group did not assess the compliance with the criteria set out in article 3 of the Taxonomy regulation as the disclosure requirements of 2021 concern only the eligibility of the Group’s activities.

In order to avoid any double counting in the allocation in the numerator of revenue, CapEx and OpEx KPIs across economic activities, each economic activity was accounted for on a project and order basis. In addition, cross-Group transactions were outlined and considered.

## 3. Contextual information

**Revenue** – Harju Elekter Group manufactures electric car charging equipment and heating solutions, develops and leases industrial real estate and derives revenue from renewable electricity generation. As a supporting activity it produces substations and other electricity distribution equipment for solar, wind and hydroelectric power plants and for the production of low carbon emission ships. For the quantitative breakdown of the numerator, see table above ([activities 3.1, 3.6, 4.1, 7.7](#)).

**CapEx** – The CapEx numerator includes direct investments into real estate and solar power plants development. In addition, the CapEx numerator includes costs related to an individual measure that leads to greenhouse gas reduction, namely the construction of a new manufacturing building in Lithuania with energy efficiency level A+ at the time of registration. For the quantitative breakdown of the numerator see table above ([activities 4.1, 7.1, 7.7](#)).

**OpEx** – The OpEx numerator includes operational expenditure that is related to the development of electric car charging equipment and heating solutions. For the quantitative breakdown of the numerator see table above ([activity 3.6](#)).

## Management

### The Harju Elekter Group bases its business activities on the following:

- values of the organisation;
- focus topics;
- short and long-term strategic objectives;
- fair and transparent principles of management;
- principles of an integrated management system (quality, health and safety, environment);
- applicable national laws and regulations;
- the company's Articles of Association and Code of Conduct;
- the requirements of Nasdaq Tallinn (as a public company);
- the guidelines of Good Corporate Governance (GCG);
- the principle of equal treatment of shareholders and investors.



Leadership from top management plays an important role in integrating sustainability into business processes. All employees also have an important role to play. In the organisation, each employee is responsible for quality, the environment, and safety at work. Raising people's awareness will be achieved through training and by keeping key issues in focus, supported by training programmes for managers and staff, and by developing an open organisational culture and internal communication.

In 2021, the Group's companies based their sustainability management on the principles of the management system (ISO 9001, ISO 14001, ISO 45001). The guiding principles for sustainability and the action plan will be harmonised across the Group in 2022. It will also set out the arrangements for how sustainability is taken into account in decision-making at the senior management level and which committees are responsible for environmental and social impact issues.

## Fair and ethical business practices

Harju Elekter relies on fair, transparent, and ethical management principles in its communication with all stakeholders. 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.

Certain principles have been agreed upon to prevent, avoid, and mitigate the risks of corruption and unfair competition: for example, in large-scale transactions, an additional decision-maker is involved to avoid conflicts of interest that may arise from, among other things, business, family or other relations. 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. Activities are carried out in accordance with the law, as well as established practices and standards.

Rules, guidelines, and verbal agreements have been established 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. In order 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.

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 2021, 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 legal action that was brought against any Group company or employee for non-compliance with the law;
- did not register any cases where companies contributed to political activities either in cash or in kind.

## Cyber-security

The Harju Elekter Group has engaged in and considered cyber-security to be important for many years, but in 2021, cyber-security was made a priority to ensure business continuity. As part of this framework, Harju Elekter further increased its proactive activities in protecting business processes to avoid the time and resource-consuming consequences of cyber-attacks. Restoring partially or completely paralysed business processes can take weeks or even months and is costly. As a result of poor cyber-hygiene or a cyber-attack, the compromise of one asset can lead to the takeover of an entire company's digital environment.

### Activities in 2021 to promote the Group's cyber-security:

- cyber-hygiene training was conducted in all of the Group's companies, providing employees with information about cyber-threats and how to address them. The training also provided feedback on areas of cyber-security that need more attention and clarification. Cyber-hygiene training will be organised annually in all of the Group's companies;
- the security of the IT infrastructure was enhanced to ensure better resilience in the event of cyber-attacks;
- the protection of emails was further strengthened to ensure the most secure possible email environment for communication and information exchange.

## Product and customer

At Harju Elekter, a strong and long-term customer relationship is based on high-quality products, on-time delivery, smooth cooperation, and understanding the customer. In addition, from the customer's point of view, the credibility of the company is important, linked to sustainable operations and a long history.

The products of Harju Elekter 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. In line with the Group's focus themes, the first priority of Harju Elekter is to provide a high-quality product.

### From the Group's point of view, a product is of high quality if:

- the product is safe, meets the customer's specifications and is visually correct;
- the product exceeds the customer's expectations and offers added value to the customer;
- the processes involved in the manufacturing of the product comply with applicable legal and regulatory requirements.

The Group considers seven principles to be important in quality management:



#### Customer focused approach

The focus is to meet the customer's requirements and expectations to increase their satisfaction.



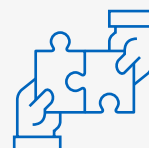
#### Leadership

Each level manager is responsible for the quality of their own work. In doing so, they will promote continuous improvement in processes and contribute to the achievement of the organisation's objectives.



#### Involvement of people

In order to manage the Group effectively and efficiently, people are involved at all levels, and motivating and training them contributes to achieving the company's objectives. In addition, employees are encouraged to take responsibility for the quality of their work.



#### Process-centred approach

The Group manages its activities as interlinked processes that operate as a coordinated system to achieve quality objectives.



#### Improvement

To exceed customer's expectations and ensure their satisfaction, the Group places a high priority on continuous improvement of its processes.



#### Evidence-based decision making

The Group makes decisions based on data and the analysis and evaluation of information.



#### Relationship management

The Group considers the management of relationships with relevant stakeholders to be essential to success. Emphasis is placed on developing suppliers and maintaining excellent communication.

The quality management system for all of the Group's companies is certified according to ISO 9001:2015. The certificate demonstrates the commitment of Harju Elekter to consistently providing products that meet both customers' and applicable legal requirements and to ensure customers' satisfaction.

Quality is an integral part of day-to-day management, sales, development and production activities, logistics, and real estate development. Quality assurance throughout the life cycle of the product is considered important.

**Quality output is achieved** through proper supply chain planning, a competent workforce, the establishment of a feedback system, and the implementation of quality control at different stages, which helps to identify defects at the earliest possible stage.

## Development activities

According to the development principles of Harju Elekter, the aim of product development is to continuously develop products that meet the needs of customers and improve technology. From a business development perspective, it is important to ensure the production capacity of Harju Elekter through modern production units and efficient production processes. The Group's development costs amounted to 1.98 (2020: 1.77) million euros during the financial year, representing 1.3% of the Group's sales.

At Harju Elekter, product development projects are handled by electrical and mechanical engineers in all the countries of operation. The Group's product development resources for the energy sector are mainly concentrated in Estonia. The Finnish company specialises in the development of products and renewable energy solutions for the industry. The engineering team of Harju Elekter in Lithuania focuses mainly on project and customer-specific turnkey solutions in the maritime and industrial sectors; and in the infrastructure and energy distribution sectors in Sweden.

