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Halton

SUSTAINABILITY PERFORMANCE REPORT 2021

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- toward more sustainable tomorrow

Halton

Enabling Wellbeing

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MESSAGE FROM THE BOARD

Our commitment to values and mission is everything

Seppo Halttunen founded Halton in the small town of Kausala, Finland, in 1969. Already then, he had a vision for a company built on strong values and technical expertise. The company Seppo envisioned all those years ago is still thriving today, living out our mission of enabling wellbeing in demanding indoor environments. The mission continues to push us forward to both better serve our customers and explore new frontiers.

Over Halton's 53-year history, the company has gone through both good times and bad. Even from this perspective, today we're facing unusually troubled times. The global COVID-19 pandemic and the associated lockdowns continue to impact Halton's people around the world. In February 2022, Russia's invasion of Ukraine brought a shocking halt to peace in Europe. The war in Ukraine goes on, causing fear, suffering, and loss of human life. In the background, the global climate crisis continues and unprecedented heatwaves around the world endanger lives and point to a worrying future.

Our efforts for a better future

At Halton, we believe in taking a practical problem-solving approach to issues: even though we cannot change the whole world, we can use our teamwork and innovative spirit to do our part. We have been able to continue our operations through the pandemic, while also developing solutions to help our customers breathe safe air. We have taken a stand against the invasion of Ukraine by suspending operations in Russia and donated 100,000 euros to humanitarian aid. In addition to these actions, we continue to make our business more sustainable, developing solutions to combat climate change and making sure our own impact on the environment is as positive as possible. In all these areas, we could surely do more - so while it is important to celebrate our efforts, we also want to continue our work, always developing better ways to support our people, our customers, and the wider world.



Sustainability is an important theme at Halton. We are making progress toward our goal of achieving net-zero carbon emissions by 2023, and we continue to develop and provide solutions that help our customers save energy and be more sustainable. Another key area for Halton is social sustainability: being a positive force in our communities and being a good place to work for all our people. This last point highlights the importance of celebrating diversity in all its forms and building an environment where everyone can thrive and be the best version of themselves. Halton already has a long history of bringing together different people and cultures - let us continue to build these bridges and become better at valuing the things that make each of us unique. As the world around Halton changes, the company also evolves. But even in change, there is continuity of our values and expertise. Working together, we can continue to make the world a better place.

Krista Halttunen, Member of the Board

BUSINESS AND STRATEGY OVERVIEW

Business Environment Remains Challenging

The COVID-19 pandemic continued to leave its mark on 2021. Despite the pandemic, the economy started to recover during the year. Our customers' operating environment improved in general, even if progress was uneven across the globe. We saw rapid recovery in the US, partial recovery in Europe and slower progress in the Middle East and Asia.

Halton Group's business performance improved during 2021. Our distributed operating model provided us with resilience in changing situations. Our sales grew 12% to EUR 219.6 million. Our profitability improved to 4.3% (EBIT) and the balance sheet stayed strong. We increased CAPEX to EUR 7.7 million (+50%). In August we announced the acquisition of Nelbud Services Inc in the US, providing a boost to our life cycle services strategy implementation in the Foodservice business area.

Our people engagement remained above the manufacturing industry average. We saw amazing commitment from Haltonians operating in a fast-changing environment. In summary, we moved in the right direction, but work will continue to get back to pre-pandemic performance levels and exceed them. Our generally positive business momentum was significantly disturbed during Q1 2022 as COVID-19 re-hit China and the Russian state launched its criminal attack against Ukraine. This all led to increasing economic uncertainty and further challenges in material availability and cost. Growing inflation rates and scarcity of human resources are additional obstacles for business recovery in 2022.



Strategic Focus on Indoor Air Quality and Sustainability

Our mission - enabling wellbeing in demanding indoor environments - is more relevant to our customers in the pandemic world than ever before. Simultaneously, the fight against climate change requires new actions to be taken to reduce our carbon footprint in the built environment. Our strategy and innovations are focused to provide customers with the highest total value of ownership with indoor air quality delivered in the most sustainable way. All our strategic business areas, Foodservice, Buildings & Health, and Marine, can address these opportunities with their customers. We have set ourselves ambitious targets to develop sustainability in our operations and offerings to become visibly different in the eyes of our customers. We have a target to become operationally carbon neutral by 2023.

During 2021 we continued to implement improvement measures in different units. Examples include energy renovation to the ventilation, heating, and building automation of our Kausala manufacturing unit in Finland, and a transition to wind energy in the manufacturing units in Scottsville, USA. In terms of wider ESG development, we continued to steer our work in accordance with the UN's Sustainable Development Goals. One highlight in the development of our range is our IoT service Halton Connect, which enables us to monitor and fix our customers' installations remotely, thus increasing service speed and reducing the need for physical travel.

Looking forward, we see great long-term opportunities to provide benefits to customers, people and the planet with our products and services. In the short term, our operating environment will remain unpredictable and fast changing. We plan to stay fit, proactive, and agile in supporting customers in their evolving business needs, growing our sustainable handprint, and striving toward carbon neutrality in our operations.

Kai Konola President, CEO Halton Group

SUSTAINABILITY PERFORMANCE

Halton's Non-Financial Performance in 2021

This report reflects our sustainability development in the past three years. At Halton we have collected CR data starting from 2017, focusing on three themes: economic, social, and environmental responsibility. In order to enable the comparison of our starting point with other companies, we aim to make our results proportional to our business volume. If there is a lack or paucity of data, we have mentioned this under each indicator and in the GRI index.

