

Sustainability strategy

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Introduction sustainability strategy

Sustainability is an integral part of business; it drives financial performance, especially in the medium and long term. At HUBER+SUHNER, our proactive approach to sustainability allows us to detect risks and opportunities early and improve the company's resilience in a changing world.

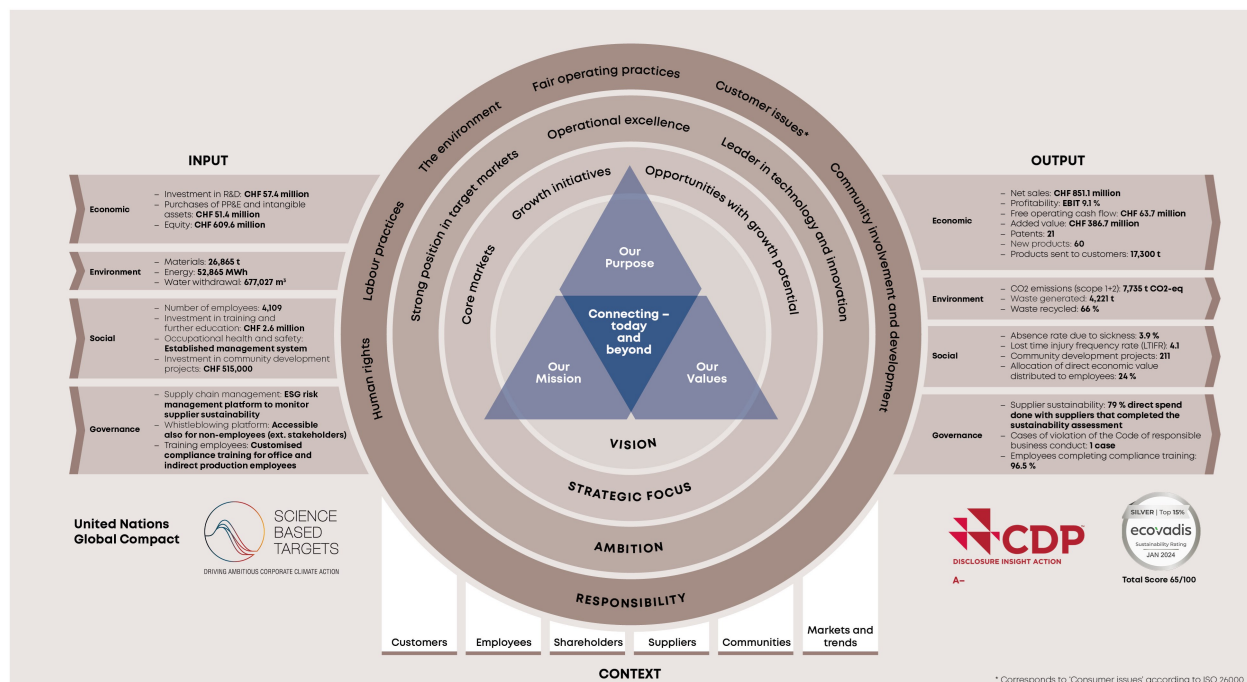
We want to be a company that positively contributes to global issues – including with our solutions and products. Taking sustainability aspects into account when developing innovative solutions is key to reaching our own sustainability goals and helping our customers reach theirs. Specifically, we aim to further improve our sustainability performance regarding the 13 material topics and three focus topics for the whole Group in order to manage risks and tap into opportunities. On this basis, we will achieve sustainable growth by accessing new revenues while restoring resources and saving costs.

Our business model: How we create and distribute value

HUBER+SUHNER creates value in multiple dimensions. The business model below shows how we transform economic, environmental, social and governance inputs into valuable outputs and outcomes for our five key stakeholder groups: employees, customers, shareholders, suppliers, and communities (which neighbour the company's sites) over time, concretely over the twelve months of the reporting period. Today, companies are required to disclose risks and opportunities they face as well as their own positive or negative impact on social wellbeing and natural resources. The business model discloses key data regarding our financial and non-financial economic, environmental, social and governance performance and impacts generated in 2023. As an organisation, we fully understand that the insufficient management of social and environmental impacts will eventually impact our financial performance.

