

Governance

Introduction	178
Compliance and business ethics	179
Responsible supply chains	182

Introduction governance

At HUBER+SUHNER, we are committed to a visible culture of integrity, ethics and compliance. This chapter provides an overview of how we established the guiding principles through our group-wide compliance programmes. It illustrates how we raise awareness for potential compliance issues and create a culture of transparency by encouraging internal and external stakeholders to report potential misconduct.

Governance - Performance 2023 at a glance

Cases of violation of the
Code of responsible
business conduct

1

Direct spend done
with suppliers that
completed the
sustainability assessment

%

79

Compliance and business ethics

Compliance is a fundamental prerequisite for value-driven and ethical business conduct. This applies to both the workplace and when doing business. As a global player exposed to numerous potential risks, HUBER+SUHNER seeks to promote a visible culture of integrity, ethics, and compliance which is built on the HUBER+SUHNER group-wide Code of responsible business conduct. Our compliance program safeguards us against potential reputational, financial and legal damage resulting from non-compliance or unethical business conduct.

Approach

Compliance at HUBER+SUHNER is about living the company's values and speaking up if we witness or suspect unethical behavior or any non-compliance with the [Code of responsible business conduct](#). We follow various approaches in ensuring ethical business conduct.

Our Code of responsible business conduct

Published in six languages, our Code of responsible business conduct lays out important principles on how we conduct our business in a responsible manner and is the guiding document for every employee of the HUBER+SUHNER Group as well as for all stakeholders which enter into relationships with our organisation. In 2022, HUBER+SUHNER launched a [Supplier code of conduct](#) in line with the Code of responsible business conduct, which addresses more in depth required sustainability standards. The Supplier code of conduct is also published in six languages. For certain matters, specific guidelines with more detailed information and instructions have been issued. Aligned with the code's principles and obligations, HUBER+SUHNER has established a group-wide compliance program, which specifies our policies and guidelines, procedures, and actions within a defined process to help prevent risks and detect potential violations.

Our compliance programme

Overall responsibility for implementation of the corporate compliance program has been assigned by the Board of Directors to the chief financial officer (CFO), who in this function vests the position of group compliance officer. The group compliance officer, with the support of the general counsel, is tasked with continuously improving the compliance program through a set of measurements such as:

- Overseeing the global compliance reporting
- Compliance risk identification and mitigation
- Issuing group-wide compliance rules and guidelines
- Executing annual compliance risk assessment and adaptation of compliance map
- Compliance reporting to the Board of Directors
- Defining the annual Group compliance focus and subsequent actions including trainings
- Mandating or conducting internal and/or external audits regarding actual or suspected violations

The group compliance officer has the power to veto business transactions that jeopardise the Group's reputation as a result of threatened or existing infringements of the Code of responsible business conduct. However, the final decision about execution lies with the CEO.

Twice annually, the group compliance officer meets with the area compliance officers who are responsible to ensure compliance within the Group. The area compliance officers make sure that a top-down implementation of control measures is guaranteed by country managing directors and line managers, and is reflected in the management system of HUBER+SUHNER. The country managing director and line managers are required to inform area compliance officers about any suspected or actual non-compliance or emerging topics for assessment and subsequent actions.

Through close cooperation with the global head of procurement, the supply chain's adherence to our standards is ensured.

Our annual compliance report

An annual compliance report, which is part of the risk report, was submitted to the group compliance officer for presentation to the Board of Directors in December. The report includes the bottom-up information provided by the area compliance officers, the findings of the other reporting tools such as our internal and external grievance mechanisms, management reviews and internal quality audit reports.

Our grievance mechanism

In 2021, HUBER+SUHNER implemented an independent and secure whistleblowing platform provided by a third party. The platform offers all employees worldwide, including temporary staff, apprentices and trainees, an additional reporting channel to easily raise alleged violations or breaches of the Code of responsible business conduct by phone or in writing. The whistleblowing platform can be accessed around the clock. It is available in several languages, and reports can be submitted anonymously. The company has developed guidelines encourage employees to voice their concerns about suspected misconduct within HUBER+SUHNER or in connection with the company's business relationships with respect to the principles set out in the Code of responsible business conduct.

Compliance training for employees

On a yearly basis, one compliance topic is defined according to its relevance and timeliness for an online compliance training. For office employees, topics like anti-bribery, conflict of interest, and non-competition are regularly addressed. Additionally, an online onboarding compliance training – developed specifically for HUBER+SUHNER – is available in seven languages and all employees working in office environments are asked to complete the interactive online course within the first 90 days of their employment with the company as part of their orientation training programme. Employees working at our manufacturing facilities have daily meetings with shift leaders where the topic of compliance in their sphere of influence is included on a regular basis.

Data privacy and cyber security

Safeguarding our customers' and employees' data as well as data critical to our operations is a key concern for HUBER+SUHNER. We are taking decisive action to mitigate the risks of cyberattacks and proactively answer potential threats. In addition to training our employees, constant cyber security awareness monitoring allows us to understand our risk exposure and define follow-up actions where necessary. Our susceptibility rate to phishing simulations is significantly lower than the industry average.

Objectives

HUBER+SUHNER commits to visible culture of integrity, ethics, and compliance which is built on our group-wide Code of responsible business conduct. Our compliance programme, which specifies the organisation's policies and guidelines, procedures, and actions within a defined process, helps prevent risks and detect potential violations.

