

Herrmans Bike Components

Sustainability Report 2022

Thriving on the future-proofed path

Welcome to the third annual sustainability report from Herrmans Bike Components! This report will present the continuous efforts we are putting in, always striving to do our part to make responsible choices and making the bike industry even greener.

We are happy to say that we have been able to decrease our total greenhouse gas emissions. We have reached carbon neutrality for Scope 1 and 2 and Scope 3 emissions have decreased by 16 percent. Thanks to efforts throughout the whole organization, with our customers and our supply chain, this has been possible.

Read more about what has been done within people, planet and profit and what our plans are for the future.

Let's gear up - the journey continues!



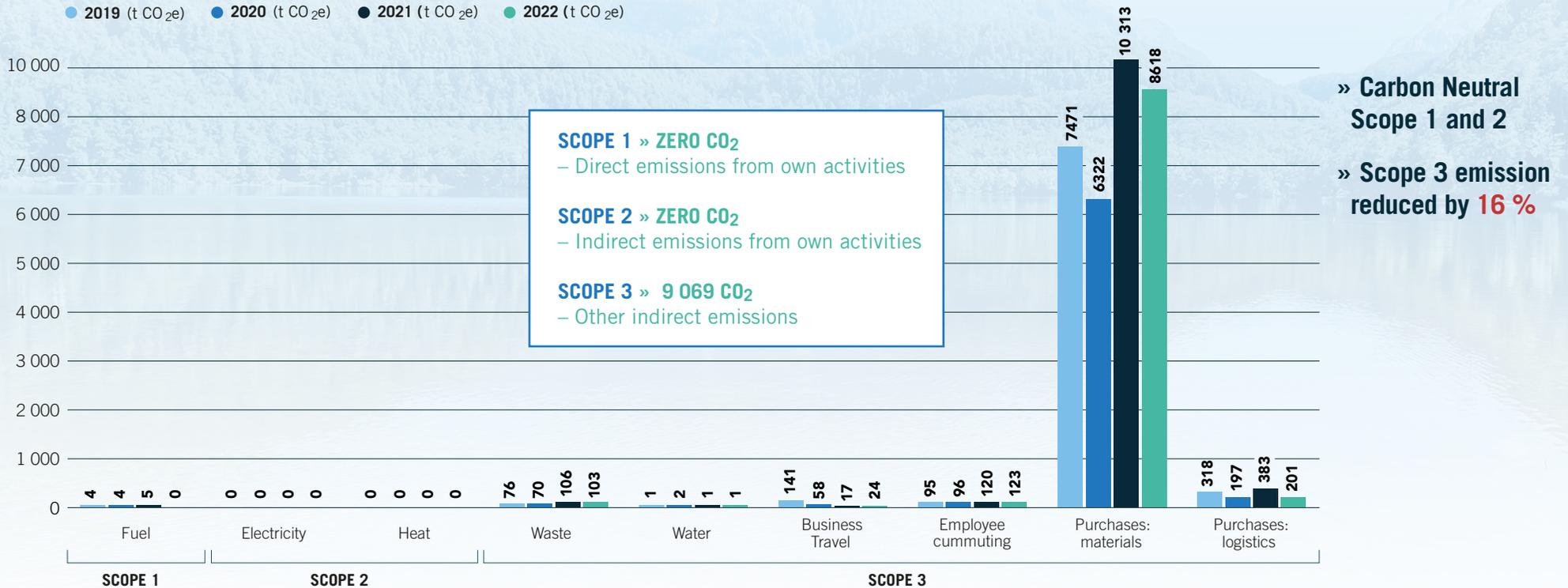
There is strength in embracing change. All people in the bicycle industry are coming together for the purpose of sustainability, and we start to see rapid change in the industry.

Sari Noromies
Sustainability & Operational Excellence Developer
Herrmans Bike Components

01 Planet

When measuring and managing greenhouse gas emissions, we follow the principles set by the GHG protocol and have adopted their standard.

TOTAL CARBON FOOTPRINT 2019-2022, cradle to gate



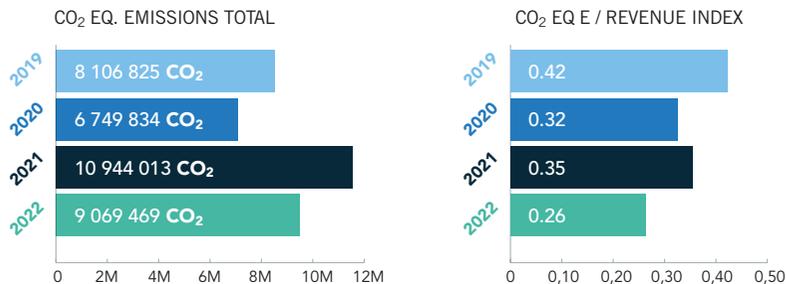
Carbon neutral Scope 1 and 2

The small amount of emission we have in scope 1 is fuel for our company vehicles. In 2022 we decided to replace all fossil-driven vehicles with fossil-free alternatives, and this will be implemented step by step in a 3-year plan. Our first electric forklift truck will be delivered this summer. In the meantime, we have compensated 6 t CO₂ emission from scope 1.