HUBER+SUHNER strives to maintain and grow its technology and innovation leadership and achieve strong positions in target markets through the constant exchange between internal resources, external markets, and society at large. In all business activities, the Group focuses on its ability to sustain and create value in the short, medium and long term.

Figure 1: How we create and distribute value



Value distribution

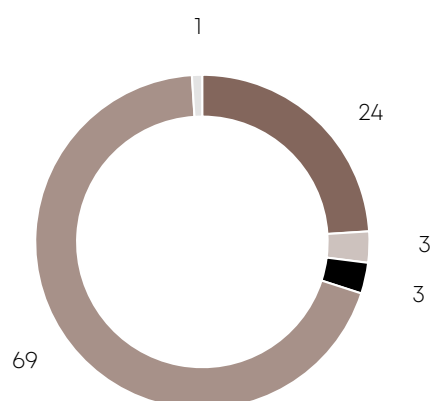
The direct economic value generated and distributed indicates how much value HUBER+SUHNER created as net sales and how this value is distributed among various stakeholders or is retained within the company. The following chart discloses how the economic value was distributed. In 2023, the direct economic value generated amounted to CHF 851.06 million.

24%

of direct economic value distributed to employees

In 2023, 24 % of the direct economic value distributed and retained directly or indirectly benefited employees, and 1 % the public sector in the form of income taxes. Shareholders received 3 % of the direct economic value, and 69 % were the operating costs. The economic value retained (3 %) remained in the company in the form of amortisation, depreciation, and retained earnings.

Figure 2 : Direct economic value distributed and retained 2023* (in %)



- Employees (personnel costs and benefits)
- Payments to providers of capital
- Economic value retained
- Operating costs
- Public authorities (income taxes)

* In previous years, we measured the global added value that directly or indirectly benefited employees, as opposed to the direct economic value distributed and retained. In 2022, this value stood at 68%. In 2023, the employee costs and benefits relative to the added value are 72%.

Material issues

Through a materiality assessment, HUBER+SUHNER identifies and prioritizes relevant environmental, social and governance issues.

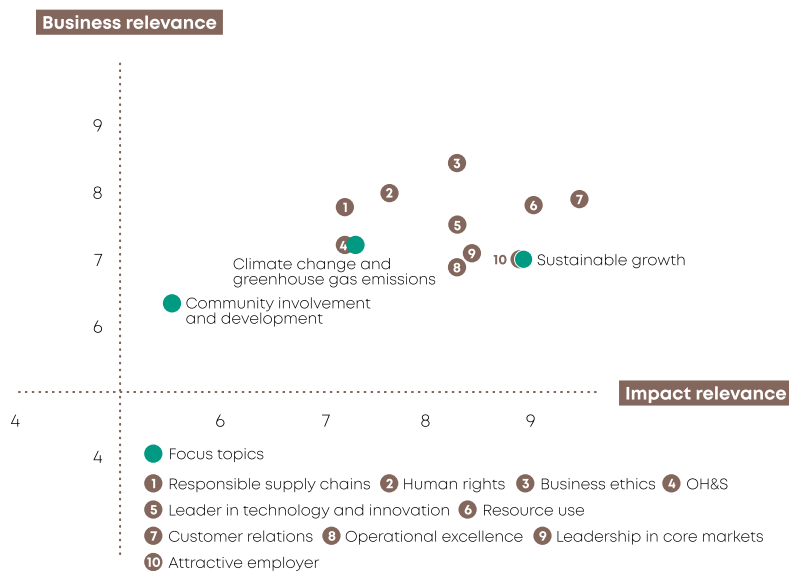
The last materiality (re)assessment took place in 2022. Using a double materiality approach, the Executive Group Management (EGM) assessed the business relevance (outside-in perspective) as well as the impact relevance (inside-out perspective) of all 13 material topics. The result is shown in the materiality matrix below. The reassessment revealed that the differences between the topics are rather small, which confirms that all topics are essential to the company. Hence, we manage all 13 issues actively and report on our progress in subsequent chapters.

