Helping Create Sustainable Indoor Environments

SUSTAINABILITY REPORT 2018

Enabling Wellbeing
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Halton is celebrating its 50th anniversary in 2019. Looking back, it’s clear to say that Halton has achieved its original targets. The founder, Seppo Halttunen, had a vision of building an international company based on its own production, research and product development, and with a good reputation among its customers. Right from the start, the company wanted to operate on an ethically sound basis. People’s wellbeing in indoor environments became a key value and eventually the core of the company’s mission. This is also the basis for Halton’s new growth strategy, completed in early 2019, as the company bolsters its international position further as a leading supplier of advanced indoor air solutions and related technology.

As Halton is increasing its global market share also in emerging markets, corporate responsibility issues and addressing them consistently is becoming ever more important. As a result of new policy decisions and because we are standing on the threshold of our second half century in business, Halton has raised sustainable operations as one of its strategic cornerstones and will now publish its first corporate responsibility report. The development of sustainable practices, and systematic documentation and communication will boost the company’s competitiveness and enhance its financial performance and will enable Halton to offer its staff responsible and competitive terms of employment.

Halton’s traditional operating idea – to enable wellbeing in demanding indoor environments – has stood the test of time. Urban life is becoming increasingly the norm globally and people are spending more and more time indoors. Therefore, the quality of indoor environments is growing in importance and Halton’s operating idea is becoming ever more relevant in today’s business world. Amid the modern global challenges and climate change, wellbeing in indoor environments is ultimately dependent on the conditions of the entire planet and the success of sustainable solutions in all our operating environments. As we strive for wellbeing, we must therefore ensure that everyone wins.

Mika Halttunen
Chairman of Halton Group
Concerning corporate responsibility, how are we doing today?

**KK:** We are in a good starting position in that we operate in a highly skilled cleantech business which does not pose us any major risks. Our solutions enhance people’s well-being and help save energy. Our customers and partners are willing to invest in quality, and the Halton Group has maintained economic stability over the long term. On the other hand, we still have room for improvement regarding the environmental impact of our operations and establishing sustainability-driven common processes and practices. Halton’s operating model relies on independent regional business units, and because of this we do not traditionally have many group-level processes in the company. As we expand our operations in emerging markets, the importance of these processes linked to our corporate responsibility will become greater. As part of our common policies, we must provide our people with regular training on sustainability issues and policies in order to prevent any unethical or unsustainable action and to enable appropriate intervention in all our units when needed. Thanks to Halton’s traditionally strong ownership and values base, corporate responsibility is widely respected in the company and we have a solid ground to build on.

How is this reflected in Halton’s product and solution development?

**KK:** We are developing more intelligent solutions utilizing data on the indoor environment and end-user experience. This will enhance the quality and energy efficiency of indoor environments. We are also applying a more holistic approach to our end-user’s wellbeing in our selected customer segments in terms of reaching beyond indoor air. We already offer indoor climate systems with integrated human-centric lighting and these have been received very well. To offer the best outcome and convenience for the customer in our projects, we will focus more strongly on delivering total solutions optimized for our customer environments.

What role does corporate responsibility play in reaching the targets outlined in Halton’s new strategy?

**KK:** Firstly, I believe that every highly skilled international business can only create solid growth in a responsible manner. More and more of our customers and partners are committed to complying with international recommendations, commitments and sustainability reporting standards, and they require the same from their own business network. We too need to measure up to these standards. Secondly, we can help our customers and partners run an even more sustainable business and enhance people’s wellbeing on their premises. The better we become in all this, the more opportunities we will have for growth.

What is your vision of Halton’s sustainable future?

**KK:** There is an increasing demand for what we do. Many of the global challenges we will face in the future call for determined actions combined with progressive solutions. I see Halton drawing on our extensive experience of the field and co-creating these future solutions together with our customers and partners. We will utilize digitalized systems and our unique set of Halton Innovation Hubs around the world. Halton people play a crucial role in our plans. Engaging our people and harnessing our innovative resources will be at the heart of our success in the future too. Along with our corporate responsibility efforts, we will also be looking more closely at our own operations and we will enhance these aspects in the company to make the world a better place for future generations too.
Halton Group in Brief

The Halton Group is a global technology leader in indoor air solutions for demanding spaces. Halton's business segments offer a globally unique range of expertise in indoor environments and we provide pioneering technology for commercial and public premises, healthcare institutions and laboratories, professional kitchens and restaurants as well as energy production environments and marine vessels. We promote and enable wellbeing by offering our end-users safe, comfortable and productive indoor environments that are energy-efficient and comply with sustainable principles.

Our mission is to enable people’s wellbeing in demanding indoor environments.

In indoor environments, we focus on Quality, Health & Safety and Sustainability.

Halton was founded in Finland in 1969 by Seppo Halttunen. The company is owned by the Halttunen family and it is headquartered in Helsinki.

In 2018, the Halton Group had production units in Finland, France, Germany, Hungary, UK, USA, Canada, China, Malaysia and Brazil and eight R&D units in seven of these countries. Licensed production is carried out in South-Africa, Mexico, New-Zealand and Australia. The Halton Group employs over 1,550 people in over 30 countries. The company’s turnover in 2018 was nearly 218 million euros.

Customers and partners

HALTON BUILDINGS
Indoor air solutions and fire safety for
• Public and commercial buildings
• High-class offices and work spaces
• Public venues

HALTON HEALTH
Indoor air solutions for
• Health care facilities
• Operating theatres
• Patient and isolation rooms
• Medical and industrial laboratories

HALTON FOODSERVICE
Kitchen ventilation, fire safety and integrated lighting solutions for
• Professional kitchens
• Restaurants
• Food courts

HALTON MARINE
Cabin ventilation, galley ventilation, fire safety, central vacuum cleaning system for
• Ships
• Energy production environments offshore and onshore
• Heavy industry
Positive Business Momentum in 2018

Halton had a very positive and active year in 2018. The markets were strong and provided good opportunities for growth. The building industry developed favorably in most of our markets. The markets in the food service, marine cruise and ferry and healthcare sectors had very positive growth.

Group sales reached their highest ever level of EUR 217.5 million. Our sales grew by 6% compared to 2017. This is a good continuation of the growth that during the past 5 years has been 4.6% (CAGR) each year on average. Within our strategic business areas (SBAs) growth was strongest in the Marine and Foodservice SBAs. Our newest focus segment is our Health segment, and this enjoyed good market traction and grew by over 70% compared to 2017.

Geographically Europe remained the largest region (58%), followed by the Americas (24%) and the Asia-Pacific (18%). To support our future growth, we continued to invest in people, innovations and operations. Our Empowering Engagement program was released in June 2018. It aims to provide people and teams with practical ways to develop their own levels of engagement with the company and its mission.

To drive innovation, we invested approximately EUR 1 million in our Béthune factory research and product development facilities and our unique show kitchen environment. We continued the development of our manufacturing processes and tools, e.g., with major investments in Malaysia and Finland. In the USA we acquired LCSystems Inc. to accelerate the entry of our comprehensive solutions into the North American market. As a result, our CAPEX was exceptionally high (EUR 11.8 million). In spite of these future growth-related investments, Halton Group’s relative profitability remained at a solid level of 7.2% (EBIT).

These results were enabled by strong engagement from Halton employees. At the end of 2018 there were over 1,550 Halton employees in over 30 countries. Our latest country addition was Chile, where we started local operations in January 2018.

New Strategy for 2025 Released

Last year we carried out a significant amount of work on our new strategy toward the year 2025. This is now titled Mission 500.

Leveraging our mission, enabling people’s wellbeing in demanding indoor environments, we were able to find several exciting new growth opportunities. We also firmly believe that our already existing SBA focus areas provide room for additional growth.

Succeeding in Mission 500 requires expanding the scope of our offering and entering into new markets, both geographically as well as targeting new customer segments. These choices are made by each SBA. Examples of scope expansions include our turnkey business model offered by the Foodservice SBA to chain customers and our modular operating rooms for health customers. We are also addressing interesting aspects of indoor wellbeing outside air solutions. One example of this are our Halton Culinary Lights for professional kitchens.

Mission 500 also focuses on common enablers for growth. We have worked on three main areas in this respect. These are: strengthening the customer experience; enhancing our offering and operations through digitalization; and developing our employee engagement. A good example of our work in digitalization is the development of our next-generation remote management system to be utilized by all SBAs.

The first steps of Mission 500 have been included in our 2019 action plans.
Indoor Environment

We create human wellbeing and economic value through enabling sustainable, high-quality indoor environments.

**Halton’s Value Creation**

**DRIVING GLOBAL CHANGES**

- **Climate Change**
  - Minimizing the environmental impact of the production and products throughout their life cycle

- **Global Economy**
  - Complying with ethical sourcing principles and governance

**INPUT**

- **Customer-Driven Solutions**
- **Agile Operations**
- **Full-scale modelling**
- **Solution development**
- **Final design**
- **Comissioning & verification**
- **Manufacture**
- **Logistics**

**OUTPUT & IMPACT**

- **Climate Change**
  - Minimizing the environmental impact of the production and products throughout their life cycle

- **Global Economy**
  - Complying with ethical sourcing principles and governance

**INPUT**

- **Responsible Growth**
- **Engaged people**

**PEOPLE & LEADERSHIP**

We offer meaningful duties to approximately 1550 people in over 30 countries around the world. We promote social responsibility in all our units through a common Code of Conduct. With our Future Leadership Development program, we build a quality workplace and culture.

**INNOVATION**

- Our success is traditionally based on constant innovation and development supported by our eight R&D centers, the Halton Innovation Hubs operating as part of our factories in seven countries. Halton has registered dozens of indoor air related patents along the decades. Based on our innovation assets, we aim to solve even the most challenging customer problems. We constantly develop our insights in co-creation projects together with our customers and partners.

**MANUFACTURING**

- We have 12 production units in ten countries and licensed manufacturing in four. Our production units cooperate closely with our local R&D enabling agile projects. We produce customer-driven products understanding local and highly specialized needs. Our global manufacturing network also allows flexibility with logistics arrangements.

**PURCHASES**

- In all our purchasing operations, we comply with environmental and social responsibility standards through our Supplier Code of Conduct. In our energy purchases we aim to use renewable sources when possible.

