

SUSTAINABILITY REPORT 2021



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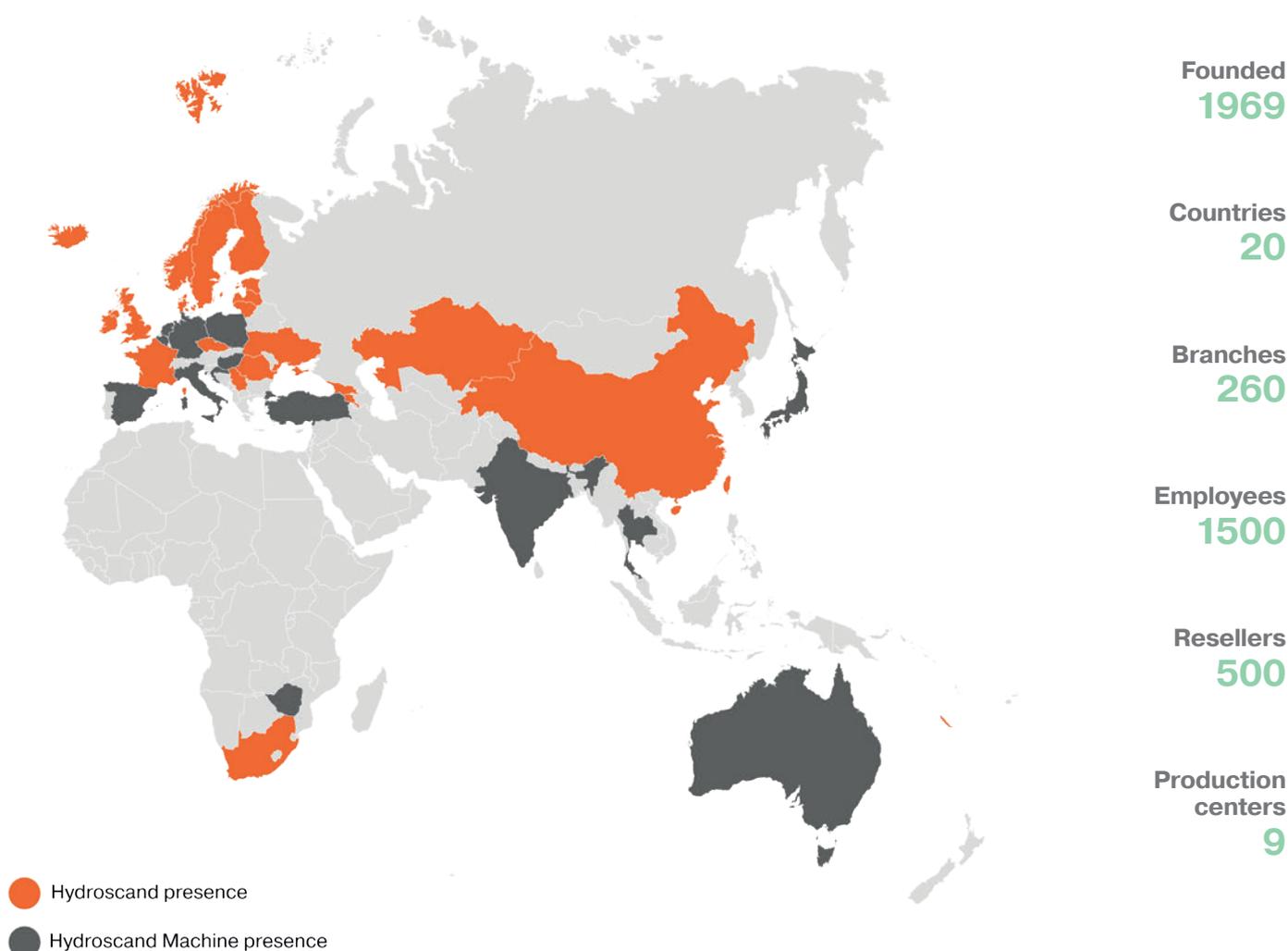
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INTRODUCTION TO HYDROSCAND

Hydroscand – an international family-owned business provides solutions and services for hoses, fittings and related products through a customer-driven and decentralised organisation. Hydroscand was founded in 1969 in Stockholm, Sweden.

DEDICATED TO THE FLOW

We work innovatively and customer-driven and we always strive to find solutions that help our customer increase their productivity and profitability. We are committed to protecting our customers from operational disruptions and unscheduled downtime. We offer an extensive and innovative service portfolio supplemented by a broad product range. Our solutions are available through Hydroscand branches, mobile service units, production centres, resellers and e-commerce. We are also a leading partner and solution provider to OEMs worldwide. Based on their unique demands, we deliver custom solutions with strong local support.





OUR OFFERINGS

Explore our vast portfolio of products, solutions and services for hoses, fittings and related needs. We are committed to minimising downtime and supporting our customers' daily operations to help them increase their productivity and profitability. At Hydroscand, we are dedicated to the flow.

PRODUCT RANGE

We offer a complete range of hoses and fluid components that includes over 20,000 items. Should you need something very special, we can always help with that as well.

