

Corporate Social Responsibility

Hoyer Group — 2019 Annual Report

HOYER
EXCEEDING EXPECTATIONS

Corporate Social Responsibility

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Corporate Social Responsibility

CSR is an integrated part of our business strategy and mindset

The statement of Corporate and Social Responsibility for Hoyer Group covers the accounting period 1 January – 31 December 2019 and is part of the 2019 annual report. In Hoyer Group, Corporate Social Responsibility (CSR) is a part of the business mindset. It is fully integrated in the strategy and company policies.

To ensure that the CSR work has a focus on essential areas and meets the expectations and requirements from all stakeholders, Hoyer Group has developed a CSR policy, which sets the framework for CSR within the Hoyer Group. The approach in the report is in alignment with the ten principles of UN Global Compact and comprise matters related to human rights, employees, environment and anti-corruption.

Since 2015, the Group has had a set of ethical guidelines, **CSR – Code of Conduct**, based on the Group's CSR policy and with special attention to the above mentioned areas.

HOYER GROUP CEO – HENRIK SØRENSEN



Hoyer Group business model and main activities

We are a value-adding supply chain partner with a global outlook

Business model

Hoyer Group is a value-adding supply chain partner within the industrial B2B sector. The Group comprises two separate business units Hoyer Motors and Hoyer Transmissions.

Hoyer Motors is a global supplier of electric motors with primary markets in Europe and Asia. The products sold under the Hoyer Motors brand are designed according to Hoyer Motors' specifications. The business model is supported by a unique operational setup including quality assurance, logistics and adaption of motors. Hoyer Motors is a segment-driven company and works strategically within multiple segments.

Hoyer Transmissions* is a supplier of a broad portfolio of branded mechanical transmission products with a strong focus on the Nordic markets. The product range sold is a mix of Hoyer Transmissions and other market leading European brands. Hoyer Transmissions is supported by a similar underlying operational setup as Hoyer Motors (i.e. focus on quality assurance, logistics and adaption), and primarily serves OEM customers and After sales.

*Hoyer Transmissions was divested April 1st 2020

Risk and opportunities

Hoyer works with risk assessments as an integrated part of the business model and management system. It supports the proactive and opportunistic market approach that defines the company. Based on mapping of Risks & Opportunities and Environmental aspects we have identified areas that are particular important for Hoyer Group to improve or benefit from. It further involves areas that support the CSR policy.

Hoyer Group CSR policy

We request responsibility in our organisation and the entire supply chain

As part of the global industrial sector we acknowledge and respect our Corporate Social Responsibility. Therefore Hoyer has a defined CSR policy. It has been updated in 2019 and is now signed by the Hoyer Group CEO to strengthen the visibility of CSR and generate engagement and commitment in the entire organisation.

The policy content

While taking into account the overall corporate objectives of Hoyer Group, we want to live by our corporate vision and respect human values and the environment, through the legal demands of the society.

Our business is based on long term partnerships throughout the entire supply chain. Therefore we can influence our suppliers', customers' and other stakeholders' handling of human rights, labor, the environment and anti-corruption in a positive way, through our cooperation.

We request responsibility in the entire supply chain regarding our activities, and respect for human and worker rights and both national and international laws.

Well-being and development of the working environment is also an important factor for us. We aim to motivate our employees to take responsibility and to participate in creating a good working environment and a positive influence on our environment.

Hoyer Group CSR policy

To achieve corporate sustainability Hoyer is inspired by and supports the ten principles of the UN Global Compact

Human Rights

Businesses should support and respect the protection of internationally proclaimed human rights.

Make sure that they are not complicit in human rights abuses.

Labour

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

The elimination of all forms of forced and compulsory labor.

The effective abolition of child labor.

The elimination of discrimination in respect of employment and occupation.

Environment

Businesses should support a precautionary approach to environmental challenges

Undertake initiatives to promote greater environmental responsibility.

Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Businesses should work against corruption in all its forms, including extortion and bribery.

Management and employees are introduced to the ten principles and have signed the Code of Conduct, to follow the guidelines made by Hoyer to achieve corporate sustainability in Well-being and work environment, Human rights & Labour, Environment and Anti-Corruption.