**FINANCIAL STABILITY**

- Our operation is based on a long-term strategy and agile execution creating financial value for our owners enabling future investments.
PRODUCTS & SOLUTIONS
We solve our customers’ and users’ indoor environment challenges with high-quality products and solutions enabling wellbeing in demanding indoor environments within our growing geographical reach. Our people in local units understand the needs of our local and regional customers and facility users.

RESPONSIBLE SALES
We comply with ethical standards and guarantee the safety of our solutions. We offer our customers and partners quality information and support for their responsible purchasing decisions.

ENVIRONMENT
We deliver energy-efficient and human-centric demand-based ventilation solutions that generate energy savings and help reduce the carbon footprint in our customer environments. Along with our corporate responsibility work, we also aim to cut our carbon footprint from own operations and to increase recycling in all applicable areas.

SOCIAL RESPONSIBILITY
We want to be a good corporate citizen and part of society in every country we operate in. We support communities by paying taxes and providing jobs, and by building better work places for both the Halton staff and the people working in our customer environments.
Halton applies the Global Reporting Initiative standards as the basis for managing corporate responsibility and reporting on non-financial performance. Halton also recognizes the requirements of the EU Directive on Non-Financial Reporting. The directive does not directly apply to Halton because Halton is a non-listed company, but many of Halton’s customers conform to the directive, and as their supplier, Halton is keen to present similar policies and performance indicators.

The Steering Group

In order to work systematically and take all necessary issues into account, Halton has set up a steering group which has the responsibility for the CR development work. After having completed the management system phase, this group will continue until CR has become so established that it does not need to be handled separately but can be included in the group’s common management system.

Halton’s CR Steering Group is chaired by the CEO and its members represent the directors of the business units and chain business development, including the CFO, CPO and the Group CR Director and Communications Manager.

The CR Steering Group makes proposals on management principles, operating models and programs and reports to the Halton Board. The Board of Directors decides on the general business principles (Code of Conduct) and they will be notified of other CR issues such as the annual CR report.
Management Principles Guiding Corporate Responsibility at Halton

**Roles and Principles**

The CR Steering Group has defined Halton’s public management principles in order to guide the group’s CR activities. The principles were approved on January 1st in 2019 by the Senior Executive Team, except for the Code of Conduct, which was approved by the Board of Directors on November 1st in 2017. Corporate responsibility will be managed as part of the normal planning and everyday work of the group.

**International Commitments**

Halton is a multinational company, with its own production units in ten countries (2018) and sales covering almost all parts of the world. Therefore, it is natural that Halton has engaged in voluntary commitments to common international agreements and initiatives, which in Halton’s case are:

- The UN Universal Declaration of Human Rights
- The OECD Guidelines for Multinational Enterprises
- The ILO Declaration on Fundamental Principles and Rights at Work and other relevant ILO Conventions

We endorse the United Nations Global Compact strategic initiative for sustainable business practices and support the Global Compact’s Ten Principles focusing on human rights, fair treatment of labour, respect for the environment and anticorruption. Halton was listed as a participant on the Global Compact website on December 17th, 2018.

**Halton Group Policies Guiding Corporate Responsibility**

*Halton’s CR policies are:*

- Halton’s Code of Conduct;
- Halton’s Supplier Code of Conduct
- Halton’s Environmental Policy
- Halton’s People Policy
- Halton’s Health and Safety Policy

In this chapter, the contents of these policies are described in brief. You will find the complete text of each policy on our website:

- [https://www.halton.com/en_GB/other-group-policies](https://www.halton.com/en_GB/other-group-policies)
CODE OF CONDUCT

Our Code of Conduct ("Code") sets forth the most important principles and practices guiding Halton and its employees in all of their actions. The Code consists of the following areas:

• Compliance with law (this applies to all countries in which we operate);
• Human rights (this refers to the UN Universal Declaration of Human Rights and the ILO Declaration of Fundamental Principles and Rights at Work);
• Employees (this stresses the value of diversity and prevents any offensive or other inappropriate behavior from or towards our employees);
• Anti-Corruption (this describes our actions for maintaining a zero-tolerance approach);
• Use of Halton’s funds and assets (personal interests shall not be in direct or indirect conflict with Halton’s interests);
• Competition (our principles of promoting free competition);
• Environment (refers to our compliance with environmental standards and efforts to develop sustainable products and services);
• Implementation and monitoring (the Code is included in employee training and compliance is continuously monitored).

As Halton’s reputation depends on the conduct of its employees, each Halton employee is expected to comply with the requirements set forth in this Code without exception. Halton’s business partners are also required to endorse the principles of the Code as part of their contractual relationship with Halton. Specific requirements for suppliers are described in Halton Supplier Code of Conduct.

HALTON’S SUPPLIER CODE OF CONDUCT

Though Halton does not have many suppliers that could be regarded as risk suppliers regarding environmental, social and other risks, Halton wants to ensure that all its business partners comply with the same responsibility principles as Halton does. Therefore, a Supplier Code of Conduct has been defined to outline the minimum expectations that Halton sets for its suppliers.

The Supplier Code of Conduct consists of the following areas:

• Compliance with laws and regulations;
• Respect for human rights and labour conditions (this includes issues such as harassment, discrimination, freedom of association, collective bargaining, child labour, working hours, minimum wages);
• Occupational health and safety standards (this area focuses on preventing and managing emergencies and occupational hazards, ensuring access to potable water, sanitary facilities, adequate ventilation and lighting);
• Adherence to ethical standards (conflicts of interest, corruption, bribery etc.);
• Environmental responsibility (minimizing waste, emissions and the use of non-renewable resources);
• Commitment to management (maintaining management systems to control risks and ensure compliance with laws and Halton’s requirements);
• Application to sub-suppliers (the same requirements apply to sub-suppliers and this part of the Code of Conduct specifically mentions conflict minerals tin, tantalum, tungsten and gold);
• Monitoring of compliance (includes on-site audits and documentation)
• Violation (this part concerns corrective action plans, and cases when the relationship will be terminated).
HALTON’S ENVIRONMENTAL POLICY

Halton’s environmental actions take into account both the indoor environment, where energy efficiency and safety are important to customers who value people’s wellbeing, as well as the external environment, encouraging us to minimize the environmental impact of our operations and products.

All our operations have targets associated with energy, water, and material efficiency and waste reduction. These issues are also taken into consideration in our product development and we strive to ensure that our products are the most efficient available in the market. We measure our own environmental impact and aim at extending the measurements to the use of our products and services. We cooperate with our key suppliers, encouraging them to implement their own environmental policies and practices that conform to Halton’s policies. We communicate this policy to all our employees and provide them with the resources needed for effective implementation.

HALTON’S PEOPLE POLICY

Halton’s success is based on competent, motivated, engaged employees. Health, safety and wellbeing at work as well as equal and fair treatment are important in all countries where Halton operates.

In Halton’s recruiting process, preference is based on objective evaluation of competences and suitability to the role. Salaries are based on job classification, local industry standards and legislation or collective agreements. High performance and engagement will be noted and rewarded.

Job satisfaction is a key issue for our success and we monitor it regularly. Work Life Cycle management is an important area that effects employees’ wellbeing. We understand different phases and situations in our employees’ life and support their self-development.

Halton belongs to employers’ associations in countries where significant possibilities for such memberships exist. Halton endorses freedom of association and collective bargaining and other terms of the ILO Declaration of Fundamental Principles and Rights at Work. We encourage open, proactive and responsible dialogue within our organization.

HALTON’S HEALTH AND SAFETY POLICY

Halton Group is committed to providing a safe and healthy workplace that promotes our own employees’ wellbeing. In our product development we concentrate on improving our customers’ indoor environments in order to enable the end-users’ wellbeing.

All our units strive to adhere to our health and safety principles. We identify and evaluate all health and safety hazards and manage their risks. We take preventive actions against accidents and injuries, and we measure and report data on critical health and safety issues. We provide occupational health care services to our personnel and promote personal wellbeing by encouraging and supporting healthy lifestyles and leisure activities.
Principles and Coverage of CR Reporting

Halton’s CR report contains the standard disclosures according to the Global Reporting Initiative (GRI) standard and takes into account that many of Halton’s customers have to comply with the EU Directive on Non-Financial Reporting. The aspects and their indicators which are included in Halton’s reporting have been chosen in the materiality assessment carried out by the CR Steering Group. In considering the materiality assessment, the CR Steering Group took into account the information collected in our stakeholder assessment, risk assessment and SWOT analysis.

The Halton Group consists of production units in five European countries and in four countries outside Europe. Licensed production is carried out in South-Africa, Mexico, New-Zealand and Australia. In addition to production units, there are sales offices in important market areas around the world. The Group employs approximately 1,550 people in over 30 countries. The aim of Halton’s CR reporting is to cover all the production units first and then proceed onto licensed production. As this CR report is the first one we have produced, we have still work to do to standardize the indicators in different units to verify their uniformity.

We receive quite basic information about our suppliers and the raw materials and components they supply us with, but we cannot say that we report much about what has happened before our own production. The same is true with the end of the value chain – we cannot obtain information about how our products are used and how they are disposed of. Year by year, we will improve our data on the energy our products consume when used by the end-users of our products, as well as the share of recycled materials in our production and the recyclability of our products at the end of their life cycles. In that way, we will widen our value chain in both directions in the future. All deviations and limitations are reported in connection with the indicators and in the GRI Index.
CR Risk Management in Halton Group

Goal
The goal of risk management is to secure appropriate risk identification, assessment and management, and to monitor the related impacts across the group in a manner that enables the group to achieve its strategic and financial goals.

Responsibilities
The Board of Directors will review risks during its annual review of the implementation of the group strategy, evaluate the adequacy of the risk management and, if necessary, propose corrective measures. In addition, the Board will regularly monitor the realization of risk management at Board meetings held three times a year to consider the current status of different business operations. At these meetings, the executive management will provide the Board with an interim report on the business area operations.

The directors of business areas and business units will ensure that all units and staff in their business units abide by local laws and regulations, and the Halton Code of Conduct.