In product development, the Group's activities are largely driven by customers' demand for innovative solutions. Harju Elekter is committed to keeping up with the general market trends and paying more attention to innovation in the topics related to this field. It is an opportunity to better help customers, meet their expectations, and provide exciting work for our engineers.



### **The Group's capacity to innovate is expressed in three ways.**

- Product development looks for places, both in-house and with customers, where products can be designed smarter or made to work more efficiently. The Group also contributes to applied research and development of new products (e.g. energy storage devices).
- Changes are constantly being made in production to make production more efficient through technological or process innovation.
- Cooperation is carried out in the supply chain to develop and improve structures already in place.

In order to make production more efficient, Harju Elekter paid special attention to the development of production management information systems in 2021, both in terms of implementation and mapping of processes and needs.

To support product development, emphasis was placed on sustainable capacity building. To this end, Harju Elekter made real estate developments, developed solar parks to generate environmentally friendly electricity, and invested in machinery.

In 2021, further developments were made to the new ElektrA electric car charging stations, which were launched on the Finnish market in autumn. The Group also continued to develop electrical equipment for use on board ships at a high-tech level.

The renewal and upgrading of the substation product family continued. In recent years, the Group has focused on development activities in Sweden, and the new substations are designed with the requirements and specificities of the Swedish market in mind. During the year, a number of new environmentally friendly air-insulated and medium-voltage packaged substations were developed and successfully passed type-testing according to the IEC standards. The first deliveries of new equipment to Swedish customers took place in the third quarter of 2021.

The development of factory-built specialised plants and technical buildings continued, with market demand having increased significantly in recent years and growth expected to continue in the coming periods. A large part of the growth in demand is related to the development of data centres, which form the bulk of the specialist substation projects of Harju Elekter. During the year, solutions were delivered for a number of projects in Europe, and orders were received for projects in both Australia and New Zealand, with deliveries due in 2022. In order to meet the increasing demand, the capacity to supply power plants and technical buildings was also increased in 2021 at the Lithuanian plant.

In the context of the global green transition, Harju Elekter and its partners have entered the market for systems to produce green hydrogen. During 2021, several

orders were received for the development of frequency converter systems for electrolyzers, with the first deliveries taking place in 2022.

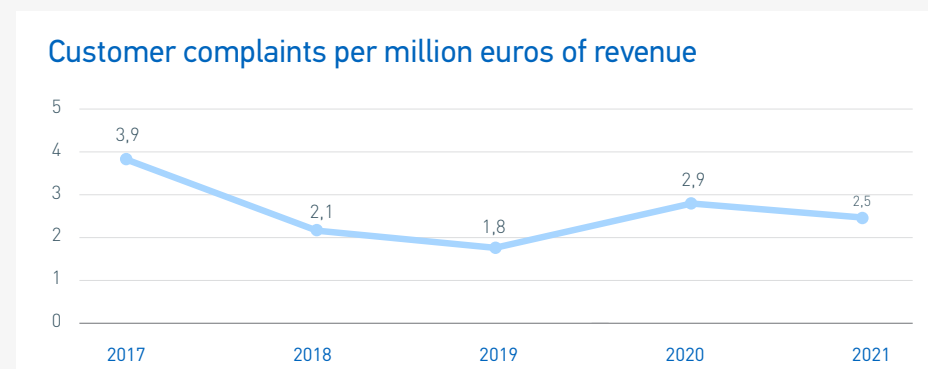
## Quality in products and customer relations

### 1. Customers

Harju Elekter attaches great importance to gathering customers' feedback and suggestions. 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 to map the overall attitude of customers towards the company, understand the reasons and draw conclusions. All enquiries from customers are recorded and analysed, and complaints are given special attention.

Compared to the previous period, customers' satisfaction declined due to a decrease in on-time delivery which is a result of the global material shortage. The Group's average satisfaction score was 75 out of 100 (78 in 2020; 80 from 2018–2019). During the reporting year, the share of products meeting the requirements (quality, on-time delivery) ranged from 49% to 100% for all companies in the Group. The Group-wide average was 84% (2020: 90%).

The average number of complaints received from non-Group customers was 2.5 (complaints from customers per million euros of revenue; 2020: 2.9).



## 2. Suppliers

It is considered good practice at Harju Elekter to organise tenders and consider alternatives when making purchases in order to obtain suitable purchasing conditions. It is important to assess the risks associated with suppliers and not to remain in a situation where the company uses sole suppliers. In the last couple of years, first steps have also been taken towards cross-Group purchasing. Harmonised agreements with suppliers support better supply conditions and a smooth and transparent process.

Suppliers are selected on the basis of their reputation, reliability, quality, delivery conditions, and price. More important than lower cost is the best price-quality ratio. The main partners tend to be permanent, and new ones are sought when the need arises or a new product is launched.

It is important for the Group's companies to maintain good partnerships with suppliers and to provide continuous feedback. It has been a good practice to visit and audit suppliers in order to verify their reliability and to monitor how they are fulfilling orders. Due to COVID-19, several supplier visits were postponed.

The Group's companies carry out periodic supplier assessments. The most important criteria are OTD (On-Time-Delivery) and quality. Feedback will be sent to suppliers and, based on the results, opportunities for improvement will be reviewed together.

In 2021, AS Harju Elekter Elektrotehnika focused on service providers and prepared evaluation criteria for new and existing service providers, on the basis of which a development plan could be drawn up for its partners or existing ones replaced.

Due to the supply chain problems caused by COVID-19, cooperation with suppliers has been more in focus in 2021 than in the previous periods. In order to mitigate

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 found alternative suppliers.

A major quality improvement project for AS Harju Elekter Elektrotehnika in 2021 was the review of the supplier complaints process. One part of the improvement was the establishment of a categorisation system to prioritise the most critical quality issues. As a result, suppliers started to put more emphasis on root cause analysis and corrective actions.

## 3. Audits

### 3.1 External audits

Audits and inspections by customers, supervisory authorities, product certification companies or licenced manufacturing vendors are carried out on a regular basis within the Group's companies. The regular ISO 9001:2015 audits went very well in all the companies during the reporting year. The strengths highlighted by the auditors were management leadership in improvements, staff competence, and flexibility to meet the customer's needs.

In 2021, non-conformities were not identified in the product quality view of the customer audits.

Certificates obtained in 2021:

- The Lithuanian company of Harju Elekter received the AQAP-2110-2016 certificate, which allows it to participate in NATO procurements, and the RINA certificate.
- The products of the industrial buildings of the Swedish company of Harju Elekter were upgraded to EI60 fire resistance class.

### 3.2 Internal audits

Internal audits are part of continuous improvement. The purpose of the audit is not to look for shortcomings, but to find compliance and opportunities for improvement. During the audit, the auditor and the auditee are partners in the improvement process.