AFTERMARKET SERVICES

We help our customers minimise downtime by offering differentiated and affordable services through our vast network of branches, mobile units and on-site solutions.

GLOBAL OEM SOLUTIONS

Based on our customers' unique demands, we deliver custom solutions for hoses and fluid components with strong local support from our production centres around the world.



WORDS FROM OUR CEO



Frida Norrbom Sams

As an international business, we acknowledge our responsibility to take actions and make a positive change for society. Hydroscand Group is committed to constantly strengthening our Environmental and Social Governance agenda, developing initiatives to grow communities, act as a responsible business partner, conserve resources and make a positive environmental impact.

LOOKING BACK

We live in a constantly changing world. This has become more evident than ever over the past few years. The impact of a pandemic of unforeseen scope, the ongoing war in Ukraine and the uncertainty associated with price increases for raw materials, energy and freight has made us to adapt and respond quickly. The value of a solid foundation and robustness has shown its strength. I am extremely proud of our employees and our company's ability to make 2021 yet another record year for Hydroscand Group in terms of revenue and customer satisfaction. We have a bright future ahead of us.

Hydroscand Group has a long history of acting as a responsible and reliable company. One of our values is "Trustworthy". This means that we act on climate change and we provide a safe working environment with strong business ethics. We create innovative product solutions and services that contribute to communities around the world. We take responsibility for our society.

LOOKING AHEAD

As the world is changing, we need to change as well. We want to increase and accelerate our sustainability work, to meet our customers' demands, our employees' expectations and create long-term sustainable value. For us, an increased focus on and dedication to sustainability in Hydroscand Environmental and Social Governance topics are, and will always be, integrated into our agenda and decisions and contribute to our business success.

Sincerely,

A handwritten signature in blue ink, appearing to be 'Frida Norrbom Sams'. The signature is fluid and stylized, with a large loop at the end.

Frida Norrbom Sams
CEO, Hydroscand Group



INTRODUCTION TO SUSTAINABILITY IN HYDROSCAND

WHY SUSTAINABILITY IS IMPORTANT TO US: SUSTAINABILITY AS A FOUNDATION FOR OUR BUSINESS

Sustainability is defined as meeting our needs today without compromising the needs of future generations. As a market leader, we strive to conduct our business and operations without harming the environment, people, or society.

Hydroscand Group's sustainability work is reflected in our responsibility, transparency, ethical behaviour and respect for our stakeholders. The aim of our sustainability work is to strengthen our foundation for long-term value creation and its contributions to sustainable development. An important part is taking responsibility for the impact of our activities and decisions on society, people, and the environment, driven by our defined corporate ESG agenda. We are currently setting up dedicated programmes and a governance structure, with the aim of further integrating sustainability into our daily business. Our aim is to take the lead in advancing sustainability in our industry.



OUR SALES CHANNELS AND GO-TO-MARKET STRATEGY



PRODUCTS AND SERVICES

High quality.
Service availability 24/7.
Focused product range.
Hydros cand branded products – thoroughly quality-tested in-house.



BUSINESS MODEL

Close proximity to our customers through multi-channel and digital tools.
Customer-driven service level.
Efficient supply chain.
Local service with global support.