Climate compensation is not our first option, but rather something that is done when all other possible actions have been taken. And now that we have a set plan on how to reduce the remaining scope 1 emissions, we want to compensate the emissions until all new vehicles are installed.

We have chosen a VERRA-certified emission reduction project that supports the prevention of deforestation in Borneo, Indonesia.

CO₂ EMISSIONS AND CARBON FOOTPRINT INTENSITY:



Herrmans' carbon footprint intensity is measured by dividing the total carbon footprint with the revenue from the same period: CO₂ eq. e / revenue.

Reduced greenhouse gas emission in Scope 3

It is important to improve the accuracy of scope 3 emissions over time and to expand to include more categories as adequate data becomes available. Thanks to a deeper collaboration with key suppliers, we have been able to move to more accurate data sources including moving from secondary sources to primary ones for specific raw materials.

We also extended the categories in scope 3 by adding employee commuting to our calculations. These changes require historical adjustments, and all calculations from baseline year 2019 have been adjusted.

During 2022, we have put a lot of effort into raw material research and have been able to increase the share of recycled and bio-based raw materials. This work continues, and step by step we will be able to further increase the share of more sustainable materials.

Another focus area has been to increase recycling of production waste. Several grinders will be installed in production during 2023, and we are expecting emissions caused by waste to decrease.

Re-grinding of raw materials inhouse

One of our ongoing projects is to decrease the amount of waste that occurs in production. By increasing the amount of material we recycle inhouse, we can reduce waste step by step. Re-grinding of materials means that any scrap material that occurs during the production process is collected, reground, and fed directly back into the machine. Re-grinding and re-granulation of different materials was started already back in 2008, and with the current ongoing projects the amount of waste will decrease even further.

We have performed production tests with several of our main raw materials and tested them for different products in our production range. The results have been positive, and several new grinders will be implemented in production during 2023. This can lead to savings in carbon emissions of up to 450 t CO₂ equivalents per year.

Constantly researching new sustainable materials

We want to provide customers with the opportunity to choose more environmentally friendly products. That is why we invest time in researching new raw materials – to make more sustainable and conscious material choices, give our customers future-proof products, and make a real difference to our planet.

First results with new materials – recycled ABS has a 90 % smaller footprint

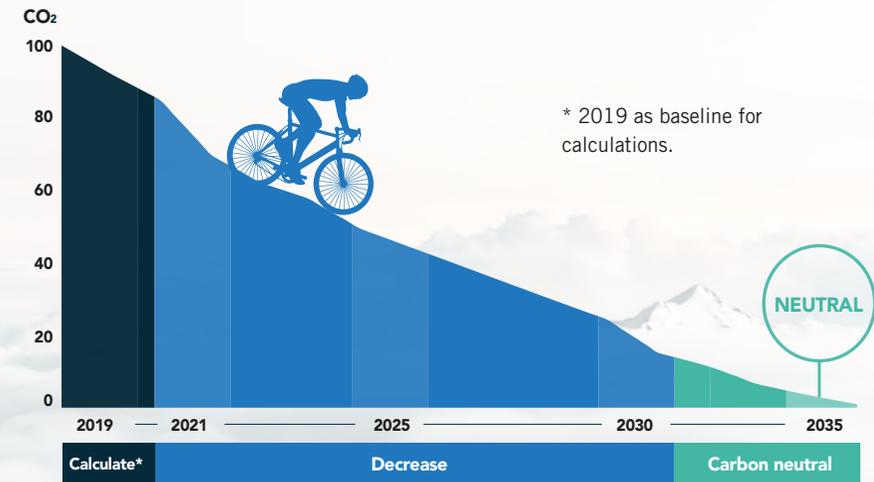
We have a raw material research team that consists of people from different departments of the company: R&D, Purchase, Operational Excellence & Sustainability. The team is continuously working on finding suitable materials that could replace current fossil-based materials. Obviously, Herrmans will never compromise on quality, hence any new material we choose to use must be at least as good or better than the fossil-based materials we are currently using. We are starting to see the first results on this journey. We have replaced virgin ABS with recycled ABS in chosen products, thus being able to reduce carbon footprint with 90 percent for products made of ABS. We have also tested and approved recycled POM and are testing other recycled raw materials continuously. The share of recycled material in production is steadily increasing.