Development Plan
Halton’s key operational risks include financial, customer, competition, employee, delivery, data security, data protection, intellectual property rights, and environmental and social risks.

A decision has been taken within the company to continuously develop risk management in order to cover the company’s operations more comprehensively, to clarify its risk management responsibilities, and to enable proactive risk management, and, where necessary, to enact rapid corrective measures.
Halton’s Non-Financial Performance in 2018

Halton has collected CR data starting from the year 2017, and there is no comparable data from the previous years. We aim to make our results proportional to our business volume, so that readers can compare our starting point to other companies which have a longer history in reporting and have described their development in the last few years. We comment on the possible lack or inadequacy of data under each indicator and in the GRI Index.

Key Responsibility Indicators at a Glance

**HALTON’S NON-FINANCIAL PERFORMANCE IN 2017–2018**

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover EUR million</td>
<td>205.3</td>
<td>217.5</td>
</tr>
<tr>
<td>• per employee EUR thousand</td>
<td>136</td>
<td>139</td>
</tr>
<tr>
<td>Profit before taxes EUR million</td>
<td>14.8</td>
<td>15.3</td>
</tr>
<tr>
<td>• per employee EUR thousand</td>
<td>9.8</td>
<td>9.7</td>
</tr>
<tr>
<td>Employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• number</td>
<td>1,513</td>
<td>1,569</td>
</tr>
<tr>
<td>• sick days %</td>
<td>3.5</td>
<td>4.1</td>
</tr>
<tr>
<td>Use of materials in tons</td>
<td>7,304</td>
<td>8,162</td>
</tr>
<tr>
<td>• stainless steel in tons</td>
<td>3,226</td>
<td>3,644</td>
</tr>
<tr>
<td>• galvanized steel in tons</td>
<td>3,017</td>
<td>3,149</td>
</tr>
<tr>
<td>• total use in tons per EUR 1 million in turnover</td>
<td>35.6</td>
<td>37</td>
</tr>
<tr>
<td>Waste in tons</td>
<td>2,522</td>
<td>2,763</td>
</tr>
<tr>
<td>recovery rate %</td>
<td>93.3</td>
<td>95.1</td>
</tr>
<tr>
<td>Purchased energy MWh</td>
<td>18,029</td>
<td>16,982</td>
</tr>
<tr>
<td>• electricity MWh</td>
<td>9,894</td>
<td>9,581</td>
</tr>
<tr>
<td>• heat MWh</td>
<td>4,363</td>
<td>4,850</td>
</tr>
<tr>
<td>• fuels MWh</td>
<td>3,772</td>
<td>2,551</td>
</tr>
<tr>
<td>• total energy MWh per EUR 1 million in turnover</td>
<td>8.8</td>
<td>7.8</td>
</tr>
<tr>
<td>CO2 emissions 1) tons</td>
<td>n/a</td>
<td>2,000</td>
</tr>
<tr>
<td>• tons per EUR 1 million of turnover</td>
<td>n/a</td>
<td>9.2</td>
</tr>
</tbody>
</table>

1) Rough estimation
The Halton Way

Our values guiding all of our work are the following:

CUSTOMER FOCUS
Customer focus has been the foundation of Halton’s success since the beginning and it will determine our success in the future too. We want to add the highest value for our carefully selected segments in the markets.

We focus on meeting our customers’ and partners’ true needs and solving their indoor environment challenges even in the most demanding environments.

Everyone at Halton works in customer service either externally or internally.

TRUST AND ETHICS
Trusting and being trustworthy lays the foundation for rewarding collegial and business relationships. We provide solutions for critical environments where trust and reliable performance are fundamental.

Ethical and fair behavior is the foundation of trust. We treat our employees fairly and equally. Regarding our customers and partners, we see to it that all of our actions meet ethical standards.

TEAMWORK
Success requires teamwork between individuals, teams and units. Co-operation, interdependence inside Halton and a strong commitment to adding value to our customers form the foundation of Halton’s global success.

We focus on solving all the problems our customers have that Halton can help with, regardless of our organizational borders.

CONTINUOUS LEARNING
The world is changing rapidly. To keep up with and to seize emerging opportunities, we must continuously develop ourselves and improve our operation. We also value active self-development.

Continuous learning is an important element of job satisfaction that contributes to higher customer satisfaction.

POSITIVE ATTITUDE
We look into the future with curiosity and an encouraging spirit. We value a proactive, solution-focused and positive attitude and atmosphere. To guarantee the best outcome even in challenging situations, instead of complaining, we focus on making a difference.
Stakeholder Assessment

CR Steering Group started developing the CR management system by carrying out a stakeholder assessment. This assessment consisted of the following parts:

- Identifying the stakeholders;
- Examining the requirements/expectations of each stakeholder group;
- Halton’s own actions (present and future) for responding to the requirements/expectations;
- Halton’s own expectations concerning the stakeholders;
- Measures of success of stakeholder engagement.

The group analyzed each stakeholder group’s importance to Halton as well as their influence on Halton’ work. The main stakeholders are briefly discussed below.

Customers and Partners are the most important and influential stakeholder group. By using Halton solutions, our customers want positive effects on their operations, leading to wellbeing, productivity and sustainability on their premises. They want the solutions and services to be reliable and risk-free and to provide added value. Furthermore, they want Halton to comply with their own promises concerning regular customer interaction and reporting. Halton is responding to these expectations by improving overall transparency, increasing life-cycle services to ensure the long-term functioning of Halton solutions, developing methods of monitoring and remotely adjusting indoor environmental conditions, developing pollution control systems, adding environmental and health and wellbeing certificates, and so on. Businesses utilizing Halton’s solutions emphasize efficient, reliable and thorough pre- and post-sale support and accurate product documentation. Halton has taken into account these customer needs and is also planning to develop ways to calculate the added value provided by their solutions.

Employees are of crucial importance to Halton’s success and are an essential stakeholder group. They appreciate transparent, fair and equal leadership, including interactive communication, well defined roles and responsibilities and good opportunities for self-development. A positive company image and reputation as well as equitable and incentive inducing rewards are important for employees. Halton takes care that the supervisors are well trained and monitors the employees’ opinions using regular leadership and wellbeing indices.

The Owners are naturally an important stakeholder group. Halton is a family-owned company – and has decided that CR will be a visible part of Halton’s strategy. The owners want to see sustainable value creation in Halton’s operations, emphasizing long-term aspects, avoiding breach issues, creating positive impacts on communities and the environment. Halton is a responsible company and wants others to know about it. The CR development project will take into account the owners’ expectations and wishes.

Other stakeholder groups assessed were suppliers, authorities and regulatory parties, NGOs, trade unions, sector-specific associations, the media and communities. The contents of the assessment can be seen in the attached table. The relevant actions planned are disclosed in the Action Plan and the performance in each area is reported in the annual CR Report.
<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Expectations</th>
<th>Our Actions</th>
</tr>
</thead>
</table>
| **CUSTOMERS & PARTNERS** | • Insight in customer needs  
• Good added value  
• Premium quality and long life-span  
• Reliability, low risks  
• Easy-to-do-business-with  
• Enhancing sustainability in our target environments  
• Local presence in all market areas  
• Meet or exceed all regulatory and sustainability requirements  
• Accurate and consistent product documentation and warranty | • Develop our competitive insight and increasing co-creation with customers  
• Adopt sustainability and CR as key strategic focus area.  
• Develop positive handprint further  
• Develop our operation to meet quality, environmental and health & safety certificate requirements globally  
• Increase transparency by providing more data on handprint and footprint  
• Expand global presence |
| **EMPLOYEES** | • Compelling company mission, credible future strategy and sustainable financial performance  
• Permanent employment  
• Fair and equal treatment, professional leadership  
• Safe working environment  
• Equitable and incentive rewarding  
• Opportunities for training and personal development  
• Work life-cycle management | • Develop our competitive edge and promote growth  
• Develop leadership skills and work competencies  
• Develop people management model and processes  
• Promote employee wellbeing and safety  
• Enable transparency, continuous communication |
| **END-USERS** | • Safe, comfortable and sustainable indoor environment | • Verify system performance  
• Increase insight in end-user needs |
| **OWNERS** | • Long-term strategy and value creation  
• Drive wellbeing in indoor environments with high-quality solutions  
• Competent employees, best professionals  
• Responsible corporate citizen  
• Excellent reputation globally | • Implement growth strategy  
• Sustainability regarded and communicated as a strategic cornerstone for the operation  
• Act as trusted partner to all stakeholders  
• Engage Halton’s employees and enable wellbeing at work |
| **SUPPLIERS** | • Liquidity and low risks  
• Long-term business relationship  
• Clearly communicated expectations and transparent processes  
• Feedback and support to enable service development | • Supplier Code of Conduct available on Halton’s web site  
• Develop supplier management including audits  
• Develop contract management  
• Develop monitoring  
• Increase interaction with suppliers |
| **SOCIETY & COMMUNITIES** (authorities, regulatory parties, NGOs, field-specific associations) | • Good corporate citizen and tax payer  
• Compliance with rules, regulations and agreements  
• Cooperation with communities  
• Sponsoring, donations  
• Open communication | • CR including environmental and other certificates  
• Sponsoring, donations e.g. by Halton Foundation  
• Develop overall management system  
• Corporate communication on the company website |
| **STUDENTS & UNIVERSITIES** | • Internship and summer job opportunities  
• Thesis opportunities  
• Scholarships | • Hire students for internships, summer jobs and thesis positions  
• Participate in student events  
• Offer scholarships  
• Cooperation projects with universities |
| **MEDIA** | • Publish relevant business news  
• Participate and share industry insight | • Corporate communication on the company website incl. CR pages  
• Press activities on significant business proceedings and industry findings  
• Content articles and SoMe posts |
Materiality Assessment of Performance Indicators

In choosing the material aspects and indicators for Halton's CR management and reporting, the CR Steering Group utilized the GRI Standard as a checklist and discussed the importance and relevance of each aspect and indicator of the standard, from both Halton's and the stakeholders’ points of view. The stakeholder assessment provided plenty of input for this discussion, as well as the risk assessment.