MARKET POSITION

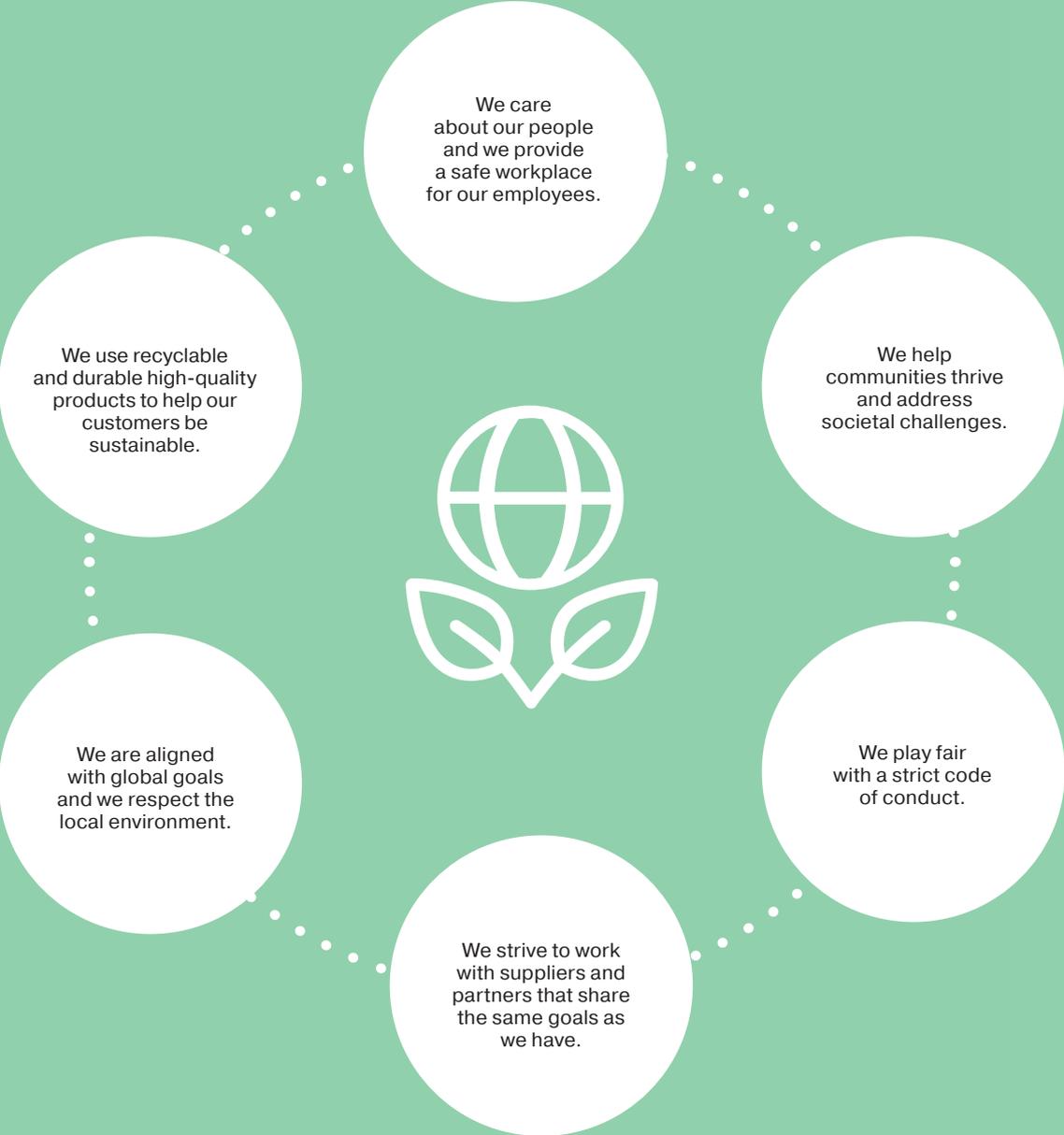
Differentiated customer-centric solution provider.
Brand associated with innovation, customer proximity and a strong proven track record.



SUSTAINABILITY

Innovative products and responsible production.
Trustworthiness in the market as a sustainable supplier.
Customer proximity and local affiliation.
Brand building with a strong ESG agenda.
Attractive workplace.

SUSTAINABILITY STRATEGY



THE FOUR CHOSEN SDGs THAT ALIGN WITH OUR BUSINESS

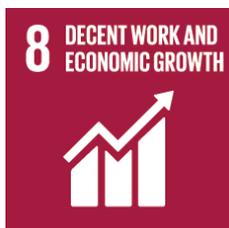
The Sustainable Development Goals, established by the United Nations, address global challenges such as poverty, inequality, climate change, environmental degradation and peace and justice. The 17 goals are all interconnected, aiming to achieve a better and more sustainable future by 2030. The SDGs provide the global community with a roadmap, showing how to combat global challenges related to economic, social, and environmental sustainability. Our sustainability framework aims to contribute to several of the SDGs, but some more than others.

We have chosen to focus on four SDGs where we believe we can make the most valuable contribution.



SDG 5 GENDER EQUALITY

A corporate culture based on diversity will contribute to positive future development for Hydroscand. We value diversity and foster fair treatment and equal opportunities in recruitment, remuneration, development and advancement of employees, regardless of ethnicity, religion, political opinion, gender, age, national origin, language, sexual orientation, marital status, disability, or any other factor. Discrimination or unfair treatment is not tolerated.



SDG 8 DECENT WORK AND ECONOMIC GROWTH

Economic growth and financial progress create job opportunities. It is important to ensure that this is done in a way that is decent, safe and does not harm the environment. Hydroscand promotes good working conditions and the safety of our own employees and those of our customers and partners. We require suppliers to respect labour rights and adhere to anti-corruption principles.



SDG 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

The natural resources that have been provided by the planet need to be managed in a responsible way. Through optimising purchasing, production processes and waste management we contribute to goal 12. In our daily operations we offer solutions to promote waste material recycling and reuse, and we promote safe final disposal of our used products.



SDG 13 CLIMATE ACTION

Fighting climate change and its consequences is critical. Immediate actions need to be taken and we acknowledge this situation by increasing awareness and knowledge of the climate situation. A key objective is to reduce our CO₂ emissions and we will offer transparency in our coming 2022 sustainability agenda, demonstrating our current situation and our defined improvement actions.



HYDROSCAND'S VISION AND FOCUS AREAS

In connection with the SDGs, Hydroscand has formed an overarching vision for our sustainability work in three focus areas. These focus areas have been defined to constitute the long-term backbone of our sustainable development and future actions.



PEOPLE

People are seen as our most valuable resource. We aim to broaden our responsibility and work towards ensuring equal working conditions throughout the supply chain.

CONSUMPTION & PRODUCTION

We acknowledge climate change and its consequences and therefore strive to make better choices and take measures to optimise production and consumption. There is no Planet B.