Bio-based raw materials as the long-term solution

The other path we are exploring is bio-based raw materials. There is a plethora of bio-based materials out there, and the challenge is to by trial and error find the right ones that maintain the same characteristics, quality and looks, and are also usable in injection molding machines. As we are not looking for a quick fix, but want to find sustainable long-term solutions, a lot of work goes into selecting bio-based materials by screening through as many promising materials as possible, and from these find the ones that work best for our applications. There are several things to take into consideration when performing injection molding with bio-based materials, as not to degrade the materials or cause damage to the machinery. It is a long journey, but the collaboration between all parties is giving results, and we are making progress every day. The latest new introduction that will see daylight later in 2023 is a completely new biobased product range that will feature both exciting new material combinations, versatile applications and fashionable design – all while still maintaining the same quality, feel and durability.

Reducing production scrap rate

At the same as increasing regrinding of materials, it is important to work on reducing the production scrap rate. This requires support from many different departments, and we see that everyone is putting more effort into it. Step by step we can reduce the scrap rate.



02 People

We are lucky to be part of the bicycle industry.

Not only is bicycling good for the health and well-being of people, but it also brings people together towards a greater goal of a more sustainable planet. It is very rewarding to know that the bike components we make play a part in the transition towards smarter societies with more bike lanes and fresh air, and less car traffic and pollution.

Bikes can mean joy, meaning, independence and ambition. Someone is training for a race, pushing their limits. For some, bikes can be the center of a family's happy pastime, with children growing up seeing an active, healthy way of life. And for senior citizens, e-bikes greatly improve quality of life, giving them an easy way to move around, enabling them to stay independent and active.

Taking care of the Herrmans tribe

We foster a diverse and inclusive workplace that values the contribution of all employees. All employees are part of the sustainability journey, and for each year we see that our employees engage more and more in this topic.

The key to success is close co-operation within and between teams and we want to support every individual's ability to achieve success within their field of work. The leadership in the company is something we continuously develop. We have implemented a monthly one-to-one meeting for all personnel and new systematic feedback processes have been launched.

As we expanded scope 3 with employee commuting, we naturally want to even further motivate our personnel to bike to work. A bike leasing personnel benefit has been introduced and this will make the barrier even lower to leave the car at home.

The eNPS score shows that this, among other actions, has been appreciated.



Health and safety

Safety has always been one of our main priorities, and in 2022 one of our main goals in the sustainability roadmap was to certify Herrmans according to Health & Safety standard ISO 45001. We are proud to say that we reached this goal in November.

As there were already many years of work with health and safety to build upon, the biggest work consisted of re-arranging and updating our Health and Safety program into a more transparent system where it is easy to find guidance. This included updating the process structure for H&S in our platform for management systems called IMS and linking the relevant instructions to these processes. Our instructions were also updated partly, but there was little need of creating new instructions, but the work was more to update existing ones.

A new safety policy was also developed to provide the direction of the OHS program.

The function, role, and responsibilities of both our Safety team and the OHS committee were documented in a new way and rolled out to the organization via several information sessions. This has significantly added to our internal safety awareness and understanding.

Systems and formal organization are the foundation, but Safety is all about culture and walking the talk! Safety walks were re-organized to include more people, continuing the best practice already in place. We are happy to inform that also management team members partake in safety walks regularly to keep up to date with safety issues. Also worthy of mention is that Herrmans' management team weekly meetings always start with safety updates.

With the introduction of the new HSEQ scorecard, the indicators for Health and Safety are now constantly monitored (HSEQ = Health, Safety, Environment, Quality). The indicators give us excellent insight into how we are doing, and great input for improvement. By completing the certification process and committing to the ISO standard, we have ensured objective third-party input for future development of Health and Safety.



HSEQ

**Health
Safety
Environment
Quality**

03 Profit



“Conducting sustainable business is one of our most important strategic choices. The sustainability aspect is integrated in all our main projects within our “must win battles.”

Dan Liljeqvist, CEO
Herrmans Bike Components

Sustainability at Herrmans ... is more than just our carbon footprint

We use the Triple Bottom Line as our basis, meaning we focus on 3 topics: People, Planet and Profit. It's about making Conscious Choices in everything we do, taking responsible action to futureproof our business. It means prioritizing the wellbeing of employees, customers, and the community, while doing our part for the environment and making sure that our profit is sustainable in the long run.

We aim to make conscious and profitable investments long-term. We have a clear strategy of investing consciously in sustainable collaborations and projects, considering all 3 Ps, identifying sustainable opportunities and innovations.

We're not saying it's easy, but it's simply our choice and we hope that you will join us!

