

Helping Create Sustainable Indoor Environments

SUSTAINABILITY REPORT 2020

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Chairman's Foreword

Halton was founded in the small town of Kausala in Finland in 1969. The founder, Seppo Halttunen, envisioned an international company whose success would be built on its strong customer focus, technological knowledge, and strong values. Right from the start, Halton chose to operate on an ethically sound basis. Enabling people's safety and wellbeing in demanding indoor environments became the company's mission in 2009.

During the COVID-19 pandemic, the importance of safe and healthy indoor environments has gained new momentum among our different stakeholders, and proved an ever more important strategic enabler for Halton. At the same time, fighting the global climate change remains at the core of the company's strategy.

On this road, our efforts continue to focus not only on enabling people's wellbeing in demanding indoor environments but also helping our customers, and as Halton, reaching our goal to become carbon neutral by 2023. Furthermore, we are accelerating our efforts and actions to grow diversity among our staff in various Halton Group units. The past year with the pandemic has highlighted the importance of being agile and ready to respond to rapid changes in the operating environment. The COVID-19 crisis is not the last "black swan" we have to be prepared to cope with in future. The best way to prepare for unexpected business situations is to stay resilient, adaptive and nimble.

Halton has always emphasised the importance of our decentralised management model and principles, as well as the responsibility and accountability of individuals and local teams. A flat organisation with small, focused teams that even carry a global responsibility of a given task. Acting locally as responsible corporate citizens and striving for a global impact are highly valued at Halton. We help our customers to choose tested, high-performance systems for their specific indoor environmental challenges while being more sustainable in their own operation.



At Halton, sustainable operations form a strategic cornerstone for our business, and we are now publishing our third corporate responsibility report.

The development of sustainable practices, systematic documentation and communication will help boost Halton's competitiveness and enhance our financial performance.

Amid the COVID-19 crisis and global climate change, our contribution to the wellbeing of people will ultimately depend on us being able to successfully create sustainable solutions in all our operating environments. As we strive for wellbeing, we must ensure that everyone wins.

Mika Halttunen

Chairman
Halton Group

Group CEO's Business and Strategy Overview

Radically Changed Business Landscape

The global turmoil caused by the COVID-19 pandemic has shaped Halton's business environment radically. The escalated situation around the world exacerbated our customers' operating conditions and those of our own. Our key customer segments, especially in the hospitality, travel and cruise industries took a big hit, and it will take some time for them to recover once the crisis is over.

During 2020, we managed to significantly improve in utilising digital tools to run our daily operation, and continue serving our customers in the constantly evolving situation. The exceptional times proved that we have a great and agile Halton team and that our operational set-up is resilient. Also, we succeeded in securing our people's safety, the highest priority for us during the pandemic.

Due to our customers' worsened situation, Halton's sales opportunities declined especially in the Halton Foodservice and Halton Marine Cruise Ship businesses. Consequently, our net sales decreased by 17% compared to 2019, and ended with EUR 197 million. The decline was on a similar level in Halton's all Strategic Business Areas. Due to the declining top-line, our group-level profitability ended with 3.8% (EBIT). Thanks to special attention paid to net working capital, our cash position improved during 2020, and we continued making CAPEX investments at the future-proof EUR 5 million level.

Adjustments to Strategy Implementation

Our mission – enabling wellbeing in demanding indoor environments – is more valid in the pandemic world than ever. While our strategy that was initially created in 2018 will still be guiding us, we have made some adjustments to the implementation plans.

We have four common focus areas for creating and supporting Halton's long-term growth.

Firstly, we will continue to expand our scope of offering and entering new markets. This means bigger, often customer-tailored packaged systems. We will focus on



ventilation, while reaching selectively beyond that to specialised lighting and hygiene solutions, to name a few. Part of the growth will come from faster-growing, emerging segments such as Health, Heavy Industry and Food Processing.

Secondly, we will further improve our customer experience. Keeping our support level high in both system sales and life cycle services is critical to that. We will continue to enhance this area with ever better use of digital tools such as our IoT platform and field service software, and the new Halton website.

Thirdly, we will continue to enhance our operational excellence and digital capabilities. We have progressed well in digitalisation during the past two years.

The fourth focus area is about improving employee engagement. Since the summer 2018, we have increased our efforts to understand better our employee engagement and enable teams and people to take practical actions to improve it. Our employee engagement rate is relatively high compared to industry norms, and it has stayed that way during 2020.

Looking forward, it is fair to say that uncertainty will persist for some time. As our customers' business gradually starts to recover, we aim to be fit, proactive and agile in tackling any upcoming challenges and seizing the emerging opportunities, growing our sustainable handprint and striving towards carbon neutrality.

Kai Konola

President, CEO
Halton Group

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, food processing plants and restaurants as well as energy production and heavy industry 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 2020, the Halton Group had 13 production units in Finland, France, Germany, UK, USA, Canada, China, Malaysia and Brazil, and ten R&D units in eight of these countries. Licensed production is carried out in South Africa, Mexico, New Zealand and Australia.



- Countries with Halton personnel
- Licenced manufacturing

Over the years, Halton has grown both organically and through business acquisitions, the latest of which was in mid-September 2020, as Halton Group became the majority shareholder in the UK-based damper and fire damper designer and manufacturer, Flamgard Calidair.

Halton Group employs nearly 1,600 people in over 35 countries. The company's turnover in 2020 was EUR 197 million. In 2019, before the pandemic, Halton's turnover was EUR 237 million.

Customers and Partners



Halton Group

RESPONSIBLE GROWTH Highlights

Seizing Growth Opportunities through Business Acquisition

In September 2020, Halton Group became the majority shareholder, with 55% ownership, in the UK-based damper and fire damper designer and manufacturer, Flamgard Calidair. The acquisition was a follow-up to Halton's purchase of a 19% holding in the company earlier, in July 2019.

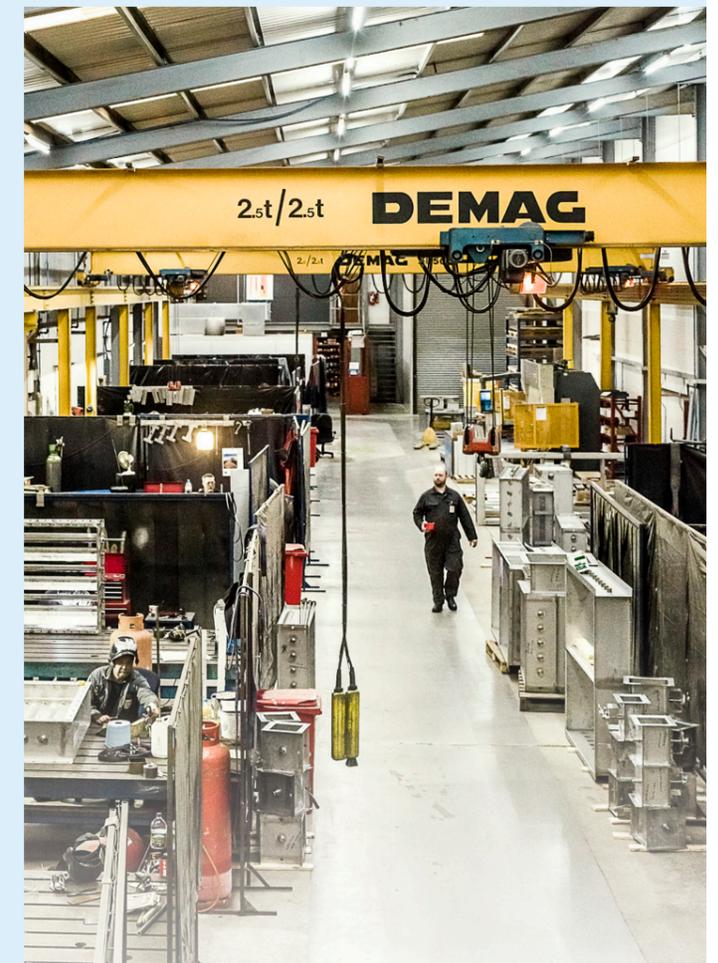
"After years of consideration, we concluded that, by combining the two companies' knowhow and manufacturing and sales networks, we could achieve major synergies that would help us to grow," says Director of Halton Marine **Sami Piirainen**.

Stronger Presence in Industrial and Underground Construction Sectors

Flamgard Calidair, a former competitor of Halton's in the offshore energy business sector, with an annual turnover of approximately EUR 6 million, specialises in the design and manufacture of high-quality specialist HVAC dampers and the associated equipment for demanding industrial and energy production environments, such as nuclear power plants and underground construction (tunnels), and has delivered solutions for several demanding projects around the world. Founded in 1981, the company began exporting 30 years ago and their exports have increased steadily over the years. To date, exports account for about 75% of the company's sales. Their international projects include the delivery of tunnel dampers for the new Riyadh Metro in Saudi Arabia, for example. In the UK, Flamgard Calidair's flagship projects include the Hinkley Point C nuclear project in Somerset where it is responsible for designing and testing next-generation ventilation dampers. The company will also be part of the Thames Tideway super sewer project in Central London. In all, Flamgard's business prospects seem very promising, and now, Halton and Flamgard seek growth together.

COVID-19 impacts offset by joint markets

The COVID-19 pandemic disrupted several of Halton's market sectors such as petrochemicals but the companies' joint markets have so far been spared the worst impacts of the situation. Sectors like heavy industry, nuclear power and underground infrastructure construction have been less affected and provide good opportunities in projects which require both companies' expertise on challenging environments. The acquisition brings Halton and Flamgard's operations closer together which helps further to strengthen their position in these promising markets.



GLOBAL CHANGE DRIVERS



Climate Change

Minimising the environmental impact of production and products throughout their life cycle.



Global Economy

Complying with ethical sourcing principles and governance



Urbanisation

Contributing to healthy buildings with safe and comfortable indoor environments



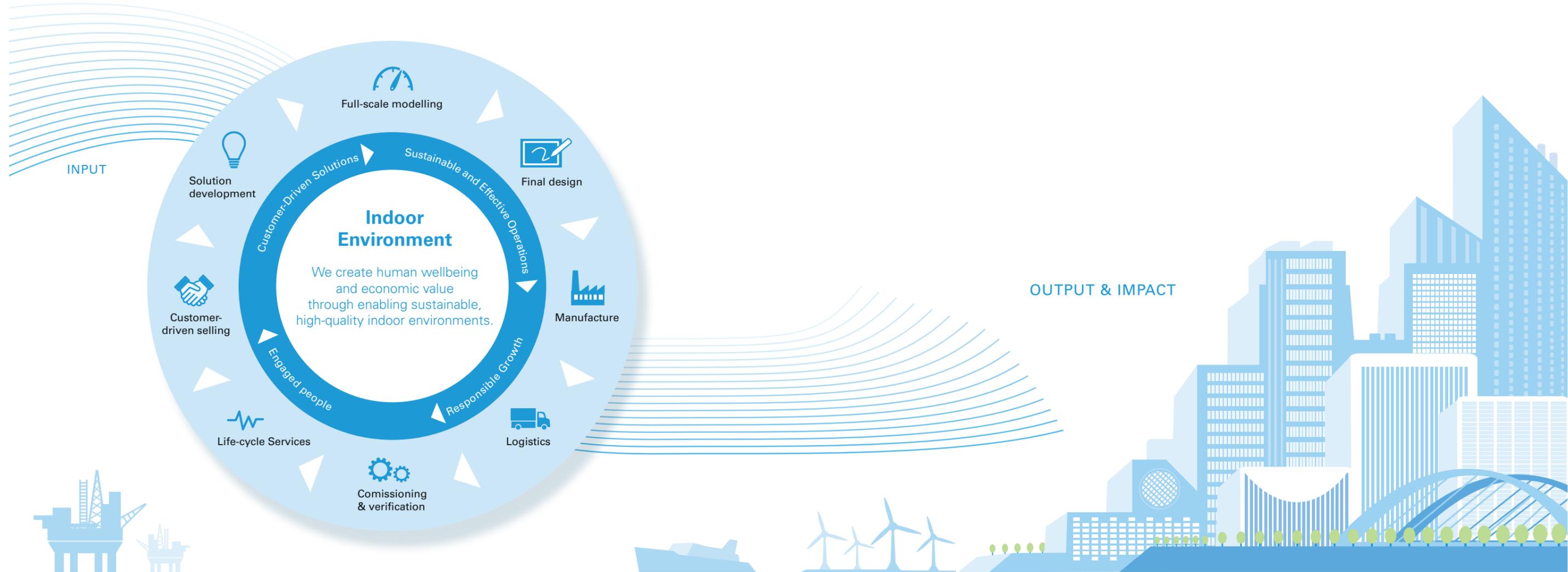
Air Pollution

Providing clean and safe indoor air and extracting effectively cleaned exhaust air



Technology, IoT

Providing human-centred, demand-based and fail-safe indoor environment solutions



INPUT

PEOPLE & LEADERSHIP

We offer meaningful work to approximately 1,600 people in over 35 countries. We promote social responsibility in all our units through a common Code of Conduct. With our People Development programme, we foster a continuous learning culture.