Progress

To continuously strengthen our corporate compliance programme and ensure continuous commitment from our employees, actions in 2023 included:

96.5%

of office and indirect production employees globally completed the online compliance training on supply chain due diligence

- Thorough supply chain due diligence training for all of our office staff as well as production employees with access to desktop/laptops
- Opening the Trustline, the independent and secure whistleblowing platform, provided by a third party, for non-employees to also provide a grievance-reporting mechanism for workers in our supply chain and all stakeholders
- Expanding and strengthening our compliance risk assessment process
- Testing the risks of cyberattacks, an external company simulated an attack against HUBER+SUHNER, with results showing our good level of protection against cyber criminals
- Integrating sustainability as an additional pillar within our compliance system

In 2023, one violation which substantiated was reported related to the Code of responsible business conduct via the whistleblowing platform. Employees and other stakeholders can also use other reporting channel or sources (immediate or next line manager, human resources manager, local compliance officer, or local external service provider) to raise any non-compliance issues.

1

case of violation of the Code of responsible business conduct

Planned actions

To ensure an active culture of compliance, key actions for the year 2024 will include:

- Continued monitoring of compliance requirements in countries where HUBER+SUHNER operates
- Developing a compliance system to more holistically monitor cyber security and data protection compliance obligations
- Strengthening our supply chain due diligence process
- Continuous compliance training of all employees

Responsible supply chains

At HUBER+SUHNER, over 50 % of turnover is used for procurement. Based on the resulting material environmental and social impact, we aim to ensure that production materials are sourced only from qualified suppliers, guaranteeing high environmental and social standards. We promote the “regional for regional” approach to strengthen local supplier relationships and ensure short supply chain routes whenever feasible. Actively managing social and environmental risks in our supply chain enables us to meet growing regulatory and market expectations – including from the Swiss Ordinance on Due Diligence and Transparency in Relation to Minerals and Metal from Conflict-Affected Areas and Child Labour (DDTrO) – to conduct supplier due diligence.

Approach

In 2023, HUBER+SUHNER introduced a multi-step supplier sustainability due diligence process for both new and existing suppliers in direct material categories. Going beyond the requirements defined by the DDTrO, suppliers with at least a medium sustainability risk need to show that they uphold relevant sustainability standards in the following areas: human rights and labour practices (including child labour), occupational health and safety, responsible sourcing, environmental protection and climate change mitigation, and fair operating practices. The [Supplier code of conduct](#) launched at the end of 2022 lays out the principles and standards we expect our supply chain to follow. Our Global Sourcing team leads the supplier engagement process and has updated our procurement policies accordingly.

New suppliers are required to complete nine different self-assessment questionnaires provided by an established platform as part of the qualification process. They are also required to confirm compliance with the HUBER+SUHNER Supplier Code of Conduct. For our existing suppliers, we conduct risk screenings, where both high-and medium-risk suppliers are asked to complete a self-assessment. Where the self-assessments show non-compliance for eight core sustainability risks, suppliers are required to collaborate to improve their sustainability performance.

Any form of misconduct, including in our supply chain, may be reported through our independent and secure whistleblowing platform, which is available free of cost in several languages.

In our production, HUBER+SUHNER processes the conflict minerals tin and gold. In this regard, the company is mapping its supply chain using the [Conflict Minerals Reporting Template \(CMRT\) of the Responsible Minerals Initiative](#). The most recent version of the CMRT is publicly available on the HUBER+SUHNER website.

Objectives

The objective was to assess 75 % of our production material spend through our due-diligence platform by the end of 2023. We also aim to procure according to the “regional for regional” model to strengthen local supplier relationships and ensure short supply chain routes whenever possible.

Progress

HUBER+SUHNER purchased more than 22,775 different items from roughly 1,644 active production material suppliers located in 40 sourcing countries in 2023. Between 90 % and 96 % of the suppliers were in the same region as the receiving site of HUBER+SUHNER.

Table 9: Regional supply* by region 2023

Region	Share of purchasing expenditure with regional suppliers
AMERICAS	94%
APAC	96%
EMEA	90%

* Suppliers who are in the same region as the receiving site of HUBER+SUHNER

In 2023, HUBER+SUHNER updated its global sourcing process to align with applicable sustainability due diligence obligations. This also involved incorporating additional sustainability criteria into our evaluation of new and existing suppliers. We delivered a tailored training to our global sourcing team and provided training on due diligence processes to our staff globally.

We are pleased to report that our global spending with suppliers, who have undergone sustainability assessments, not only stayed on course but exceeded our target.

79%

direct spend done with suppliers that completed the sustainability assessment

Based on our assessments, as outlined in our [approach](#) outlined above, there are currently no reasonable grounds to suspect child labour, nor that metals and minerals originate from conflict-affected or high-risk areas.

Table 10: Share of direct spend with suppliers that have registered for the sustainability assessment

Year	Share of direct spend
2022	70%*
2023	93%

*In our previous report for the year 2022, there was an error in which we inaccurately stated that 70 % of our direct spend was conducted with suppliers who had completed the sustainability assessment. This statement has been corrected here.

Planned actions

We want to continue our efforts to collaborate with our suppliers in promoting responsible supply chains. Key actions in 2024 include:

- Continue to onboard suppliers to onboard critical suppliers, including indirect spend, on our due-diligence platform
- Review and update due-diligence processes, where necessary
- Extend the supplier engagement program to collect primary CO2 data for purchased goods and services
- Continue training the sourcing team on sustainability-related matters