

Corporate Social Responsibility

Hoyer Group — 2020 Annual Report

HOYER
EXCEEDING EXPECTATIONS

Corporate Social Responsibility

Table of content

Corporate Social Responsibility	003
Hoyer Group business model and main activities	004
Hoyer Group CSR policy	006
CSR at Hoyer Group	007
Well-being and work environment	009
Human rights and Labour	016
Environment	017
Anti-Corruption	020
Results for the year 2020	021
Ambitions - 2021	022



Corporate Social Responsibility

The statement of Corporate and Social Responsibility (CSR) for Hoyer Group covers the accounting period January 1-December 31, 2020 and is part of the 2020 annual report.

CSR is an integrated part of our business strategy and mindset

As part of the global industrial sector, we acknowledge and respect our Corporate Social Responsibility. In 2020 we therefore implemented the new CSR policy which was established in 2019.

The policy sets the framework within Hoyer Group and ensures that the CSR work has a focus on essential areas and meets the expectations and requirements from all stakeholders. 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 human rights, employees, environment and anti-corruption.

Looking back it is fair to say that Covid-19 has had a significant impact on the Hoyer Group 2020 activities – including CSR. The Covid-19 impact on our CSR activities will be addressed throughout the report. The approach in this CSR report is in alignment with the ten principles of UN Global Compact and the report comprises matters related to the above mentioned areas.

HOYER GROUP CEO – HENRIK SØRENSEN



Adding further value to the supply chain

Business model

Hoyer Group is a value-adding supply chain partner within the industrial B2B sector.

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

Hoyer Drives and Controls is a supporting business area connected to Hoyer Motors, supplying variable frequency drives, softstarters and sensors from market leading OEM's. It provides Hoyer Motors with the ability to offer customers complete solutions and thereby add further supply chain value.

Risk assessment

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

Through long term partnerships we can influence our stakeholders

As being part of the global industrial sector, we acknowledge and respect our Corporate Social Responsibility. In 2020 Hoyer therefore implemented the CSR policy established in 2019.

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 we support the ten principles of the UN Global Compact

Human Rights

- 001 Businesses should support and respect the protection of internationally proclaimed human rights; and
- 002 Make sure that they are not complicit in human rights abuses.

Labour

- 003 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- 004 The elimination of all forms of forced and compulsory labor;
- 005 The effective abolition of child labor; and
- 006 The elimination of discrimination in respect of employment and occupation.