As this report is Halton's first, the list of material indicators is not yet very long, but it is already quite comprehensive for Halton's purposes and will probably not be expanded very much in the years to come. Customer satisfaction and initiatives to produce energy-efficient products are at top of the list, as well as a breakdown of the economic value distributed to stakeholders. Other indicators which received quite heavy weight from the steering group include job satisfaction and employee turnover, screening suppliers using environmental criteria, and training staff on anti-corruption policies and procedures. Data on materials used and the share of recycled materials are also high up on the list, as are purchased energy, GHG emissions and performance reviews.

Overview of Halton’s key areas regarding the materiality assessment
Agile and Effective Operations
201-1a Economic value distributed
204-1 Purchases from suppliers
301-1 Materials used
302-2 Purchased Energy

Responsible Growth
205-2 Training in anti-corruption policies and procedures
301-2 Percentage recycled materials
305-2 Greenhouse gas emission
306-2 Waste
308-1 Screening of suppliers using environmental criteria
414-1 Screening of suppliers using social criteria
412-2 Employee training on relevant human rights

Customer Driven Solutions
302-5 Initiatives to produce energy-efficient products
417-1 Information requirements on products sold
102-4 Customer satisfaction surveys

Engaged People
201-1c Labour productivity
401-1a Workforce by employment type and contract
401-1b Employee turnover and satisfaction
403-2 Sick days and injuries
404-1 Training by employee category
404-3 Performance & Career development reviews
405-2 Ratio of basic salary of men to women

All 21 indicators chosen as material can be seen in the Materiality Assessment Table. The status of each indicator is reported in the relevant section and summarized in the GRI Index at the end of the report.
**Agile Operations**

**Seppo Halttunen**, the founder of Halton, believed that large companies had amazingly inefficient organizations. He wanted to create a company that would do everything better: would function more efficiently and could develop into the best international player in demanding vertical markets. On this basis, Halton's independent business units developed over the decades into an extensive global organization, with an entrepreneurial business model which has provided the foundation for financially sustainable operations and above-trend growth. Foodservice, which is Halton’s largest business area, has performed best, multiplying its net sales more than 11-fold since 2000.

Halton’s success is based on a highly developed understanding of the customer’s needs and the ability to produce the most suitable, tailored solutions for different segments and geographical areas. The high degree of autonomy of its organizational structure, which is based on small or medium-sized regional units, enables agile operations and fast reaction to emerging customer needs in different regions, and investment in quality that differentiates Halton from the competition. On the other hand, Halton’s global organization and segmentation has enabled it to find wider markets for many of its technologies based on regional R&D. In other words, Halton has been able to combine a small company’s lack of bureaucracy and light administrative touch with a global corporation’s economies of scale. Its international production network has also provided flexible logistics. In addition, Halton’s private ownership structure has given it room for maneuver in comparison to companies with quarterly horizons and centralized, top-down management. Halton Group provides its autonomous units with ambitious growth targets and high-level strategic frameworks, within which they are free to develop their strategies as close to the customer as possible.

At Halton, the executive team and employees have traditionally been closely interwoven, with the units functioning as tight-knit small communities. Face-to-face interaction and flat organizational structures provide the basis for an entrepreneurial culture in which anyone can engage in innovation, and there is a short route from ‘customer needs to deeds’.
CASE Halton Innovation Hub

From the very beginning, Halton’s trust in the power of research and development has formed the basis of its customer-driven, high-quality solutions. Its research and product development center established in Kausala, Finland, in 1984 was a huge investment, given the size of the company at the time. However, it quickly differentiated Halton from its competitors and demonstrated the importance of R&D facilities to a stable and growing business. The company now has seven R&D centers, eight Halton Innovation Hubs in eight countries on three continents, in which product development and solution testing are performed in close cooperation with customers and partners. The Kausala Innovation Hub, with its 1,500 square meters of research facilities, remains Halton’s biggest R&D center. In terms of performance, it still compares well with the competition.

The Kausala Innovation Hub offers testing and measurement of customized indoor climate systems by means of full-scale mock-ups simulating the indoor climate conditions in customer premises as well as visualizing the performance of the solutions at hand to meet each customer’s needs. The Hub has special facilities for measuring indoor environment circumstances covering air temperatures and velocities and further, measuring acoustics.
**Customer-Driven Solutions**

**The quality of** the indoor environment has both short-term and long-term impacts on the occupants of buildings. Considering that people spend more than 90% of their time indoors, the indoor environment and indoor air quality are inevitably crucial to the wellbeing of large numbers of people and for the effective operation of businesses and organizations. This becomes even more relevant in the demanding environments that Halton focuses on, such as professional kitchens or healthcare facilities. In kitchens there may be considerable toxic or heat emissions and moisture caused by cooking and appliances, while in health-care there may be extremely strict standards for air purity. Demanding conditions in buildings also require highly efficient indoor air systems. The energy consumption of these systems is an important factor impacting both carbon emissions and the operating costs in these environments. Halton is a fully customer-driven provider of indoor environment solutions and this means that all these challenges must be tackled.

For decades, Halton has contributed to both improving indoor environment conditions and the energy efficiency in its target environments. The company’s indoor environment solutions directly impact the end-users’ health, safety, comfort and work intensity, as well as the energy consumption of the facilities.

The trend of global urbanization is driving the construction of new buildings and indoor premises. At the same time, requirements for indoor environment quality and for solutions that minimize environmental impacts and are also comfortable are increasing. Halton seeks to grasp this opportunity to the full to both grow its business and to leave a yet stronger and more positive environmental handprint.

**Elements of Indoor Environment Quality**

Indoor environment quality (IEQ) refers to the quality of the building’s environment in relation to the health and wellbeing of the people who occupy the space in it. The IEQ is determined by several factors, but the most fundamental aspects are the indoor air quality and thermal comfort, acoustics and lighting. During the past years, the company’s focus has expanded increasingly towards integrated and automatically adjustable, human-centric lighting. Halton also provides ventilation systems adjustable by users or by automation based on indoor circumstances, which helps enhance the overall IEQ.

Halton is well-known as a provider of premium systems, and the ability to adapt to various architectural and interior design solutions has proved to be a strong competitive advantage. By enabling the realization of high-quality facilities that consider a broad spectrum of human-centric indoor environmental aspects, Halton is also contributing to the wellbeing and long-term benefit of all the involved parties.
Wellbeing and Energy Efficiency in Professional Kitchens

The indoor climate conditions in commercial kitchens often vary considerably compared to domestic kitchens. In commercial kitchens, effective ventilation is required because 1) there is considerable convective and radiant heat given off by cooking equipment, 2) the air becomes laden with odors, grease, fumes, and products of combustion, 3) the humidity levels can increase easily over a wide area, 4) air replacement and a consistent air temperature are required throughout the cooking area and 5) supply air is required to dilute and replace combustion products and to ensure the complete combustion of fuel (gas fired appliances).

To maintain a quality indoor climate, it is also necessary to take care of the balance between the air streams in the kitchen space and hence the air pressure. If there is under pressure in the space, replacement air may leak in through alternate routes, thus bringing in pollution and contaminants.

Health Risks and Work Environment
The amount and type of emissions from cooking depend strongly on a variety of factors. These include the cooking ingredients, type of stove and cooking temperature. Both gaseous pollutants and particulate matter are emitted during cooking and they have impacts on health. For example, polycyclic aromatic hydrocarbons (PAHs) and aldehydes have been shown to have potential carcinogenic effects. Particulate matter emitted from cooking oil fumes has been associated with respiratory problems, lung cancer and cardiopulmonary deaths. Ultraline particles (UFPs, diameter < 100 nm) that form the major part of emitted particles have been shown to be more toxic than larger particles due to their smaller size and larger surface area. The highest particulate matter exposure comes from pan-frying, while the lowest occurs when boiling or steaming food.

Commercial kitchens have a high risk of fire because of grease discharges. Vapor and small grease particles rise above kitchen equipment and settle on hoods, for instance. This means that not all grease ends up in the filtering system but stays and accumulates on surfaces where it can easily ignite. When accumulating on the kitchen floor or working surfaces grease can also pose other safety and hygiene risks.

Kitchens are very hot working places. Studies have shown that if the room temperature increases by 5.5°C above comfort level, productivity may drop by as much as 30%. For most people, this comfort level is at room temperatures between 20-22°C, while temperatures in commercial kitchens can sometimes reach up to 40-50°C. This high temperatures undoubtedly has a huge toll on a chef’s productivity and wellbeing.
Noise levels in kitchens often reach over 80 dB and studies have shown that people should not be exposed to 85 dB noise for longer than 8 hours. Chefs often work 16-hour shifts making them exposed to dangerous sound levels for extended periods of time. Continued noise in the kitchen also contributes to increased levels of stress. One major source of noise in the kitchen is the ventilation system. Numerous factors affect the amount of noise that a kitchen ventilation system emits, including the design of the kitchen, the hood used, the ductwork, filters and size.

Last but not least, lighting is an indoor environment factor that has received very little attention in kitchens until recently. Studies have shown that different shades of light have significant effects on alertness and behavior in the workplace. Also, the amount of natural light greatly affects people’s mood and stress levels. Most commercial kitchens lack windows, so there is a complete absence of natural light present. For this need, Halton has developed an integrated human-centric lighting system that adjusts the color temperature and brightness to the human circadian rhythm, thus creating both employee wellbeing and energy savings.

Energy Efficiency and High-Performance Ventilation
Kitchen ventilation is the largest user of energy in the average commercial service business. The high energy consumption is driven by both the food-preparation equipment and the commercial kitchen ventilation. The power needed to exhaust air in a kitchen hood increases exponentially, by a cube factor, with respect to the air flow. Consequently, any reduction of this airflow will directly result in substantial energy savings. At the same time, the system’s ability to maintain quality indoor air should not be compromised. In traditional ventilation systems, the volume is adjusted manually and often left to run at full speed for all operating hours. Halton’s patented hood technology and intelligent demand-based ventilation solution together help optimize the exhaust flow rates for the real amount of cooking and cuts energy consumption by up to 50% or more.