Key Responsibility Indicators at a Glance

HALTON'S NON-FINANCIAL PERFORMANCE IN 2019-2021

	2019	2020	2021
Turnover EUR million	237.1	196.9	219.6
-per employee EUR thousand	148	125	140
Profit before taxes EUR million	15.4	7.4	8.2
-per employee EUR thousand	9.6	4.7	5.3
Employees			
-number of employees	1,614	1,573	1,537
-sickdays %	4.2	2.8	3.0
Use of materials in tons	8,915	8,242	8,233
-stainless steel in tons	3,707	3,138	3,239
-galvanized steel in tons	2,944	3,360	3,053
-aluminized stainless steel	479	289	318
-aluminium	321	279	450
-other materials	1,464	1,176	1,170
-total use in tons per EUR 1 million of turnover	37.6	41.9	37.5
Waste in tons	2,641	2,129	2,036
Recovery rate %	93	92	91
Purchased energy MWh	19,890	21,442	22,387
-electricity MWh	9,673	8,964	9,508
-heat MWh	4,911	4,584	7,743
-fuels MWh	5,306	7,894 ⁽¹⁾	7,813
-total energy MWh per EUR 1 million of turnover	84	109	102
CO ₂ emissions tons (Scope 1 and 2)	3,509	4,261	4,997
-tons per EUR 1 million of turnover	14.8	21.6	22.8

⁽¹⁾ 2020 is the first year when figures include fuels from sales and service units

Table 1.1: Halton Group non-financial performance

ECONOMIC RESPONSIBILITY



Economic Value Distributed to Stakeholders

The economic benefits divided between stakeholders in 2019-2021 were the following:

	2019 m EUR	2019 %	2020 m EUR	2020 %	2021 m EUR	2021 %
Purchases from suppliers	100.6	42.4%	85.3	43.3%	95.3	43.4%
Other goods and services	33.3	14.0%	16.4	8.3%	14.0	6.4%
Salaries and other benefits	67.1	28.3%	62.3	31.7%	71.5	32.6%
Social security payments	17	7.2%	14.1	7.2%	16.3	7.4%
Interest paid	0.4	0.2%	0.4	0.2%	0.4	0.2%
Dividends paid	2.3	1.0%	2.7	1.4%	1.8	0.8%
Investments in machinery and equipment	6.9	2.9%	4	2.0%	6.3	2.9%
Taxes paid	3.7	1.6%	2.5	1.3%	3.2	1.5%
Left in company for further development	6	2.5%	9.1	4.6%	10.7	4.9%
Turnover	237.2	100%	196.9	100%	219.6	100%

Table 2.1:Halton Group economic benefits /stakeholder groups

Purchases from external vendors increased as business activity improved after 2020. Business in Europe and the Americas was particularly active. In addition, Halton Group executed a major acquisition in mid August in the US, which increased activity even further. Non-tangible purchases from external vendors such as outsourced services were slightly lower than in 2020 for no particular reason; some purchases were covered under "purchases from suppliers." Salaries and other benefits paid by Halton Group to its personnel increased - this was particularly due to the acquisition executed in the U.S. Salary increases were also introduced to keep salaries competitive.

Interest paid on external funding arrangements remained at the same level as in previous years, as external funding was utilized throughout most of the year. Later in 2021 Halton withdrew external funding to fund part of the acquisition but it did not have a visible impact on interest paid. Dividends that the parent company paid to its shareholders was slightly lower than in previous years.

The investments that Halton Group paid for new or refurbished tangible investments increased compared to 2020, as more sizable investments in production machinery and ERP were made in 2021. Taxes paid within the year increased in line with higher profitability.

Purchases from Suppliers

The total value of purchases from suppliers grew in 2021. During the year Halton purchased materials and other goods and services to the value of EUR 109.3 million, an increase of EUR 7.6 million from the previous year's total amount EUR 101.7 million. About 820 supplier companies represent 80 percent of Halton's purchases, and the rest supply small quantities or have an irregular relationship with Halton. Each of our manufacturing units prefers local sourcing and buys raw materials and components locally based on availability. This approach can also be seen in the following analysis of material purchases per country.



Country	Year 2021
FIN	19.8%
USA	18.1%
FRA	10.6%
GBR	9.2%
DEU	8.9%
MYS	7.7%
CHN	5.5%
CAN	3.8%
SVN	3.0%
HUN	3.0%
SWE	2.8%
ITA	1.5%
BRA	1.0%
BEL	0.8%
POL	0.8%
NLD	0.5%
CZE	0.4%
SGP	0.3%
CHE	0.2%
TWA	0.2%

Table 2.2:Halton Group purchases/country

Halton Group Material Purchases per Country

Halton Group's material purchases follow the local sourcing policy of our manufacturing units. The bar chart 2.1 and table 2.2 shows Halton Group's total purchases in different countries, based on where Halton's production units are located. The table 2.2 shows the purchases by units in different countries from local suppliers as a percentage of the unit's total purchases.

The country of origin of the products could not be fully taken into account in the calculations. This is due to the fact that the data is based on the location of the supplier, who may be the importer. However, the figures support the principle that the manufacturing units seek to source the necessary materials and services from local suppliers.