INNOVATION

Our success is based on continuous innovation and development supported by our 10 R&D centres, the Halton Innovation Hubs. These operate as part of our factories in eight countries on three continents. Halton has been granted more than 130 individual patents over time. Based on our innovation assets, we aim to solve even the most difficult customer problems. We constantly develop our insights in co-creation projects with our customers and partners.

MANUFACTURING

We have 13 production units in nine countries and licensed manufacturing in four. Our production units cooperate closely with our local R&D enabling agile projects. We produce customer-driven solutions understanding local and highly specialised 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 where possible.

FINANCIAL STABILITY

Our operation is based on a long-term strategy and agile execution creating financial value for our owners enabling future investments.

OUTPUT & IMPACT

PRODUCTS & SOLUTIONS

We solve indoor environment problems for our customers and users with high-quality products and solutions that promote 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 help reduce the carbon footprint in our customer environments. With our corporate responsibility work, we also aim to reduce our carbon footprint and to increase the amount of recycling in all applicable areas.

SOCIAL RESPONSIBILITY

We work hard 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 workplaces both for Halton staff and those working in our customer environments.



Managing Corporate Responsibility at Halton

Halton's Sustainability Vision

To clarify the connection between business and sustainability, Halton Board and Halton Group Executive Team kept two workshops during 2020. Part of the work, which dealt with the net impact of Halton's business on the surrounding society, was carried out in cooperation with a third party, UprightProject Oy, which specialises in defining the net impact of companies. As a result of the work, we obtained a net impact analysis for Halton, which is presented in connection with the Sustainability Performance results together with the description of the method.

The results of the analysis were utilised in the definition of Halton's Sustainability Vision. The vision statement is presented below.

The Sustainability Vision was also linked to the Halton Sustainability Action Plan through the United Nations Sustainable Development Goals, to define and illustrate how Halton's development work contributes to the realisation of the goals. All 17 SDGs were considered, and nine of them were selected based on Halton's business influence on them. The action plan is described at the end of this report.

Halton's Sustainability Vision

We strive to continuously improve our Net Impact on the environment and society.

- We innovate sustainable solutions with our customers in chosen business areas to make together a more positive impact to the world.
- Sustainable development is at the core of our strategy and we actively set measurable targets to drive continual improvement towards the United Nation's Sustainable Development Goals.
- Our operations are developed to enable us to become carbon neutral by 2023.

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 behaviour 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. Cooperation, 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 organisational 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.

Principles and Coverage of CR Reporting

Halton applies the Global Reporting Initiative standards as the basis for managing corporate responsibility and reporting on non-financial performance. Halton also recognises 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.

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 that are included in Halton's reporting have been chosen in the materiality assessment carried out by the Executive Team. In considering the materiality assessment, the Executive Team took into account the information collected in our stakeholder assessment, risk assessment and SWOT analysis. The Halton Group consists of production units in four European countries and in five 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 nearly 1,600 people in over 35 countries. Halton's CR reporting covers all the production units and we will proceed onto licensed production and sales units in near future.

We receive some information about our suppliers and the raw materials and components they supply us with, but we are not able to report details about what has happened before our production. The same is true with the end of the value chain – we are not able to 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 the GRI Index.

Risk Management in Halton Group

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

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 group strategy implementation review, evaluate the adequacy of the risk management and, if necessary, propose corrective measures. In addition, the Board will regularly monitor at its meetings the realisation of risk management

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. The directors also ensure that relevant risk management practices are adhered to in their businesses.

Development Plan

Halton continuously develops risk management to cover the company's operations more comprehensively, to clarify its risk management responsibilities, enable proactive risk management, and, where necessary, enact rapid corrective measures.

Management Principles Guiding Corporate Responsibility at Halton

In order to work systematically and take all necessary issues into account, CR work has been included in the group's common management system and Halton Group's Executive Team is responsible for the CR development work. The Executive Team makes decisions on management principles, operating models and programs and the general business principles (Code of Conduct) and reports to the Halton Board.

Roles and Principles

Halton's public management principles were approved on 1 January 2019 by the Executive Team except for the Code of Conduct, which was approved on 1 November 2017.

International Commitments

Halton is a multinational company, with its own production units in nine countries (2020) 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 anti-corruption. Halton joined as the Global Compact participant on 17 December 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
- Halton's Quality Policy
- Halton Group Information Security Policy
- Halton Group Privacy Statement

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/contact-us/coc/>
- <https://www.halton.com/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 the 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 behaviour 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 outlined 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 the 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 drinking water, sanitary facilities, adequate ventilation and lighting);
- Adherence to ethical standards (conflicts of interest, corruption, bribery etc.);
- Environmental responsibility (minimising 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 minimise 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 affects 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 organisation.

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 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 healthcare services to our personnel and promote personal wellbeing by encouraging and supporting healthy lifestyles and leisure activities.

HALTON'S QUALITY POLICY

Halton builds indoor environments in collaboration with its customers. Quality is a common interest and guarantees satisfied customers which are the basis of Halton success. Quality management standards, cooperation across functions and continual improvement provide a framework for this approach. Everyone in Halton is accountable for satisfying our customers' expectations with best-in-class solutions and services. Our goal is 100% customer satisfaction 100% of the time. Halton's Executive Team is accountable for the development and implementation of Halton's quality policy, which applies to all Halton facilities around the world.

HALTON'S INFORMATION SECURITY POLICY

Digital networks connect Halton customers, partners and employees and equipment across the countries through information technology. Halton operations depend on these networks. Therefore a risk management practise is being established to identify, manage and mitigate information security threats and risks. Halton manages and produces information that is private, confidential or sensitive. Halton recognises that all information must be protected from compromise of confidentiality, integrity and availability. All within the scope of the policy must therefore ensure that selected key processes, technology, services and facilities are protected through information security controls (CIS Controls) and that information security incidents are identified, contained, remediated, investigated and reported to the Head of Cybersecurity. Where appropriate, a risk assessment is carried out on processes, technology, services and facilities. Back-up and disaster recovery plans, processes and technology, are in place to mitigate the risk of loss or destruction of information and/or services and to ensure that processes are in place to maintain the availability of data and services. All Halton employees can participate in information security awareness training.



Sustainability Performance

Halton's Non-Financial Performance in 2020

Halton has collected CR data starting from the year 2017. In this report, we present data from the last 3 years. We aim to make our results proportional to our business volume so that readers can compare our starting point to other companies. 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 2018–2020

	2018	2019	2020
Turnover EUR million	217.5	237.1	196.9
• per employee EUR thousand	139	148	125
Profit before taxes	15.3	15.4	7.4
• per employee EUR thousand	9.7	9.6	4.7
Employees			
• number of Employees	1,569	1,614	1,573
• sick days, %	4.1	4.2	2.8
Use of materials in tons	8,162	8,915 ⁽³⁾	8,242
• stainless steel	3,644	3,707 ⁽³⁾	3,138
• galvanised steel	3,149	2,944	3,360
• aluminised stainless steel	420	479	289
• aluminium	242	321	279
• other materials	707	1,464 ⁽³⁾	1,176
• total use in tons per EUR 1 million of turnover	37	37.6 ⁽³⁾	41.9
Waste in tons	2,763	2,641	2,129
Recovery rate, %	95	93	92
Purchased energy MWh	19,048 ⁽³⁾	19,890	21,442
• electricity MWh	9,581	9,673	8,964
• heat MWh	4,850	4,911	4,584
• fuels MWh	4,617 ⁽³⁾	5,306 ⁽³⁾	7,894 ⁽⁴⁾
• total energy MWh per EUR 1 million of turnover	88 ⁽³⁾	84 ⁽³⁾	109
CO ₂ emissions, tons	2,000 ⁽¹⁾	3,900 ⁽²⁾	3,501 ⁽⁵⁾
• tons per EUR 1 million of turnover	9.2	16.5 ⁽²⁾	17.8

1) Rough estimation 2) The data is more accurate than in 2018 concerning purchased electricity 3) Revised in 2021
4) 2020 is the first year when figures includes fuels from sales and service units 5) Includes also emissions caused by business flights

Halton and Corporate Responsibility: SWOT analysis

STRENGTHS

- Cleantech business and wellbeing adopted as a genuine mission – positive handprint
- Wellbeing, health, and energy-efficiency are cornerstones of Halton's strategy, and CR is a strategic focus area.
- High-quality products with a 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

- Global personnel with conditions of employment reflecting local standards
- Local autonomy slowing down the adoption of common global practices
- A regionally large and distributed organisation makes it difficult to transfer and accumulate sustainability knowledge within the entire group organisation.

OPPORTUNITIES

- Several megatrends are creating increased demand for cleantech and wellbeing solutions, highlighting e.g. health issues and wellbeing at work
- The digitalisation 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 principle

Stakeholder Assessment

Halton's stakeholder assessment was made in 2018 when Halton started to develop its CR management system, and it is still valid. It has been reviewed yearly by the Executive Team, and there have only been minor changes to it.

This assessment consists of the following parts:

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

The Executive Team analysed each stakeholder group's importance to Halton as well as their influence on Halton's work. The main stakeholders are briefly discussed as follows.

Customers and Partners are the most important and influential stakeholder group. By using Halton's 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 well-being certificates, and so on. Businesses utilising Halton's solutions emphasise 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 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 ensures 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, emphasising long-term aspects, avoiding breach issues, and 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.