The Group's subsidiaries carry out internal audits on a scheduled basis, and the team of internal auditors is composed of competent staff with different backgrounds. Internal audit findings are also used as an input to improve the organisation: all observations and non-compliances are recorded and used as a basis for an action plan to address the findings.

### 4. Quality improvement activities in the Group's companies during the reporting year

The Group's 2021 process improvements to improve service quality:

- The biggest improvement project of the Estonian company AS Harju Elekter Teletehnika was the implementation of the new ERP system Monitor, which plays a major role in the development of the company's processes.
- The Estonian company AS Harju Elekter Elektrotehnika has developed a metric for the cost of poor quality. The aim is to obtain an overview of which problems are causing the highest quality-related costs in a company. In addition, it was decided to prioritise process-based management, with improvement activities continuing in 2022.
- The Finnish company Telesilta Oy undertook the development of its own warehouse.

### 5. Safety of finished products



For other quality requirements, it is important for the Group's companies **to ensure product safety.**

This is achieved by means of the following four stages:

- Safe use starts with a technical solution developed during the product development phase, which must meet the requirements of specific standards.
- New products must undergo type testing for potential hazards or customer's inspections (the so-called periodic Factory Acceptance Test inspections) before series production or major customisation.
- Each employee is responsible for producing a high-quality product.
- The task of the final inspection is to identify possible defects in products due to human intervention and component defects. As a result, we meet customers' expectations and reduce the company's environmental impact.

In the history of the Group, there have been no known cases in the last few decades where a manufacturing error has occurred in the Group's companies that would have caused a life-threatening situation during the use of a finished product.

The Group has taken out product liability insurance contracts to cover potential losses.

## Personnel



According to the human resources strategy of Harju Elekter, **the main guarantee of the company's effective and efficient operation is people with their knowledge, skills, experience, and motivation.**

We see our role as creating a supportive working environment and providing good working conditions – we strive to be a valued employer in the eyes of our employees. As a socially responsible company, we value and develop our employees by providing them with new challenges while implementing succession planning activities. Staff development is moving towards professionalism, flexibility, autonomy, and customer-orientedness.

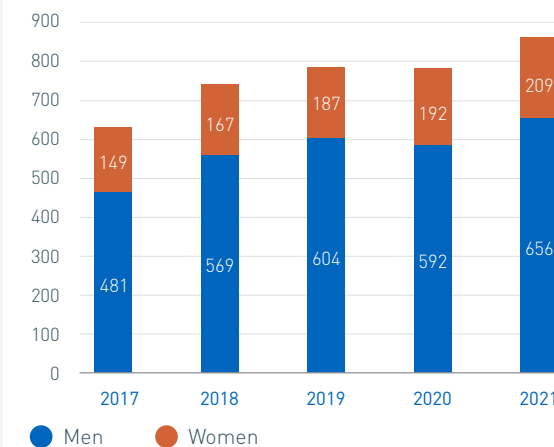
At the end of the reporting period, Harju Elekter employed 865 people, which is 81 more than a year ago. The biggest increases were observed in Lithuania and Estonia. In Lithuania, this was linked to the expansion of the plant and in Estonia to the increase in production volumes. In both cases, changes in work organisation due to COVID-19 played a role. Women

accounted for 24% of the Group's workforce. Out of the 16 top managers (Supervisory Board, Management Board, and CEOs), one is a woman.

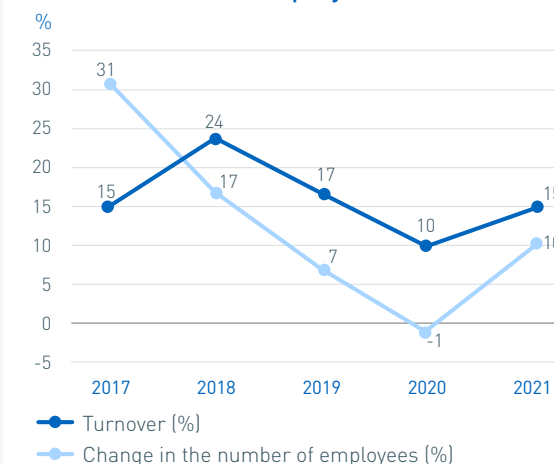
A total of 98% of all employees of Harju Elekter work full-time and 99% have an employment contract of indefinite duration.

In 2021, labour turnover in the companies of Harju Elekter was 15%, which is higher than in 2020 (10%), when it was exceptionally low. Labour turnover increased particularly in Estonia and Sweden. In Estonia, this is linked to a recovery in the labour market compared to the previous year, and in Sweden, to the decision to restructure the company by consolidating the activities of the different locations into two production units.

Number of employees



Turnover and change in the number of employees



## Overview of employment as at 31 December 2021:

	Estonia	Finland	Lithuania	Sweden	Total	% of all employees
<b>Total number of employees</b>	<b>381</b>	<b>152</b>	<b>256</b>	<b>76</b>	<b>865</b>	
<i>incl. administrative and engineering staff</i>	128	59	69	34	290	34%
<i>incl. workers</i>	253	93	187	42	575	66%
<i>incl. men</i>	265	132	188	71	656	76%
<i>incl. women</i>	116	18	68	5	209	24%
<i>incl. under the age of 30</i>	60	42	68	17	187	22%
<i>incl. 30-49 year-old</i>	207	73	156	41	477	55%
<i>incl. 50 year-old and older</i>	114	37	32	18	201	23%
<b>Number of top executives at Group companies *</b>	<b>10</b>	<b>3</b>	<b>1</b>	<b>2</b>	<b>16</b>	
<i>incl. men</i>	9	3	1	2	15	94%
<i>incl. women</i>	1	0	0	0	1	6%
<i>incl. 30-49 year-old</i>	6	1	1	1	9	56%
<i>incl. 50 year-old and older</i>	4	2	0	1	7	44%
<b>New employees</b>	<b>70</b>	<b>27</b>	<b>77</b>	<b>19</b>	<b>193</b>	
<i>incl. men</i>	20	3	18	3	44	23%
<i>incl. women</i>	50	24	59	16	149	77%
<i>incl. under the age of 30</i>	20	23	27	6	76	39%
<i>incl. 30-49 year-old</i>	41	3	44	9	97	50%
<i>incl. 50 year-old and older</i>	9	1	6	4	20	11%
<b>Employees left **</b>	<b>54</b>	<b>14</b>	<b>44</b>	<b>10</b>	<b>122</b>	
<i>incl. men</i>	10	3	13	2	28	23%
<i>incl. women</i>	44	11	31	8	94	77%
<i>incl. under the age of 30</i>	15	2	20	3	40	33%
<i>incl. 30-49 year-old</i>	33	9	24	6	72	59%
<i>incl. 50 year-old and older</i>	6	3	0	1	10	8%
<b>Average turnover ***</b>	<b>14%</b>	<b>10%</b>	<b>19%</b>	<b>13%</b>	<b>15%</b>	

\* Some top level executives are part of the management structure of several companies.