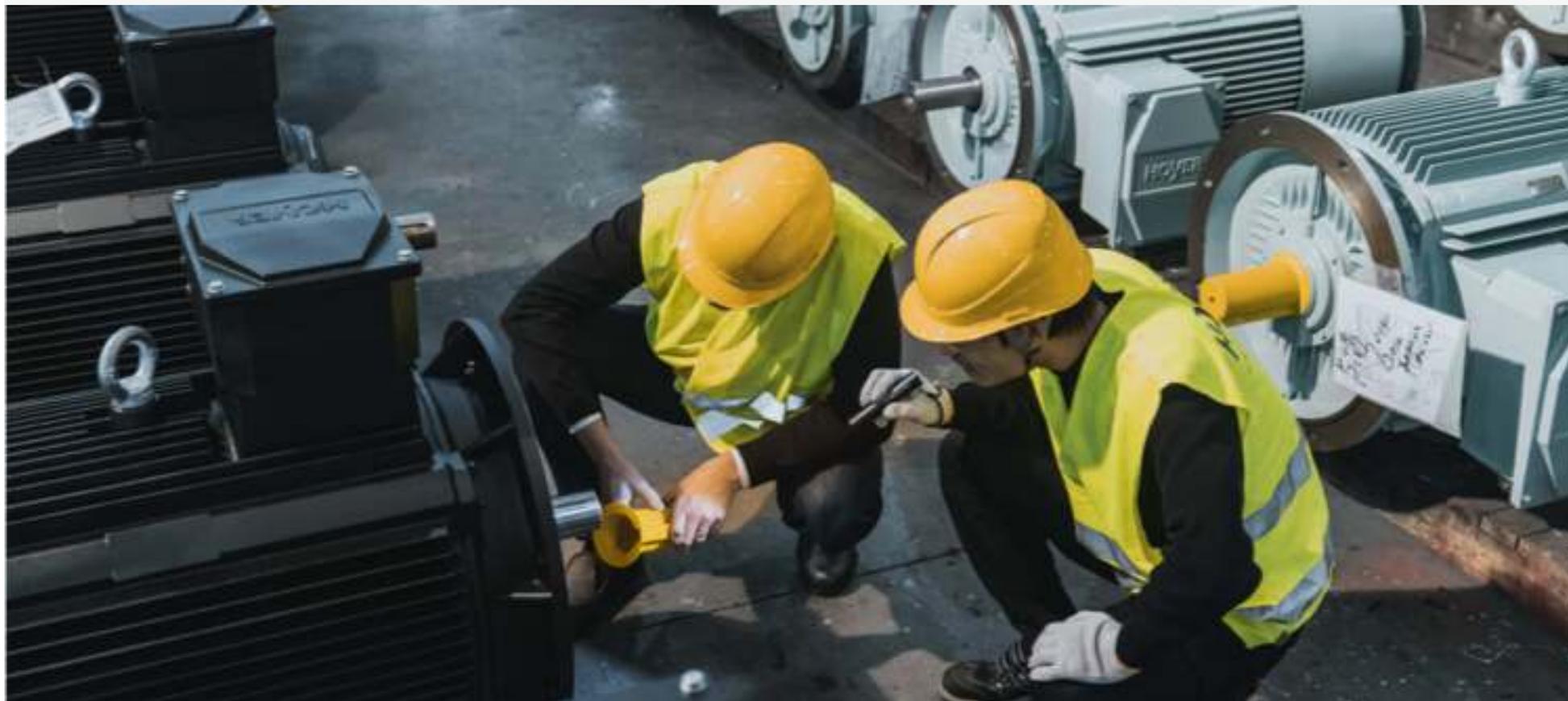
Environment

- 007 Businesses should support a precautionary approach to environmental challenges;
- 008 Undertake initiatives to promote greater environmental responsibility; and
- 009 Encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

- 010 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 Human Rights, Labor, Environment and Anti-corruption.



CSR at Hoyer Group

Hoyer continuously works to establish and execute actions that make the CSR policy an integrated part of daily operations. The CSR actions and achieved results are divided in four main areas that are also part of the overall CSR policy.

Well-being
and work environment

009

Human rights
& Labour

016

Environment

017

Anti-Corruption

020

By communication, involvement and openness we embrace an open culture

Employee satisfaction

Hoyer has been measuring employee satisfaction globally on a monthly basis since the beginning of 2019. We use the Peakon MyVoice online platform which also benchmarks Hoyer against the manufacturing industry. Through Peakon we monitor the overall satisfaction and engagement, using the feedback from our employees to improve Hoyer as a workplace through an open and equal dialogue. The survey contains questions as well as 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 and on department and team meetings.

The Hoyer Group KPI for employee satisfaction is the Employee Net Promotor Score – ENPS. In 2020 the ENPS target was 15.



CSR at Hoyer Group Well-being and work environment

Our employee satisfaction reached the highest level yet in February 2020 with a score of 31 – which placed Hoyer in the Top 10 % of companies within the manufacturing industry. Shortly thereafter, the score dropped substantially, indicating the big effect of the general lockdown. The Covid-19 has demanded the utmost efforts from all employees and has tested the sustainability of the strategy and actions connected thereto. During the autumn, after adapting to the “new normal” the ENPS started improving again almost returning to the same level as seen before the pandemic end of 2020.

As in 2019, the continuous small and big efforts from employees and managers and the feedback have despite the corona crisis maintained Hoyer’s employee satisfaction on a satisfactory level well above the industry benchmark throughout 2020. This improvement is among others linked to the continuous communication, involvement and openness towards the employees. At Hoyer we believe that it emphasises the strength, flexibility and dedication of employees and managers during challenging times.