STAKEHOLDER OVERVIEW AND MATRIX

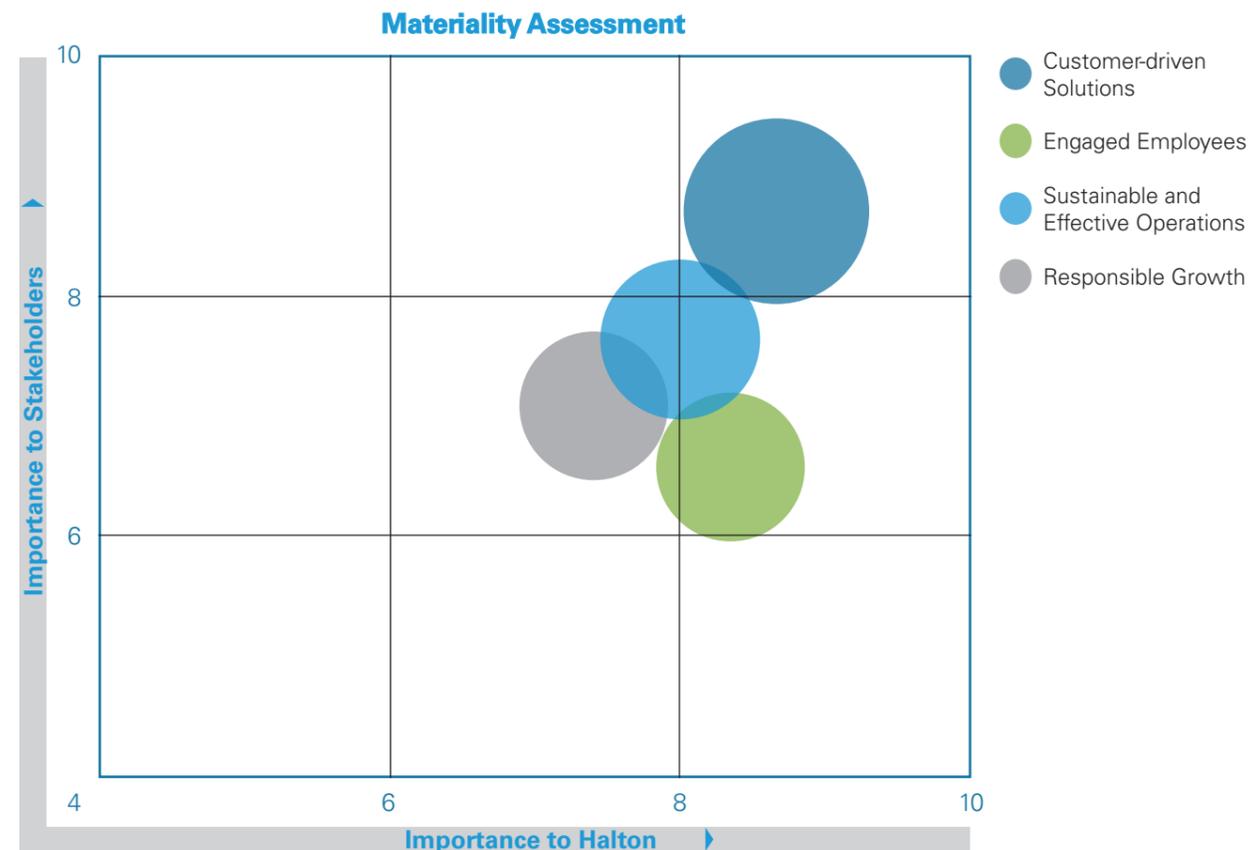
Stakeholder	Expectations	Our Actions
CUSTOMERS & PARTNERS	<ul style="list-style-type: none"> • Insight in customer needs • Good added value • Premium quality and long life-span • Reliability, low risks • Easy to do business with • Enhancing sustainability in our target environments • Local presence in all market areas • Meet or exceed all regulatory and sustainability requirements • Accurate and consistent product documentation and warranty 	<ul style="list-style-type: none"> • 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 foot print • Expand global presence
EMPLOYEES	<ul style="list-style-type: none"> • Compelling company mission, credible future strategy and sustainable business • 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 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Safe, comfortable and sustainable indoor environment 	<ul style="list-style-type: none"> • Verify system performance • Increase insight in end-user needs
OWNERS	<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • Implement growth strategy • Sustainability as a strategic cornerstone for the operation • Act as trusted partner to all stakeholders • Engage Halton's employees and enable wellbeing at work
FINANCIERS (banks, financial institutions)	<ul style="list-style-type: none"> • Profitable growth, return on investment • Open and proactive communication 	<ul style="list-style-type: none"> • Long-term strategy and value creation • Seizing new business opportunities
SUPPLIERS	<ul style="list-style-type: none"> • Liquidity and low risks • Long-term business relationship • Clearly communicated expectations and transparent processes • Feedback and support to enable service development 	<ul style="list-style-type: none"> • 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)	<ul style="list-style-type: none"> • Good corporate citizen and tax payer • Compliance with rules, regulations and agreements • Cooperation with communities • Sponsoring, donations • Open communication 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Internship and summer job opportunities • Thesis opportunities • Scholarships 	<ul style="list-style-type: none"> • Hire students for internships, summer jobs and thesis positions • Participate in student events • Offer scholarships • Cooperation projects with universities
MEDIA	<ul style="list-style-type: none"> • Publish relevant business news • Participate and share industry insight 	<ul style="list-style-type: none"> • Corporate communication on the company website incl. CR pages • Press activities on significant business proceedings and industry findings • Content articles and social media posts

Materiality Assessment of Performance Indicators

In choosing the material aspects and indicators for Halton's CR management and reporting, the CR Steering Group utilised 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.

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.

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.



Overview of Halton's key areas of the materiality assessment

Sustainable and Effective Operations

- 201-1a Economic value distributed
- 204-1 Purchases from suppliers
- 301-1 Materials used
- 302-2 Purchased Energy
- 306-2 Waste

Responsible Growth

- 205-2 Training in anti-corruption policies and procedures
- 301-2 Percentage recycled materials
- 305-2 Greenhouse gas emission
- 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 summarised in the GRI Index at the end of the report.

Net Impact Profile of Halton

To understand better its sustainability impact, Halton has utilised the Upright Net Impact model. Measuring both the negative and positive impact, the model brings forth both the resources used and the positive value created.

The Upright Net Impact is based on a mathematical model of the economy. It considers 19 impact categories in four dimensions: Environment, Health, Society and Knowledge. The model produces continuously updated estimates of the net impact of companies by means of an information integration algorithm that consolidates data from accumulated scientific knowledge and public statistical databases.

Read more at <https://www.uprightproject.com/>

Halton's net impact is based on the impacts of the products and services it creates.

The following product & service categories were considered in the assessment of Halton:

- Professional kitchen ventilation for fine dining restaurants
- Professional kitchen ventilation for fast-food restaurants
- Professional kitchen ventilation for institutional restaurants
- Building ventilation systems for offices
- Ventilation systems for merchant and cruise ships
- Indoor air purifiers for hospital operating rooms
- Building ventilations systems for medical centres and hospitals
- Ventilation systems for fossil fuel production
- Energy efficiency engineering for restaurant buildings
- Energy efficiency engineering for office buildings
- Energy efficiency engineering for industrial buildings

The Key Results for Halton

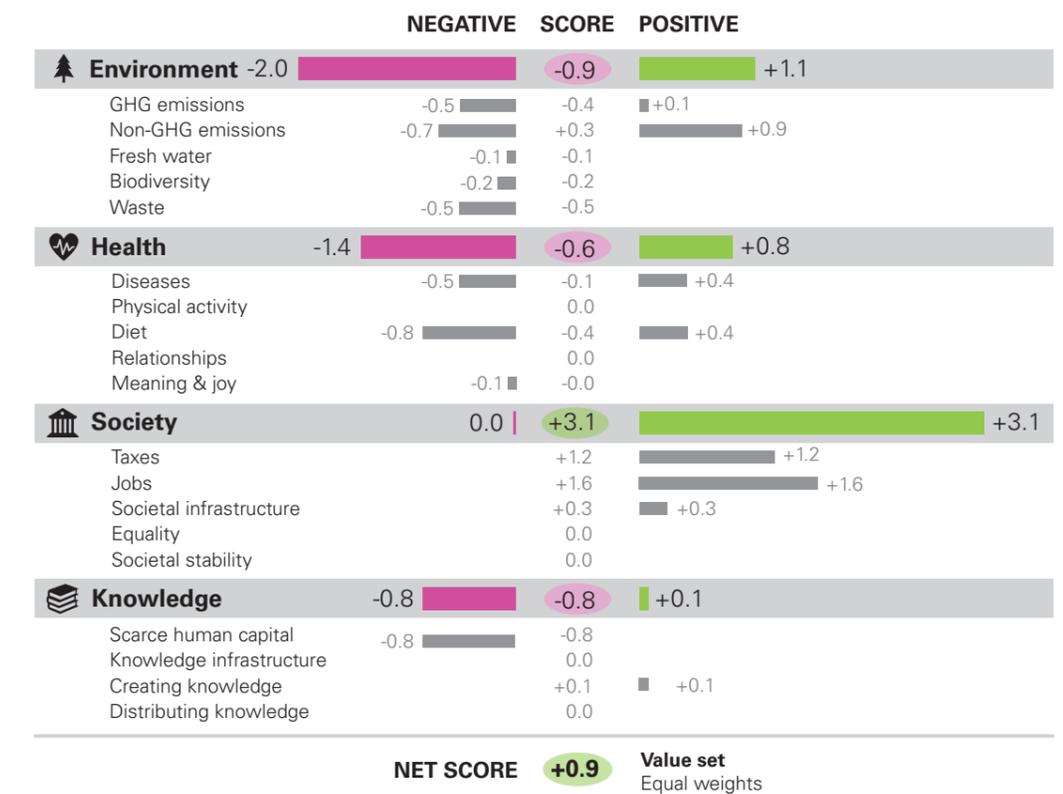
Halton has a relatively small negative **environmental** impact, caused mainly by materials used for the ventilation systems, and emissions caused in the downstream of ventilation systems for fossil fuel production. On the other hand, removal of non-GHG emissions such as VOC's contributes positively to that category.

Providing ventilation solutions for hospitals and operating rooms contributes positively to people's **health**. On the other hand, by providing kitchen ventilation to fast-food restaurants and enabling their operation, Halton receives part of their negative health impacts.

Halton's main contribution to the **society** is the significant amount jobs it creates, and also the taxes it pays.

Scarce **human capital**: In Halton's case, the use of this resource is modest, and it is well compensated for on the positive side.

Halton creates a positive impact on the world by purifying non-GHG emissions from the air, reducing diseases, and paying taxes and creating jobs.



Data source: UprightProject Oy. Some numbers on the infograph above have a rounding difference compared to the net score.

CUSTOMER-DRIVEN SOLUTIONS

Highlights

Indoor Environment Quality

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, 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 organisations. 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 healthcare 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 in terms of 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.

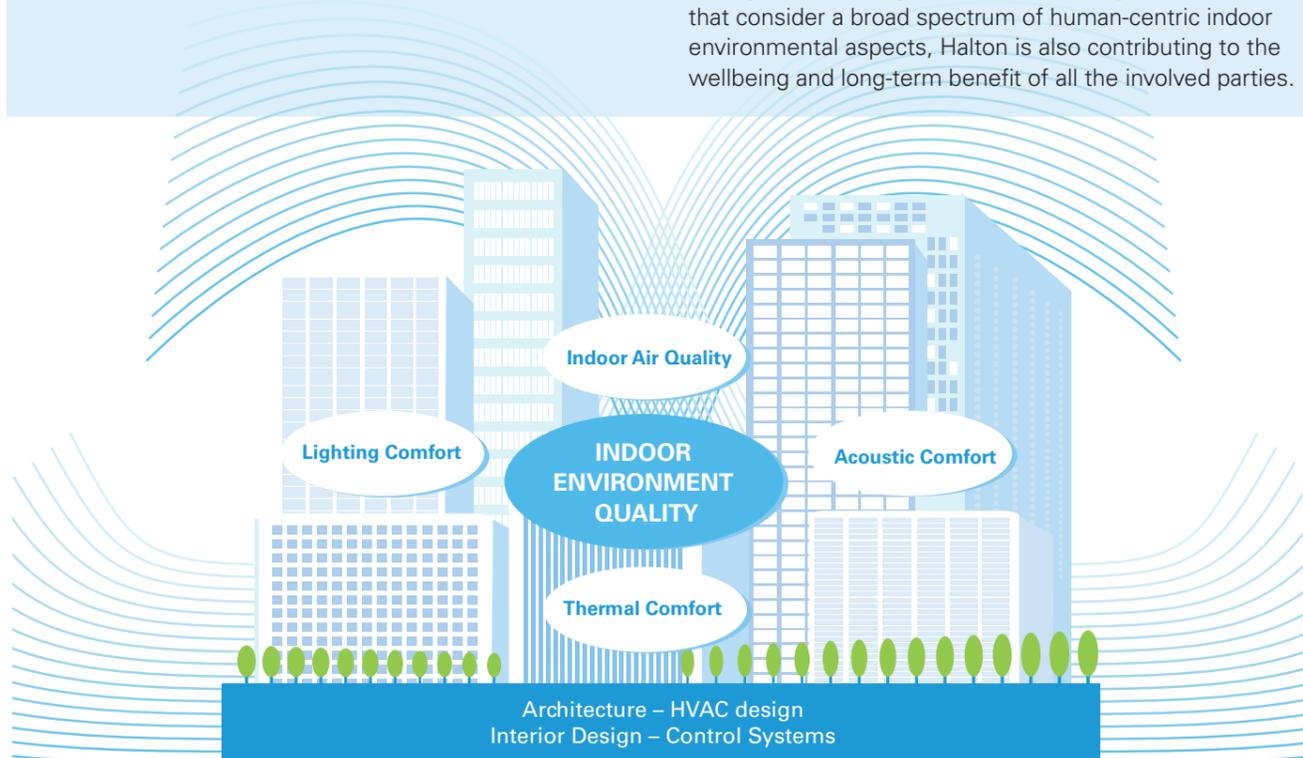
Indoor environment quality (IEQ) refers to the quality of the building's environment in relation to the health and wellbeing of the people who occupy the space in it.

The trend of global urbanisation is driving the construction of new buildings and indoor premises. At the same time, requirements for indoor environment quality and for solutions that minimise 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 realisation 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 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 odours, 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 underpressure 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. Ultrafine 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 and 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 behaviour 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. For this need, Halton has developed an integrated human-centric lighting system that adjusts the colour temperature and brightness to the human circadian rhythm, thus creating both employee wellbeing and energy savings.