\*\* Incl. voluntarily and due to retirement or death.

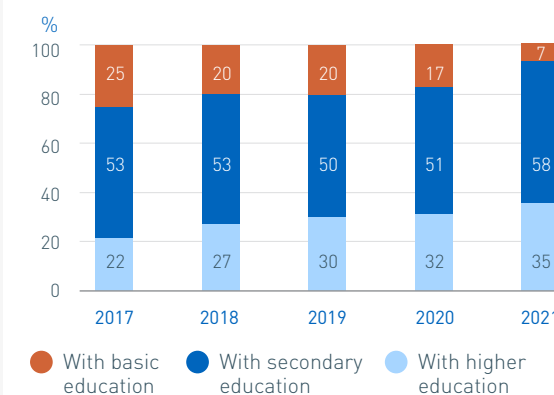
\*\*\* The number of employees who left voluntarily during the year divided by the average number of employees.

## Personnel development and succession

Harju Elekter employs people of different ages and education levels who are loyal to the company. The average age of an employee is 40.7 years, and the longest length of service is over 40 years. The successful future of Harju Elekter relies on the cooperation of long-standing professionals in their field and young future leaders. Transferring wisdom and experience from colleague to colleague will ensure that existing strengths continue, and new and innovative practices are introduced.

The Group's staff development activities aim to support the all-round development of employees, to strengthen teams, and to share experience. Harju Elekter encourages the acquisition of additional education, as well as skills and specialised professions alongside work. Annual comparisons show that the share of employees with secondary, secondary vocational, and higher education in the Group has increased at the expense of employees with basic education.

### Education of the employee



In line with trends in the labour market, the Group is also seeing a need for employees to be prepared to constantly learn and re-learn, with digital and environmental skills becoming indispensable. Alongside specific professional skills, general skills such as communication, negotiations, and teamwork are increasingly valued.

In order to gather employees' expectations and feedback, Harju Elekter carries out annual performance interviews to identify training needs and to obtain valuable feedback on the company and its management. In 2021, a total of 71% (2020: 76%) of administrative and engineering staff and 59% (2020: 54%) of production staff had performance interviews. All of the Group's companies will continue to develop adaptation training and programmes for new employees, incorporating more Group-wide and responsible business principles. Training for managers has provided them with practical tools to improve management and guidance for smoother cooperation.

Although no motivation training or large-scale training programmes were carried out in 2021, the average number of training hours for staff has increased slightly. The training was mainly for staff in need of upgrading their professional knowledge. All in all, 88% of administrative and engineering staff and 72% of workers were trained during the year.

Due to the higher-than-average safety risk in production, the transfer of health and safety

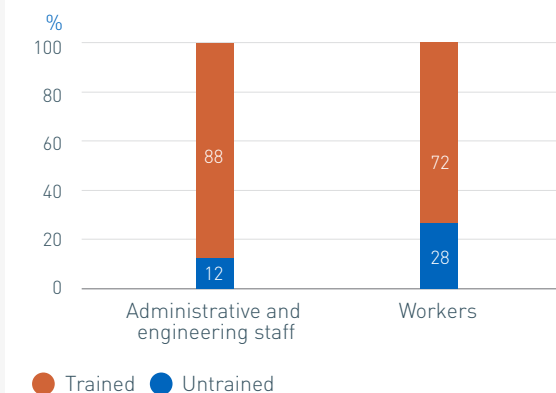


**The Lithuanian subsidiary of Harju Elekter opened an academy in 2021** to train the company's current and future employees. The academy aims to attract young Lithuanians to the field of engineering and to improve the qualifications of existing staff.

knowledge is essential. First aid, occupational, fire and electrical safety training was provided to employees of the Group's companies. All staff receive continuous training on waste management to ensure that waste is collected separately.

With the aim of contributing to the next generation of engineering professionals, academic teaching will be supported by sharing practical experience and knowledge. Young people will be offered study trips and work days out, student events and practical work experience. In 2021, a total of 29 (2020: 16) learners and students underwent practical training in the Harju Elekter Group's companies.

**Proportion of employees who participated in training in 2021**



## Employee satisfaction and motivation

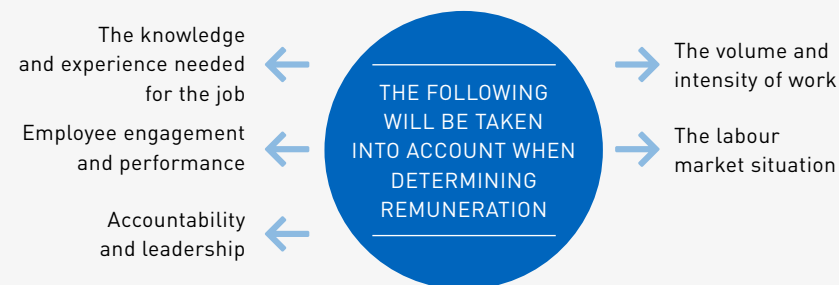
Two-way communication is extremely important in teamwork, which is why employee feedback plays an essential role in the organisational culture of the company. To determine what employees believe, a short Group-wide survey was conducted for the first time in 2021, focusing on measuring satisfaction with work, colleagues, management culture, and development opportunities. The Swedish company did not carry out a satisfaction survey due to re-organisation.

### Satisfaction survey results by country

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

The COVID-19 crisis has deepened mental health problems in society. Long periods of time spent in isolation and at home offices, as well as reduced contacts, have made it difficult to work together, made people feel lonely and have led to changes in many aspects of work organisation. In order to support employees, the companies of Harju Elekter have carried out various surveys and seminars, and distributed materials on mental health support. Managers are encouraged to communicate openly with their team members to create a contact where employees can talk to their manager about their concerns. People whose jobs allow it work from a home office combined with office work. Working conditions at a home office are assessed in cooperation with the employee, based on a risk assessment and the home office guidelines.

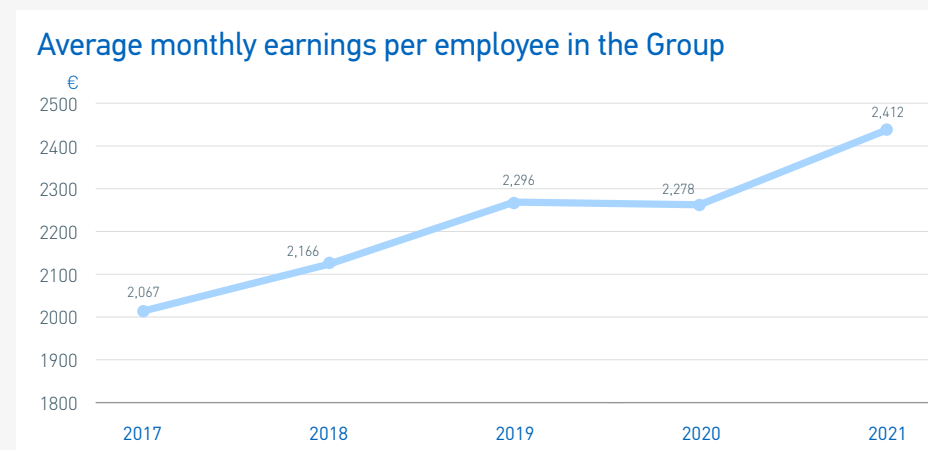
The Group's remuneration policy aims to ensure that remuneration is fair, motivating, transparent, and in compliance with the law. The broader objective of the remuneration policy is to recruit staff with the skills, competences, and experience to deliver the strategy, to align the interests of employees and shareholders, and to motivate employees. Remuneration systems consist of basic and variable pay, benefits, and employee incentives.