Based on employee feedback and suggestions for improvements several actions have been put into force throughout 2020:

- Within the focus area health, the Danish office has had a visit in early 2020 from an occupational therapist in regard to ergonomics and working postures.
- Within engagement and strategy, the feedback has generated: The value of the Peakon tool has proven itself during the many ups and down during 2020 regarding social distancing, working from home, travel restrictions etc. and has helped managers and employees to maintain a close dialogue throughout the pandemic crisis.

The monthly surveys have also ensured that issues could get addressed before they became large scale problems affecting the collaboration, efficiency, and employee satisfaction across the group.

- It has been decided to increase the target from 15 to 25 in 2021 which is further above the industry average on 13.

The impact and handling of Covid-19

As mentioned above, the coronavirus has had an impact on our company. Hoyer gained experience of handling the virus early in 2020 as our head office in Asia is based in Ningbo, China. Through close collaboration between Management and HR in Denmark and China, the initial outbreak and lockdown in China and Asia was handled on weekly if not daily online meetings and the swift response from the managers based in China.

As the virus spread out to our offices in South Korea, Japan and Europe, we continued the close communication – between managers and HR and to the employees. In the initial lockdown phase in Europe, decisions were made on a daily basis and actions and guidelines regarding, travel activities, social distancing, working from home etc. were communicated on our intranet as well as directly from the managers. At the warehouse facilities, the employees had to continue being physically present to customise motors and ship orders. To keep them safe, work shifts were established to have as few employees present as possible until we knew how contagious the virus was. In a few cases, the most vulnerable employees were sent home on paid leave, as we could not guarantee their safety from the virus yet.

CSR at Hoyer Group Well-being and work environment

We have continued with the weekly status meetings in management and HR throughout the year and continuous updates on the intranet with guidelines, safety precautions, and actions in case of virus outbreaks in the company.

Fortunately, Hoyer has only had very few cases of employees infected with Covid-19 and no cases of virus spreading uncontrolled internally.

Since May 2020 we have monitored our employees' feedback on our actions and communication regarding the virus through Peakon. The surveys have shown a high level of satisfaction to the statement "Hoyer is responding appropriately to the Covid-19 pandemic". In December 2020, the ENPS score to this statement was 52 with only 8% of the employees giving negative scores.

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 candidates. During 2020 eight employees were hired in Europe. Out of these, three employees have finished their education within the past two years or are at Hoyer while finishing their studies.

Hereby 38% of all employees hired in Europe are in the beginning of their careers. 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 2020 we have participated in career fairs and offered mentoring to students within specific areas as electrical engineering.

Hoyer consists of many different nationalities. 17 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 diverse management team where each member's qualifications complement the Group's strategic development in the best possible way. During 2020 further women have attained a manager role.