Labour Productivity

After the major impact COVID-19 brought about, 2021 was seen as a year of recovery regarding Halton Group's labor productivity levels. Prior to 2020, labor productivity was pretty stable. The impact of COVID on our business was clearly visible, leading to a significant decrease in productivity. At Halton we managed to change this course the following year, shifting productivity back on the right track to pre-COVID levels in terms of sales, although we still have some catching up to do on the profitability side.

We report our labor productivity - in terms of sales and profit per person - at group level. This is because wages, currencies, cost of living, etc. differ very much from country to country, and local figures would otherwise not be comparable. In 2021, our turnover per person was EUR 143,000 (EUR 128,000 in 2020 and EUR 148,000 in 2019) and our operating profit per person was EUR 6,000 (EUR 4,700 in 2020 and EUR 9,600 in 2019).



Haltonians working, Halton Malaysia factory

Training in Anti-Corruption Policies and Procedures

Corruption and bribery are very much under our magnifying glass. As a multinational group with employees in over 35 countries and customers and suppliers all over the world, we need to constantly have our eyes on the economic environments of many countries. Part of our anti-corruption policy is estimating the corruption risks for each country using data from the annual Corruption Perception Index by Transparency International (TI). The table 2.3 shows the transparency index of the countries Halton operates in.

Halton applies a zero-tolerance approach to corruption, both within and outside the group. We educate our employees and suppliers on our anti-corruption policy using our three written instruction manuals: the internal Code of Conduct, the external Supplier Code of Conduct, and the Halton Way leaflet for our employees.

Each of our employees is familiar with the Code of Conduct and they are instructed by their supervisors to follow this guidance. We use the Code of Conduct eLearning material during the onboarding process of our employees. In addition to this material, all the guidance related to the Code of Conduct is available on our intranet, Halton HIVE.

Every suspected violation of the Halton Code of Conduct must be reported immediately to the unit manager or anonymously via the Fair Play Forum, the links to which can be found on the Halton website (<https://ethical.halton.com/>) and the Halton intranet.

Country	Score (max 100)	Rank
OWN PRODUCTION		
Finland	88	1
Germany	80	10
UK	78	11
Canada	74	13
France	71	22
USA	67	27
Malaysia	48	62
China	45	66
Brazil	38	96
LICENSE PRODUCTION		
New Zealand	88	1
Australia	73	18
South Africa	44	70
Mexico	31	124

Table 2.3:Corruption Perception Index by Transparency International (TI) 2021



SOCIAL RESPONSIBILITY

Social Responsibility (Own Labour)

Our Halton employees, known as Haltonians, are the heart of our group - everything in our business starts from our engaged personnel. Our most important focus is on securing the wellbeing of our employees, strengthening their competence and knowledge, and keeping motivation levels high. This is managed by our People Policy and our Health and Safety Policy. At Halton we invest a lot in the promotion of health, safety, and wellbeing at work.



Haltonians in Reit im Winkl, Germany

Workforce by Employment Type and Contract

At the end of 2021, we had 1,537 employees (1,573 at the beginning of the year). We noticed at the end of 2021 that we had some incomplete employee data in our system. When we finish updating this information, it will alter some of the statistics we have provided. Thus, the data on employment type, tenure, and gender may not be totally consistent when comparing figures year on year. Some figures may change due to the updating of information in the HR system rather than there being actual changes in the organization.

Of our 1,537 employees, 46 percent were factory workers and 54 percent office employees. The share of women in the workforce was 20 percent (22 percent in 2020). The share of employees aged over 60 was seven percent and those under 30 accounted for 14 percent.

In this type of industry, temporary and part-time work is quite rare, as highly skilled staff are required for most roles. Of our employees, 92 percent were on a permanent contract and eight percent on temporary contracts. Of those with a temporary contract, 53 percent were agency staff.

Table 3.1: The percentage of men / women by region

	2019		2020		2021	
	Men	Women	Men	Women	Men	Women
Finland	70%	30%	70%	30%	70%	30%
Other Europe	83%	17%	81%	19%	83%	17%
Americas	86%	14%	87%	13%	87%	13%
Asia	79%	21%	72%	28%	80%	20%
Halton Group	79%	21%	77%	23%	80%	20%



Haltonians working in Germany unit, Wreit im Winkl

Job satisfaction

We have created a strategic theme, Increasing Employee Engagement, to support these topics. Initial activity took place in 2018, when we carried out surveys, workshops, and actions around this theme. In these customized workshops our teams analyzed and discussed the key factors of engagement. Action plans were made at the individual, team, and organizational level. In order to monitor the results and progress over time, the surveys have been carried out in a range of different units. The results of these surveys have also been analyzed and acted upon at the same three levels.

Our survey results show that Halton employees have strong engagement, in relative terms, with their own teams and customers. This is in line with our company values. A typical area of improvement highlighted in several surveys is communication, both horizontally across the organization and in particular between teams within units.

In 2020 our main engagement activity was to keep our people safe and the business running smoothly. We did not run a full survey on Employee Engagement, but instead ran a pulse survey with fewer questions. These showed positive improvements at the Kausala factory in Finland and in Germany, despite the impact of COVID. Unfavorable trends were seen in Malaysia, Lahti, and China.



Haltonians in Lahti factory

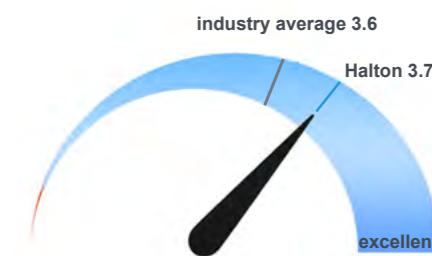


Figure 3.1: Haltonians engagement rate compared to industry average

In 2021 we changed our survey platform. This new platform allows for real-time visibility of results and more advanced analysis, as well as action planning based on results. It also provides real-time benchmarking data. This enables us to compare our situation to other companies on an ongoing basis.