Energy Efficiency and High-Performance Ventilation

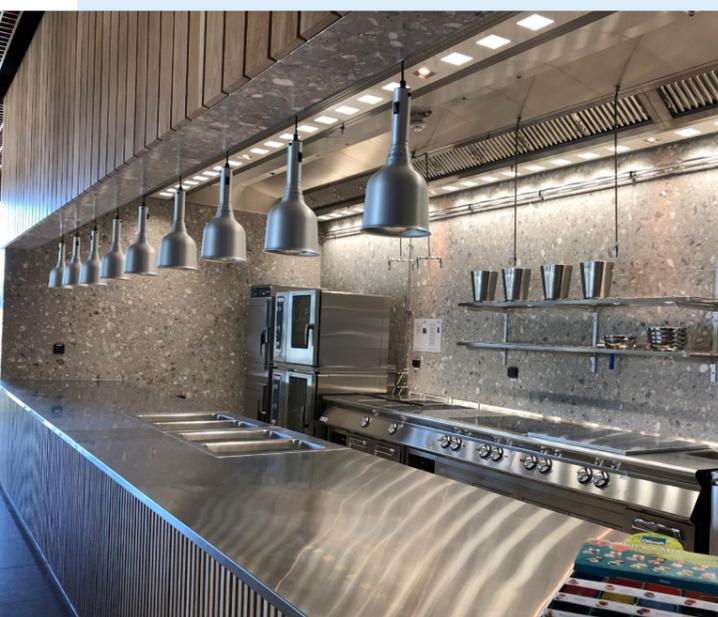
Kitchen ventilation is the largest user of energy in the average commercial service business. The high energy consumption is driven by both the food-preparation equipment and the commercial kitchen ventilation. The power needed to exhaust air in a kitchen hood increases



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 optimise the exhaust flow rates for the real amount of cooking and cut energy consumption by up to about 50%.

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 channelling 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 cleanrooms, 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.

Prevention of Infections

In cleanrooms, indoor air is subject to exceptionally high hygiene standards. One purpose of indoor air solutions for cleanrooms 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 cleanrooms. 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 cloth-

ing, 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.



CUSTOMER DRIVEN SOLUTIONS

Highlights

The Safest Office in Finland: Halton Headquarters

WHO and the world's leading researchers today say that besides droplets or surfaces, the new coronavirus can also be transmitted through small aerosol particles that travel in the air over time and distance. WHO also reminds that improving ventilation can reduce the risk of the virus spreading indoors. Adopting more effective ventilation together with local air purification systems provides a significant and sensible means to fight COVID-19 transmission in workplaces, schools and restaurants, to mention a few.



Above: Staying safe at the Halton Helsinki office with a Halton Vita Cell Room (VCR) unit taking care of air purity together with the effective ventilation and air distribution systems. Director of Halton Buildings **Anu Saxén** presenting the VCR system in the spring 2020.

Safe Return to Office

As indoor air quality requirements were also raised at Halton's headquarters in Helsinki due to the pandemic, the company set as its objective to make the premises the safest office in Finland.

In the spring 2020, Halton performed a case study of its premises, including a risk analysis of viral exposure. This led to a model for a safe return to work, taking account of matters such as the occupancy rate of the premises, the location of active workstations, air flow control, the level of ventilation, and supplementary air purification. Halton's

High-performance air purification systems can reduce the risk of virus transmission by up to 90% depending on the size of the indoor space.

Helsinki office adopted a mobile Halton Vita Cell Room air purification system that was initially developed for hospital use, to enhance air quality in the special circumstances. No coronavirus infections were detected in the office during the whole year 2020.

From Simple Means to Advanced Systems

It has been calculated that a high-performance air purification system can reduce the risk of virus transmission by 20 to 90% depending on the size of the indoor space. Still, any solutions that contribute to mitigating the risks of virus transmission are worth adopting, considering the cost/benefit ratio.

Halton recommends the following five measures: turning up the ventilation; checking the air distribution; purifying indoor air; ventilating rooms between events such as meetings; and technical maintenance to ensure that air conditioning and air purification are functioning well.



Pandemic risks should be considered in all building design

In 2020, there was disproportionately little public discussion and measures taken regarding the ventilation point of view to fight the COVID-19 crisis.

However, as the epidemic continues, people will eventually need to work and study in shared facilities, and move around and shop in public and commercial buildings as safely as possible. Individual behaviour and measures are very important in this regard, but experience shows that human behaviour tends to be inconsistent. There is an urgent need to improve the safety of indoor spaces by having a bigger, direct impact on the physical environment.

In the future, the risk of a new pandemic should be taken into account in all building design, including advanced ventilation systems that can effectively remove harmful substance such as pathogens from indoor air.

THE HALTON FOUNDATION

Charity for Wellbeing Indoors

The Halton Foundation Operates without Geographic Limitations

Halton's mission, "Enabling Wellbeing in Demanding Indoor Environments," has led to the creation of the Halton Foundation. This charitable non-profit, established in 2010, organisation promotes people's wellbeing indoors and shares indoor environmental knowledge with the world for improving indoor environmental quality. The funds come from both Halton and the owners of the company.

The foundation focuses on indoor air quality, thermal conditions, breathable particulates, and illnesses that may result from sub-standard indoor conditions. It awards grants to non-profit organisations researching and developing systems that improve human wellbeing in indoor environments. The amount and type of each grant may vary based on the project's scope, nature, or program.

The Halton Foundation awards four types of grants: one-year grants for a specific purpose, multi-year grants for no longer than three years, start-up program grants and, challenge or matching grants.

Grant submissions are completed online at www.halton.com during August, September, and October each year. Recipients are notified and announced in November.

Grants can be up to EUR 25,000 or \$30,000 in total per year. The Halton Foundation has awarded grants worth around EUR 195,000 in total. These grants have been awarded in several areas, including helping children with asthma, funding for individual projects, and providing grants to universities that research indoor environmental quality. The knowledge gained through this research or other outreaches has expanded the experts' knowledge base and provided further direction on where additional research is needed.



The following grants have been awarded

The International Society of Indoor Air Quality and Climate (ISIAQ) was awarded a three-year grant as they are working toward developing a database on Indoor Environment Quality (IEQ) guidelines.

Warsaw University of Technology in Poland

The Halton Foundation awarded a three-year grant to the university for a research project that creates indoor environment guidelines for patient rooms in the hospitals in Poland. The project looks at the rooms' air distribution, microclimate variables and limit values, and then explores cost-efficient technological solutions that can be utilised in the modernisation and further improvement of the rooms.

The University of Reading in the United Kingdom was awarded a grant in partnership with Chongqing University in China to investigate indoor environmental contamination for classrooms located in urban areas to improve the health and wellbeing of schoolchildren.

The Himalayan Stove Project A Halton Foundation grant was given to the Paul Basch Memorial Foundation to help in its project to improve the health of people in the trans-Himalayan region.

Center for Courageous Kids The Halton Foundation awarded its first grant in 2011 to the Center for Courageous Kids located in Scottsville, Kentucky. The Center is a medical camping facility that provides free summer and weekend camps for seriously ill and disabled children and their families. The Centre was awarded with USD 30,000 in two separate grants.

Further information

<https://www.halton.com/contact-us/the-halton-foundation/>

Economic Responsibility

ECONOMIC VALUE DISTRIBUTED TO STAKEHOLDERS

The economic benefit divided between stakeholders in 2018–2020 was the following:

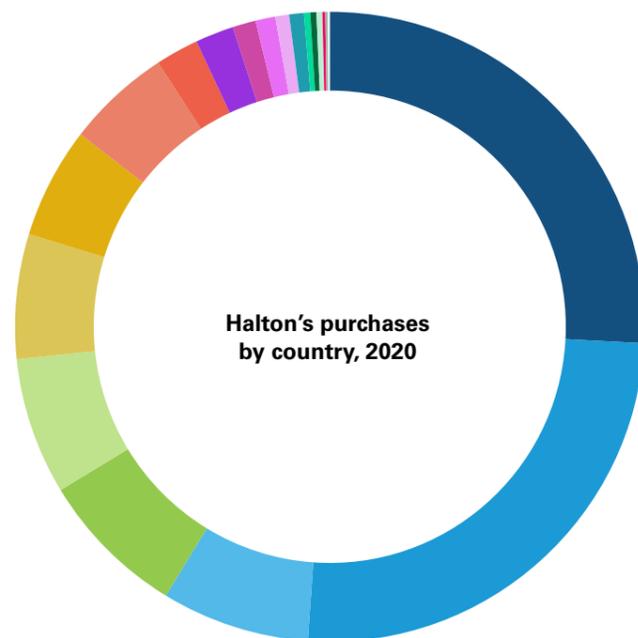
Economic value distributed to stakeholders 2018–2020	2018 Mill. EUR	2018 %	2019 Mill. EUR	2019 %	2020 Mill. EUR	2020 %
Purchases from suppliers	87.9	40.4%	100.6	42.4%	85.4	43.3%
Other goods and services	31.8	14.6%	33.3	14.0%	16.4	8.3%
Salaries and other benefits	62.6	28.8%	67.1	28.3%	62.3	31.7%
Social security payments	15.4	7.1%	17.0	7.2%	14.1	7.2%
Interests paid	0.2	0.1%	0.4	0.2%	0.4	0.2%
Dividends paid	1.9	0.9%	2.3	1.0%	2.7	1.4%
Investments in machinery and equipment	10.9	5.0%	6.9	2.9%	4.0	2.0%
Taxes paid	4.1	1.9%	3.7	1.6%	2.5	1.3%
Left in company for further development	2.9	1.3%	6.0	2.5%	9.1	4.6%
Turnover	217.5	100%	237.2	100%	196.9	100%

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, 819 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 85.3 million in 2020. Our statistics on the geographical division of the purchases are not highly accurate at the moment. Usually each manufacturing unit buys raw materials and components locally if possible.

The graph on the right shows purchases by country. The chart is not completely accurate, as our systems do not register the goods' country of origin, only suppliers and their country.



Labour Productivity

We report our labour productivity – in terms of the sales and profit per person – on Group level, because wages, currencies, costs of living etc. differ very much from country to country, and the country-specific figures would not be comparable.

During the earlier three years, labour productivity has been quite stable. Turnover decreased in 2020 by almost 17% and profits by almost 52%. The reason for the drop has been the COVID-19 pandemic which has affected the economical situation in our main markets (see table Key Responsibility Indicators at a Glance).

In 2020, our turnover per person was EUR 125,000 (EUR 148,000 in 2019) and our operating profit per person was EUR 4,700 (EUR 9,600 in 2019).

Training in Anti-Corruption Policies and Procedures

As Halton has employees in over 35 countries, and customers and suppliers all over the world, corruption and bribery have to be taken into account in our risk management. Our anti-corruption policy is written in both our Code of Conduct and Supplier Code of Conduct. In addition, our employees have been provided with more detailed instructions and advice in the "Halton Way" leaflet that has been distributed to the staff. Halton applies zero-tolerance approach to corruption.

Our employees have been acquainted with the Codes and other related instructions by their supervisors. E-learning material focusing on our Code of Conduct is part of the introduction process for our employees, and all new employees are 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 their concerns either to their unit management or otherwise through internal communication.



Anonymous reporting on activities that violate the Halton Code of Conduct can be made through the Fair-Play Forum links which can be found on the Halton web site (<https://ethical.halton.com/>) and the Halton Intranet.

AGILE OPERATIONS

Highlights

New Virus Mitigation Solutions for Various Indoor Spaces

For years, the Halton Health segment has been carrying out extensive research in the area of ventilation solutions to mitigate airborne transmission of infectious diseases. In 2020, in the middle of all COVID-19 turbulence, the company decided to utilise this knowledge to provide solutions to fight virus spread in the pandemic.

Besides cross-selling air purification solutions originally developed for cleanrooms in healthcare facilities, Halton swiftly adjusted their resources to leverage the company's competency in germicidal irradiation technology based on ultra violet light (UVGI) that was already used in Halton's exhaust hoods designed for professional kitchens. As a result, their R&D team in Scottsville, Kentucky, created a new product line, the **Halton SafeGuard Risk UVGI Solutions**, to be used in a variety of indoor environments to reduce the risk of virus spread. A critical feature of the light bulbs used for the applications was that they operate at a wavelength of 254 nm and do not produce ozone.

Since the new coronavirus was also suspected to spread through aerosolised droplets and surface contamination, three different UVGI solutions were created to meet different needs: an efficient mobile air filtration unit, **Halton Sentinel**, to be taken to different spaces from school facilities to waiting rooms, and mounted solutions that enable the disinfection of surfaces or recycled return air.