CSR at Hoyer Group Well-being and work environment

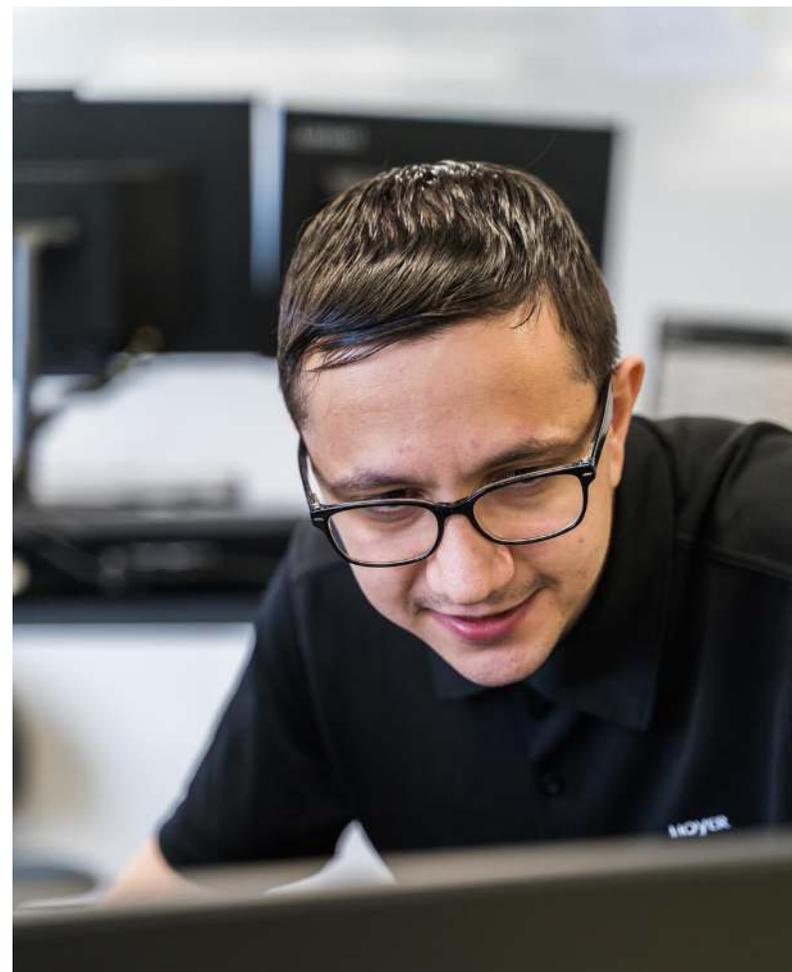
As of December 31, Hoyer Group consisted of 68% men and 32% women. The middle management consists of 33 managers, team leaders and segment managers out of which 34% are women and 66% men, which means that there are 6% more female managers in Hoyer since 2019.

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 people based on their qualifications and match with the requested profile.

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 2020 compared to last year.

The Board of Directors is the superior management body of Hoyer Group and Svend Hoyer A/S. Currently the Hoyer Group board consists of five members while the Svend Hoyer A/S board counts three members. All board members are men. The gender composition has not changed in 2020 and the long-term objective of a female board member has not been met in 2020.

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 2020 target for sick absence was a 1.5% average for all employees.

The target has not been reached in Denmark where we reached 1.8%. The absence was mainly due to three Covid-19 cases, and long-term absence for two employees. Without the Covid-19 cases, the target would have been achieved.

In China the average target was achieved. The reported absence is not related to the work environment. An increase was seen in Q3 and Q4 due to one long-term absence and several cases of sickness absence.

The 1.5% target will continue in 2021 and which is found to be ambitious compared to the average industry absence. If the target is not met, further analysis will take place and possible improvements will be identified and implemented.