The decision on the level of remuneration has to be objective. Most employees in the company have the opportunity to earn a performance bonus, calculated on the basis of clear and transparent principles.

In the 12 months, a total of 23.9 million (2020: 21.3 million) euros was paid to employees in wages, bonuses, and benefits. The average annual monthly remuneration per employee of the Group was 2,412 (2020: 2,278) euros.

In 2018, shareholders approved a three-year stock option programme for managers and professionals, aimed at aligning the long-term objectives of the Group and its employees. Shared interests help to ensure the sustainable development and growth of the Group in line with its strategy. In 2021, a new two-year stock option programme was approved for the Members of the Management Board and key employees of AS Harju Elekter and its subsidiaries.



## Working environment, occupational safety and health

The processes of AS Harju Elekter Elektrotehnika, Harju Elekter UAB, and Telesilta Oy are certified according to the occupational health and safety standard ISO 45001:2018. The other companies in the Group follow the principles of an internal management system for the work environment and safety.

Harju Elekter provides its employees with modern working and living conditions. Due to the perceived high risks in the area of the working environment, the Group contributes more to improving safety and the working environment than required by law. All of the Group's companies have raised health and safety management to a strategic level.

In cooperation with an occupational health partner, health examinations are carried out on employees in accordance with the procedure established by law at intervals determined by the occupational health physician. The provider also maps mental health risks and prepares health audit reports. For companies, it provides input for an action plan and recommendations for improving employees' health.

Workplace risk assessments in companies evaluate the adequacy of the working environment, potential risks, and compliance with employees' requests. The Group assesses risks itself and with the help of trusted service providers. Carrying out an occupational risk assessment consists of three parts: inspecting the workplace, taking measurements, and interviewing employees to ensure their involvement. Periodic workplace reviews are conducted, changes in the working environment are responded to, and the risks posed by the working environment when new jobs are created are mapped. Based on the results of the risk assessment, a work environment action plan is prepared to ensure a safe and healthy working environment for employees.

The main risks at the production facilities of Harju Elekter are mobile forklifts, manual handling of loads, and sharp metal components in the production area. In order to mitigate the risks, safety manuals have been created, personal protective

equipment has been provided to employees, and personnel has been trained regarding safety topics. Safety inspections also play an important role, with observations helping to prevent accidents at work.

At the end of 2021, the Group's Estonian company AS Harju Elekter Elektrotehnika focused on the employees' ergonomics. A two-hour training session was carried out for staff with a computer workstation. Lectures covered office and home office work, as well as risks and tools in greater detail. Everyone who so requested received a half-hour workplace inspection, plus two more extensive ergonomics inspections of the production process. A workplace review provides clarity on the changes needed, both in terms of the employee and the work environment. Follow-up activities are planned for 2022.

Harju Elekter Oy, the Finnish company, also carried out an occupational health project aimed at alleviating musculoskeletal problems and supporting employees' coping at work. Attention was paid to the preservation of skeletal and muscular muscles and the strengthening of overall muscular fitness. The project will continue in 2022.

In 2021, COVID-19 risk mitigation was addressed in order to prevent workplace outbreaks and ensure safety among the employees. To this end, companies applied stricter requirements, as appropriate: wearing protective masks in the workplace, disinfecting surfaces and hands, limiting the number of visitors, and, where possible, directing employees to home offices.

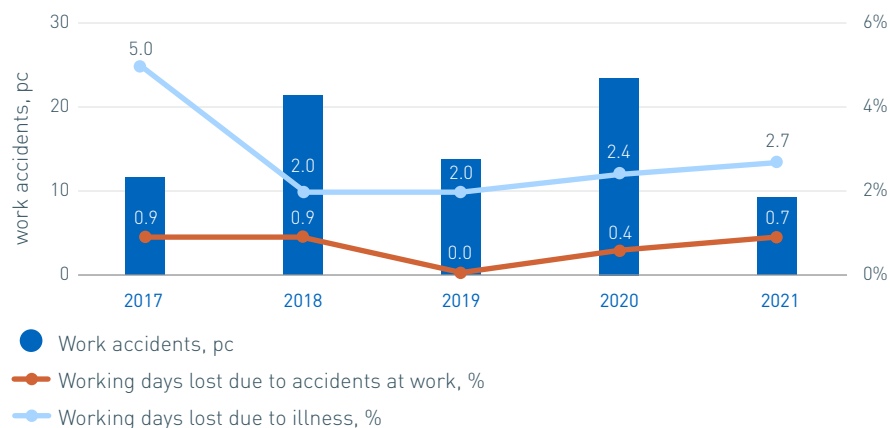
Customer feedback is important for Harju Elekter. AS Harju Elekter Elektrotehnika was audited by Elenia Oy and Caruna Oy during the reporting period. Positive feedback included an increase in the number of near misses recorded over the years, as this shows that workers are more aware of the dangers in the work environment.



**Companies systematically monitor indicators related to employees' health and the working environment** in order to take preventive action.

In 2021, there were nine recorded accidents at work (2020: 22), none of which were fatal. There were also no cases of occupational diseases. In the Group's companies, the share of working days lost due to accidents at work averaged 0.7% and the share of working days lost due to illness averaged 2.7%, which is higher than in previous periods due to COVID-19.

### Work accidents and lost working days



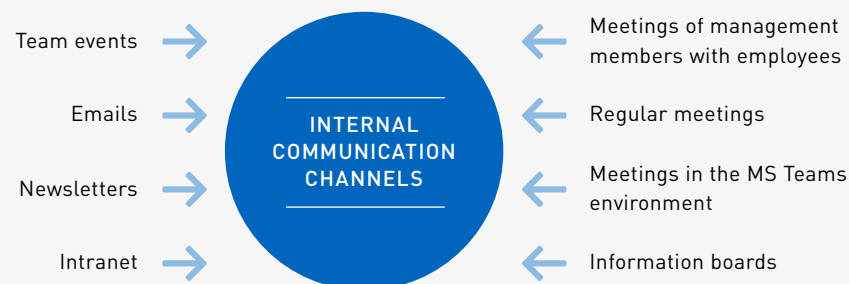
## Diversity and fair treatment

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

In the recruitment process, it is important to understand not only the candidate's knowledge and skills, but also whether the candidate fits with the organisation's values and the existing team. Recruitment processes are role-based and well thought out, so that each step gives the candidate a chance to get to know the organisation and the people, and the company a potential team member. Competitions to fill vacancies are open to the public; however, vacancies are also advertised internally. Staff is encouraged to continuously develop and the movement of staff between teams is supported. The principle of equal treatment is followed in recruitment and management.