CSR at Hoyer Group

Well-being
and work environment

009

Human rights & Labour

015

Environment

016

Anti-Corruption

017

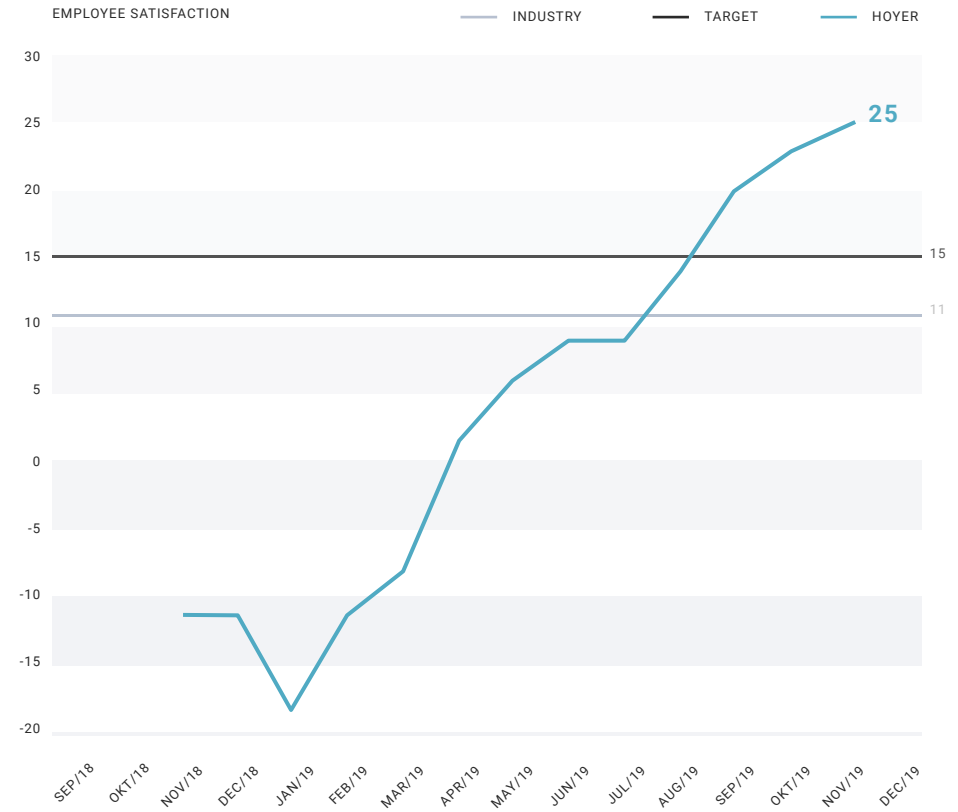
By embracing an open culture we aim to have satisfied and motivated employees

Employee satisfaction

Late 2018 Hoyer started to measure the employee satisfaction on a monthly basis using the Peakon online platform. The purpose was to monitor and improve the overall satisfaction and engagement. It is distributed to all employees in the group and contains questions as well the opportunity for employees to engage in dialogue and address issues. Hoyer Group embraces an open culture and the platform has led to employee-driven improvements of the work environment. Status of the survey and actual improvements are communicated on monthly information meetings to all employees.

The Hoyer Group KPI for employee satisfaction is the Employee Net Promotor Score – ENPS. In 2019 the ENPS target was 15.

The development in 2019 has shown a very positive trend as seen in the graph to the right. It has been decided to maintain the target of 15 in 2020 which is well above the industry average.



Our actions within employee satisfaction

Based on employee feedback and suggestions for improvements several actions have been put into force throughout 2019:

Within the focus area health the Danish office has had visits from an occupational therapist in regard to ergonomics and working postures. In China the lunch supplier was changed on request from the employees. Both actions point generated positive feedback afterwards.

Within engagement and acknowledgement the feedback has generated: strategy related workshops, creation of process flow-charts and long-term plans to ensure more clarity, increased communication between employees and immediate managers, short walks in lunch breaks, increased follow-up on tasks which ensures a higher level of acknowledgment from managers and/or colleagues when a job is done well.

Combined, all the small and big efforts from employees and managers have moved Hoyer's employee satisfaction from below the industry average to well above the benchmark since ultimo 2018.



CSR at Hoyer Group Well-being and work environment

Diversity in the workforce

Hoyer Group aims to have highly diverse workforce. Not only due to CSR awareness but also to strengthen the Hoyer organisation. We believe that a diverse workforce both in age, gender and nationalities creates a better work environment and in the end higher performance as well.

An important focus area in Hoyer Group is newly graduated employees. During 2019 39 employees were hired in Europe. Out of these, 11 employees have finished their education within the past two years or have worked at Hoyer while finishing their studies. Hereby 28% of all employees hired in Europe are in the beginning of their career. We strive to support and develop the next generation and trust that new and fresh perspectives will bring additional value to our business. This is supported by offering trainee and graduate programmes while having cooperation with various schools and universities. In 2019 we have participated in career promotion programmes and sponsored several study trips.