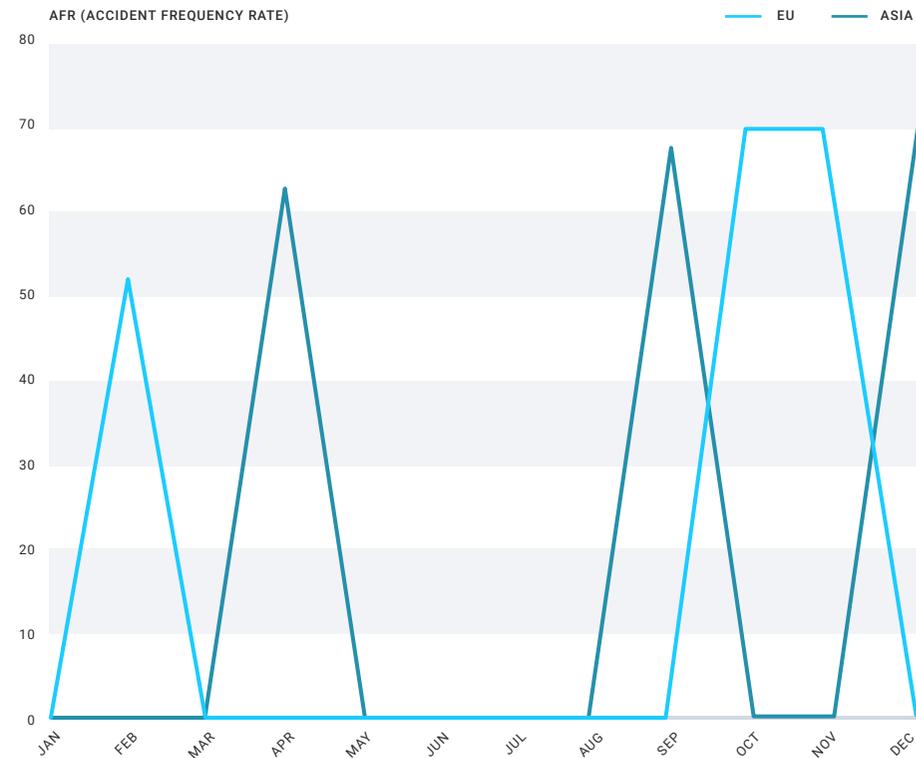


CSR at Hoyer Group Well-being and work environment

Work accidents

In 2020 the measurement and reporting of accidents was continuously developed. Accidents are reported as an AFR index calculated as; $\text{Number of accidents} \times 1.000.000 / \text{Number of working hours within the month and year to date}$. To support the transparency and knowledge about the work with health & safety the status is communicated on quarterly HSE meetings and monthly reports to the board.

The Hoyer Group ambition is to have zero accidents. This target was not obtained as there were 3 accidents in China, all with only a few days of absence. There were 3 accidents in Denmark – 1 with 1 day of absence, and 2 without any absence. The number was lower than previous years. Some of the reason is the higher focus and knowledge about reporting of accidents. Naturally, the target for 2021 will 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

Near Misses

In 2020 an internal near miss campaign was run in Hoyer. The overall purpose with the campaign was to incorporate safety in everybody's awareness. Every employee at Hoyer should have a proactive approach to safety and all near misses need to be reported in the moment they occur. The campaign was run over 3 months both digitally and at the offices and warehouses in Denmark and China. The campaign resulted in nine near miss reports.

The focus on near misses will continue in 2021. Every quarter near miss safety walks will be carried out in both Denmark and China with involvement from Hoyer management with the purpose of increasing the proactive safety approach.

Safety screenings

Safety screenings are done on a monthly basis in warehouse and workshop by members of the HSE organisation and with involvement from management when needed. 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.

In 2021 screenings are also to be carried out for the office and administration facilities in Denmark and China. They will be conducted by the HSE organisation. This initiative was scheduled in 2020 but postponed due to covid-19 precautions.

Future projects

The strategy plan for Hoyer Group has been updated in 2020. This means that the implementation and certification towards ISO 45001:2018 is scheduled for 2023 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 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. In 2020 it was introduced that new employees have a mandatory introduction to the Hoyer CSR policy including UN Global compact and how the policy is transferred to operational daily work. Hoyer will continue with this initiative and it is a fixed part of the onboarding program. Furthermore, code of conduct awareness will be supported by an internal campaign in 2021.

CSR and Hoyer suppliers

In 2020 the framework agreement for main suppliers including the 2019 QHSE appendix was established on all strategic suppliers. Requirements for CSR and compliance with UN Global Compact is included. During 2020 negotiations to transfer main suppliers from the previous framework agreement to the new one are finalised and implemented.

CSR and supplier audits

Due to travel limitations in 2020 imposed by COVID-19 pandemic, the schedule of supplier audits has been reviewed, reducing the number of audits performed. Still, Hoyer managed to perform audits on 4 existing suppliers, one in Denmark and three in China. Questions to support CSR and UN Global Compact are now part of the standard audit questionnaire. Identified non-conformities are be raised and improvements requested.

By elevating Environment as a strategic initiative, we aim to increase the environmental focus in the entire organisation

Environmental strategy and workshop 2020

As part of the ambition to increase the environmental focus in the entire organisation, Environment has been elevated as a strategic initiative and is now part of the revised group strategy plan. To ensure environmental commitment across departments the middle management group conducted a workshop June 2020 hosted by an external consultant. The selected workshop focus was on Environmental Business Development in the entire value chain e.g. – products, services, supply chain, internal processes and communication. Besides becoming an integrated part of the 2021 strategy plan the workshop resulted in mapping of three overall areas with high potential for Environmental impact:

- Logistics optimisations
- Energy efficiency focus
- Internal optimisations

Environment and Hoyer processes

In 2020 Hoyer Group has conducted several environmental improvements in the Technical Purchase Specification (TPS) for electric motors and contracts with main suppliers. Furthermore, new suppliers have been introduced to the TPS and signed related contracts. The TPS focus will continue in 2021 and is now part of the Hoyer strategy plan.