Last year saw two different Employee Engagement surveys. The first was a smaller survey to show progress from the end of the previous year, using the same focused questions we used in 2020. This survey showed mainly positive improvement. At the end of 2021 we also ran a more comprehensive survey, including a complete questionnaire. This gave us the opportunity to use a new platform and benefit from a new base score. As a result of this survey, on a general level Halton's Engagement score was 3.7 compared to an industry average of 3.6. This year we will continue to analyze the results of these same indicators and take actions on the key points.

At Halton we have a high level of employee engagement and job satisfaction. This is one of our core strengths that keeps the foundations solid for future success. According to our survey results, Haltonians are feeling strong about the theme of Relationships with Colleagues. This is demonstrated in our year 2021 results that are well in line with earlier surveys, highlighting that engagement with our own teams is high. In addition, the topics of Goals and Achievement, Meaningfulness, and Participation receive high scores from our employees. The topics that need our further attention are Feedback, Communication, and Health. The 2021 results on Communication are similar to results from earlier surveys. The topic of Health is partially impacted by the effects of COVID. We will place special focus on the new era of hybrid working.

Although we have a generally high level of employee engagement and job satisfaction, the Net Promoter Score measurement results from 2021 guide us to pay constant attention to staff conditions. The Net Promoter Score (NPS) measurement is an additional tool for measuring employee satisfaction. The NPS measures the loyalty of respondents by asking one question: "How likely is it that you would recommend Halton as an employee to a friend or colleague?". Answers are scored based on a scale from 0 to 10. The percentages of responses are calculated using three categories: a) Promoters, responding with a 9 or 10, b) Passives, responding with a 7 or 8, and c) Detractors, responding with a 6 or less. The NPS score is the Promoter score minus the Detractor score and can thus range between -100% and +100%. The employee NPS score from our company-wide global survey was +20% in 2019. In 2021 the score was -5% globally. It is clear that we need to keep our focus on the conditions of our people in order to reverse this worrying trend.

Table 3.2: The NPS scores in total and per each business area at Halton Group

Business Area	Engagement	eNPS	Participation rate
Total	3.7	- 5	87
SBA Halton	3.6	- 28	75
SBA Marine	3.7	0	83
SBA Foodservice	3.8	3	91



Employee Turnover

The average number of employees at Halton during 2021 was 1,592. The number of leavers, which includes permanent and temporary employees, was 200. Our employee turnover was 12.6 percent. The number of leavers who had a permanent contract was 83. The turnover of permanent employees was 5.2 percent.

Sick Days and Injuries

The number of sick days reported in 2021 was 3.2 percent of the theoretical working hours (2.8 percent in 2020). The total number of sick days caused by injuries at the workplace amounted to 559 (184 in 2020). The number of accidents increased slightly from the year before to 67 (59 in 2020). A small number of more serious accidents caused the total number of days to be considerably higher in 2021. We have taken special steps to ensure that we learn from these accidents and prevent them from happening in the future. The injury rate per total working hours went up slightly compared to 2021, from 20.1 to 24.9 accidents per million working hours. This is similar to the pre-COVID levels in 2019.

Performance and Career Development Reviews

At Halton, employee performance reviews have been part of our HR practices for a long time. In 2021 we started using a global electronic platform called Halton People Portal (HPP) for setting targets and evaluating and following up on performance. This process was renamed Development Dialogue to emphasize the aspect of supporting people to succeed in their work. The process is applied to all white-collar workers - some 835 in total. The coverage of the process in our first year was 71%. For guiding the work and development of our blue collar workers, we use local proven processes.

Ratio of Basic Salary of Men to Women

At Halton we adhere to the equal treatment principle. This principle includes the common practice of aiming to provide the same pay to every employee based on the nature of the job and job performance - irrespective of gender or age. This compensation practice is to be based on job classifications and the average market salary of the job per each country. Pay for a particular job can veer from the average based on the performance of the person in the role. This performance is evaluated annually in our Development Dialogue process. Currently we're building this common practice, starting with our units in Finland.



Haltonians working in Finland factory

Training

Halton training programs focus on developing expertise in indoor air quality

The development and spreading of Halton specific training are emphasized by our training at Halton. We believe that our future success depends primarily on our expertise in the area of indoor air quality. To make this happen we are exploring a combination of different media for our training programs.

The basic information and generic topics about Halton are covered in the eLearning media. Currently our onboarding programs and mandatory training, such as Code of Conduct, are included in this category. In the future we will offer training on internal processes in this as well. During 2021 we had total of 118 training items and about 1,800 people participated in our training online. In daily communication at Halton, frequently changing information is disseminated by face-to-face discussions and online. We actively use Teams for sharing information and running sessions, and these sessions are often recorded for further use.

The training is customized according to each business units' different needs and challenges, following specific business contexts and operations at hand. Some examples of the business-driven programs include Building Outstanding Supervisor Skills, BOSS, training for managers at SBA Marine, end-to-end process training at SBA Halton, and the Leadership Program at SBA Foodservice.

Halton Future Leadership Development Program

In order to focus on potential future leaders across all business areas at Halton, we have a program called the Halton Future Leadership Development. The program was established in order to develop potential future leaders, promoting cross-organization networking and testing new ideas for Halton.