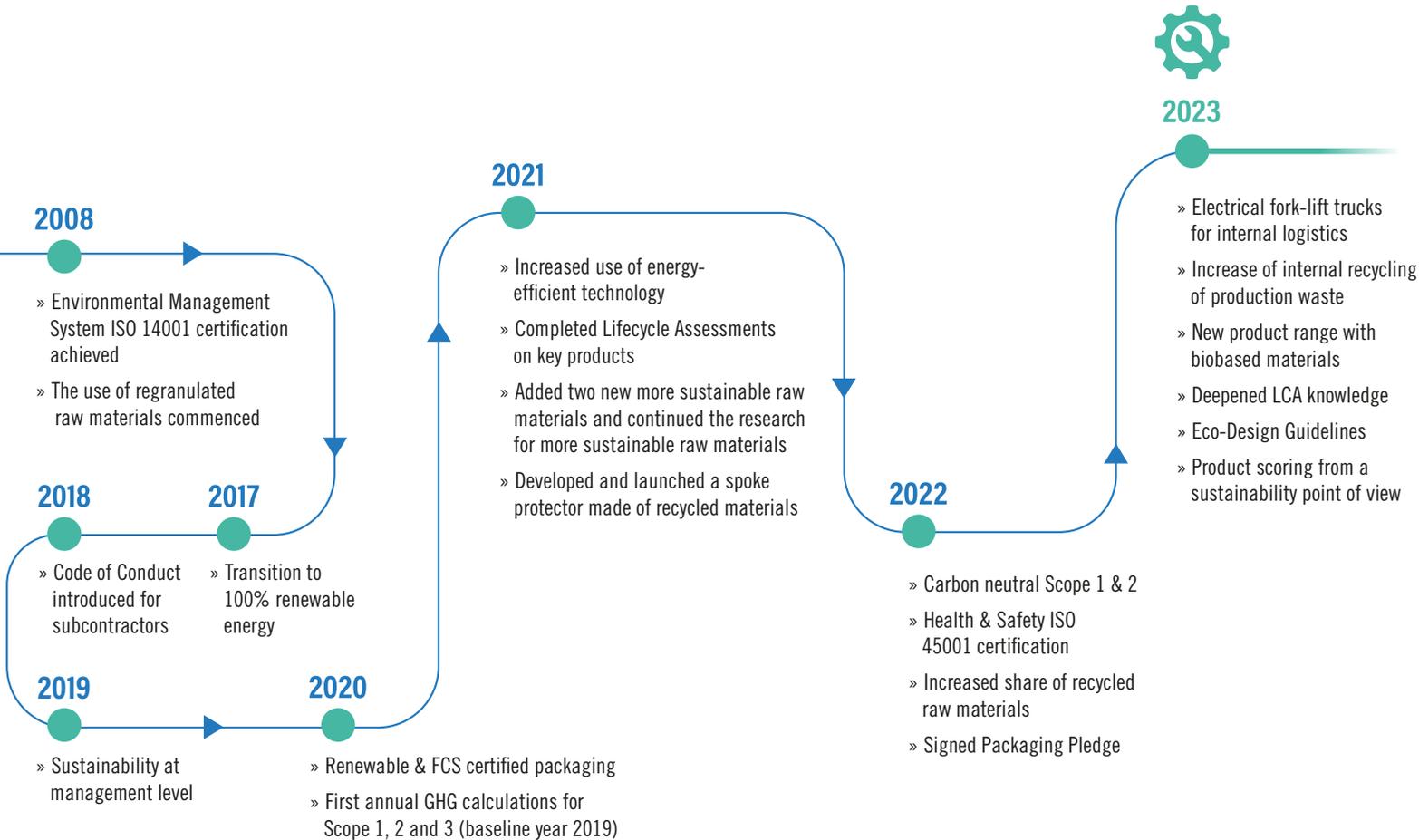
At Herrmans, we believe that it is possible to do **well** by doing **good**.

An organization with sustainable growth means that neither people nor planet is compromised by our operations. We have launched our new sustainability policy to better support our operations. You can find it on our website.

We want to:

- ✓ Continuously strive to improve operational efficiency and reduce costs through resource conservation and scrap reduction.
- ✓ Foster partnerships with suppliers and customers that share our sustainability values.
- ✓ Encourage employee engagement and innovation to drive sustainable business practices.
- ✓ Continuously assess and improve the sustainability of our operations through regular audits and reporting.

Breakaway riders in sustainability - our roadmap



Thank you for being interested in our sustainability parcours!

"We all contribute to both sustainability and excellence as natural parts in our way of working. Our awareness continues to grow."

Erik Brännbacka,
Operational Excellence and Sustainability Manager

Herrmans will continue to work for a better planet and business - this is the time of actions, not of freewheeling.

In May 2023
Herrmans Bike Components