Halton Sentinel's Journey to the Japanese Market

As the word got around in the company that the Halton Safeguard and Sentinel solutions were under development, the head of the Japanese unit, Mr. **Yoshio Machii**, made a decision to try and expand the sales of these solutions to the country's market.

Since most of Halton's existing Japanese customers, such as restaurants and hotels, were facing an uncertain situation and future, it proved difficult to motivate them to buy new systems. Consequently, the Japanese team started looking outside their usual scope of customers and channels. They exhibited the new Halton Sentinel on new arenas, and started building new business relations with decision-makers in sectors with potentially high demand for mobile air purification systems. Introducing a new solution on the new market within a very short time frame required agile and determined actions, and included some

risks. Since rapid availability of the air purifying solution was essential in order to have a sufficient number of the products available for customers to choose the Halton product in an emergency situation, they had to be ordered in large numbers and stored locally before having any guarantee of their actual sales.

Eventually, in close cooperation with a Japanese distribution partner, the first 100 Halton Sentinel units ordered from Halton's factory in the US, were quickly sold out in Japan. The good cooperation to keep growing the sales continues.



The Unused Potential of Indoor Air Systems in Virus Mitigation

The world's pandemic response has largely focused on lockdowns and promoting the use of face masks. Regardless of the fact that the risk of COVID-19 infection is considerably low outdoors compared to indoor environments, there has been little discussion about whether and how we should take indoor climate closer to outdoor conditions. Halton raised the question in spring 2020. WHO has also acknowledged indoor air as a key safety factor in fighting the virus, but it still needs promotion.

A few such efforts were published in 2020 by Halton with its plan¹ on how to enable safe return to offices, and by an interdisciplinary research team in Finland who studied² the spread of a harmless model virus (Phi6) resembling the SARS-CoV-2 in size and structure, and ways to control it in natural environment such as a restaurant.

The pilot study and related super-computer modelling have already indicated that the virus spread to the whole restaurant, and high-viral "stocks" can be created as a result of inadequate air mixing. Properly dimensioned air purifiers can prevent the formation of these stores and at the same time reduce indoor viral concentrations, which is relevant to infection risk. The study involved researchers from the Finnish Meteorological Institute, the Hospital District of Helsinki and Uusimaa, the University of Helsinki and the National Institute of Occupational Health in Finland.



On the left: Halton Sentinel UVGI Air Filtration unit

ENGAGED PEOPLE

Highlights

Growing with the Company

Kai Patjas works as R&D Specialist in one of Halton's Innovation Hubs that operates in conjunction with the company's Kausala plant in Finland. He joined Halton in early 2000, a few years after gaining vocational upper secondary qualification in information technology, and right after completing his military service in the Finnish army. He has been with the company since then.

Over the years, Kai has worked on a number of activities and in different positions, allowing him to gain extensive insight in demanding indoor air systems from the product assembly phase to customer installations, product development and system automation. With an open mind and willingness to learn on the way, he has taken his career steps firmly and seized opportunities with the company as they have emerged.

"I started my Halton career in the cylinder workshop in the Kausala factory, and after six months or so, I moved to the chilled beam workshop to work as an assembler. Soon after that, I became a coordinator to look after the work done on the assembly line, as a sort of right-hand man for the team leader," Kai tells about his early days in the family business.

In the course of time, the list of his tasks grew and responsibilities became more demanding. In 2006, Kai was assigned Research Technician in the Kausala R&D team.

"I was working on a lot of different activities ranging from product data measurements, customer solution tests and product development to the development of measuring software and tools, and research facility maintenance. Besides work, I participated in several programming courses over the years. Some of the work and courses took place abroad, which also gave me an opportunity to improve my English," Kai explains.

In his view, progressing in one's career requires a proactive mindset:

"No one will come and drag you from the end of the production line to offer you new tasks. You have to indicate yourself that you are interested in developing your skills for the benefit of the company. Applying for vacant positions in the company can also help signal your interest towards career development to your superiors and management, even if you may not be selected."



In 2016, encouraged by his manager, **Raimo Parkkila**, and alongside his work, Kai started his second education, this time at the South-Eastern Finland University of Applied Sciences. His studies for Bachelor of Engineering in electrical and automation engineering are now in their final stages. Kai sees that the employer's part in his professional progression has been significant:

"Halton supported my studies by allowing me to use one day per month work time for my courses. At the same time, I also learned that my work had actually already provided me with even deeper understanding of certain areas compared to my courses at the university."

The new education brought with it new assignments and positions. In 2016, Kai started working as Systems Specialist on a number of tasks ranging from building automation system development and solution commissioning to sales support and handling of complaints. In 2019, he became Project Engineer with an even stronger focus on the customer interface in terms of project design, commissioning and user training, to name a few. In early 2020, Kai moved on to work as R&D Specialist with building automation development as his main task.

"In all, I feel fortunate that the development of my tasks has been regular and upbeat. This gives me a positive feeling about Halton as an employer. From Halton's point of view, I think it is a great asset for the company to have staff with extensive, customer-centric knowledge and a holistic understanding of what high-end indoor climate solutions are all about," he concludes.



Social Responsibility (Own Labour)

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 make significant investments in promoting health, safety and wellbeing at work.

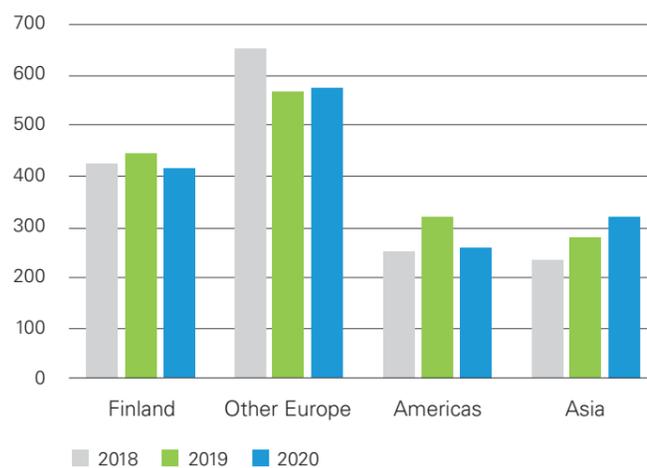
Workforce by Employment Type and Contract

At the end of 2020, we had 1,573 employees (1,614 at the end of 2019). Of these, 47 per cent were factory workers and 53 per cent office employees. The women's share was 22 per cent (21 per cent in 2019). The share of employees of over 60 years of age was 8 per cent and of those under 30 years it was 15 per cent.

In this type of industry, temporary and part-time work is quite rare, as very high skills are required from most of the workers. Of our employees, 89 per cent were on permanent contract and 11 per cent on temporary contracts. In the temporary contract group, 74 per cent of the employees were leased.

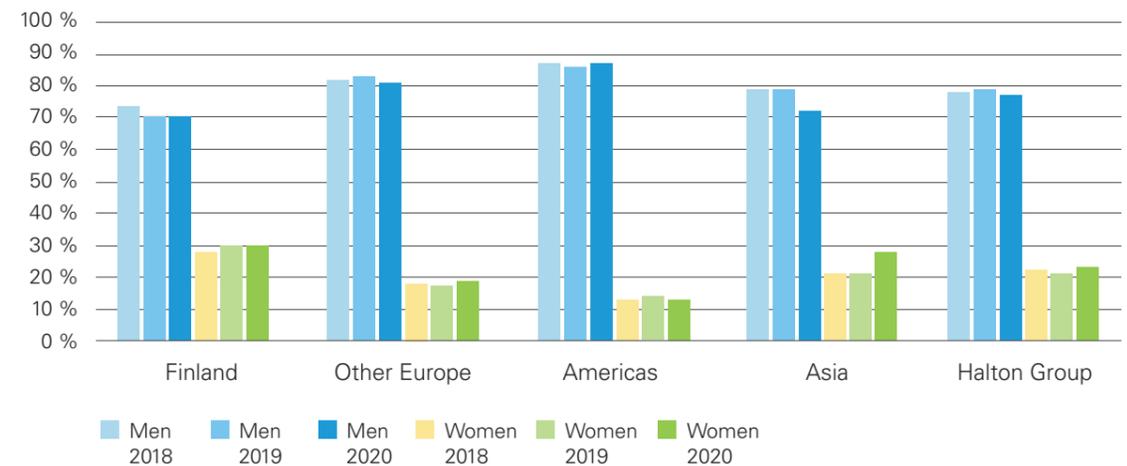
Number of employees	2018	2019	2020
Finland	427	448	418
Other Europe	653	567	575
Americas	251	319	261
Asia	238	280	319
Halton Group	1569	1614	1573

Workforce by region and in total in 2018, 2019 and 2020



Employees by region in 2018, 2019 and 2020

% of men / women	Men 2018	Women 2018	Men 2019	Women 2019	Men 2020	Women 2020
Finland	72%	28%	70%	30%	70%	30%
Other Europe	82%	18%	83%	17%	81%	19%
Americas	87%	13%	86%	14%	87%	13%
Asia	79%	21%	79%	21%	72%	28%
Halton Group	78%	22%	79%	21%	77%	23%



Above: Men vs. Women in 2018, 2019 and 2020

Job Satisfaction and Employee Turnover

Job satisfaction and employee turnover are closely linked. Halton's strategic initiative on the theme of Increasing Employee Engagement is high on our materiality assessment list. In past surveys, Halton employees have shown strong engagement, in relative terms, with their own teams and customers, which is in line with our company values. A key area of improvement that has come up in various sessions has been communication, both horizontally across the organisation and especially between teams within units.

During 2020, our main engagement activity was to keep our people safe and the business running. Many actions on individual, team and organisation level were also carried on with as planned earlier in 2019. While the special circumstances still put a halt to some planned activities around running surveys and arranging staff events, the focused actions across all Halton units were received well among our personnel.

In 2020, we did not run a full survey on Employee Engagement, and do not have results comparable to earlier years. Still, we ran an engagement survey at the end of the year to get an idea of it in the current exceptional conditions. The overall results show that the engagement level based on the seven questions remained on a similar level to that of 2019, a year of substantial growth.

Regarding the trend of the results of the survey, we noted that especially those units that had actions systematically carried on, the team and organisational level improved their performance, some quite considerably. Especially good trends based on the survey were seen in the Kausala factory in Finland, and in Germany. Unfavourable trends were seen in Malaysia, Lahti and China.

Business Area	2019		2020	
	Number ¹	Engaged ²	Number ¹	Engaged ²
SBA Marine	101	87%	128	67%
SBA Halton	277	69%	158	76%
SBA Foodservice	518	76%	533	74%
Halton Group	10	90%	11	82%
All	958	75%	848	73%

1) Number of respondents

2) Share of respondents who indicated that they are either engaged or highly engaged. The respondents' level of engagement was calculated based on seven questions.

In 2021, we will do the full survey again across the whole organisation. Our survey measures engagement on four levels: Disengaged, Not Engaged, Engaged, and Highly Engaged. We strive to have most of our employees on the Engaged and Highly Engaged levels. The 2018 and 2019 surveys showed that some 56% of Halton employees fall into these two categories. Our long-term strategic target to raise this level to 75% remains. Compared to the Gallup average scores 35% of employees in companies are engaged or highly engaged.

At Halton, job satisfaction is also measured by using the Net Promoter Score (NPS). NPS measures the loyalty of the respondents. This is measured by one question: "How likely is it that you would recommend Halton as an employee to a friend or colleague?"

In 2019, Halton's Employee NPS result was +20. In 2020, we did not measure NPS globally.