At Halton, the concept of leadership includes leading projects, knowledge, and people. Participation in the Halton Future Leadership Development program does not guarantee a leadership position. However, it does develop participants' skills and capabilities, supporting them to be better candidates for such opportunities.

We have completed three Halton Future Leadership Development programs to date. The fourth program started in January 2021 and participants from 16 different countries participated in the program virtually throughout the year. This program will proceed with face-to-face modules in 2022.

According to many personal development stories that have been shared, the Halton Future Leadership Program has met expectations well. Our key talents have been identified successfully and many have ascended the Halton career ladder to take on more demanding leadership positions.

ENVIRONMENTAL RESPONSIBILITY



Environmental Management

Halton's environmental management is guided by our environmental policy and the ISO 14001 environmental management standard. At the end of 2021, five of our manufacturing units had ISO 14001 certifications. The list of our ISO 14001 certifications as well as ISO 9001 and ISO 45001 certifications per each unit can be seen below.

France: Halton Foodservice SAS

- ISO 14001 Environmental Management, Certification Valid Until Date 14th. September 2024

Finland: Halton Oy

- ISO 9001 Quality Management, Certification Valid Until Date 19th. November 2023
- ISO 14001 Environmental Management, Certification Valid Until Date 19th. November 2023

Finland: Halton Marine Oy

- ISO 9001 Quality Management, Certification Valid Until Date 19th. November 2023
- ISO 14001 Environmental Management, Certification Valid Until Date 19th. November 2023
- ISO 45001 Health and Safety Management, Certification Valid Until Date 23rd. September 2022

China: Halton Ventilation Ltd.

- ISO 9001 Quality Management, Certification Valid Until Date 29th. September 2022
- ISO 14001 Environmental Management, Certification Valid Until Date 24th. February 2024
- ISO 45001 Health and Safety Management, Certification Valid Until Date 18th. January 2025

Germany: Halton Foodservice Gmbh.

- ISO 9001 Quality Management, Certification Valid Until Date 13th. August 2022

UK: Flamgard Engineering Ltd.

- ISO 9001 Quality Management, Certification Valid Until Date 31st. July 2022
- ISO 45001 Health and Safety Management, Certification Valid Until Date 15th. March 2025

UK: Halton Foodservice Ltd

- ISO 9001 Quality Management, Certification Valid Until Date 9th. June 2024
- ISO 14001 Environmental Management, Certification Valid Until Date 9th. June 2024

USA: Nelbud Services LLC.

- ISO 9001 Quality Management, Certification Valid Until Date 15th. May 2024

In 2021, ISO 9001 quality management certifications rose from the previous year's 49 percent to 56 percent of our turnover. Regarding the ISO 14001 environmental management system certifications, the growth was from 39 percent to 45 percent of our turnover. In addition to these two certification types, we currently have three units that have ISO 45001 certification. Some 20 percent of our turnover is covered by this certification type.

When comparing 2021 and 2020, the reason for the higher figures is that we have new certified quality systems in the UK, China, and the US. In the USA, Nelbud Services LLC. was acquired by Halton Group in the end of 2021.

All our units perform environmental activities whether they have a formal ISO 14001 certification in place or not. The environmental impacts and risks of uncertified units are considered to be very limited. We annually evaluate the requirements for further formal certification of these units.



Halton products in the kitchen area

Topical Issues in 2021

Halton's major environmental impacts arise from the materials we use; from the energy we consume in our production, and from the energy our products consume during the life cycle of products. Greenhouse gas emissions caused by the production of purchased energy are important factors, as is that from the fuel we use in company vehicles.

2021 was the first complete year that the Lahti factory used only geothermal heating together with certified green electricity. In Scope 1 and 2, the emissions from factory operations in Lahti were zero. The emissions from company vehicles are reported separately and are not included in the factory results.

At the Kausala factory, the energy-saving project started at the beginning of 2021. The project aimed to reduce the property's energy consumption and the use of natural gas. The project was completed at the end of the year and the results will be seen in 2022.

Our Kentucky factories switched to wind-power electricity in the middle of the year. Part of the effect will be seen in the reduction of CO2 emissions in 2021, but the overall effect will not be visible until the 2022 emission figures are released.

Materials Used

Halton provides solutions for commercial and public premises, healthcare institutions and laboratories, professional kitchens, and restaurants, as well as energy production environments and marine vessels. The majority of the production materials we use are stainless and galvanized steel, aluminum, and wood. Of these four materials, galvanized steel is the most common for SBA Halton's products, whereas SBA Foodservice and SBA Marine mainly use stainless steel. In all Halton factories we use wood for packing. The largest quantities of aluminum are used at SBA Halton's factory in France for exhaust grilles.

Our suppliers' production processes determine the proportion of our purchased recycled material in steel and aluminum. We will increase the recycling information awareness and guidance given to end-users on how to recycle our products at the end of the product life cycles. The tables 4.1 and 4.2 shows the statistics on materials used. This data covers all our production units.