RESPONSIBLE PURCHASING & CUSTOMER RELATIONS

In order to support our customers in their transition towards more sustainable operations, we act responsibly in our purchasing and choice of suppliers.

THE AIM OF HYDROSCAND'S SUSTAINABILITY WORK

is to strengthen our basis for long-term value creation and its contributions to sustainable development. We know that the sustainability issue is a high priority for people today, and we are determined to drive change together with our employees, customers and partners. A key objective is to reduce our CO₂ emissions and we intend to be transparent in our actions by clearly communicating our current situation and our defined improvement actions.

OUR CUSTOMERS

Our customers' sustainability agenda and their requirements increase year by year. We want to increase and accelerate the sustainability efforts of our organisation to meet our customers' demands.

Hydroscand supplies solutions, services and products to a wide variety of industries as well as many global leaders in construction and mining equipment. We work closely with our customers to drive sustainability initiatives and promote new ways of working. Through closer cooperation we have started to push an agenda to reduce emissions and support our customers' ambitious targets. Jointly we can make a bigger positive impact on the climate.

CUSTOMERS' SUSTAINABILITY FOCUS AND EXPECTATIONS

Volvo Construction Equipment:

"Our world is rapidly changing due to the urgent climate crisis, a growing population, increased urbanisation, and new consumer behaviours. While people have always built things, and will continue to do so, the construction industry today is also transforming in ways never seen before. We believe the power to address these changes comes from all parts of society working together from how technology is leveraged to combat climate change, through to the use of the planet's limited resources, and even the way we act in our own communities.

At Volvo Construction Equipment, we are determined to drive this transformation. The choices we make today define the world we live in tomorrow. And we choose to act."

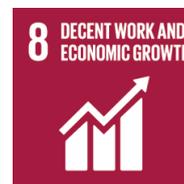
WHAT WILL BE THE FUTURE SUSTAINABILITY EXPECTATIONS OF HYDROSCAND'S CUSTOMERS?

We foresee electrification as an important technology change going forward. Hydraulic solutions are still the best fit for many applications, but we expect an increase in various hybrid solutions over the coming years and we are positioning our product offering to support this technology shift. Hydroscand has the ambition and ability to optimise hydraulic systems as well as electrified solutions that will reduce the climate footprint of our and our customers operations.





CURRENT SITUATION: WHERE ARE WE NOW AND WHAT HAVE WE DONE?



PEOPLE

1. Employee dialogues and surveys are held yearly.
2. Policies for equality, diversity, sexual harassment have been established.
3. Whistleblower function has been implemented.
4. Leadership training is provided to managers, both new and current.
5. Diversity is being promoted in job advertising.
6. Code of conduct is signed yearly.
7. Social responsibility is taken through our sponsoring initiative of two schools in South Africa.

CONSUMPTION & PRODUCTION

1. Production sites are placed locally for large customers to reduce the number of transports.
2. Green energy and waste management are used at production sites, warehouses and branches in Norway and Sweden.
3. Packaging material and pallets from suppliers are reused for customer products if possible at production sites and warehouses.
4. Autostore has been implemented at RDCs in Sweden and Norway.
5. Marketing and printed materials are evaluated for environmental performance and quality. They are also certified to the Nordic Swan ecolabel.
6. Used hoses are collected to ensure proper waste management.
7. Our company car policy promotes the choice of low-emission vehicles.
8. Evaluation of logistics companies ensures compliance with ISO 9001 and 14001 (Sweden).
9. Use of electric charging stations at some branches.

RESPONSIBLE PURCHASING & CUSTOMER RELATIONS

1. Supplier Code of Conduct is signed by all new suppliers.
2. Work has been initiated to get all current suppliers to sign the Code of Conduct.
3. Swedish purchasing functions demand ISO 14001 and ISO 9001 certification from suppliers.
4. Key suppliers used by multiple countries have been consolidated into group purchasing.
5. On-site customer service is offered through Hose Express and Hose on Site.



INTRODUCTION TO THE E IN ESG

The environmental aspect is about managing natural resources and protecting ecosystems, including land and water. This connects to activities such as recycling, responsible use of resources and the ongoing reduction of carbon emissions.

ENVIRONMENTAL IMPACT AND CLIMATE CHANGE

The use of fossil fuels in transportation and energy consumption produces carbon emissions which are causing changes in the environment. Internal and external pressure drives us to find and develop solutions to reduce the impact we have on the environment through our operations.

Hydroscand's business and operations are closely linked with emissions from transport and energy consumption. As an international company with operations in 20 countries, we need to address these emissions and we are obliged to do what we can to reduce them as much as reasonably possible.

Everyone at Hydroscand has a part to play in reducing emissions and we need to cooperate locally and globally with each other. Innovation, technology and sustainability initiatives in addition to data collection and reporting will all play a part in the goal of decreasing our impact on the environment.