## Involvement and internal communication

A variety of possibilities and channels are used to best reach, involve, and listen to employees, as well as establish an open organisational culture.



Business trips and projects and events involving employees from different countries are key to promoting internal communication and cooperation across the Group. Creating a unified and positive culture contributes to the creation of a unified brand of Harju Elekter. In order to increase the unity of Harju Elekter, the aim is to create programmes involving all companies and employees of the Group. In 2022, a cross-Group intranet will be created to facilitate the flow of information and create a common information space.



**In 2021, the Best Practice Day was held in Lithuania for the production managers of Harju Elekter and production related people from different countries to promote cooperation and exchange of information.** During the event, participants were able to get to know each other and the Lithuanian factory extension, as well as share best practices and learning experiences. Based on the positive feedback, it is planned to continue this form of cooperation in the future.

Harju Elekter accepts trade union membership among its employees. Trade union agreements have been concluded in five companies within the Group.

The production companies operating in Estonia have a constructive cooperation with Keila Tööstusküla Ametiühing (KETA), where around 30% of the employees are registered as members. The obligations and benefits established in a collective agreement apply to all employees, 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.

The trade union is an important channel for the dissemination of information between the Group's management and employees and for organising other employee-related activities. At the end of the year, the benefits and pay systems in collective agreements were reviewed and updated in the light of the economic environment.

## Environment



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

- 1**

Complying with environmental laws and regulations
- 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

All of the Group's production companies are ISO 14001:2015 certified.

According to the companies of Harju Elekter, the main environmental aspects of their activities are the consumption of electricity and heat energy in the production facilities, the use of components and materials in products, the generation of waste, and the use of transport services to transport the product. All of the Group's companies comply with environmental requirements imposed by law, regulations, society, and customers. The action plans focus on optimising

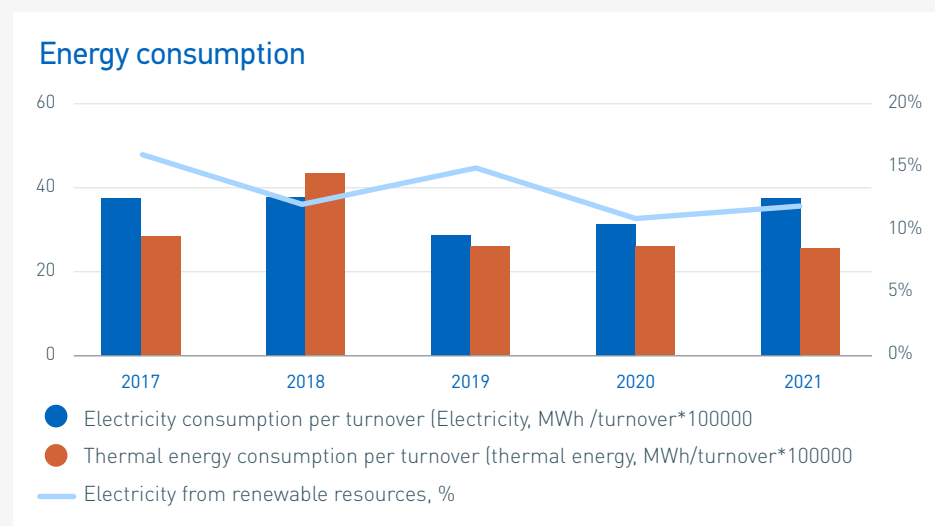
processes, using materials and resources more sustainably, improving practices and technologies, and minimising potential environmental impact. Preventive action is emphasised to avoid environmental deviations and infringements.

In 2021, as in previous years, there were no violations of environmental laws or regulations at the Group's companies.

## 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 2021, the companies of Harju Elekter consumed 5,683 (2020: 4,568) MWh of electricity and 3,952 (2020: 3,892) MWh of heat. The increase in electricity consumption was linked to the commissioning of new production space, the addition of new equipment, higher production volumes, and an increase in the number of employees.



In 2021, companies continued to replace outdated 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. The project will also continue in 2022.

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.



### In the development of industrial real estate, Harju Elekter is guided by the principle of environmental sustainability:

- In the event of new buildings, a thorough assessment will be made of which heating solution is most appropriate for the building or the type of production. New buildings will be constructed to be more thermally efficient than the requirements. 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 make them more energy-efficient: walls and roofs are being insulated, heating and ventilation systems are being modernised.

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

## 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 CO<sub>2</sub> emissions and saving on energy costs.**

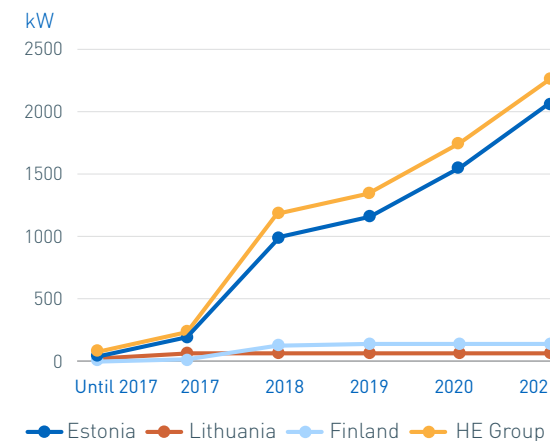
At the end of 2020, the installed capacity of the Group's solar power plants was 1,737 kW. During the year, the portfolio of solar power plants of Harju Elekter increased by 518 kW, bringing the total renewable energy generation capacity to 2,255 kW.

In 2021, the Group's solar power plants produced a total of 1,733 MWh of electricity, of which 205 MWh was used for own consumption. Over the year,

renewable energy production increased from 1,225 MWh to 1,733 MWh, an increase of around 30%.

Around 12% of the electricity and heat consumed by the Group's companies (2020: 12%) came from renewable sources. It is worth highlighting the Swedish company of Harju Elekter, which covered 100% of its electricity consumption with renewable energy.

### Capacity of installed solar power



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, or 1,528 MWh, was sold directly to the tenants of the buildings or to the grid.

The production company of Harju Elekter, AS Harju Elekter Teletehnika, has a heat recovery system integrated into the building's technical systems, which enabled the company to produce heat from residual heat. In total, this amounted to 65.5 MWh, or 11% of total heat consumption.

## Materials and waste

The Group's factories generate production and municipal waste. Production processes generate metal waste (e.g. steel and copper), plastic waste, hazardous waste, and packaging waste (film, carton, cardboard). Municipal waste is generated by non-production activities.