Meeting Building Regulations and Reducing the Environmental Impact
A kitchen ventilation system is one of the most complex parts to design when putting up a foodservice establishment. Different building regulations set several requirements for the appliances and systems of a commercial kitchen ranging from fire safety to channeling exhaust air, and the control of airborne pollutants at the discharge point, for example, may be a prerequisite for running a restaurant to achieve the desired cooking volume and style on the premises.
Safety and Wellbeing in Healthcare Facilities

The importance of the indoor air quality (IAQ) is especially highlighted in healthcare facilities. Most critically this is essential in clean rooms, such as operating rooms and laboratories, isolation areas and hospital pharmacies. Factors affecting IAQ include the particle quantity, temperature, humidity and pressure as well as movement and flow routes of the air.

In clean rooms, indoor air is subject to exceptionally high hygiene standards. One purpose of indoor air solutions for clean rooms is to prevent particles from entering the indoor air and to remove particles already in the air. In these spaces, people are a central source of particles. The human skin sheds 3–15 grams of dry skin in one day. This results in as many as 10 million particles. During surgery, the number of particles shed by ten people, for example, is in the millions. About a fifth of this number of particles can be carriers or causes of infection. The latter are referred to as potentially colony forming units, CFUs. They consist of various microbes and viruses and are the most serious invisible health risk in these clean rooms. They can multiply, form colonies and remain infectious on surfaces, as well as spread to people via the air and/or by touch, depending on the particle size.

Apart from people, the quantity of particles in the indoor air is affected by the type and quality of the staff clothing, pressure differences between spaces, as well as the number of times that doors are opened and the time they remain open. Research has shown that hygiene levels in operating rooms during surgeries in terms of particle concentrations may rise considerably higher than the target levels.

The microbe and particle quantities in the air of operating rooms are known to be the most significant external factor causing infections in surgery, and are a major cause of hospital infections. The existence of drug-resistant microbes highlights the importance of a hygienic indoor climate.
**CASE The New Karolinska Hospital**

Halton’s indoor climate system for operating rooms, the Halton Vita OR, was developed together with project partners for the New Karolinska Hospital in Stockholm, Sweden, that opened in 2016. Here, Halton provided a revolutionary technology that brings the level of hygiene required by demanding operations to the entire operating room. No limitations are made to the operational layout as they would be in zonal systems. Halton’s solution is used in all flexible operating rooms, as well as in hybrid operating rooms in the new Karolinska University Hospital.

The standards for controlling the levels of particles and pathogens vary from country to country and by type of operation from hospital to hospital. For example, the New Karolinska Solna hospital in Stockholm has set the limit value of its operating rooms to <5 CFUs/m³, while in many other national standards, the limit value for ultraclean operations is <10 CFUs/m³. Halton’s solutions for operating rooms (with a patient and a staff of ten people) make it possible to achieve a level of <5 CFUs/m³. This was pre-validated prior construction by measurements conducted in simulated surgeries in the operating room laboratory built in Halton’s Innovation Hub product development facility in Kausala, Finland. have provided levels as low as 0 CFUs/m³.

Furthermore, independent a 3rd party on-site qualification was conducted by the New Karolinska Hospital. In all, the OR ventilation solution underwent one the most throughout qualification processes of any hospital globally before it was adopted by the hospital.
## Halton and Corporate Responsibility: SWOT analysis

### STRENGTHS
- Cleantech business and wellbeing adopted as a genuine mission – positive handprint
- Wellbeing and energy-efficiency are traditional cornerstones in Halton’s strategy. This is now reinforced as CR has been recognized as a strategic focus area.
- High-quality products with long lifespan
- Less emissions caused by transportation of goods due to manufacturing close to customers
- Long-term customer and partner relationships demonstrate high customer satisfaction
- Private owner enabling long-term planning through different business cycles

### WEAKNESSES
- Limited experience in CR reporting requirements and procedures because CR work at Halton started only recently
- Group-wide understanding of how CR and sustainability drive profitable business and growth is still to be created
- Group-wide CR measurement practices and related common processes at learning stage
- Global personnel with conditions of employment reflecting local standards
- Local autonomy slowing down the adoption of common global practices

### OPPORTUNITY
- Several megatrends are creating increased demand for cleantech and wellbeing solutions, highlighting e.g. health issues and wellbeing at work
- The digitalization trend provides opportunities to further enhance our positive handprint and reduce emissions, and to add customer and user value
- The market demand for sustainable solutions and demonstrated CR compliance is growing

### THREATS
- Suppliers’ or partners’ code of conduct conflicting with our sustainable standards
- Customers and partners with growing CR demands exceeding our preparedness in sustainability questions
- Political instabilities, pressures and regulations impeding compliance with sustainable principles
ECONOMIC VALUE DISTRIBUTED TO STAKEHOLDERS

The economic benefit divided between stakeholders in 2017–2018 was the following:

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases from suppliers</td>
<td>80.7</td>
<td>39.3 %</td>
<td>87.9</td>
<td>40.4 %</td>
</tr>
<tr>
<td>Other goods and services</td>
<td>30.7</td>
<td>15.0 %</td>
<td>31.8</td>
<td>14.6 %</td>
</tr>
<tr>
<td>Salaries and other benefits</td>
<td>59.7</td>
<td>29.1 %</td>
<td>62.6</td>
<td>28.8 %</td>
</tr>
<tr>
<td>Social security payments</td>
<td>14.9</td>
<td>7.3 %</td>
<td>15.4</td>
<td>7.1 %</td>
</tr>
<tr>
<td>Interests paid</td>
<td>0.4</td>
<td>0.2 %</td>
<td>0.2</td>
<td>0.1 %</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>2.3</td>
<td>1.1 %</td>
<td>1.9</td>
<td>0.9 %</td>
</tr>
<tr>
<td>Investments</td>
<td>6</td>
<td>2.9 %</td>
<td>10.9</td>
<td>5.0 %</td>
</tr>
<tr>
<td>Taxes paid</td>
<td>5.8</td>
<td>2.8 %</td>
<td>4.1</td>
<td>1.9 %</td>
</tr>
<tr>
<td>Left in company for further development</td>
<td>4.8</td>
<td>2.3 %</td>
<td>2.9</td>
<td>1.3 %</td>
</tr>
<tr>
<td>Turnover</td>
<td>205.3</td>
<td></td>
<td>217.5</td>
<td></td>
</tr>
</tbody>
</table>

As usual in industry, the suppliers receive the largest share of the economic value created and employees the second largest.

Purchases from Suppliers

Among Halton’s suppliers, 1,380 companies represent 80 per cent of Halton’s purchases, and the rest supply small quantities or are in an irregular relationship with Halton. The value of the overall purchases amounted EUR 80.7 million in 2018. We do not have statistics on the geographical division of the purchases – usually each manufacturing unit buys the raw materials and components. This also depends on whether such suppliers exist close-by.

Labour Productivity

We report our labour productivity – in terms of the sales and profit per person – on the Group level, as wages, currencies, costs of living etc. differ very much from country to country, and the country-specific figures would not be comparable. In the future, when we have published reports for a few consecutive years, it will be possible to see how the productivity has developed.

In 2018, our turnover per person was EUR 141,000 (EUR 135,681 in 2017) and our operating profit per person was EUR 9,880 (EUR 9,805 in 2017).

Training in Anti-Corruption Policies and Procedures

As Halton has employees in over 30 countries and customers and suppliers all over the world, it is a fact that corruption and bribery have to be taken into account in our risk management.

Our anti-corruption policy is written both in our Code of Conduct and our Supplier Code of Conduct. In addition, our employees have been provided with more detailed instructions and advice in the “Halton Way” leaflet. We have a very clear zero tolerance approach on these issues.

Our employees have been familiarized with the Codes and other instructions by their supervisors. E-learning material focusing on our Code of Conduct is part of the introduction process for employees, so all new employees will be trained. The material is also available on the Halton intranet, the Halton HIVE.

Any Halton employee who becomes aware of or suspects a violation of the anti-corruption or other rules, is required to report his/her concerns either to their unit management or through internal communication.
Responsible Growth

CASE Halton Malaysia, Asia

The roots of Halton’s mindset towards business responsibility lie in the strong family company culture and the consequent long-term operations and persistence in building growth. In the developing Asian markets, this heritage has proved to be especially significant.

In 1996, Halton took a strategic step and started operations and a factory in Port Klang, in Malaysia. Unfortunately the timing was not good, as the rapidly growing tiger economies collapsed in 1997. A great deal of investments and development projects in the region had to be cancelled. Halton made a significant exception for its Malaysian operations, even though the new business unit was operating deeply in the red. In many companies, this would have meant shutting down operations. Halton did not give up but postponed its business steps knowing it was working toward the right goal. In 24 years, Halton has grown a EUR 30 million business in Asia, employing over 250 people in the region today.

In March 2013, Halton officially opened its first Asian R&D center on its Malaysian premises. In November 2013, Halton relocated the premises from Port Klang to Subang Jaya to a new manufacturing facility of 5,000 sq. meters in size. The factory specializes in manufacturing commercial kitchen ventilation systems designed for hotels and restaurants as well as institutional and corporate catering, chain restaurants and quick service restaurants in the Asia-Pacific region.

For Halton, Malaysia has functioned as a regional center, from which the company has exported products and opened new business units in other Asian countries. Today, Halton has its own staff working in thirteen countries in the region, including Korea, Japan, China, Hong Kong, Singapore, Philippines, India, UAE, KSA, Indonesia, Thailand and Vietnam.

Expanding into new markets allows Halton to be close to new customers who may also come with new needs. Sometimes local innovations developed for local customers may end up having a greater global potential. The first product developed specifically at Halton’s R&D center in Malaysia was the mobile cooking station MobiChef that was launched in 2014 in Singapore. Since then, its story has continued on other continents, and the Halton MobiChef is now being manufactured in France for the European market, and in Australia. Recently, it was certified and launched for the North American and Canadian markets.

Wherever Halton operates, it follows the group’s common Code of Conduct. For many developing areas in the world, this means applying standards that are higher than the average of the surrounding business environment. Furthermore, the company values economic responsibility and consideration regarding making the right investments to continue building Halton’s long-term success and growth, and the company’s ability to provide people with safe employment.
Social responsibility concerning our own labour is managed through our People Policy and our Health and Safety Policy. Halton’s success in business is based on competent, motivated and engaged employees, therefore we invest a lot in promoting health, safety and wellbeing at work.