This year we introduced a plan to reduce the emissions related to transport of products to third party services in China. The initiative combined an effort to improve product quality as well reducing the demand for external services. Results are very satisfactory and a 42% reduction is achieved.

Furthermore, a new target for utilization of container space was introduced in 2020. The focus is on optimising the packaging and container loading process to reduce emissions by decreasing wasted space and ultimately number of containers shipped.

Production 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.

To support the new approach for environmental mapping mentioned above, the plan is to cooperate with the largest suppliers 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.

Environment and Hoyer customers

In order to reduce the environmental impact further, Hoyer has during 2020 introduced new logistics concepts that are scalable on a customer level. Selected customers and projects that fulfill predefined logistics criteria undergo special planning post manufacturing with the ambition to reduce transportation related emissions. It is elevated to a strategic initiative in 2021. Ambitions are that the logistics concepts are implemented at new customers during 2021.

Energy efficiency

Improving energy efficiency is most likely the fastest, cheapest and cleanest way to ensure reliable power and reduced emissions. By offering more energy efficient motors and drives we can support customers in optimising application efficiency and thereby reduce future industry emissions.

In 2020 the business area Drives & Controls has continued to develop. It holds many possibilities to offer more energy efficient solutions to customers as well as extension of the product service time.

Another strategic initiative introduced in the market in 2020 was a complete range of premium efficiency Hoyer IE4 motors. Despite IE4 efficiency will not be a legal requirement before 2023 Hoyer has made a stock investment to ensure IE4 availability for all European customers. This is done to support and accelerate the market transition towards more energy efficient solutions.

In 2021 the development in turnover related to energy efficient products is monitored and reported to the board, management and key employees at Hoyer.

CSR at Hoyer Group **Environment**

UN Global Sustainable Development Goals

Hoyer Group continues supporting the UN Global Sustainable Development Goals. In 2020 we have focussed on ensuring the organisational implementation of the mindset behind the goals. Therefore, it was decided to work with two selected goals where Hoyer Group sees the highest potential of making a difference. In 2021 this dedicated focus will continue as an integrated part of the environmental initiatives.

#7 Affordable and clean energy.

#9 Industry, innovation and infrastructure.

The UN Global Sustainable Development Goals was part of the Environmental Workshop agenda performed in June 2020. Furthermore, Goal #7 and #9 are now part of the company strategy plan as well as external environmental communication.

ISO 14001 certification

The strategy for Hoyer Group has been updated in 2020. This means that current certification towards ISO14001:2015 will be extended to cover the Hoyer facilities in China as well in 2022. Nevertheless, the development of Hoyer Integrated Management System in Asia has advanced and operations in Hoyer Ningbo are mostly complying to the same standards as the ones implemented in Denmark, those certified ISO14001:2015 already.



Policy for Anti-Corruption and bribery

A Hoyer Anti-Corruption and bribery policy was finalised and published internally in February 2020. Since the publication the policy has been part of the introduction for new employees.

Furthermore, a new governance structure was implemented in 2020 which is also expected to minimise risk of corruption and bribery.