2021 is set as the baseline year for Hydroscand's sustainability work. We are therefore currently monitoring and measuring our emissions connected to scope 1 and 2. This means that we have collected and measured Hydroscand's direct emissions from our company-owned internal transport and logistics. We have also collected and measured our indirect emissions, which incorporate the energy consumption of our company-owned production sites, stores, warehouses and offices. To provide a starting point for the report, we started monitoring and measuring our scope 1 and 2 emissions related to our operations in Sweden, Norway, Finland and the Czech Republic. From there we intend to successively include more countries in the report. The sustainability report for 2022 will contain scope 1 and 2 emissions for all the countries we operate in.

Our value and supply chain is complex due to being a decentralised organisation represented in 20 countries. We are therefore also working on how we should determine, collect and measure our indirect emissions not owned by the company, scope 3. Scope 3 includes all emissions from our operations not covered in scope 1 and 2.



SCOPE 1: DIRECT EMISSIONS OWNED BY THE COMPANY

Scope 1 emissions are direct emissions from company-owned and controlled resources. In other words, emissions are released into the atmosphere as a direct result of a set of activities, at company level. All fuels that produce GHG emissions must be included in scope 1.

Fuels for internal transport and logistics (in litres):

- Diesel and light fuel oil
- LPG/propane/butane
- Motor gasoline/petrol
- Natural gas
- Biodiesels
- Biogas
- Biogasoline
- Ethanol & other liquid biofuels

SCOPE 2: INDIRECT EMISSIONS OWNED BY THE COMPANY

Scope 2 emissions are indirect emissions from the generation of purchased energy, from a utility provider. In other words, all GHG emissions released into the atmosphere, from the consumption of purchased electricity, steam, heat and cooling.

Electricity (kWh):

- Total amount of electricity used
- Amount of renewable electricity used
- Amount of electricity covered by green certificates
- Amount of renewable electricity generated and used on site

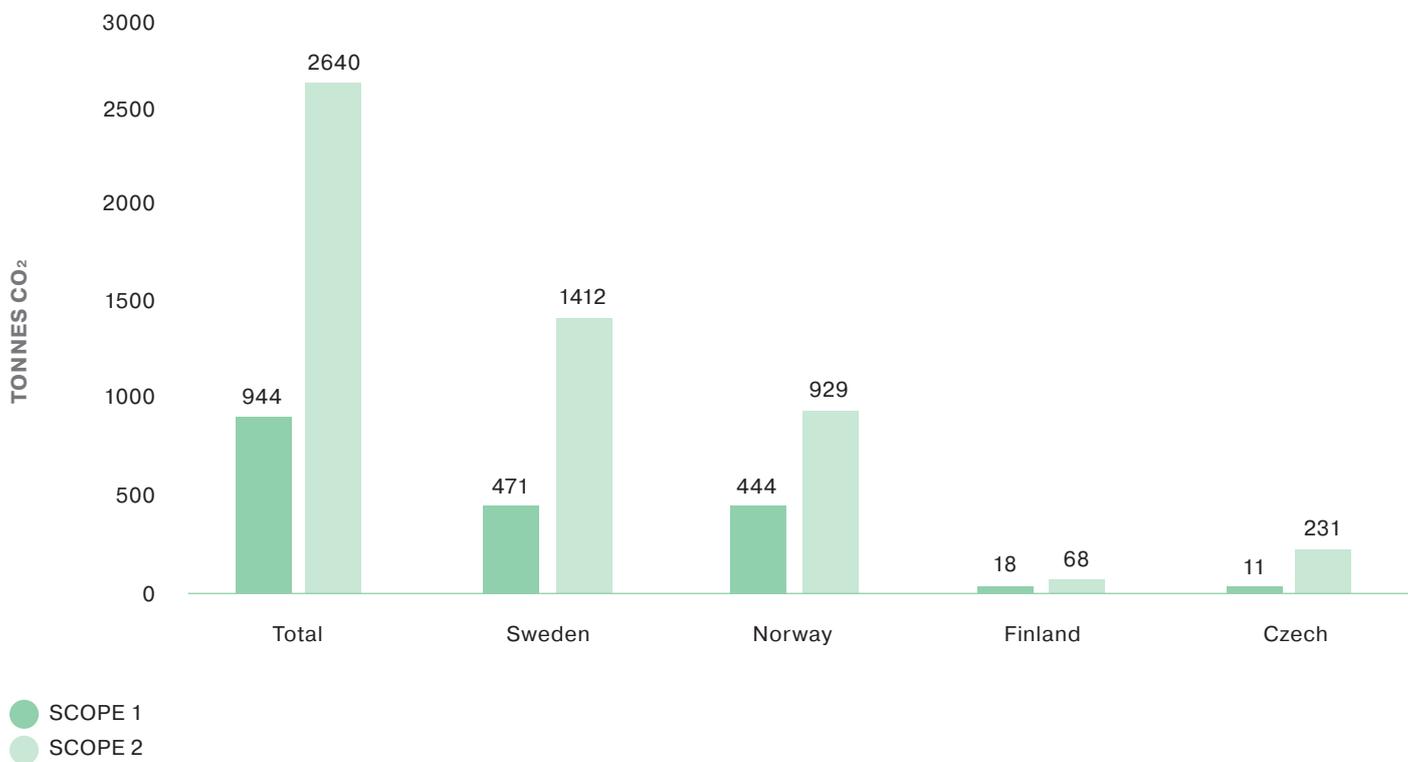
SCOPE 3: INDIRECT EMISSIONS NOT OWNED BY THE COMPANY

Scope 3 emissions are all indirect emissions not included in scope 2 that occur in the value chain of the reporting company, including both upstream and downstream emissions. In other words, emissions that are linked to the company's operations.