Hoyer consists of many different nationalities. 19 nationalities are represented in our company and English is the corporate language. At the Danish headquarter most positions are not required to speak Danish as we prioritise qualifications, personality and the commitment to deliver on a high level.

Gender composition

This is the Hoyer Group statutory report for gender composition in accordance with section 99b of the Danish Financial Statements Act.

Hoyer Group is continuously working on composing a management team where each member's qualifications complement the Group's strategic development in the best possible way. During 2019 several women have attained a manager role.

As of December 31, Hoyer Group consisted of 69% men and 31% women. The middle management consists of 32 managers, team leaders and segment managers out of which 28% are women and 72% men.

When hiring employees Hoyer Group focuses on attracting and employing more women in an industry that is highly dominated by men. This is done by offering internships and student jobs and by focusing on having at least 1-2 relevant female candidates at job interviews, whenever possible. It is the Group's policy not to discriminate and always appoint or recruit persons on the basis of their qualifications and match with the requested profile.

CSR at Hoyer Group Well-being and work environment

Gender composition

Hoyer Group is working on creating uniform conditions for leader aspirants, regardless of gender. The objective is to achieve equal career opportunities for men and women through employment and recruitment procedures and by the Group's investment in development and education. There has been no change in the gender composition of the top management group in 2019 compared to last year.

The Board of Directors is the superior management body of both Svend Hoyer A/S and Hoyer Group A/S. It currently consists of three and five members respectively, elected by the general meeting, who are all men. The Board of Directors has not changed in 2019 and the long-term objective of a female board member has not been met in 2019.

The aim is that both genders should be represented both on the Board of Directors and on other levels of the management team before the end of 2022.

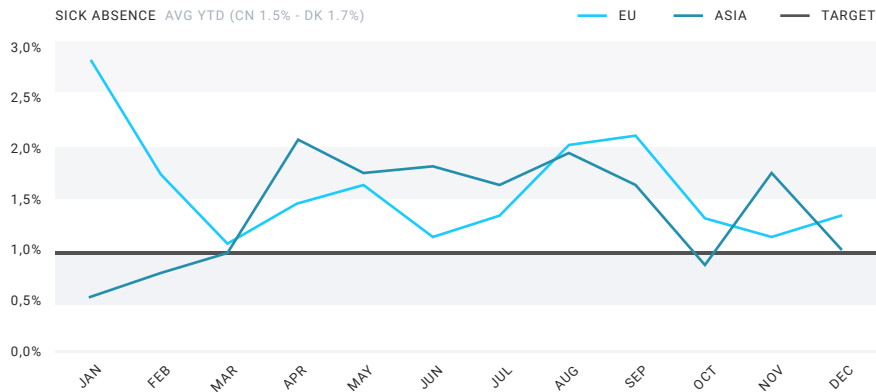


CSR at Hoyer Group Well-being and work environment

Sick absence

The 2019 target for sick absence was 1.0% for all employees. During 2019 the development has been monitored on a monthly basis, however, the target has not been reached. In China the absence was partly due to 3 work accidents with a total of 124 days of absence. For the remaining absence there has not been identified any causes related to the work environment.

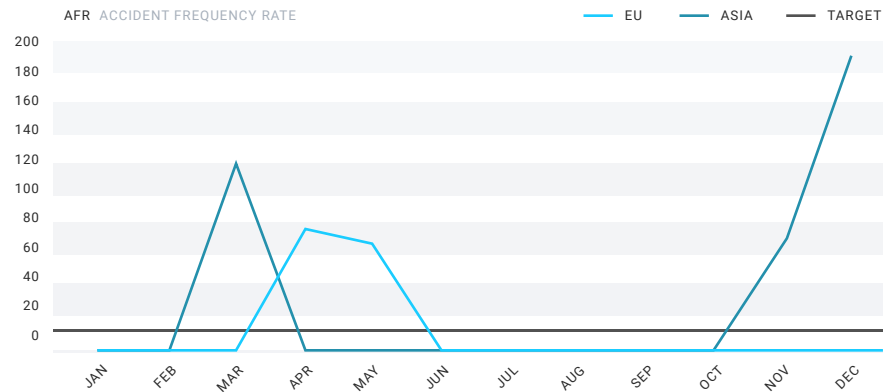
The target was found too ambitious and the target for 2020 is revised to 1.5%. This is still found to be a demanding target compared to average industry absence in Denmark. The development will continue to be monitored. If the target is exceeded further analyses will take place and possible improvements will be identified and implemented.