Waste from the operations of Harju Elekter is sorted, and 100% of metal and plastic waste is recycled.

The generation of metal waste is reduced by optimising production processes. **The Group's paint lines use powder paints – one of the most popular surface treatment methods in the metal industry** – as 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.



Most of the packaging materials are recycled both in-house and when the products are dispatched to the customer. Circulating containers are used with some suppliers. In the event of substations, it is common practice to crush concrete used for their construction and reuse it as aggregate in road construction, to divert metal parts for collection, and to treat electrical equipment components in accordance with the requirements for recycling electrical and electronic equipment.

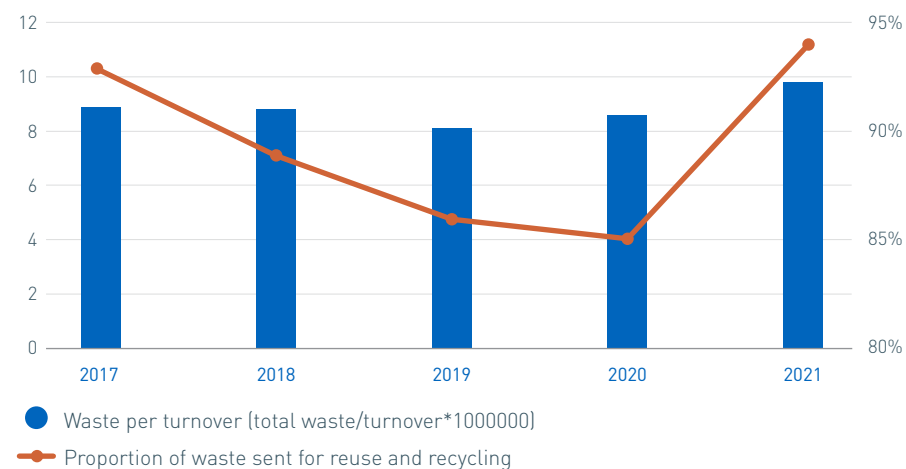
Waste management manuals have been prepared to guide waste sorting, and waste containers and bins have been marked and staff trained. The companies have contractual and reliable partners for waste management, who provide the Group's companies with information on waste statistics.



**In 2021, AS Harju Elekter Elektrotehnika applied the green thinking, already long practised in the production of electrical engineering, to the office.**

Personal waste bins were removed from staff and waste sorting sets were purchased. The aim of the change was to reduce the amount of municipal waste, increase recycling, and raise awareness among staff. Energo Veritas OÜ carried out minor improvement projects and stopped using disposable water bottles in the office and started drinking tap water instead.

### Waste



The share of hazardous waste decreased compared to the previous periods. All in all, the amount of waste increased as the Group's production volumes grew and the number of people increased.

## Environmental impact of the product life cycle



**The Group's goal is to create long-lasting, flawless solutions** that are reliable and sustainable for customers and society. The market also expects substations to have a lifetime of at least 40 years. Long-life solutions mean less need for new substation generation and also less burden on the environment. Flexible engineering solutions allow small innovations to have an additional effect on extending the lifetime of products and solutions.

The main negative environmental impact of the use of substations is due to SF<sub>6</sub> gas, one of the greenhouse gases, used in the switches of medium-voltage equipment, which has an impact on global warming that is tens of thousands of times greater than CO<sub>2</sub>. More environmentally friendly alternatives, such as the use of air-insulation or vacuum technology, would increase the overall price of the product by about a third, for which the market and customers are not yet ready. At the same time, environmentally friendly solutions in product development can also reduce costs, for example, if a product can be manufactured with fewer components.

## Customers and suppliers

Customers' expectations in the area of sustainability have increased every year. This can be seen from customers' audits, which are increasingly focusing on the environment, in addition to product-specific issues. AS Harju Elekter Elektrotehnika was audited by Elenia Oy and Caruna Oy during the reporting period. For customers, it is important to monitor the carbon footprint through the supply chain and to apply sustainability criteria when selecting and assessing suppliers. Audit findings are taken into account in the preparation of the sustainability action plan.

A total of 55% of the Group's suppliers have agreed on strong social and environmental criteria. Suppliers and service providers will be assessed periodically, including against environmental criteria. For example, the environmental assessment criterion for AS Harju Elekter Elektrotehnika is that the service provider complies with environmental requirements on the company's territory and/or uses environmentally sustainable materials and solutions in its daily work, thus promoting a sustainable way of thinking.

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.

## 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.

In 2020, Harju Elekter 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.

In total, the volume of scholarships and support programmes for the companies of the Harju Elekter Group in 2021 amounted to 39.5 (2020: 58.6) thousand euros. The amount is lower than in the previous year because of a stricter adherence to the agreed objectives and main trends of sponsorship.

## Supporting engineering education



**Harju Elekter awards up to four scholarships named after itself to undergraduate or graduate students annually through the Development Fund of Tallinn University of Technology.** Since 2001, a total of 76 students have participated in the scholarship programme. In 2021, three scholarships were awarded: two to undergraduate students in electrical engineering and mechatronics, and one to graduate students in energy technology and thermal engineering.

**The Chairman of the Supervisory Board of Harju Elekter, Endel Palla, also awards a scholarship named after him through the Development Fund of Tallinn University of Technology.** In 2021, Palla awarded two scholarships: one to students of electrical engineering and one to students of entrepreneurial management.



Since 2016, Harju Elekter has been the 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 formulae. 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 increase environmental sustainability and awareness, and to create 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, they 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 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. 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.

## Sector development

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.

# 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, OÜ Energo Veritas, Harju Elekter 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
<b>Foundation (GRI 101: 2016)</b>				
<b>General disclosures (GRI 102: 2016)</b>				
<b>Organizational profile</b>				
	102-1	Name of organization	p. 1	
	102-2	Activities, trademarks, products and services	p. 2-5, 15-16, annual report p. 42-59	
	102-3	Location of head office	p. 5	Keila (Estonia)
	102-4	Location of operations	p. 5	
	102-5	Ownership and legal form	annual report p. 60-63	
	102-6	Markets served	annual report p. 44, 51-57	
	102-7	Scale of the organization	p. 5, annual report p. 40, 42-47	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. 19-25	

GRI standard	Disclosure no	Disclosure title	Page no	Key explanations
<b>Organizational profile</b>				
	102-9	Supply chain	p. 5, 17, annual report p. 48	"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. 17, annual report p. 5-6, 11-12, 42-47, 60-63	
	102-11	Precautionary Principle or approach in environmental issues	p. 7-9, 26-30	
	102-12	External initiatives	p. 7-9, 12, 14-18, 25, 26, 31-32, annual report p. 64-73	
	102-13	Membership of associations	p. 32	
<b>Strategy</b>				
	102-14	Statement from Chairman of the Supervisory Board and Chairman of the Management Board	annual report p. 4-6	
<b>Ethics and integrity</b>				
	102-16	Values, principles, standards, and behavioral norms	p. 4, 12-13	
<b>Governance</b>				
	102-18	Governance structure	annual report p. 65-67	
<b>Stakeholder engagement</b>				
	102-40	List of stakeholders	p. 14-15	
	102-41	Collective bargaining agreements	p. 32	
	102-42	Identification and selections of stakeholders	p. 7-8	The main stakeholders have been identified over the years through the work and communication and within the framework of analysis of priority subjects that was carried out in the end of 2016 with the participation of the management of the Group.