Up and downstream emissions:

- Business travel
- Waste generated
- Purchased goods and services
- Transportation and distribution suppliers and customers
- Franchises (scope 1&2)

OVERVIEW AND NUMBERS FOR SCOPE 1 AND 2 IN TONNES CO₂





SHORT INTRODUCTION TO THE S IN ESG

This perspective incorporates social responsibility to improve and support the quality of life of employees as well as society as a whole. This covers areas such as employee health and safety, ethical actions and management of the present political environment.

Without our employees, Hydroscand wouldn't exist. It is these people and their skills and knowledge that make the company and the future of Hydroscand. They also create the foundation for our sustainability work, and without them we would be unable to achieve our targets and goals. It is our responsibility to ensure the safety, wellbeing and development of our workforce. Our focus is to be a socially responsible company that focuses on diversity and inclusion as well as being an attractive workplace by putting people first in everything we do.

In line with our commitment to sustainable development goals 5 and 8 we will strive for gender equality and decent work. Appreciating differences and being an inclusive workplace is a part of Hydroscand's culture. These aspects will also be the future focus areas for Hydroscand in the years to come.

Hydroscand also contributes through local initiatives in the countries we operate in, such as sponsoring playgrounds, sport teams and NGOs.

WHAT ARE WE DOING?

CODE OF CONDUCT

Hydroscand wants to integrate sustainability into all of our business relations and works closely with stakeholders in order to achieve long-lasting influence throughout the value chain.

For Hydroscand, the Code of Conduct means that we respect fundamental rights. Our goal is to conduct business in accordance with ethical, social, environmental and sustainable principles.

WHISTLEBLOWING POLICY

Hydroscand strives to have a transparent business environment. We have therefore implemented a whistleblowing policy in all the countries we operate in.

We have clear ethical guidelines based on the idea that Hydroscand should conduct profitable, decentralised business while adhering to ethical rules. It is of the utmost importance for Hydroscand that the entire company's operations are conducted with the highest possible sense of responsibility, openness and honesty. Any suspicion of fraudulent conduct, bribery or other similar behaviour that is witnessed must be reported without delay.

Hydroscand believes it has an obligation to deal with irregularities and wrongdoing and that any such irregularities should be reported in line with the company's Code of Conduct.

HUMAN RIGHTS, WORKING CONDITIONS, HEALTH AND SAFETY

Hydroscand is committed to respecting human rights and international conventions. We will under no circumstances accept child labour, forced or compulsory labour in our business or in the activities of our partners.

SOCIAL SUSTAINABILITY

EQUALITY, DIVERSITY AND INCLUSION

Hydroscand works for equality and will take diversity issues into account in recruitment and human resource development. We will work to prevent discrimination and harassment in the workplace. No form of harassment, written, oral or electronic, is accepted. Our attitude is that everyone regardless of gender, sexual orientation, gender identity, ethnicity, disability, religious beliefs, political opinion or age will have the same opportunities and conditions.

Organisation	Women	Men	Total	Total share women (%)	Total share men (%)
Board	2	5	8	29	71
Group management	3	7	10	30	70
Managing directors	1	15	16	6	94

E-LEARNING PLATFORM

A part of our social work is to ensure and increase the competence of our workforce. In order for our employees to have the right competence at the right time we need an efficient solution for training and spreading knowledge throughout our organisation. In 2021 it was decided that Hydroscand will implement an e-Learning platform incorporating all countries and employees. The e-Learning platform will contain modules that cover a wide range of different topics relevant to our workers, such as sustainability training, health & security training and specific training in our product range.



SCHOOL PROJECT IN SOUTH AFRICA

In 1969, Hydroscand established its first branch in Sweden and since then has developed into a global group with operations in 20 countries. Success also comes with a responsibility and an opportunity to influence something that Hydroscand takes very seriously.

SCHOOL PROJECT IN APPELSBOSCH

In the spring of 2011, Hydroscand established business in South Africa by acquiring a company based in Johannesburg. In connection with this, Hydroscand visited the village of Appelsbosch, in Kwazulu Natal, where representatives from the company were shown around at Inqolayolwazi Primary School. The school was neglected and the classrooms overcrowded with students. The visitors were concerned about the condition of the school, but also surprised by the children's enthusiasm for education, despite the stressful school environment.

It emerged that the school was in a difficult financial situation and would not be granted public funds to build more classrooms and hire more teachers. There and then, the decision was made that Hydroscand would donate the money needed to establish a new building with new classrooms. This was the start of Hydroscand's involvement at the school, which would later be extended to include the preschool and scholarships.