Table 4.1: Materials used (tons) in Finland and other EU area

Purchased material in tons /region	Finland			Other Europe		
	2019	2020	2021	2019	2020	2021
Stainless steel	634	446	503	974	1,043	1,070
Galvanized steel	2,075	2,383	2,257	668	733	592
Copper	0	0	0	0	0	0
Aluminium	59	41	63	252	230	378
Wood	605	400	421	35	204	138
Fibres	-	-	-	-	-	-
Plastic	2	4	5	5	14	14
Insulation materials	-	-	-	20	23	43
Alumized SS	-	-	-	-	-	-
Materials used	3,375	3,274	3,248	1,954	2,247	2,235

Table 4.2: Materials used (tons) in Americas and Asia

Purchased material in tons /region	Americas			Asia		
	2019	2020	2021	2019	2020	2021
Stainless steel	1,107	798	930	882	851	737
Galvanized steel	37	68	78	155	176	127
Copper	2	2	2	-	-	0
Aluminium	-	-	-	10	8	9
Wood	479	394	419	143	133	129
Fibres	-	-	-	-	-	0
Plastic	-	-	-	2	2	2
Insulation materials	-	-	-	-	-	-
Alumized SS	479	289	318	-	-	-
Materials used	2,104	1,551	1,746	1,192	1,170	1,004



Halton Malaysia factory

Purchased Energy

In 2021, all our production units purchased a total amount of 9,509 MWhs of electricity, 5,065 MWhs of heat, and 12,068 MWhs of fuel. In the same year the amount of purchased fuel increased. This is due to the increase in the service business and the more detailed acquisition of information on fuel consumption.

When taking a closer look at electricity consumption in 2021, the largest electricity consumers were SBA Halton's Kausala unit, SBA Foodservice's US unit and SBA Marine's Lahti unit. Of the total amount of purchased electricity, 64 percent was renewable, 24 percent was non-renewable, and 12 percent was based on nuclear power. The energy consumption was 121 MWh per EUR 1 million of group turnover.

We could not confirm that the electricity supplied to the Kausala unit was from renewable sources, during 2019-2021, so we have changed the calculation to correspond to the residual mix of Finnish electricity production.

Table 4.3: Purchased energy at Halton Group

Purchased energy / Halton Group	2018	2019	2020	2021
	Electricity purchased (MWh)	9,581	9,803	8,964
Renewable %	27	49,6	62	64
Non-renewable %	39	30,3	24	24
Nuclear %	34	20	14	12
Heat purchased (MWh)	4,850	4,911	4,585	5,065
Renewable %	8	7	7	7
Non-renewable %	92	93	93	93

Regarding heat consumption, our units in Kausala and Lahti are the main users of purchased heat. At the same time the units in Canada and the US, and the Malaysia Foodservice and China Marine units do not buy any external heat. From the total amount of purchased heat, 93 percent was non-renewable, and the fuel was 100 percent non-renewable.

Table 4.4: Purchased energy in Finland, other Europe, Americas and Asia

Purchased energy / region	Finland			Other Europe			Americas			Asia		
	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Electricity purchased (MWh)	4,602	4,204	4,199	1,513	1,394	1,623	2,672	2,416	2,870	885	800	817
Renewable %	5	35	35	25	29	31	27	27	41	24	28	29
Non-renewable %	43	29	29	6	5	19	60	60	49	76	72	71
Nuclear %	52	36	36	69	66	50	13	13	10	0	0	0
Heat purchased (MWh)	3,908	3,663	3,497	1,003	922	1,568	9,088	7,059	0	0	0	0
Renewable %	0	0	0	33	37	24	0	0	0	0	0	0
Non-renewable %	100	100	100	67	63	76	100	100	0	0	0	0

Indirect Energy GHG Emissions

Unlike in previous years, we have implemented the 2021 emission calculation according to the calculation principles of the GHG protocol. Currently, we only collect energy consumption data from production units. Measures and investments to reduce emissions are also targeted at these units.

The calculated emissions differ from the emissions reported in the previous 2019 and 2020 reports. The reason for this is the updates of the data collected from previous years and the refinement of the calculation. Changes in business operations have also contributed to the increase in emissions.

The emission factor used in the calculation of electricity emissions for renewable electricity production and electricity produced by nuclear power is 0.012 kg/kWh. [Carbon Dioxide Emissions From Electricity, World Nuclear Association, May 2021]. For non-renewable electricity, the emission factor is determined by the country-specific residual mix emission factor, except in the US and Canada, where it is possible to use Grid Region factors.

During the year 2021, we have succeeded in reducing emissions by approximately 550 tonnes by investing in low-emission heating solutions and switching to renewable energy. Investments in reducing energy consumption and emissions will continue in the coming years.

Car fuels cause the most significant increase in Halton GHG emissions from previous years. In the case of car fuels, we have improved the data collection process, which also gives us more detailed information on vehicle fuels used in sales and service units.

Another factor in terms of the rise in emissions is Halton's acquisition activities. Halton acquired a service company, Nelbud Services LLC in the US in late 2021. The data on the fuel consumption of service cars in Nelbud Services LLC. is included in the calculations for the last 4.5 months of 2021 when the company became part of the Halton Group. The emissions are presented in the bar chart 4.1 and table 4.5.