Work accidents

In 2019 the measurement and reporting of accidents was developed. Accidents are reported as an AFR index calculated as; Number of accidents x 1.000.000 / Number of working hours within the month and year to date. To support the knowledge about the work with health & safety the status is communicated on quarterly HSE meetings and monthly reports to the board. As part of working proactively the focus on near miss accidents has been intensified. They are now recorded, reported and followed up systematically.

The Hoyer Group ambition is to have zero accidents. This target was not obtained as there were 6 accidents in China - 3 of them without absence. There were 3 accidents in Denmark - all of them without any absence. The number was higher than previous years. Some of the reason is the higher focus and knowledge about reporting of accidents. The target for 2020 will naturally be 0 again and the reporting will be enhanced with information on the seriousness of the contingent accidents (ASR).



CSR at Hoyer Group Well-being and work environment

Safety screenings

Safety screenings are done on a monthly basis in warehouse and workshop by members of the HSE organisation. If potential risk is identified it is corrected immediately when possible. In larger findings a casefile is created and responsibility is agreed including deadline for actions. The Hoyer Group top management take active part in the safety screenings.

In 2020 it is planned to increase screenings to involve the office and administration and where all members of the HSE organisation will take part in the screenings.

Future projects

The strategy for Hoyer Group has been updated in 2019. This means that implementation and certification towards ISO45001:2018 is now part of the strategy initiatives with expected implementation in 2022. It will be implemented at the Hoyer Group sites in Denmark and China.



Requirements for CSR and compliance with UN Global Compact are part of our supplier approach

Code of conduct for CSR

Hoyer has defined a “CSR – code of conduct” for its employees to outline the norms and rules defined in the CSR policy. The “CSR – code of conduct” is handed out to new employees for reading and signing. From the beginning of 2020 new employees will have an introduction to the Hoyer CSR policy including UN Global compacts and how we have transferred this policy to operational daily work at Hoyer.

CSR and Hoyer suppliers

In 2019 the frame work agreement for main suppliers including the QHSE appendix has been updated. Requirements for CSR and compliance with UN Global Compact is now added. Within 2020 negotiations to transfer main suppliers from the current frame work agreement to the new one are to be finalised.

CSR and supplier audits

In 2019 the checklist for supplier audits has been updated. This means that questions to support CSR and UN Global Compact has been added. Identified non-conformities will be raised and improvements requested. In 2019 7 existing and 5 new suppliers were audited. The number of existing suppliers audited is below target caused by replacement of key employees and updates of supplier scope and checklists. Resources were prioritised and transferred to audit of new suppliers in 2019.

Our environmental impact is a priority in the entire value chain

Environment and Hoyer suppliers

In 2019 Hoyer Group has conducted several improvements on the Technical Purchase Specification (TPS) for electric motors and contracts with main suppliers. Among other requirements REACH and RoHS are now added. The transfer from the current TPS to the new updated TPS will continue during 2020.

Development of products with less impact on the environment

The method for mapping of environmental impact has changed to cover the full value chain. Scores are introduced to identify environmental impact in order to prioritise work and maximize the benefit of used resources. It generates new focus areas for the environment related to the suppliers production processes as well as use of Hoyer products at the end-users.

In 2019 a new product initiative, Drives & Controls was fully implemented. It holds many possibilities to offer more energy efficient solutions to customers. Another strategic initiative to develop an IE4 range of motors with higher efficiency is defined and expected to be implemented in the Hoyer scope within 2020. Progress on the development is followed and reported to the board, management and employees at Hoyer.

Start to cooperate with the suppliers to reduce environmental impact

To support the new approach for environmental mapping mentioned above, the plan is to cooperate with the largest supplier to identify and reduce environmental impact in their processes. Improvements have been requested over the years to reduce environmental impact, but not declared as an environmental objective which will now change.

ISO 14001 certification

The strategy for Hoyer Group has been updated in 2019. This means that current certification towards ISO14001:2015 will be extended to cover the Hoyer facilities in China as well in 2021.

UN Global Sustainable Development Goals.

As part of the revised strategy Hoyer Group will start to look into the possibilities in supporting the UN Global Sustainable Development Goals. In 2020 Hoyer Group is to define and support selected goals including a plan for organisational implementation.

CSR at Hoyer Group **Anti-Corruption**

Policy for Anti-Corruption and bribery

Until end of 2019 there has not been a documented, official policy for Anti-corruption. In Q4 2019 work has been initiated to define a policy. Hoyer Anti-Corruption and bribery policy to be finalised and published internally in February 2020. Furthermore, new governance structure is initiated in 2019 which is also expected to minimise risk of corruption and bribery.



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