Hydroscand works actively to support various activities in Appelsbosch, South Africa, where we engage in the school and preschool. Hydroscand's involvement at the school and preschool in Appelsbosch started more than 10 years ago. Over the years, our activities have included supporting the students with better IT equipment and broadband, better air conditioning, as well as building several classrooms, creating inspiring outdoor environments that promote movement and play, and renovating the school's toilets. Hydroscand also awards scholarships annually to the school's best student or students. The scholarship gives the student an opportunity to complete his or her education at upper-secondary level, financed by Hydroscand. This commitment has changed, and will continue to change, the prospects of many children in Appelsbosch.

APPELSBOSCH AND HYDROSCAND 2021

During the pandemic, Hydroscand's commitment became even more important. In South Africa, the pandemic made life much more difficult for the children in school with restrictions, closures, low vaccination coverage and distance learning. We therefore decided to give a Christmas gift to the families in Appelsbosch /Ozwathini, who were most in need of support. Hydroscand's donation contributed to food for the families, as most parents lost their jobs during the pandemic through the unrest. In addition, Hydroscand also expanded its long-term support and contribution with committing to five new scholarships in the years to come.



INTRODUCTION TO GOVERNANCE

This perspective is about creating economic opportunities for companies and stakeholders. It includes the activities that are needed to remain operative in a selected market, stay competitive and grow the business. The policies of Hydroscand Group are revised, updated if needed and approved/reapproved yearly.

AUTHORISATION POLICY

The purpose of this document is to create clear guidelines and ensure that authorised persons make decisions and approve costs for the specific company.

CODE OF CONDUCT

Hydroscand's Code of Conduct establishes the key principles that apply to the entire Hydroscand Group and govern the behaviour of all employees of the Group. Employees must report any suspected breach of the rules set out in this Code of Conduct to their immediate supervisor or manager.

SUPPLIER CODE OF CONDUCT

The Supplier Code of Conduct (the "Code") sets forth our expectations for each of our suppliers and aligns with the expectations we maintain for our own directors, officers, employees and representatives. At the end of 2021, 76% of our strategic suppliers had signed our Code of Conduct.

INFORMATION AND COMMUNICATION POLICY

The purpose of the Information & Communication Policy is to create clear and consistent communication that gives a fair view of Hydroscand Group and its business and values. The policy also aims to ensure that all information that Hydroscand and its subsidiaries provide is correct, relevant, clear and not misleading, and to ensure and facilitate our compliance with applicable rules. The following procedures will be attached to the policy: Privacy Policy and Whistleblower Policy.

IT SECURITY AND USER POLICY

The Security Policy identifies the rules and procedures for all individuals who access and use Hydroscand's IT assets and resources. The objective of the IT security policy is the preservation of confidentiality, integrity, and availability of systems and information used by all employees at Hydroscand Group.

ANTI-BRIBERY AND ANTI-CORRUPTION POLICY

Hydroscand's position is that bribery and corruption are unethical and unacceptable and are inconsistent with our values and our Code of Conduct. Hydroscand Group and all other companies in the group are subject to anti-bribery rules, which regulate the way we must behave.



TABLES AND DATA

REVENUE	Sweden	Norway	Finland	Czechia	Total
Revenue SEK million	1,263	573	172	335	2,343
Total revenue SEK million*	n/a	n/a	n/a	n/a	2,995

* Total revenue for all 20 countries that Hydroscand operates in.

ENVIRONMENT	Sweden	Norway	Finland	Czechia	Total
Scope 1 (tonnes CO ₂)	471	444	18	11	944
Scope 2 (tonnes CO ₂)	1412	929	69	231	2641
Total GHG per SEK million revenue	1,49	2,4	0,5	0,7	1,5
Total energy consumption (MWh)	15,607	2,311	430	492	18,841
Share of renewable energy or green certificates	77%	-	91%	2,8%	65%
Share of electric cars	1%	11%	0%	0%	4%

SOCIAL	Sweden	Norway	Finland	Czechia	Total
Total number of employees	519	217	50	59	845
Share male / female % Total employees	84/16%	86/14%	90/10%	61/39%	83/17%
Share male / female % Group Management	n/a	n/a	n/a	n/a	70/30%
Share male / female % Managing Directors	n/a	n/a	n/a	n/a	94/6%
Share male / female % Board of Directors	n/a	n/a	n/a	n/a	71/29%

GOVERNANCE	Sweden	Norway	Finland	Czechia	Total
Share of strategic suppliers that have signed Code of Conduct	n/a	n/a	n/a	n/a	76%
Whistleblowing Policy	•	•	•	•	•
Authorization Policy	•	•	•	•	•
Code of Conduct	•	•	•	•	•
Information and Communication Policy	•	•	•	•	•
IT Security and User Policy	•	•	•	•	•
Anti-bribery and Anti-corruption Policy	•	•	•	•	•

In accordance with Hydros cand's ESG agenda, 2021 will be the baseline year for our ESG work and will lay the foundation for our future sustainability actions, goals and KPIs. In the coming sustainability reports, you can continue to read about our ESG strategy, our initiatives, what we have achieved over the past twelve months and our future investments in sustainability. In our journey onwards we will continue our ambition to improve sustainability throughout our value chain.