GRI standard	Disclosure no	Disclosure title	Page no	Key explanations
<b>Stakeholder engagement</b>				
	102-43	Approach to stakeholder engagement	p. 7-8, 14, 16-17, 20-25, 30, 31-32, annual report p. 60, 65	
	102-44	Key topics and concerns raised	p. 7-8	As the expectations of external stakeholders are generally similar, they have been summarized in the matrix of focus topics that impact sustainability.
<b>Reporting practice</b>				
	102-45	Entities included in the consolidated financial statements	annual report p. 81, 99	
	102-46	Defining report content and scope of topics	p. 8	
	102-47	List of material topics	p. 8	
	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 2020 was published at 31 March 2021
	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	annual report p. 135	
	102-55	GRI content index	p. 33-38	
	102-56	External assurance		The GRI report has not been certified by any third parties
<b>SUSTAINABILITY FOCUS TOPICS</b>				
<b>Product quality</b>				
<b>"Management approach (GRI 103: 2016)"</b>	103-1 to 103-3		p. 14-18	In 2022 there will harmonizing of Sustainable policy and strategy.
	non-GRI	Customer complaints	p. 16	
	non-GRI	Products delivered to customers on time in accordance with required specifications	p. 14, 16	

GRI standard	Disclosure no	Disclosure title	Page no	Key explanations
<b>Customer experience</b>				
<b>"Management approach (GRI 103:2016)"</b>	103-1 to 103-3		p. 14-15	
	non-GRI	Customer satisfaction	p. 16	
<b>Innovation</b>				
<b>Management approach (GRI 103:2016)</b>	103-1 to 103-3		p. 15-16	
	non-GRI	Investments and development costs	p. 15-16	
	non-GRI	Development projects	p. 15-16	
<b>Environmental impact of products</b>				
<b>Management approach (GRI 103:2016)</b>	103-1 to 103-3		p. 26-30	
	non-GRI	Renewable energy production	p. 28	
<b>Economic performance (GRI 201: 2016)</b>				
<b>Management approach (GRI 103:2016)</b>	103-1 to 103-3			
	201-1	Direct economic value generated and distributed	annual report p. 40, 42-47, 68-73, 77-79	
<b>Anti-corruption activities (GRI 205: 2016)</b>				
<b>Management approach (GRI 103:2016)</b>	103-1 to 103-3		p. 13	
	205-3	Confirmed incidents of corruption and actions taken	p. 13	
<b>Energy consumption (GRI 302: 2016)</b>				
<b>Management approach (GRI 103:2016)</b>	103-1 to 103-3		p. 27-28	
	302-1	Energy consumption within the organization	p. 27-28	
<b>Waste and wastewater (GRI 306: 2020)</b>				
<b>Management approach (GRI 103:2016)</b>	103-1 to 103-3		p. 26, 29	
	306-3	Waste amount and types	p. 29	
	306-4	Amount of recycled and reused waste and types	p. 29	

GRI standard	Disclosure no	Disclosure title	Page no	Key explanations
<b>Environmental compliance (GRI 307: 2016)</b>				
<b>Management approach (GRI 103:2016)</b>	103-1 to 103-3		p. 26	
	307-1	Non-compliance with environmental laws and regulations	p. 26	
<b>Supplier environmental assessment (GRI 308: 2016)</b>				
<b>Management approach (GRI 103:2016)</b>	103-1 to 103-3		p. 30	
	308-1	Negative environmental impacts in the supply chain and corrective measures	p. 30	
<b>Employment (GRI 401: 2016)</b>				
<b>Management approach (GRI 103:2016)</b>	103-1 to 103-3		p. 19-25	
	401-1	New employee hires and employee turnover	p. 19	
	401-2	Employee benefits and incentives	p. 22	Presented by the description of the motivation system of employees. Benefits and incentives are for contract employees.
	non-GRI	Interns	p. 31	
	non-GRI	Employee level of education	p. 20-21	
	non-GRI	Employee satisfaction and feedback	p. 22	
<b>Occupational health and safety (GRI 403: 2016)</b>				
<b>Management approach (GRI 103:2016)</b>	103-1 to 103-3, 403-1, 403-2		p. 30-31	
	403-9	Injuries at work	p. 31	
<b>Training and education (GRI 404: 2016)</b>				
<b>Management approach (GRI 103:2016)</b>	103-1 to 103-3		p. 23-24	
	404-1	Average hours of training per year per employee	p. 20-21	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. 20-21	Data is provided with a detail that the Group companies have considered important.
	non-GRI	Employee participation in training courses	p. 20-21	

GRI standard	Disclosure no	Disclosure title	Page no	Key explanations
<b>Diversity and equal opportunities (GRI 405: 2016)</b>				
<b>Management approach (GRI 103:2016)</b>		103-1 kuni 103-3	p. 24	
	405-1	Diversity of governance bodies and the entire staff	p. 20, annual report p. 66-71	Data is provided with a detail that the Group companies have considered important.
<b>Non-discrimination (GRI 406: 2016)</b>				
<b>Management approach (GRI 103:2016)</b>	103-1 to 103-3		p. 24	
	406-1	Incidents of discrimination and corrective actions taken	p. 24	
<b>Local communities (GRI 413: 2016)</b>				
<b>Management approach (GRI 103:2016)</b>	103-1 to 103-3		p. 7-8, 31-32	
	413-1	Activities with local community engagement, impact assessments, and development programs	p. 7-8, 31-32	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.
<b>Supplier social assessment (GRI 414: 2016)</b>				
<b>Management approach (GRI 103:2016)</b>	103-1 to 103-3		p. 23	
	414-1	Negative social impacts in the supply chain and actions taken	p. 23	
<b>Public policy (GRI 415: 2016)</b>				
<b>Management approach (GRI 103:2016)</b>	103-1 to 103-3		p. 6-9, 12, annual report p. 64-65	
	415-1	Political contributions	p. 13	
<b>Customer health and safety (GRI 416: 2016)</b>				
<b>Management approach (GRI 103:2016)</b>	103-1 to 103-3		p. 18	
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	p. 18	
<b>Socio-economic compliance (GRI 419: 2016)</b>				
<b>Management approach (GRI 103:2016)</b>	103-1 to 103-3		p. 13	
	419-1	Non-compliance with laws and regulations in the social and economic area	p. 13	

See the full Annual Report of Harju Elekter for 2021 here:  
[harjuelekter.com/annual-report-of-harju-elekter-2021/](http://harjuelekter.com/annual-report-of-harju-elekter-2021/)

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