As part of the materiality assessment, the EGM also confirmed the three material topics, initially defined in 2021, which are to be taken into special focus:

- **Sustainable growth** is a prerequisite for investments in favour of the environment and society, which in turn are an indispensable part of sustainability
- **Climate change and greenhouse gas emissions** are a top priority in the environmental area since climate change poses substantial risks to a functioning economy and the society overall
- **Community involvement and development** is important to all sites of the HUBER+SUHNER Group as we have a long-standing tradition to actively engage with the communities where we conduct business.

The material issues were identified in 2021 based on their strategic significance to the company. Despite a decrease in materiality from 2021 to 2022, our ongoing multi-annual strategy for managing these issues remains in place.

Figure 3: Material issues assessed for their business and impact relevance



Materiality assessment results: to make the small differences more visible, the graph only shows the upper right quadrant of the assessment matrix, spanning a rating scale from 0 to 10. Focus topics, strategically defined in 2021, are highlighted in green. Despite a decline in materiality of these topics in 2022, these areas are actively managed as integral components of a multi-annual strategy.

Focus topics

In 2021, the Executive Group Management (EGM) determined three focus topics, which have since been reaffirmed. The EGM defined clear targets for these focus topics for the coming years.

Approach

Sustainable growth

The financial health and commercial success of HUBER+SUHNER are the result of the Group's value creation, long-term and customer-focused innovation, and strong relationships with its employees, customers, shareholders, suppliers, local communities, and other stakeholders. Financial strength and economic success are prerequisites for investing in the interests of the environment and society, which in turn is an indispensable part of sustainability.

Core markets and focused market verticals are the basis of today's business. Their turnover is crucial to secure the company in its current size and setup. The aim is to be in attractive core markets which allow the company to use all its strengths to take a strong position. Their contribution is essential to reach today's goals and fund the growth initiatives. The business strategy includes four components that synergistically influence and strengthen each other: the entry into new markets, the ambition to strong positions in target markets, the development of innovative products and technologies, and the ability to sustain these positions through operational excellence.

Growth initiatives have been identified based on their potential for significant sales, profitable growth, and their strategic fit: aerospace and defense, data center, advanced driver assistance system (ADAS), electric vehicle, and rail communications. To succeed, HUBER+SUHNER ensures a dedicated approach, pre-investments in resources, and the formation of highly committed teams. Growth initiatives are expected to grow faster than the company and the markets. They have the potential in size and attractiveness to become core markets of the future.

Climate change and greenhouse gas emissions

The EGM decided to make climate change and greenhouse gas (GHG) emissions a focus topic because it considers this topic a crucial challenge to mankind, one that presents the company with both risks and opportunities.

In 2017, the company had two intensity-based greenhouse gas emissions reduction targets approved by the Science Based Targets initiative (SBTi). CEO Urs Ryffel officially signed the SBTi's net-zero commitment. In 2024, the company plans to submit new interim absolute targets for 2030 to reduce emissions across all three scopes to the SBTi for approval.

Community involvement and development

Community involvement and development became a focus topic because it stands out due to its many aspects. It includes the promotion of education, culture, and sports, as well as support for groups at the edge of social and workplace exclusion in the catchment area of our sites. Open, honest, and fair dealings with local and regional administrative authorities are also part of this complex topic.

HUBER+SUHNER has the goal of spending at least 0.5 % of the budgeted earnings before interest and taxes (EBIT) or CHF 500,000, whichever one is higher, for community development.

Progress

The Group is mostly on track regarding its targets. In 2024, we will review these targets and define a new target for sustainable growth.