ENVIRONMENT (E)

The next environmental steps for Hydros cand will be to determine, collect and measure our scope 3 emissions in order to gain a full overview of our impact on the environment. Furthermore, we will continue our efforts to identify solutions and activities that will reduce our environmental impact.

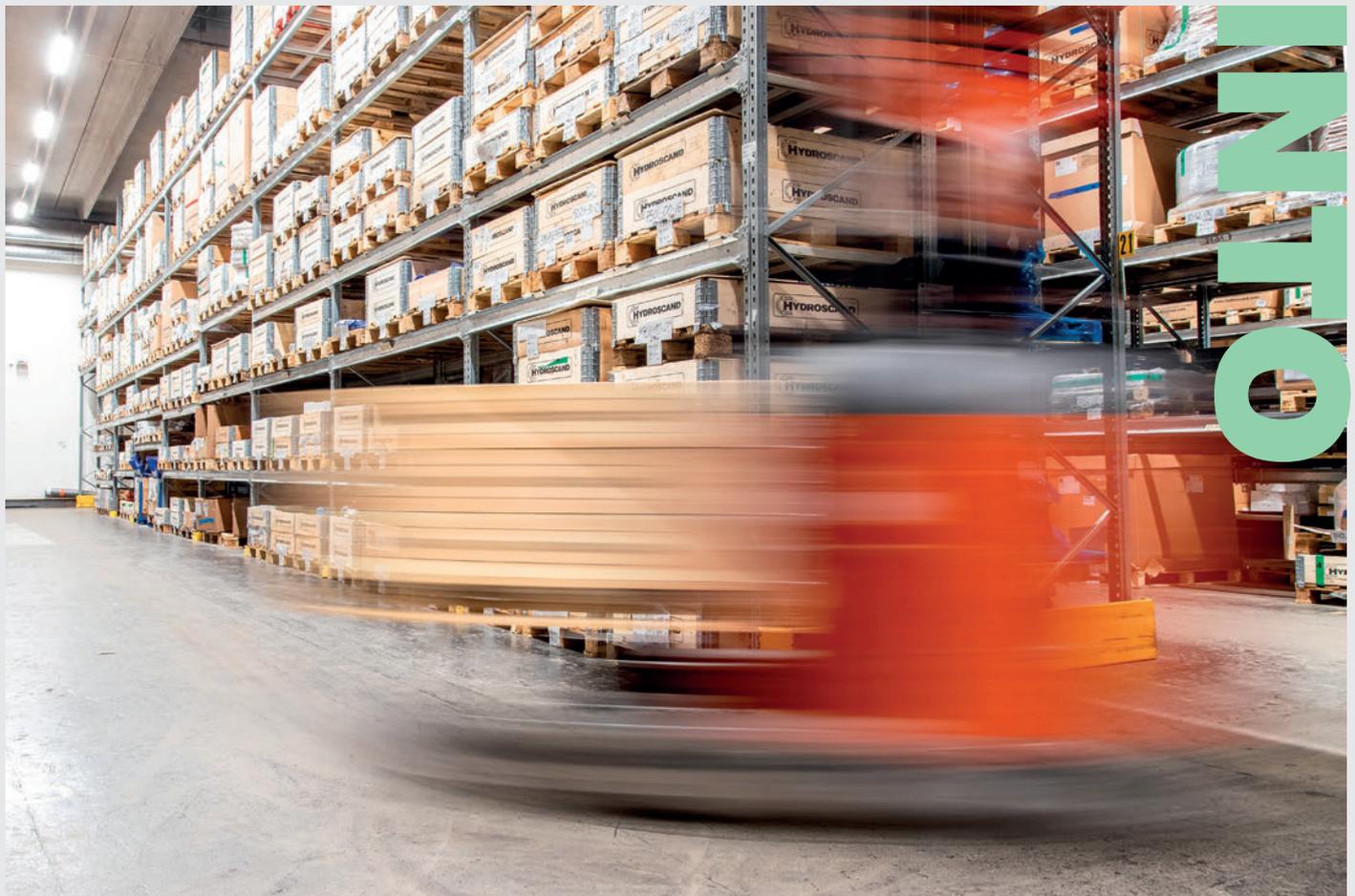
SOCIAL (S)

In 2022 several actions will be implemented to look after our employees. The first modules for the e-Learning platform will be ready in Q2 2022, and the platform will be expanded successively over the next couple of years in order to cover all relevant aspects for our employees. We will also work to raise our goals and KPIs that are linked to the social element of ESG.

GOVERNANCE (G)

We will continue working to ensure that all strategic suppliers have signed our Code of Conduct. As we continue to ensure that all our stakeholders follow established policies and guidelines we also safeguard ethical behaviour and demonstrate integrity across our business operations.

LOOKING
2022



INTO



hydroscand.com