Workforce by Employment Type and Contract

At the end of 2018, we had 1,569 employees (1,513 at the end of 2017). Of these, 47 per cent were so-called blue-collar employees and 53 per cent white-collar employees. The women’s share of the workforce was 22 per cent (22 per cent in 2017). The age distribution can be seen in the graph. As the company was founded in 1969, there are many long-standing contracts and the age distribution is quite even. The share of employees over 60 years of age is six per cent, and the share of those under 30 years of age is 21 per cent. In the newer companies of the Group, the workforce is naturally younger than the average for the Group.

Due to the numerous different information systems in the Group, it has not been possible in this report to provide information on the numbers of contracts which are permanent vs. temporary and full-time vs. part-time. The IT systems will be updated in the near future, and we expect to provide data on the contracts after 2019. In this type of industry, temporary and part-time work is quite rare, as very high skills are required from most of the workers.
Employees

<table>
<thead>
<tr>
<th>Number of employees</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finland</td>
<td>429</td>
<td>427</td>
</tr>
<tr>
<td>Other Europe</td>
<td>641</td>
<td>653</td>
</tr>
<tr>
<td>North America</td>
<td>225</td>
<td>251</td>
</tr>
<tr>
<td>Asia</td>
<td>218</td>
<td>238</td>
</tr>
<tr>
<td>Halton Group</td>
<td>1513</td>
<td>1569</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>% of men / women</th>
<th>Men 2017</th>
<th>Women 2017</th>
<th>Men 2018</th>
<th>Women 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finland</td>
<td>73.2 %</td>
<td>26.8 %</td>
<td>72.5 %</td>
<td>27.5 %</td>
</tr>
<tr>
<td>Other Europe</td>
<td>81.9 %</td>
<td>18.1 %</td>
<td>81.6 %</td>
<td>18.4 %</td>
</tr>
<tr>
<td>North America</td>
<td>88.0 %</td>
<td>12.0 %</td>
<td>86.9 %</td>
<td>13.1 %</td>
</tr>
<tr>
<td>Asia</td>
<td>75.2 %</td>
<td>24.8 %</td>
<td>78.6 %</td>
<td>21.4 %</td>
</tr>
<tr>
<td>Halton Group</td>
<td>78.0 %</td>
<td>22.0 %</td>
<td>78.0 %</td>
<td>22.0 %</td>
</tr>
</tbody>
</table>
Job Satisfaction and Employee Turnover

Job satisfaction and employee turnover are closely linked and our Engaged People theme is high on our materiality assessment list, but we do not have data on employee turnover yet for this report.

We have carried out a survey and workshops titled Empowering Engagement in the Halton Group. 915 people have answered the survey so far, which represents 60% of the Halton employees. Our estimation is that more than 80% of the employees have participated in half-day employee engagement workshop sessions. The results have been published and employees have set their individual and unit level action plans and targets to develop their engagement.

More than half of Halton employees are engaged, or highly engaged

Halton

- Disengaged: 9%
- Not engaged: 35%
- Engaged: 36%
- Highly engaged: 20%

Average-Gallup

- Disengaged: 15%
- Not engaged: 50%
- Engaged: 25%
- Highly engaged: 10%

Halton employees are engaged, especially with customers

Halton employees are most strongly engaged with the customers and their own teams, which is in line with our company values.

We found in our work sessions that Halton employees want to be engaged and internal communication is identified as the most common challenge to even better employee engagement.
Sick Days and Injuries

Data on sick days and injuries covers all countries except the U.S.A. In the units from which we have received statistics, the average number of sick days is five per cent of the total number of theoretical working hours. In Finland, France, Hungary and Canada the number is above the average, while in Germany, Malaysia, China and the UK the figures are below the average. Once we have learned more about the sick leave in the next few years, we will be able to analyze the situation better and carry out improvements.

The total number of sick days caused by injuries at work amounted to 438. We do not have data on the number of injuries, which means we cannot count the injury rate. The number of working hours was approximately 2.64 million, and a fair estimate of the injury rate is around 15 accidents per million working hours.

<table>
<thead>
<tr>
<th>Sick Days, Share of Total Working Days</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finland</td>
<td>4.8%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Other Europe</td>
<td>3.9%</td>
<td>5.0%</td>
</tr>
<tr>
<td>North America</td>
<td>1.2%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Asia</td>
<td>2.0%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Halton Group</td>
<td>3.5%</td>
<td>4.1%</td>
</tr>
</tbody>
</table>

1) = no data from the USA
2) = no data from China

Performance and Career Development Reviews

We have used performance reviews at Halton Group for many years. In 2018, they were carried out in all units. The share of employees that participated in performance reviews was 52 per cent in the Group overall (in 2017 the share was 45%). In the U.S., all employees participated, and the percentage was close to 100 per cent also in the UK, Germany, Canada and Malaysia units as well as in SBA Marine/Lahti.

In our action plan we have a target to renew our performance review process to be able to support the company strategy better. The process will be configured for the HR System in 2019.

Ratio of Basic Salary of Men to Women

At the moment we have statistics only for Finland, but we are working on building our compensation equality information to be based on job classifications from all countries where we have production. Main principle is that we will pay the same compensation for the same job regardless of gender. The only thing which creates a difference in compensation levels is individual performance, which is evaluated regularly.
Training

Halton University

Halton Group has a global, continuous development pro-
gram for the company’s personnel and selected external
key stakeholders, such as customers. The aim of the pro-
gram is to provide a contact area for issues that are central
to Halton’s operations, and to enable continuous learning
in a high-quality environment.

The Halton Breathe In! event attracted 211 people from 25
countries around the world, of which 132 were external
participants and 79 were Halton employees. The aim was
to find and share insights on different aspects regarding
the value of wellbeing from top management perspective.
The event was arranged as part of the Halton University
concept.

In his opening words, Halton’s Chairman of the Board,
Mika Halttunen, raised some common challenges posed to
companies in today’s global business environment. Firstly,
he noted that the operational environment is changing
rapidly, and companies have to run in order to even stay
put. Secondly, globalization affects practically all industries.
Thirdly, new competition is evolving from directions that
may be hard to predict. Furthermore, customers have
more power than ever, and they may change their direction
and expectations at any time. Last but not least, technol-
yogy is developing at an exhausting pace. As frequently
stated, change is today’s constant. Halttunen discussed
the question of what is all this doing to people, who are
the resource that actually make the business happen. In
the midst of the turbulence created by constant change,
the issue of people’s wellbeing has strongly come up.
Wellbeing can be created on both the individual and organ-
izational level. The question is whether wellbeing can also
be made a strategic element enabling companies to be
more successful.

To answer this major question, the event covered different
areas: authentic leadership, wellbeing in indoor environ-
ments, sustainable development, digitalization, and millen-
nials and wellbeing.

Local training sessions based on the event content were
arranged for all Halton employees during 2018. The training
was led by the members of Halton Group Executive Team
and assisted by Halton Leadership Development Program
participants.

Halton Leadership Development Program

Halton has traditionally valued an entrepreneurial spirit and
highly committed personnel in its organization. Leadership
plays a critical role in creating a highly engaging work envi-
ronment, passing on tacit knowledge and maintaining the
unique company culture.

In 2012, Halton introduced its global Future Leadership
Program to prepare its potential next generation leaders
to accept broader occupational responsibilities with en-
hanced leadership skills in the future. The basic idea of the
program was to provide the company’s carefully selected,
talented young managers with a more comprehensive and
systemic understanding of leading the business. A further
aim of the program was to offer opportunities for global
networking across different Halton units as well as for
gaining international work experience. Halton’s internation-
al dimensions and multifaceted operations were also seen
as an asset when raising new leaders.

Three programs have been completed during 2012 to
2019. The number of participants in these three groups
has been 51. The next application period will be opened in
2020.

Many personal development stories demonstrate that the
Halton Future Leadership Program has responded to ex-
pectations well. Key talents have been identified success-
fully and many have ascended their Halton career ladder
to take on more demanding leadership positions. Existing
business networks both inside the company and within
the field have naturally been an advantage in the execution
of various leadership responsibilities.

At the moment we are not able to give any statistics on
the other training which has been carried out. Mainly the
training has been focused on increasing professional com-
petencies and leadership skills.
CASE New Horizons Overseas

Derek Schrock is an R&D Manager working on Halton’s strategic projects in the USA. He completed the Future Leadership Program in 2014 and worked as a posted worker in Halton’s China operations in Shanghai from 2014 to 2016. During his China years, he contributed to the opening of the Foodservice R&D Innovation Hub for China. Derek says that his participation in the program and the consecutive secondment were driven by both his interest in becoming more involved in leadership within Halton as well as his natural curiosity toward new cultures and overseas experiences.

According to Derek, the program opened new perspectives and provided the participants with a good set of leadership tools. One thing that was stressed during the program is that leaders are servants who are here to help others succeed wherever they are in the organization.

“For this role, and on any occasion when seeking information within the company, the global network of Halton professionals gained during the program has been valuable,” he says. A fair number of those contacts have also turned into friendships.

“I feel that I can trust the people that went through the program with me in that we will do our best to help each other.”

Regarding the lessons learned from his work overseas, Derek says, “It gave me a new understanding of the mindset of our customers and their needs in different parts of the world. I also see Halton’s role as a thought leader and teacher of the field in the international environment even more importantly now.”

Before the work opportunity in China, Derek was able to spend three months living in Malaysia which was another significant experience and provided him with the opportunity to work closely with some of Halton’s key partners in the region.

Derek feels that his international experience is valued at Halton and that new opportunities have opened as a result.

Before Derek’s journey to China, Halton’s CEO at the time, Heikki Rinne, said to him, “Good or bad, this experience will change your life.”