Employee Turnover

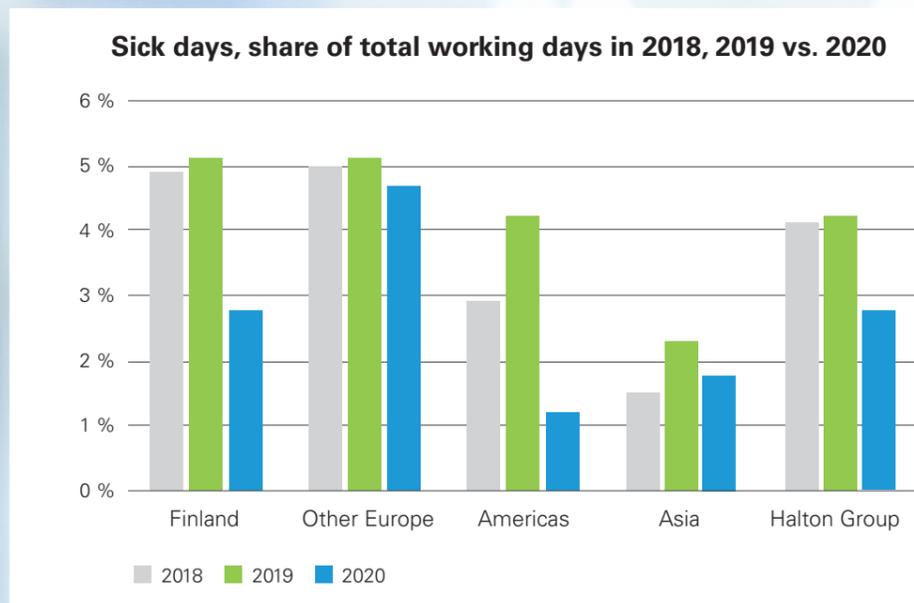
The average number of employees in Halton during year 2020 was 1566. The number of leavers, which includes permanent and temporary employees, was 276. Our employee turnover was 17.6 per cent (12.6 per cent in 2019). The number of leavers who had a permanent contract was 159. Our employee turnover of permanent employees was 10.2 per cent (5.2 per cent in 2019). The numbers include capacity related employee reduction caused by Pandemic.

Sick Days and Injuries

The average number of sick days was 2.8 per cent of the theoretical working hours (4.2 per cent in 2019). The total number of sick days caused by injuries at work amounted to 184. The number of accidents was 60. As the total number of working hours was 2.88 million, the injury rate was around 21 accidents per million working hours.

Sick Days, Share of Total Working Days			
	2018	2019	2020
Finland	4.9%	5.1%	2.8%
Other Europe	5.0%	5.1%	4.7%
North America	2.9%	4.2% ¹⁾	1.2%
Asia	1.5%	2.3%	1.8%
Halton Group	4.1%	4.2%	2.8%

1) The figure, Americas 2019, only includes production employees in Canada. No data available from the USA.



Performance and Career Development Reviews

We have used performance reviews at Halton Group for many years. In 2018, 52 per cent of employees had performance review. In 2019, the amount was some 40 per cent of the employees. In 2020, the amount rose to 64 per cent. In 2020, preparations were made to start Goal setting and Performance reviews for office employees on Halton's electronic HR system, the Halton People Portal. The system was set up at the end of 2020, and it was used for goal setting for the first time in the beginning of 2021.

Ratio of Basic Salary of Men to Women

Halton is aligning its pay structures to the markets where it is operating. The principle is to pay a salary comparable to the market level for any given job. The pay depends on the requirements of the job and the related performance, regardless of gender and the person who is holding the position. Halton's local units are following the pay level compared to the market. For the long term, Halton is building a global job grading system, a job architecture, to ensure the requirements in similar positions are aligned, and that the pay for the position is fair compared to the market level.



Training

Halton's common HR system and learning platform, the Halton People Portal, was introduced in 2020, and the first courses are now available on the platform. Over 200 e-learning participants in various training sessions were registered during the second half of the year when the system was introduced.

The course offering on the platform will expand during 2021, especially regarding Halton's solutions. This will also bring along a more systematic use of the courses, also such as staff onboarding, and recurring training on the Code of Conduct, Halton's business and customer segments, IoT solution, and IT security.

Halton's business units also have different needs and challenges in their businesses and operation. This translates to a different focus in training, following the business situation at hand. Business-driven programs include a leadership program for managers, and Academy of Brain courses for both managers and employees in the SBA Halton unit, and the SBA Foodservice Leadership Program in the SBA Foodservice unit. On top of these, business unit wide programs and more closely targeted training is also provided inside business units.

The Halton Leadership Development Program

On the more common front, the Halton Future Leadership Development program looks at potential future leaders across all business areas. The goal of the program is to develop potential future leaders, promote cross-organisation networking and try out new ideas for Halton.

The term *leadership* is used in a broad sense here—it may refer to leading projects, knowledge, and people. Participation is no guarantee of a leadership position but it does develop the participants' skills and capabilities, making them better candidates for such opportunities. Three programs have been completed to date. The fourth program participants were selected in 2020 and the program commenced in a remote setting in January 2021. Twenty-six participants from 16 different countries will participate in the program.

Many personal development stories demonstrate that the Halton Future Leadership Program has met expectations well. Key talents have been identified successfully and many have ascended on their Halton career ladder to take on more demanding leadership positions.



From Customer Service to Strategic Management

Gunalan Ganesan joined Halton's Malaysian subsidiary as Customer Service Officer in 2004, at a time when structural changes were underway in the unit to reshape its business and focus on the Commercial Kitchen Ventilation sector that had proved to yield good margin. With his background in engineering, Gunalan had previously worked in one HVAC company but not with the food service industry.

"I had never been exposed to this special area of ventilation systems, and in the beginning, I wasn't even too fond of it but rather thought about giving up," Gunalan tells about his early days in the business. But before acting on his doubts, the game changed for him.

"I was lucky to have General Manager at the time, **Georges Gaspar**, and the local Controller **Chacko Philipose**, as my mentors. They provided me with learning opportunities, and even encouraged me to make mistakes and utilise them to develop in my work. This was a totally new experience to me," he says.

For the first nearly two years, Gunalan worked as a project site engineer. He travelled frequently and often on short notice in South East Asia, Japan, South Korea and the Middle East.

"It was hectic but a great time, as I had the chance to meet our customers and solve their problems together with the project teams. My knowledge of both the systems and customers grew quite a bit. Also, being there and winning the customers' trust and loyalty felt really rewarding and energising, and motivated me to do my best for the company," Gunalan describes his spirit.

His learning at work brought such good results for Halton that in 2008, he was given the opportunity to start up the company's operation in India. By the time, Halton had only had a few projects in the country but this was to change. Gunalan thanks the Malaysian team for their great support and enjoyable teamwork for the Indian unit's kick-off project that proved successful, creating loyal customer relationships.

In 2011, after establishing the operation of the Indian team, Gunalan returned to Malaysia and took up a new position as Sales Manager of South East Asia, responsible for the region's sales.

ENGAGED PEOPLE Highlights



In 2012, he was promoted General Manager of the Malaysian factory and sales unit, which gave him a further opportunity to apply and develop his leadership skills that included attentive listening in decision-making. Later, he was also chosen to participate in Halton's Future Leadership Development Program, which he finished in 2016.

"The program was a fantastic experience to me and prepared me well for my future growth in the company. We got to meet other Halton staff from all over the world, learn from each other and even develop long-lasting friendships. I feel grateful that the company invests money and time to train future leaders," he says.

During those years, Gunalan reported to one of Halton's long-standing veterans and great personalities, **Olli Sipilä** who eventually retired in 2018. Educated further by Olli's leadership, long experience and strong values base, Gunalan followed Olli as the new Regional Director for Halton Foodservice's Asia Pacific unit the same year.

"In this position, being part of Halton's Strategy Steering Group has been yet another new experience and made me feel that my views are valued in the company. I have also realised that line managers are our asset whose development is essential to continue strengthening the company," he says.

Other important learnings by Gunalan?

"It is essential to be honest, trustworthy and brave to accept new challenges, even tough ones, if they are offered to you. Halton provides a lot of opportunities for both professional and personal growth, and you should be ready to seize them."

"And, last but not least, we are there for our customers. As our Chairman **Mika Halttunen** always points out, it is the customers who pay our salary. We shall provide them with the best genuine value and serve them better than any of our competitors. Simple as that."



Our environmental and quality management is guided by our environmental and quality policy and the ISO 14001 environmental management standard, which has been certified in the following countries:

France: Halton Foodservice SAS

- ISO 14001 Environmental Management

Finland, Halton Oy

- ISO 9001 Quality Management, date 16 November 2020
- ISO 14001 Environmental Management, date 16 November 2020

Finland, Halton Marine Oy

- ISO 9001 Quality Management, date 17 September 2020
- ISO 14001 Environmental Management, date 17 September 2020
- ISO 45001 Occupational Health and Safety Management, date 16 November 2020

China: Halton Ventilation Ltd.

- ISO 9001 Quality Management, date 15 September 2018
- ISO 14001 Environmental Management, date 24 February 2018

Germany, Halton Foodservice GmbH

- ISO 9001 Quality Management, date 25 June 2020

Great Britain, Flamgard Calidar Ltd.

- ISO 9001 Quality Management, date 2 June 2020
- ISO 14001 Environmental Management, date 12 November 2020

ISO 9001 certifications cover about 49 (33 per cent in 2018) per cent of our turnover and ISO 14001 certifications about 39 (42 per cent in 2018) per cent of our turnover. Environment certification figures are slightly lower than in 2018, as the Hungary factory which had both certificates was sold in January 2019. Our unit in Germany was certified in 2020 which have increased the coverage of ISO 9001.

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

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 used are stainless and galvanised steel, aluminium and wood. Galvanised steel is typical for SBA Halton's products, whereas SBA Foodservice and SBA Marine mainly use stainless steel. Wood is used for packing in all Halton factories. The largest quantities of aluminium are used at SBA Halton's factory in France for exhaust grilles.

The proportion of recycled material in the steel and aluminium that we buy depends on the suppliers' production processes. 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 cycles. The statistics concerning the material used are shown on the table below. The reason for the differences in wood consumption between 2019 and 2020 is the improved accuracy of data collection. The data covers all our production units.

The statistics concerning the materials used are shown on the tables here. The data covers all our production units.

MATERIALS USED (TONS)

MAIN MATERIAL GROUPS	Halton Group 2018	Halton Group 2019	Halton Group 2020
Stainless steel	3,644	3,707 ⁽¹⁾	3,138
Galvanised steel	3,149	2,935	3,360
Copper	4	2	2
Aluminium	242	321	279
Wood	669	1,262	1,131
Fibres	0	0	0
Plastic	36	9	20
Insulation material	25	20	23
Aluminised Stainless Steel	420	479	289
Materials Used	8,189	8,735 ⁽¹⁾	8,242

1) Revised in 2021

MATERIALS USED (TONS)

MAIN MATERIAL GROUPS	Finland 2018	Finland 2019	Finland 2020	Other Europe 2018	Other Europe 2019	Other Europe 2020	Americas 2018	Americas 2019	Americas 2020	Asia 2018	Asia 2019	Asia 2020
Stainless steel	629	634	446	958	974	1,043	1,105	1,107	798	952	882	851
Galvanised steel	1,954	2,075	2,383	1,035	668	733	1	37	68	159	155	176
Copper	1	0	0	0	0	0	3	2	2	0	0	0
Aluminium	18	59	41	224	252	230	0	0	0	0	10	8
Wood	102	605	400	48	35	204	438	479	394	81	143	133
Fibres	0	0	0	0	0	0	0	0	0	0	0	0
Plastic	3	2	4	5	5	14	27	0	0	1	2	2
insulation material	0	0	0	25	20	23	0	0	0	0	0	0
Aluminised Stainless Steel	0	0	0	0	0	0	420	479	289	0	0	0
Materials Used	2,707	3,375	3,274	2,295	1,954	2,247	1,994	2,104	1,551	1,193	1,192	1,170

Purchased Energy

In 2020, our production units purchased 9,152 MWh:s of electricity, 4,584 MWh:s of heat and 4,810 MWh:s of fuel. The largest electricity consumers are SBA Halton's Kausala unit, SBA Foodservice's U.S. units and SBA Marine's Lahti unit.

Of the electricity purchased, 60 per cent was renewable, 25 per cent was non-renewable and 14 per cent was based on nuclear power. The electricity consumption was 9.4 MWh per EUR 1 million of group turnover. The heat purchased was 93 per cent non-renewable.

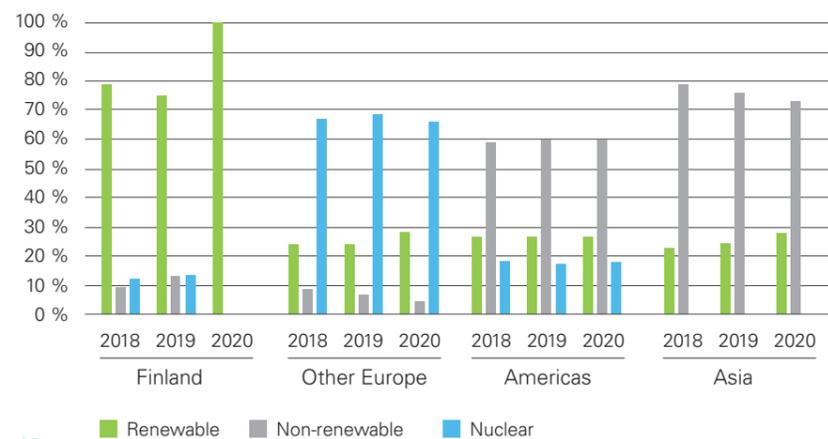
Units in Finland and Europe are the main users of purchased heat, while units in North America, Malaysia and China use electricity for heating.