Sustainable growth: Net sales share from growth initiatives in 2023 was 31 % (plus 5 percentage points y-o-y). The goal was to achieve 33 % of net sales from growth initiatives by 2023. Despite narrowly missing this target, our growth initiatives contributed significantly to our net sales in 2023.

Climate change and greenhouse gas emissions: In 2023, HUBER+SUHNER managed to further reduce its scope 1+2 GHG emission by 19 % (year-on-year) to 7,735 t CO₂-eq and remains on track with its SBTi commitment.

Community involvement and development: In 2023, HUBER+SUHNER supported 211 community development projects with a total CHF 515,000 in the form of cash or contributions in kind, along with paid leave hours for employees involved in these projects, thereby achieving our spending goal in community involvement and development.

Table 1: Score card focus topics

Score card			
Focus topic	2023	Target	Time horizon
Sustainable growth	31 % of net sales from growth initiatives	> 33 % of net sales from growth initiatives	2023
Climate change and greenhouse gas emissions	7 735 t CO ₂ -eq (scope 1+2)	8 400 t CO ₂ -eq (scope 1+2)*	2025
Community involvement and development	CHF 515 000 spent on 211 community development projects	The company sets aside and spends at least 0.5 % of the budgeted EBIT or CHF 500 000**, whichever is higher, for community development projects as a matter of principle	Annual target

* This SBTi approved target will be replaced by new science-based targets in 2024.

** The funds will be provided from the operating business as well as from the Swiss-based HUBER+SUHNER Foundation (see chapter [Community involvement and development](#)).

Sustainability governance

HUBER+SUHNER has embedded sustainability within its organization. A well-defined governance structure, with clearly assigned responsibilities, enable effective monitoring of the progress in implementing the Group's sustainability strategy.

The Board of Directors

The Board of Directors (BoD) convenes at least five times annually. During at least two of these meetings, the Executive Group Management (EGM) reports on relevant sustainability-related matters. The BoD oversees the implementation of the company's sustainability strategy and targets. The BoD is also responsible for approving the company's sustainability reporting.

Management

The CEO is responsible for approving and overseeing the implementation of the company's sustainability strategy. The Head of Global Sustainability reports to the members of the extended EGM and the CEO on the progress in implementing the company's strategic targets. Sustainability-related objectives constitute a component of the extended EGM's variable compensation package.

Global sustainability

The Head of Global Sustainability is responsible for proposing and implementing the company's sustainability strategy. In this role, the Head of Global Sustainability directs a global network of local environmental and corporate responsibility managers who are responsible for coordinating and implementing the sustainability strategy at the company's various sites. Together with this network, the Head of Global Sustainability also monitors relevant sustainability compliance obligations and assesses sustainability related risks.

Product compliance

The purpose of the product compliance team is to ensure that HUBER+SUHNER operates in compliance with all relevant legislation and regulations related to materials used in our products. Its responsibilities include coordinating and overseeing all material-compliance activities at HUBER+SUNER, including:

- Establishment of a company product compliance guideline
- Creation of an up to date material compliance database and reporting system
- Provision of training, information, and support to ensure involvement and consultation of all employees and business partners

This involves regular assessments of our upstream supply chain, the implementation of processes to monitor and track compliance, as well as to corporate responsibility managers, who are responsible for coordinating and implementing the sustainability strategy at the company's different sites.

Sustainable sourcing

The global sourcing team is responsible for engaging with suppliers on sustainability issues. In 2023, HUBER+SUHNER formulated a due diligence policy, which is compliant with due diligence requirements under the Swiss Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labour (DDTrO).

Grievance mechanism and the whistleblowing steering committee

To address cases of misconduct, HUBER+SUHNER provides employees and supply chain workers with a grievance mechanism. Reports are handled by the whistleblowing steering committee, composed of two area compliance officers (legal compliance, human rights, and labour) and the corporate responsibility communication lead. The committee is the liaison to the independent operator of the platform as well as the person who filed the report. The number of violations of the Code of responsible business conduct are reported to the BoD annually.