Bar chart 4.1: Emissions at Halton Group

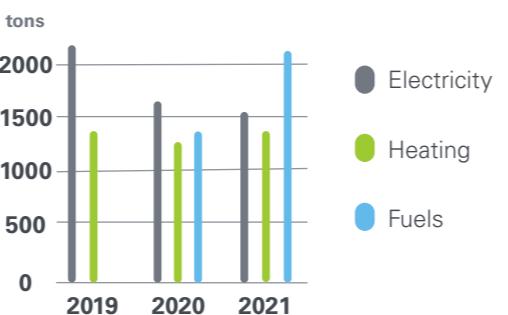


Table 4.5:Emissions at Halton Group

Halton Group CO ₂ Emission, (TN) Scope 1 and 2	2019	2020	2021
Electricity	2159	1632	1532
Heating	1350	1240	1353
Fuels	N/A	1389	2111
CO₂ Emission total (tn)	3509	4261	4996

Waste

At Halton, practically all the waste produced by our group is process waste. Most of our products are made of steel sheets. From this material we produce the shapes of the products and this causes cutting waste. The reduction of this cutting waste is our focus and we have developed our production processes based on this. As a result, we have managed to make the processes more efficient and reduce waste. In 2021, the amount of cutting waste was 24.7 percent of the total material used. In the previous year the cutting waste accounted for 36.5 percent.

In our units the amount of process waste is strongly connected to the product mix delivered to customers. This varies from year to year. However, continuous process improvement and quality management play a significant role in reducing waste.

Table 4.6: Waste per each region

Waste / region GRI 306-2	Finland			Other Europe			Americas			Asia		
	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Total tons	1,246	910	807	639	489	565	584	559	523	172	171	141
Recovery	1,246	909	807	636	484	557	403	408	365	156	157	127
Recovery %	100	99.9	99.9	99.5	99.0	98.6	69.1	73.0	69.8	90.7	91.8	90
Reuse	0	0	0	3	5	8	0	0	0	16	14	14
Reuse %	0	0	0	0.5	1.0	1.4	0	0	0	9.3	8.2	10
Landfill tons	-	-	-	-	-	-	181	148	158	-	-	0
Landfill %	0	0	0	0	0	0	30.9	26.5	30.2	0	0	0
Other waste tons	-	1	-	-	-	-	-	-	3	-	-	0
Other waste %	0	0.1	0	0	0	0	0	0.5	0	0	0	0

At Halton, recycling is a common practice in our daily work. Steel waste is sold to recycling companies who sort it and forward it to steel mills to make new material. Regarding wood material, most of our units use this for packing and use wooden pallets for transporting our products. After the transporting phase, it is unusual for us to receive these pallets back for reuse, but our customers can take packaging material and pallets for recovery. In terms of hazardous waste, the amounts are very small. In our daily work we use only a small amount of hazardous liquids. These are mainly paint and hydraulic oil, from which the waste is taken to toxic waste disposal plants.

We continually monitor our units' waste management practices. All of our production units have submitted their total waste amounts since 2017. In 2021, the total amount was 2,036 tons, which is a reduction from the previous year's 2,129 tons. From this, 91 percent was recovered (92 percent in 2020), 0.7 percent reused (0.9 percent in 2020), and 8 percent taken to landfill (7 percent in 2020). The US factory in Scottsville, Kentucky, has the largest landfill amount (31 percent), as there are no good recovery options within reasonable distance.



Table 4.6: Waste at Halton Group

Waste GRI 306-2	Halton Group		
	2019	2020	2021
Total tons	2,641	2,129	2,036
Recovery	19	19	14
Recovery %	0.7	0.9	0.7
Reuse	2,441	1,958	1,857
Reuse %	92	92	91
Landfill tons	181	148	158
Landfill %	6.9	7.0	8
Other waste tons	-	4	0
Other waste %	0	0	0

Suppliers' Auditing

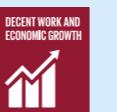
The auditing of suppliers plays an important role in our sustainability policy and practices. We audit our suppliers according to the ISO 9001 quality system's environmental and social criteria. We monitor our suppliers and want to ensure that they follow our Supplier Code of Conduct and comply with all applicable labor laws and international labor conventions. At Halton we prefer suppliers who apply the ISO 14001 environmental management standard.

At the end of 2021, we had 822 major suppliers that represented 80 percent of our total purchases. The number of suppliers has remained the same compared to 2020. Of the current suppliers, 18.9 percent are ISO 14001-certified and seven percent have undergone Halton's supplier auditing. In the next few years, we will analyze more deeply which of our suppliers can be considered risk suppliers according to labor and environmental standards and decide whether more internal and third-party audits are required.

ACTION PLAN

The Action Plan is presented in the table. The table shows the areas of responsibility and the actions to be taken along with the indicators we will use to assess whether we have achieved our results. The results of the listed actions are reviewed annually in the CR Report and new targets and actions will be set whenever needed.