	Halton Group 2018	Halton Group 2019	Halton Group 2020
Electricity purchased (MWh)	9,581	9,803	8,964
renewable, %	27%	49.6%	62%
non-renewable, %	39%	30.3%	24%
nuclear power, %	34%	20%	14%
Heat purchased (MWh)	4,850	4,911	4,585
renewable, %	8%	7%	7%
non-renewable, %	92%	93%	93%

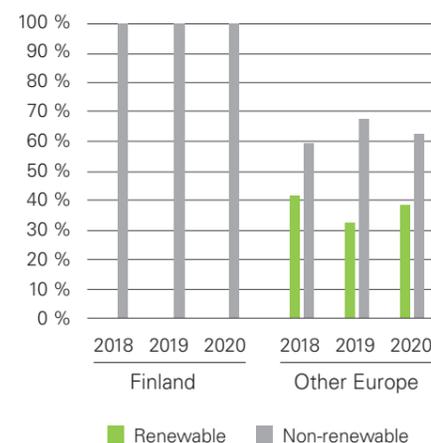
PURCHASED ENERGY

	Finland 2018	Finland 2019	Finland 2020	Other Europe 2018	Other Europe 2019	Other Europe 2020	Americas 2018	Americas 2019	Americas 2020	Asia 2018	Asia 2019	Asia 2020
Electricity purchased (MWh)	4,946	4,602	4,204	1,351	1,513	1,394	2,496	2,672	2,416	731	885	800
renewable, %	79%	75%	100%	24%	25%	29%	27%	27%	27%	22%	24%	28%
non-renewable, %	9%	12%	0%	9%	6%	5%	59%	60%	60%	78%	76%	72%
nuclear power, %	12%	13%	0%	67%	69%	66%	14%	13%	13%	0%	0%	0%
Heat purchased (MWh)	3,890	3,908	3,663	912	1,003	922						
renewable, %	0%	0%	0%	41%	33%	37%						
non-renewable, %	100%	100%	100%	59%	67%	63%						

Share of Electricity Purchased



Share of Renewable Heat Purchased



GHG Emissions of Our Operations

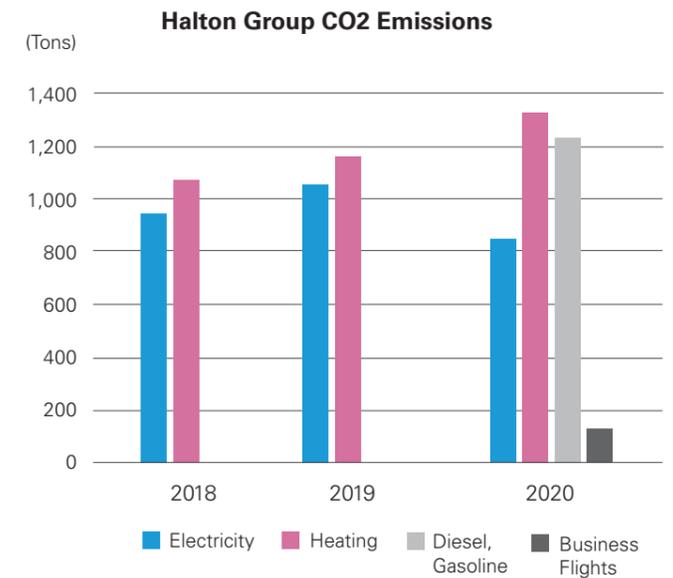
In the earlier CR reports, we collected data on fuel consumption from our production units. In 2020, we started to collect data on the fuel consumption also from our sales and service units. In that way, we get closer to the actual CO₂ emissions of our operations. The data is still not exact because we must partly calculate the fuel consumption based on the fuel costs. But it will give us a good estimation of where we are at the moment. Because of these changes, we do not publish the fuel consumption from earlier years, because the data is not comparable.

We started to also collect the data on flight miles from our business flights to be able to calculate the respective CO₂ emissions. The year 2020 was not a normal one which has to be considered when comparing the results to the following years. The Covid-19 pandemic has limited all business travel significantly and the figures are now at a minimum level.

CO ₂ Emissions (tons)	Halton Group 2018	Halton Group 2019	Halton Group 2020
Electricity	947	1,047	782
Heating	1,059	1,168	1,297
Diesel, Gasoline			1,306
Business Flights			116
Total CO₂ Emissions			3,501

The biggest changes have happened in the Lahti and Rochester units. The Lahti unit has changed all the electricity it consumes to renewable energy and decreased the consumption of natural gas due to adopting geothermal heating. The Rochester unit has increased the share of nuclear power in its electricity consumption by 39 per cent.

Inaccuracy in the data collection in earlier years causes the differences in the amount of heating emission.



Energy Efficiency of Building Solutions

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 the carbon handprint.

The construction sector in all, plays a key role in terms of global CO₂ emissions as shown in the following statement by the International Energy Agency:

"The buildings and building construction sectors combined are responsible for 36 per cent of global final energy consumption and nearly 40 per cent of total direct and indirect CO₂ 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 cent per year."

Furthermore, according to research, right HVAC systems and building design can reduce their energy consumption by up to 75 per cent (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 at the heart of both Halton's mission of enabling wellbeing as well as our competitive edge to make sure we continue to be leading experts in energy efficiency of HVAC solutions optimised 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.

Waste GRI 306-2	Halton Group 2018	Halton Group 2019	Halton Group 2020
Total tons	2,763	2,641	2,129
Re-use	17	19	19
Re-use, %	0.6%	0.7%	0.9%
Recovery	2,626	2,441	1,958
Recovery, %	95%	92%	92%
Landfill, tons	118	181	148
Landfill, %	4.3%	6.9%	7.0%
Other waste, tons	4	0	4
Other waste, %	0%	0%	0%

WASTE BY THE REGIONS

Waste GRI 306-2	Finland 2018	Finland 2019	Finland 2020	Other Europe 2018	Other Europe 2019	Other Europe 2020	Americas 2018	Americas 2019	Americas 2020	Asia 2018	Asia 2019	Asia 2020
Total tons	1,143	1,246	910	761	639	489	660	584	559	199	172	171
Re-use	0	0	0	7	3	5	0	0	0	15	16	14
Re-use, %	0%	0%	0%	0.9%	0.5%	1%	0%	0%	0%	7.7%	9.3%	8.2%
Recovery	1,143	1,246	909	744	636	484	558	403	408	184	156	157
Recovery, %	100%	100%	99.9%	97.8%	99.5%	99%	84.5%	69.1%	73%	92.3%	90.7%	91.8%
Landfill, tons	0	0	0	10	0	0	103	181	148	0	0	0
Landfill, %	0%	0%	0%	1.3%	0%	0%	15.6%	31%	26.5%	0%	0%	0%
Other waste, tons	0	0	1	0	0	0	0	0	3	0	0	0
Other waste, %	0%	0%	0.1%	0%	0%	0%	0%	0%	0.5%	0%	0%	0%

Suppliers Auditing

We are auditing our suppliers according to the ISO 9001 quality system, and environmental topics, as well as social criteria, have been added to our monitoring. We want to be sure that our suppliers follow our Supplier Code of Conduct and comply with all applicable labour laws and international labour conventions. We prefer suppliers who apply the ISO 14001 environmental management standard.

At the end of 2020, we had 819 major suppliers, which represent 80 per cent of our purchases. The number has decreased considerably from 2019 when there were 990 suppliers. Of the current suppliers, 19 per cent are ISO 14001 certified and 5.0 per cent have undergone Halton's own supplier auditing. We continue to analyse in more detail which of our suppliers can be considered risk suppliers according to labour and environmental standards and decide whether more internal- and third-party audits are required.



The Halton Marine plant in Lahti, Finland

RESPONSIBLE GROWTH Highlights

Halton's Finnish Plants Cut Their CO₂ Emissions Significantly

Energy efficiency is considered fundamental at Halton, ranging from its indoor air solutions produced for customers, to the company's own operations. Halton Group has set as an objective to become carbon neutral by 2023. As part of these efforts, Halton's Finnish plants in Lahti and Kausala decided to adopt CO₂-reducing HVAC systems.

Halton Marine's Plant in Lahti Switched to Geothermal Heating

During 2020, Halton Marine's Lahti plant switched from natural gas to geothermal heating. The new solution reduced emissions from heating the factory premises by 90%, and the related heating bill by 35%. The plant specialises in high-quality customised indoor climate solutions and fire safety products for the marine, energy and heavy industries. The factory was established in 1989 and expanded in 2016. It has an area of 7,000 square metres, and around 140 employees.

Adopting geothermal heating makes the plant one of the most environmentally friendly in the industry, while generating significant cost benefits. The change in energy system was also important for the plant's indoor environment, since cooling came as part of the deal. Also, conditions can be adjusted with greater precision in the whole plant. The temperature in the production premises can be lowered by a few degrees during hot summer weather, and the air humidity drops.

The Halton Marine Lahti plant reduced its annual carbon footprint by



Switching to geothermal energy will generate life cycle savings worth between EUR 1.8 million and EUR 2.6 million for the plant, depending on energy price trends. The CO₂ emissions from heating have fallen by over 100 tons per year, which corresponds to more than 450 solar photovoltaic panels. At the end of 2020, all energy used by the Lahti plant was carbon free.

Halton's Kausala Plant to Renew Their HVAC Systems, Including Heat Recovery

Kausala is home to Halton's first and biggest plant specialising in the Halton Buildings and Halton Health offering. It also hosts the company's largest Innovation Hub, and office space. The total area of the facilities is approximately 23,000 square meters, with nearly 200 staff working there. The facilities were constructed in stages between 1984 and 2013. In 2020, it was decided that the energy consumption of site be cut significantly. Geothermal heating was excluded as an option here because the land was situated in a groundwater zone. Instead, an extensive renewal of the HVAC systems aiming at a reduction in the use of natural gas in heating of the premises was agreed upon. All phases of the project are expected to be finished by December 2021.

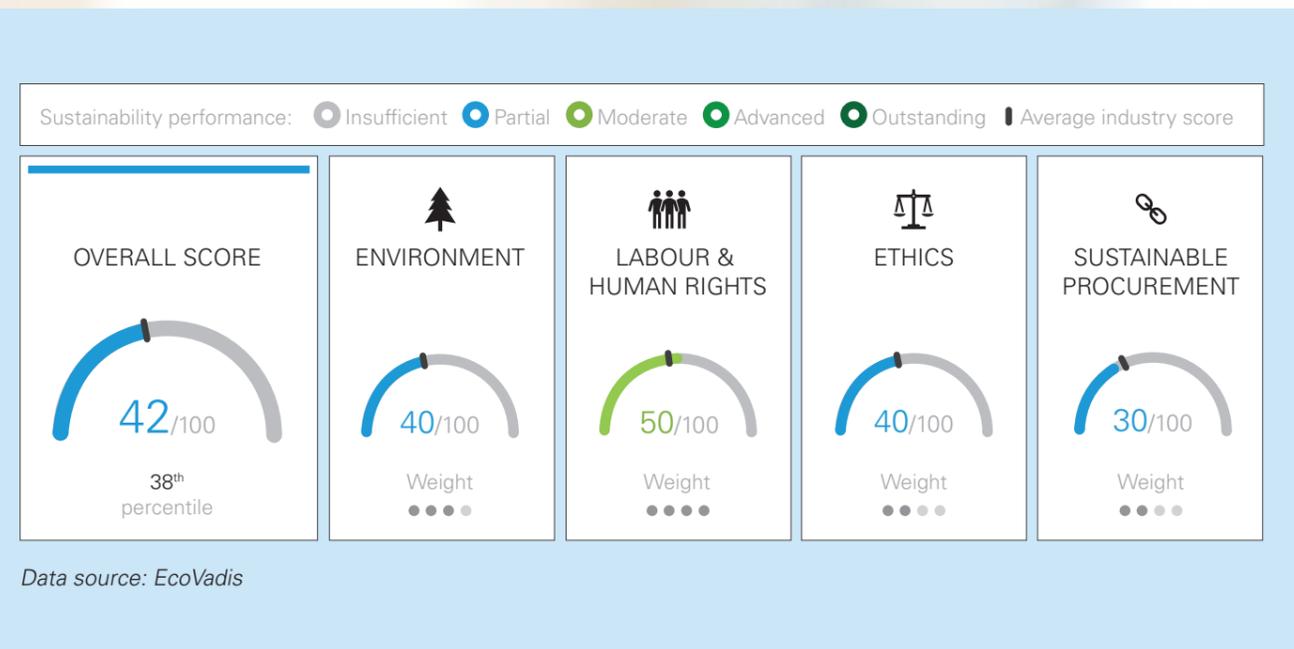
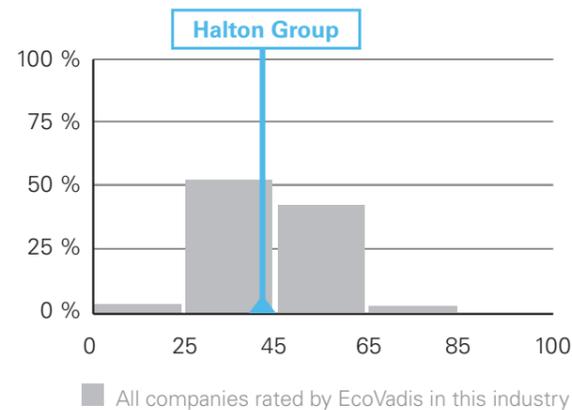
The project focuses on improving the energy efficiency of the building systems, and their controllability and modernisation. A significant improvement will be achieved through adopting an efficient heat recovery system with heat pumps. As a result of the total renewal project, the Kausala plant's energy consumption is estimated to drop by 1,720 MWh per year on average, which reduces the carbon footprint by 321 tons of CO₂, i.e. by over 29%. The energy savings correspond to an annual level of more than EUR 80,000.