Derek agrees, “The experience did indeed change my life positively and I believe it also benefited Halton by helping the company open new R&D facilities for its Foodservice business and to bring in more customers within the greater China region.”
Our environmental management is guided by our environmental policy (latest version approved on 1.1.2018) and the ISO 14001 environmental management standard, which has been certified in the following countries:

**Hungary: Halton Kft**
- ISO 9001 Quality Management, date 02-04-2018
- ISO 14001 Environmental Management, date 02-04-2018

**France: Halton Foodservice SAS**
- ISO 14001 Environmental Management

**Finland, Halton Oy**
- ISO 9001 Quality Management, date 30.10.2017
- ISO 14001 Environmental Management, date 30.10.2017

**Finland, Halton Marine Oy**
- ISO 9001 Quality Management, date 9.10.2017
- ISO 14001 Environmental Management, date 9.10.2017

**China: Halton Ventilation Ltd.**
- ISO 9001 Quality Management, date 15.9.2018
- ISO 14001 Environmental Management, date 24.2.2018

ISO 9001 certifications cover about 33 per cent of our turnover and ISO 14001 certifications cover about 42 per cent.

The environmental impacts and risks of those units which do not have certification are viewed to be very limited. We will perform similar environment management activities even if not having formal ISO 14001 certification in place. Requirements for further formal certification is evaluated annually.

Halton’s major environmental impacts arise from the materials we use, as well as the energy we consume in our production and especially from the energy our products consume in use. Greenhouse gas emissions caused by the production of purchased energy are important, though the amount is relatively small, and waste statistics are of course part of Halton’s reporting.

So far, all business units have carried out environmental actions individually, without a group level target program. Now that we have published our environmental policy and action plan, there will be more coordination and cooperation on the group level.

In 2018, many units replaced their fluorescent lights with LED lights. Waste sorting and recycling has been improved, especially increasing the utilization rate of materials. This is specified in the 2019 action plan, as well as reducing energy consumption. Halton Marine SBU in Lahti uses natural gas for heating and is planning to switch to geothermal heat, which can also be used for cooling during the summer. SBU Shanghai has a very detailed sustainability plan, including zero fire accident and zero chemical leakage programs, bringing waste gas and noise emissions up to the standards in question, and many other actions.
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 major materials for producing our products are stainless and galvanized steel, aluminium and wood. A typical material used in SBA Halton’s products is galvanized steel, whereas SBA Foodservice and SBA Marine mainly use stainless steel. Wood is used for packing in all Halton factories. The largest quantities of aluminum are used at SBA Halton’s factory in France for exhaust grilles.

At this stage, we have not yet adapted the principles of the circular economy. The proportion of recycled material in the steel and aluminum which we buy, depends on the suppliers’ production process. We will increase the recycling information and guidance given to end-users on how to recycle our products at the end of the product life cycle. The statistics concerning the materials used are shown in the table below. The data covers all our production units.

### MATERIALS USED (TONS)

<table>
<thead>
<tr>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Stainless steel</td>
<td>3,234</td>
<td>3,644</td>
<td>476</td>
<td>630</td>
<td>923</td>
<td>958</td>
<td>1,037</td>
<td>1,105</td>
<td>798</td>
<td>952</td>
</tr>
<tr>
<td>Galvanized steel</td>
<td>3,017</td>
<td>3,149</td>
<td>1,912</td>
<td>1,954</td>
<td>1,007</td>
<td>1,035</td>
<td>1</td>
<td>1</td>
<td>97</td>
<td>159</td>
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<tr>
<td>Copper (tons)</td>
<td>16</td>
<td>4</td>
<td>13</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>3</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Aluminium (tons)</td>
<td>228</td>
<td>242</td>
<td>4</td>
<td>18</td>
<td>204</td>
<td>224</td>
<td>16</td>
<td>0</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>Wood (tons)</td>
<td>545</td>
<td>669</td>
<td>80</td>
<td>102</td>
<td>35</td>
<td>48</td>
<td>360</td>
<td>438</td>
<td>70</td>
<td>81</td>
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<td>Fibres (tons)</td>
<td>24</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>24</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<td>Other materials</td>
<td>0</td>
<td>27</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>27</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Plastic</td>
<td>8</td>
<td>9</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td>5</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>insulation material</td>
<td>3</td>
<td>25</td>
<td>0</td>
<td>0</td>
<td>3</td>
<td>25</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Aluminized Stainless Steel</td>
<td>238</td>
<td>420</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>238</td>
<td>420</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Materials Used</td>
<td>7,314</td>
<td>8,189</td>
<td>2,490</td>
<td>2,707</td>
<td>2,199</td>
<td>2,295</td>
<td>1,655</td>
<td>1,994</td>
<td>970</td>
<td>1,193</td>
</tr>
<tr>
<td>Total use tons per EUR million of the turnover</td>
<td>35.6</td>
<td>37.0</td>
<td></td>
<td></td>
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<td></td>
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</tr>
</tbody>
</table>
Purchased Energy

In 2018, our production units purchased 9,581 MWhs of electricity, 4,849 MWhs of heat and 2,551 MWhs of fuel. The statistics cover all our production units. The largest electricity consumers are SBA Halton's Kausala unit, SBA Foodservice's U.S. unit and SBA Marine's Lahti unit. 27 per cent of the electricity was renewable, 39 per cent was non-renewable and 34 per cent was based on nuclear power. The electricity consumption was 44 MWh per EUR 1 million of the Group turnover. The heat purchased was 92 per cent non-renewable and the fuels purchased were 100 per cent non-renewable.

Kausala and Lahti use the majority of the purchased heat – Canada, the U.S. and Malaysia Foodservice units and the China Marine unit do not buy any external heat.

<table>
<thead>
<tr>
<th>Energy Type</th>
<th>Halton Group 2017</th>
<th>Halton Group 2018</th>
<th>Finland 2017</th>
<th>Finland 2018</th>
<th>Other EU 2017</th>
<th>Other EU 2018</th>
<th>North America 2017</th>
<th>North America 2018</th>
<th>Asia 2017</th>
<th>Asia 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electricity</td>
<td>9,944</td>
<td>9,582</td>
<td>5,499</td>
<td>4,946</td>
<td>1,724</td>
<td>1,706</td>
<td>2,175</td>
<td>2,199</td>
<td>546</td>
<td>731</td>
</tr>
<tr>
<td>purchased (MWh)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>renewable %</td>
<td>26 %</td>
<td>27 %</td>
<td>28.3 %</td>
<td>28.6 %</td>
<td>24.2 %</td>
<td>24.8 %</td>
<td>26.7 %</td>
<td>26.7 %</td>
<td>16.1 %</td>
<td>22.0 %</td>
</tr>
<tr>
<td>non-renewable %</td>
<td>39 %</td>
<td>39 %</td>
<td>34.1 %</td>
<td>34.0 %</td>
<td>15.3 %</td>
<td>14.6 %</td>
<td>57.4 %</td>
<td>57.0 %</td>
<td>83.9 %</td>
<td>78.0 %</td>
</tr>
<tr>
<td>nuclear power %</td>
<td>35 %</td>
<td>34 %</td>
<td>37.6 %</td>
<td>37.4 %</td>
<td>60.5 %</td>
<td>60.6 %</td>
<td>15.9 %</td>
<td>16.3 %</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Heat purchased (MWh)</td>
<td>4,363</td>
<td>4,850</td>
<td>3,591</td>
<td>3,890</td>
<td>772</td>
<td>960</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>renewable %</td>
<td>8 %</td>
<td>8 %</td>
<td>4.3 %</td>
<td>39.0 %</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>non-renewable %</td>
<td>92 %</td>
<td>92 %</td>
<td>100 %</td>
<td>100 %</td>
<td>95.7 %</td>
<td>61.0 %</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fuels purchased (MWh)</td>
<td>3,772</td>
<td>2,551</td>
<td>-</td>
<td>-</td>
<td>3,590</td>
<td>2,367</td>
<td>182</td>
<td>184</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>renewable %</td>
<td>0 %</td>
<td>0 %</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>non-renewable %</td>
<td>100 %</td>
<td>100 %</td>
<td>-</td>
<td>-</td>
<td>100 %</td>
<td>100 %</td>
<td>100 %</td>
<td>100 %</td>
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</tr>
</tbody>
</table>
Energy Indirect GHG Emissions

We do not have data on the GHG emissions of the electricity and heat that each of our business units have purchased at this point in time. Therefore, we can only estimate a directional figure and base it on national average emission coefficients. This very rough calculation results in 600 tons of CO$_2$ from electricity, 700 tons from heat and 700 tons from fuels, the total being thus around 2,000 tons. This would mean a little less than 10 tons per EUR 1 million of turnover.

From 2019, we will collect more accurate information concerning unit-specific GHG emissions.

Energy Efficiency of Products

Energy efficiency is a crucial aspect of Halton’s customer-driven product development as ventilation in different commercial, public and work premises form a major part of the buildings’ energy consumption and hence impact significantly not only their operating costs but also on the carbon footprint.

The construction sector in all, plays a key role in terms of global CO$_2$ emissions as shown in the following statement by the International Energy Agency:

“The buildings and building construction sectors combined are responsible for 36% of global final energy consumption and nearly 40% of total direct and indirect CO$_2$ emissions. Energy demand from buildings and building construction continues to rise, driven by improved access to energy in developing countries, greater ownership and the use of energy-consuming devices, and rapid growth in global buildings floor area, at nearly 3% per year.” (https://www.iea.org/topics/energyefficiency/buildings/)

Furthermore, according to research, right HVAC systems and building design can reduce their energy consumption by up to 75 %. (Source: Energy Efficient HVAC-system and Building Design, Maija Virta, Harri Itkonen, Panu Mustakallio, Risto Kosonen, Halton Oy, Finland)

Driven by the global challenges, it is in the heart of both Halton’s mission of enabling wellbeing as well as our competitive edge to make sure we continue to be pioneers in energy efficiency of HVAC solutions optimized for our target segments.
Waste

Practically all the waste produced by Halton is process waste. Most of our products are made of steel sheets, and the shapes of the products and the holes in them result in cutting waste. The steel waste is sold to recycling companies who sort it and forward it to steel mills for making new material.

All production units have submitted the total waste amounts both from 2017 and 2018. In 2018, the total amount was 2,763 tons (2,520 tons in 2017), of which 95.1 per cent was recovered (93.3 per cent in 2017). In 2018, 0.6 per cent of the waste was reused and 4.3 per cent was taken to landfills.