HALTON PROMISE	EXAMPLES OF ACTIONS
ENGAGED EMPLOYEES & STAKEHOLDERS	
 4 QUALITY EDUCATION Halton invests in our employees' competence development, and cooperates with schools and universities to offer apprenticeships to young people and students. We also share our knowledge with our other stakeholders to promote productive cooperation.	<ul style="list-style-type: none"> Arranging seminars and providing material to our customers on indoor climate and high-quality indoor air solution. (2020-2022) Providing learning opportunities to students in terms of hands-on training. (2021-2022) Arranging partner training on our solution configurations and services to ensure smooth system operation and commissioning (2021-2022) Encouraging and supporting continuous competence development of Halton's staff across the world. We offer opportunities and resources for development both locally and globally, utilizing eLearning solutions in a focused manner. (2020-2022)
 5 GENDER EQUALITY All Halton employees are equal, regardless of gender. Their salary and compensation are determined based on the complexity of the work role. Women have equal opportunities to advance in their careers in all positions in the organisation.	<ul style="list-style-type: none"> Establishing and enforcing practices to ensure that female candidates are considered for any vacant position. (2021-2023) Applying role pay reporting based on gender. (2021-2023)
SUSTAINABLE & EFFECTIVE OPERATIONS	
 12 RESPONSIBLE CONSUMPTION AND PRODUCTION Halton is continuously decreasing the amount of waste in its own processes. When selecting raw materials, we pay attention to recyclability, carbon footprint and the proportion of recycled material.	<ul style="list-style-type: none"> Conducting regular supplier audits, including the review of environmental, health and safety and corporate responsibility issues. Processing the Code of Conduct with suppliers. (2021-2022) Monitoring our waste (including scrap) and increasing recycle ability in all plants. (2020-2022) Developing production processes and investing in new technologies to reduce waste.
 13 CLIMATE ACTION We are systematically reducing CO ₂ emissions in all our operations by increasing the share of renewable energy and improving energy efficiency. Halton is measuring the net environmental impact of its operations. By increasing the value of our handprint and decreasing the value of our footprint we are able to enlarge our net value to society.	<ul style="list-style-type: none"> Developing water recirculation for cold water mist systems to decrease water consumption. (2022) Making investments in energy efficiency in factories and changing energy sources to green energy by utilizing biogas, sustainably produced electricity, and solar panels. (2021-2023) Developing the concept of retrofit offering for energy efficiency solutions and products for ships. (2022) Developing concept that utilizes electricity generated solar panels for cooling and heating. (2021) Air-water systems for low temperature heating, high temperature cooling enabling use of heat pump technology. (2021)

HALTON PROMISE	EXAMPLES OF ACTIONS
CUSTOMER-DRIVEN & SUSTAINABLE SOLUTIONS	
 3 GOOD HEALTH AND WELL-BEING Halton enables healthy and comfortable indoor environments for people. We develop solutions that decrease the amount on hazardous particles in indoor air and create high-quality indoor climate conditions.	<ul style="list-style-type: none"> SBA Halton (2021) Integrating technologies into our terminal units to reduce surface contamination. Pat.Pend. (2022) We introduced Halton Safeguard and Halton Firewatch solutions to enhance indoor air quality and fire safety in professional kitchens. (2021-2022) Expanding central vacuum cleaning solutions to different types of properties. (2022) Testing virus mitigation solutions to be able to create safer indoor environments. Utilizing geo-cooling solutions in our Lahti factory (energy-efficient, carbon-free cooling) for maintaining better conditions to work on summer days. (2021) Installed (2020) and continuously using a central vacuum cleaning system in the Lahti factory to enhance cleaning and indoor air quality. We keep investing in central vacuum cleaning system in other factories. (2022-2024) Installing a Halton VCR Air purifier in each of our factory offices. Using the purifier at full power will dilute the virus concentration up to ten times faster than basic ventilation. The use of the device will reduce the risk of infection by 45%. (2020-2021)
 9 INDUSTRY INNOVATION AND INFRASTRUCTURE Halton invests in local R&D close to customers through Halton Innovation HUB's. We work in close cooperation with universities, research institutes, and industrial research partners to create new knowledge within our sector.	<ul style="list-style-type: none"> Halton is a member of the E3 consortium, which aims to develop solutions for enhanced pandemic response and sustainability. (2021-2024) Improving sound measurement facilities in our R&D center to improve its capacity and quality. (2022) Participating in development co-operation with third party in new technologies for air purification of passenger vessels to combat bacteria and viruses and to develop solutions to create a better working environment for the crew members. (2021-2023) Cooperation in R&D with several companies and universities in different research projects focusing on energy savings, wellbeing, the use of renewable energy, or building life cycle management. (2020-2022)
 11 SUSTAINABLE CITIES AND COMMUNITIES Halton offers increasingly energy-efficient solutions for its customers to reduce their environmental impact. Halton also drives kitchen ventilation related outdoor air quality improvement through the development of pollution control systems.	<ul style="list-style-type: none"> Enhancing pollution control features and design of professional kitchen solutions. (2020-2022) Developing demand-based workplace ventilation solutions to reduce energy consumption, purify air, optimize CO₂ in offices and maximize wellbeing. (2022) Developing competence and methodology to assess and publish Environmental Product declarations, in order to make more environment-conscious decisions in the future. (2022-2023)
HALTON PROMISE	
 8 DECENT WORK AND ECONOMIC GROWTH Halton invests in R&D and innovations. It partners with or invests in start-ups and businesses that support its mission and sustainability. Also, Halton invests in the wellbeing of its staff, and offers opportunities for working across borders, and promotes high ethics at work.	<ul style="list-style-type: none"> We ensure that Halton's People Policy is followed throughout the whole organization by training supervisors and managers. (ongoing) We search employees for open roles also from (Halton units) in other countries. (ongoing)
RESPONSIBLE GROWTH	

GRI Index

According to the GRI standard, a CR report ends with a GRI index. In this index the reporter discloses how the GRI reporting requirements have been followed. There are two options for claiming that the report is in accordance with the GRI—either the “core option” or the “comprehensive option.” If neither of these options are appropriate, the reporter can choose a partial approach, using some specific GRI standards and explaining how they are used.

We do not yet claim to report in full accordance with the GRI standard, nor even with the core option, but GRI has been the basis for all our reporting since 2018.

As we endorse the United Nations Global Compact initiative, we also include information in our GRI index on how our performance relates to the Global Compact’s principles and the United Nations’ Millennium Goals.

You can find the detailed GRI index on our website: www.halton.com/sustainability.



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Halton Enabling Wellbeing