Halton's Kausala Plant Supply Chain Assessment

In the spring 2020, one of our international customers asked Halton to conduct a sustainability assessment of the supply chain of the Halton Kausala unit. The assessment was to be done by EcoVadis, an organisation specialised in business sustainability ratings. For more information on the company, please see <https://ecovadis.com/>.

The assessment was conducted in four categories: Environment, Labour & Human Rights, Ethics and Sustainable Procurement. It was completed in autumn 2020, and the results can be seen in the infographic below.

The assessment results suggest nine improvement topics with a high priority and nine topics with medium priority. The majority of high-priority topics were due to a lack of documentation, so that corrective actions are relatively easy to perform which will be done during 2021.



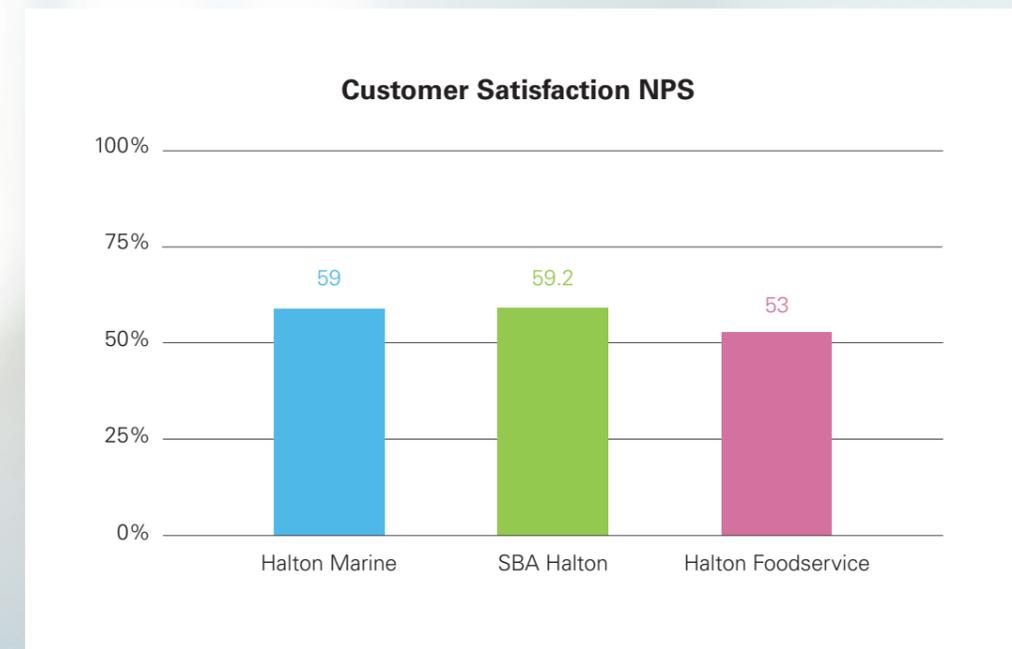
Customer Satisfaction

SBA Halton Marine customer satisfaction survey was conducted in October 2019. The survey was sent to key customers in Europe, the Middle East, the Americas and Asia. A total of 70 responses were received. Halton Marine's NPS result was 59, which was an increase of 10 units from the previous measurement. The answers to the customer satisfaction survey have been utilised in the development of the business and internal operations.

SBA Halton's most recent customer satisfaction measurement in 2019 was implemented as a pulse survey and Net Promotor Score (NPS) overall measure. The survey focused on the core areas of customer satisfaction, namely understanding the customer business, ability to deliver added value with the offering, providing scope and customer service. NPS is an overall customer satisfaction measure asking respondents to rate the likelihood that they would recommend Halton as a supplier to a friend or colleague. The survey was conducted as an email survey sent to 255 of the most significant customers in Europe. The response rate was 29%. The overall NPS was

59.2, showing an increase from the previous measurement. Both Buildings segment and Health segment NPS scores increased as aggregate measures of the customer satisfaction in Europe and China. In addition to aggregate measures, country results were analysed for eleven countries.

Halton Foodservice customer satisfaction survey was conducted in 2019. The survey was sent to key customers in North America, including Consultants, End Users, Mechanical Engineers, Representatives, and Kitchen Equipment Contractors. A total of 111 responses were received. Data from this survey provides the Net Promotor Score (NPS) for each customer segment as well as the road map for continuous improvement and the metrics to track the progress. The breakdown of the NPS score was a high of 73 with Consultants with a median score of 53 for the remaining customer segments.



HALTON PROMISE	EXAMPLES OF ACTIONS
ENGAGED EMPLOYEES & STAKEHOLDERS	
 <p>Halton invests in our employees' competence development, and cooperates with schools and universities to offer apprenticeships to young people and students. We also share our knowledge with our other stakeholders to promote productive cooperation.</p>	<ul style="list-style-type: none"> • Providing learning opportunities to students in terms of hands-on training. (2021–2022) • Arranging seminars and providing material to our customers on indoor climate and high-quality indoor air solutions. (2020–2022) • Arranging partner training on our solution configurations and services to ensure smooth system operation and commissioning. (2021–2022) • We encourage and support continuous competence development of Halton's staff across the world. We offer opportunities and resources for development both locally and globally, utilising eLearning solutions in a focused manner. (2020–2022)
 <p>All Halton employees are equal, regardless of gender. Their salary and compensation are determined based on the complexity of the work role. Women have equal opportunities to advance in their careers in all positions in the organisation.</p>	<ul style="list-style-type: none"> • Establishing and enforcing practices to ensure that female candidates are considered for any vacant position. (2021–2022) • Applying role pay reporting based on gender. (2021–2022)

HALTON PROMISE	EXAMPLES OF ACTIONS
SUSTAINABLE & EFFECTIVE OPERATIONS	
 <p>Halton is continuously decreasing the amount of waste in its own processes. When selecting raw materials, we pay attention to recyclability, carbon footprint and the proportion of recycled material.</p>	<ul style="list-style-type: none"> • Implementing packing and packing material reviews in our R&D process for new products to optimise packing and to decrease the amount of waste. (2020–2022) • Monitoring our waste (including scrap) and increasing recycle ability in all plants. (2020–2022)
 <p>We are systematically reducing the CO₂ emission in all our operations by increasing the share of renewable energy and improving energy efficiency. Halton is measuring the net environmental impact of its operations. By increasing the value of handprint and decreasing the value of footprint we are able to enlarge our net value to the society.</p>	<ul style="list-style-type: none"> • Upgrading our solutions to enable higher energy savings and less water consumption. (2021) • Energy audits in the Kausala and Béthune plants. The audits focus e.g. on the energy consumption and the state of maintenance of the HVAC system. The possibility of renewable energy solutions are also evaluated. (2020–2021) • Optimisation of the Kausala plant's supply chain to reduce CO₂ emissions in transportation. (2021) • Utilising more renewable energy sources for our plants. Implementing geothermal heating in the Lahti plant and changing to CO₂ free electricity. (2020–2021)

HALTON PROMISE	EXAMPLES OF ACTIONS
CUSTOMER-DRIVEN & SUSTAINABLE SOLUTIONS	
 <p>Halton enables healthy and comfortable indoor environments for people. We develop solutions that decrease the amount on hazardous particles in indoor air and create high-quality indoor climate conditions.</p>	<ul style="list-style-type: none"> • Launching new solutions to reduce microbial exposure in health care facilities. (2020) • Developing a new UVGI product line addressing air-borne and fomite infection. (2020) • Developing solutions to ensure kitchen air safety, and fire-safety in professional kitchens. (2020) • Developing a continuous duct monitoring solution to alert grease deposition. (2020) • Installing Halton VCR air purifiers to each of SBA Halton's plant offices to dilute the virus concentration up to ten times faster than basic ventilation, which can reduce the risk of infection by 45%. (2020) • Installing and using Halton's central vacuum cleaning system in SBA Marine plants, starting from Lahti, to enhance cleaning and indoor air quality. (2020–2022) • Reviewing all chemicals in the Lahti plant and replacing them with ones less harmful to people and the environment. (2021)
 <p>Halton invests in local R&D close to customers through Halton Innovation HUB's. We work in close cooperation with universities, research institutes, and industrial research partners to create new knowledge within our sector.</p>	<ul style="list-style-type: none"> • Participating in smart building data platform development in the KEKO Ecosystem project where the purpose is to create the world's leading real-estate data ecosystem and platform. Buildings account for more than a third of all CO₂ emissions in the EU, and data-based building technology can help cut them significantly. (2020–2021) • Collaboration with a third party to develop new virus mitigation technologies. (2020–2021) • Cooperation in R&D with several companies and universities in different research projects focusing on energy savings, wellbeing, the use of renewable energy, or building life cycle management. (2020–2022)
 <p>Halton offers increasingly energy-efficient solutions for its customers to reduce their environmental impact. Halton also drives kitchen ventilation related outdoor air quality improvement through the development of pollution control systems.</p>	<ul style="list-style-type: none"> • Enhanced pollution control features and design of professional kitchen solutions. (2020–2022) • Development of demand-based workplace ventilation solutions to reduce energy consumption, purify air, optimise CO₂ in offices, and to maximise wellbeing. (2021)

HALTON PROMISE	EXAMPLES OF ACTIONS
RESPONSIBLE GROWTH	
 <p>Halton invests in R&D and innovations. It partners with or invests in start-ups and businesses that support its mission and sustainability. Also, Halton invests in the wellbeing of its staff, and offers opportunities for working across borders, and promotes high ethics at work.</p>	<ul style="list-style-type: none"> • Ensuring that Halton's People Policy is followed throughout the organisation, by training supervisors and recruiting staff. (2021) • Ensuring staff safety during the pandemic. (2020–2021)

GRI Index

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 are appropriate, the reporter can choose a partial approach, using some specific GRI standards and explaining how they are used.

We do not yet claim to report in full accordance with the GRI standard, not even with the core option, but GRI has been the basis for all our reporting since the year 2018. As we endorse the United Nations Global Compact initiative, we also include in our GRI Index information on how our performance relates to the Global Compact’s principles and the United Nations’ Millennium Goals. You can find the detailed GRI Index on our website www.halton.com/sustainability.

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Abbreviation	Explanation
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CPO	Chief People Officer
SBU	Strategic Business Unit
SBA	Strategic Business Area
NPS	Net Promoter Score
CoC	Code of Conduct
CAGR	Compound Annual Growth Rate
EBIT	Earnings Before Interest and Taxes
CAPEX	Capital Expenditure
CFU	Colony-forming Unit

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 2022.