**WASTE BY THE GROUP AND ITS REGIONS**

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Total tons</strong></td>
<td>2520</td>
<td>2763</td>
<td>974</td>
<td>1143</td>
<td>798</td>
<td>761</td>
<td>603</td>
<td>660</td>
<td>146</td>
<td>199</td>
</tr>
<tr>
<td><strong>Recovery tons</strong></td>
<td>2352</td>
<td>2626</td>
<td>974</td>
<td>1141</td>
<td>745</td>
<td>744</td>
<td>509</td>
<td>558</td>
<td>123</td>
<td>184</td>
</tr>
<tr>
<td><strong>Recovery %</strong></td>
<td>93.3 %</td>
<td>95.1 %</td>
<td>100.0 %</td>
<td>99.8 %</td>
<td>93.4 %</td>
<td>97.7 %</td>
<td>84.4 %</td>
<td>84.5 %</td>
<td>84.7 %</td>
<td>92.3 %</td>
</tr>
<tr>
<td><strong>Reuse tons</strong></td>
<td>9</td>
<td>17</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>7</td>
<td>0</td>
<td>0</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td><strong>Reuse %</strong></td>
<td>0.3 %</td>
<td>0.6 %</td>
<td>0.0 %</td>
<td>0.0 %</td>
<td>0.0 %</td>
<td>0.9 %</td>
<td>0.0 %</td>
<td>0.0 %</td>
<td>5.9 %</td>
<td>5.2 %</td>
</tr>
<tr>
<td><strong>Landfill tons</strong></td>
<td>161</td>
<td>118</td>
<td>0</td>
<td>0</td>
<td>53</td>
<td>10</td>
<td>95</td>
<td>103</td>
<td>14</td>
<td>5</td>
</tr>
<tr>
<td><strong>Landfill %</strong></td>
<td>6.4 %</td>
<td>4.3 %</td>
<td>0.0 %</td>
<td>0.0 %</td>
<td>6.6 %</td>
<td>1.3 %</td>
<td>15.7 %</td>
<td>15.6 %</td>
<td>9.4 %</td>
<td>2.4 %</td>
</tr>
<tr>
<td><strong>Other waste, tons</strong></td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Other waste %</strong></td>
<td>0.0 %</td>
<td>0.1 %</td>
<td>0.0 %</td>
<td>0.2 %</td>
<td>0.0 %</td>
<td>0.0 %</td>
<td>0.0 %</td>
<td>0.0 %</td>
<td>0.0 %</td>
<td>0.0 %</td>
</tr>
</tbody>
</table>

Suppliers Auditing

According ISO 9001 quality system we are auditing our suppliers and environmental topics are also monitored in connection with supplier audits. Social criteria’s have been added to audit program 2018, to be sure that suppliers follow our Code of Conduct. We prefer suppliers who apply to ISO 14001 in their environmental management, and we expect our suppliers to comply with all applicable labour laws and international labour conventions. At the moment however, we are not able to give any exact figures how many of our suppliers have ISO 14000 environmental quality system.
Concerning the energy efficiency and environmental impact, Halton used energy efficient hoods that operate at lower exhaust airflow rates. These energy reductions directly correspond to a reduction in greenhouse gas emissions.

A second factor was that Halton optimized the type of grease filtration and odor control based on the cooking process and environmental concerns. In this mixed housing and retail development the residential units required an optimal odor solution. Halton identified the solution as a combination of UV lights plus carbon panels. The carbon panels remove volatile organic compounds (VOCs) which include not only odors, but also toxic compounds produced in the cooking processes, such as toluene and benzene. By utilizing the carbon panels the emissions were substantially reduced.

The third factor was that Halton utilized odor sensors to determine when the carbon panels need to be replaced. Traditionally, there has been no feedback mechanism available to help ensure that the carbon panels are still functional.

In combination, these three factors reduce the cooking emissions from restaurants. The end result is that Halton delivered on all of the project’s requirements and there have been no odor complaints. Furthermore, Halton has helped improve the environmental conditions for the workers in the kitchens and to reduce the emissions, pollution and energy use of the building.
The action plan for 2018–2020 consists of 11 issues, which are typical at this stage of CR development. These include: setting up CR reporting and communication, training the personnel, developing employee engagement, carrying out an energy review of selected sites, screening for ISO 14001 compliance, briefing on the Supplier Code of Conduct, and so on. Further and more challenging issues include improving the customers’ energy efficiency, reducing kitchen emissions through pollution control technology and reducing the use of non-renewable and non-reusable materials.

The Action Plan is presented in the table on the right. 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 results. The results of the listed actions will be reviewed annually in the CR Report and new targets and actions will be set whenever they are needed.
### HALTON’S ACTION PLAN FOR 2018–2020

<table>
<thead>
<tr>
<th>Subject</th>
<th>Actions</th>
<th>Indicators</th>
<th>Targets</th>
<th>Schedule</th>
<th>In charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Satisfaction</td>
<td>SBA specific action plans. Customer First value communication</td>
<td>NPS (Net Promoter Score), or equivalent</td>
<td>Improvement vs. previous year</td>
<td>2020</td>
<td>SBA Directors</td>
</tr>
<tr>
<td>Corporate Responsibility</td>
<td>Setting up CR reporting and communication</td>
<td>Report published and communicated</td>
<td>100%</td>
<td>6/2019</td>
<td>CEO</td>
</tr>
<tr>
<td>Code of Conduct</td>
<td>Training the personnel</td>
<td>All employees trained</td>
<td>100%</td>
<td>2018, Done</td>
<td>CR Director</td>
</tr>
<tr>
<td>Risk management</td>
<td>Development of risk management processes</td>
<td>Risk management audits in Board business audits</td>
<td>Risk management is part of Halton Management System in all levels of organisation</td>
<td>6/2020</td>
<td>CEO</td>
</tr>
<tr>
<td>Supplier CoC</td>
<td>Roll-out globally To be included in standard purchasing terms and conditions.</td>
<td>Suppliers CoC communicated with suppliers</td>
<td>100%</td>
<td>2018, Done</td>
<td>CR Director</td>
</tr>
<tr>
<td>Development of energy saving technologies</td>
<td>Development programs with customers</td>
<td>Improved energy efficiency</td>
<td>New solutions are more energy efficient compared to earlier generation</td>
<td>2020</td>
<td>SBA Director</td>
</tr>
<tr>
<td>Reduction of emissions</td>
<td>Development programs with customers</td>
<td>Number of innovations and application areas</td>
<td>One new application area 2020</td>
<td>2020</td>
<td>SBA Director</td>
</tr>
<tr>
<td>Energy efficiency of our operations</td>
<td>Energy review of selected sites</td>
<td>Energy consumption in production sites</td>
<td>Decreasing 10% of energy consumption</td>
<td>2020</td>
<td>CR Director</td>
</tr>
<tr>
<td>Use of materials</td>
<td>Reduce non-renewable and non-reusable materials</td>
<td>Material statistics</td>
<td>Research on this topic established</td>
<td>In 2019</td>
<td>SBU Director</td>
</tr>
<tr>
<td>Suppliers’ environmental performance and social risks</td>
<td>Screening of ISO14001 compliance</td>
<td>ISO14001 compliance % in the Marine business unit</td>
<td>100% of top 10 suppliers</td>
<td>2020</td>
<td>SBU Director</td>
</tr>
<tr>
<td>Engaged employees</td>
<td>Empowering Engagement roll-out</td>
<td>Employee satisfaction / engagement</td>
<td>75% engagement or better for all employees</td>
<td>2020</td>
<td>CPO</td>
</tr>
</tbody>
</table>
Example: Customer Satisfaction

In our strategy and values, throughout the company’s entire existence Halton has been strongly focused on our customers. We have conducted annual customer satisfaction surveys within our different business areas. In recent years, the response rates of these surveys have dropped. For this reason, we have lately concentrated on getting feedback directly from our customers in the context of customer visits and meetings. Our perception of Halton’s overall customer satisfaction is positive. Still, there is also room for constant improvement.

The enclosed graph summarizes the customer satisfaction concerning Halton’s Foodservice business area in the US.

Our next goal is to create a systematic, group-wide process to collect customer feedback to support the development of our business and to improve the customer experience based on real-time quality information. A development project has been launched for this purpose. The first phase will be carried out with our customers from the fall in 2019.

**HOW WOULD YOU RATE HALTON AS SUPPLIER? SUMMARY 2018**

- Excellent: 41%
- Very Good: 35%
- Good: 7%
- Fair: 6%
- Poor: 10%
- Don’t know/want to say: 1%

No. of respondents: 136
According to the GRI standard, a CR report ends with a GRI Index, in which 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 is 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 GRI, but the GRI standard has been the basis for all our reporting. At the beginning of the report, on pages 11–22 we disclose how our CR management has been built – the formation of the CR steering group (page 11), the definition of CR management principles (pages 20–22), our stakeholder assessment (pages 12–13) and the materiality assessment of performance indicators (page 16). The indicators that we have chosen as material are disclosed on page 17.

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

<table>
<thead>
<tr>
<th>Abbreviations</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CFO</td>
<td>Chief Financial Officer.</td>
</tr>
<tr>
<td>CPO</td>
<td>Chief People Officer</td>
</tr>
<tr>
<td>SBU</td>
<td>Strategic Business Unit</td>
</tr>
<tr>
<td>SBA</td>
<td>Strategic Business Area</td>
</tr>
<tr>
<td>NPS</td>
<td>Net Promoter Score</td>
</tr>
<tr>
<td>CoC</td>
<td>Code of Conduct</td>
</tr>
<tr>
<td>CAGR</td>
<td>Compound Annual Growth Rate</td>
</tr>
<tr>
<td>EBIT</td>
<td>Earnings Before Interest and Taxes</td>
</tr>
<tr>
<td>CAPEX</td>
<td>Capital Expenditure</td>
</tr>
<tr>
<td>NPS</td>
<td>Net Promoter Score</td>
</tr>
<tr>
<td>CFU</td>
<td>Colony-forming unit</td>
</tr>
</tbody>
</table>

There is no external assurance of this CR report. Economic performance metrics are based on the Board of Director’s Report and the consolidated financial statements that have been audited by PricewaterhouseCoopers Oy.

This report is published in PDF format in English. There are also hard copies available of the report. Next time, Halton will report its sustainability performance in 2020.