Results for the year 2020

Focus areas	Goals	Actions	Results
Well-being and work environment	Employee Net Promotor Score (ENPS) of min. 15.	Visits from an occupational therapist Strategy related workshops	Achived a level between 13 to 31 during the year. Final score in December '20 is on 26. An improvement of 44 since survey start in Jan. 2019.
	Improve leadership skills of Middle Management Group (MMG)	Leadership training of Middle Management	Improved collaboration and communication in MMG. Increased involvement of MMG in strategy process.
	Max 1.5% sick absence for employees	Continued reporting and analysis of sick absence to implement improvements where sick absence can be related to the work environment Minimise spreading of Covid-19 by restrictions	Average sick absence for 2020. 1.5% for CN and 1.8% for DK. Compared to 2019: 1.5% for CN and 1.7% for DK."
	0 work accidents	White stripes on glass walls to increase visibility Update specifications for plates on motors. Thicker material and rounded edges.	3 work accident in CN with total of 11.5 days of absence 3 work accidents in DK with total of 1 day of absence Improved number of work accidents with 50% in CN and same level in DK as previous year.
	Introduction of HR-platform: Recruitment and employee data/processes	Upload of all employee data globally, giving access to MG and MMG. Move all recruitment processes into recruitment system.	Smoother, time efficient work flow in recruitment and easy access to employee data for MG and MMG. Improved security regarding employee data (GDPR).
Gender composition	Attracting and employing more women	Focus to have 1-2 relevant female candidates at job interviews, whenever possible	Increase in percentage of women overall in Hoyer, including more female managers - from 28% to 34%.
Human rights & Labour	Introduction of CSR policy & UN Global compact for new employees	Groups of new employees are introduced to CSR at Hoyer	100% of new hired employees in 2020 are introduced to CSR at Hoyer
	Transfer main suppliers from current frame work agreement for new frame work agreement including requirements for CSR	New employee recruited in CN to take on this task	100% of key suppliers are transferred to new frame work agreement
	Execute supplier audits	Three suppliers have been audited in 2020	All obtained a satisfactory score for CSR on supplier audits
Environment	Development of more energy efficient products for the market in 2020	New IE4 range introduced. Investment in stock to ensure market availability.	Product released in October 2020
	Reduce transport related emissions	Reduce transport related to third party services	42% reduction achieved
Anti-Corruption	Publish and implement policy for anti-corruption and bribery	Policy for anti-corruption and bribery released Februar 2020	No recorded cases of anti-corruption and bribery in 2020

Ambitions 2021

Focus areas	Goals	Planned actions	Results
Well-being and work environment	Employee Net Promotor Score (ENPS) of min. 25.	Continuous training and education of managers and employees in using Peakon tool for constructive dialogue Process and act on comments in Peakon Introduction of 1-1's in entire group	
	Improve leadership skills of Middle Management Group (MMG) - focus on new managers	Coaching and sparring for new managers Possibly further management training for MMG\$	
	Max 1.5% sick absence for employees	Continued reporting and analysis of sick absence to implement improvements where sick absence can be related to the work environment Minimise spreading of Covid-19 by restrictions	
	0 work accidents	Continued focus on near miss accidents through safety inspection rounds quarterly - involvement of Management	
	Development of HR-platform: Establish/develop processes for onboarding, Personal development assessment (PDA), competences etc.	Development of the new processes and features, including training and involvement of all managers	
Gender composition	Attracting and employing more women	Focus to have 1-2 relevant female candidates at job interviews, whenever possible	
	More women in talent pipeline	Focus on diversity in Hoyer talent pipeline regarding gender, ethnicity etc.	
Human rights & Labour	Introduction of CSR policy & UN Global compact for new employees	Groups of new employees are introduced to CSR at Hoyer	
	Upstart of organisational awareness training by HR	Plan awareness training, possibly through online tool	
	Execute supplier audits	Execute five supplier audits	
Environment	Reduce transport and logistics related emissions.	Container space optimisation Increase total number of customised logistics concepts Reduce transport related to marine classification Reduce internal travelling between Europe and Asia Install charging stations for electric and hybrid cars at Hoyer Denmark Reduce transport of products related to third party involvement	
	Increase turnover related to energy efficient products.	Inform and challenge customers about energy efficient products and solutions Focus on energy efficiency in internal and external communication	
Anti-Corruption	Introduction of anti-corruption and bribery policy for new employees	Groups of new employees are introduced to policy as part of onboarding	
	Upstart of organisational awareness training by HR	Plan awareness training, possibly through online tool	

Hoyer Denmark

Over Hadstenvej 42
8370 Hadsten
Denmark

Phone: +45 86 98 22 55
Fax: +45 86 98 22 56
hoyermotors.com

HOYER
EXCEEDING EXPECTATIONS