

Herrmans Bike Components

Sustainability Report 2023

Driving Sustainable Innovation: Recycling will not be enough to reach a healthier future

Welcome to the fourth annual sustainability report from Herrmans Bike Components! This report will offer insight into the sustainability work that has been done at Herrmans during 2023; you will see results from our carbon footprint measurements, what we do to keep a healthy work environment, and get a glimpse into why we at Herrmans prioritize sustainability and how we manage to balance people, planet and profit in a volatile market environment.

In the bicycle industry, we have a unique opportunity to lead the way in sustainability and drive progress at a rapid pace. We are already ahead of the curve with products that contribute to a more sustainable planet. Moreover, we have the support of brands, manufacturers, customers, authorities, and access to knowledge and resources. By coming together and finding a common approach, we can create a positive impact on the industry. We are all eager to be part of this transformative shift towards a more sustainable future.



Working up a sweat!

Welcome to the annual sustainability report from Herrmans Bike Components! In this report we will walk you through the joys and struggles of aiming to do better every day.

Let's get excited!

Sari Noromies
Sustainability & Operational Excellence Developer
Herrmans Bike Components





A Conscious Choice

Words from the CEO

We recognize the urgent need for change in the way businesses operate and that the change is not happening with sufficient high pace. The traditional focus solely on growth is no longer sustainable for the planet or its people. We believe in being a driving force for progress, fostering development for ourselves, our customers, and our suppliers. Collaboration across the entire supply chain is essential, and we are committed to being a part of that collective effort. Our goal is to take pride in our work, both now and in the future.

Sustainability has always been a part of Herrmans' operations, but over the past five years, we have intensified our focus on sustainability more than ever before. At the outset of this journey, we identified three key pillars to guide our efforts: people, planet, and profit - all equally vital components. By striking the right balance among these pillars,

we can address present needs without compromising the ability of future generations to meet their own. We view it as our responsibility to contribute to a better future for the next generation.

In times of economic downturn, such as the recent challenging times faced by the bicycle industry, a company's values are put to the test. Will people and the planet be valued as highly as profit, or will these principles be sidelined? At Herrmans, we sincerely believe that people, planet, and profit are all equally important.

Sustainability is a core value that shapes our decision-making processes. It serves as a robust long-term strategy, enabling us to offer innovative products while minimizing our environmen-

tal impact and fostering a sustainable supply chain.

To be the forerunner and become a better and more sustainable company is a conscious choice that requires commitments from all stakeholders to be successful! From our owner's and Board perspective we have strong support in the development and management of the ESG opportunities, as well as development of the monitoring and reporting of ESG issue both at the company and fund level.

We remain true to our two-folded purpose - to make more sustainable and better products that increase the safety and comfort for the riders, enabling more worldwide cycling.

Best regards,
Dan Liljeqvist
 CEO

Results 2023

CARBON FOOTPRINT

We have set an ambitious goal: to achieve **carbon neutrality by 2035**. This remains our steadfast objective, and we work towards it diligently every day. While this task is challenging, we are taking significant strides in the right direction.

In 2023, our total carbon footprint was 4 391 t CO₂ eq. e. That is a **52 percent decrease** compared to 2022 (9 069 t CO₂ eq. e). Our relative carbon footprint, that eliminates the impact of variation in business volume, **decreased from 0,26 to 0,22** (CO₂ eq. e/ EUR).

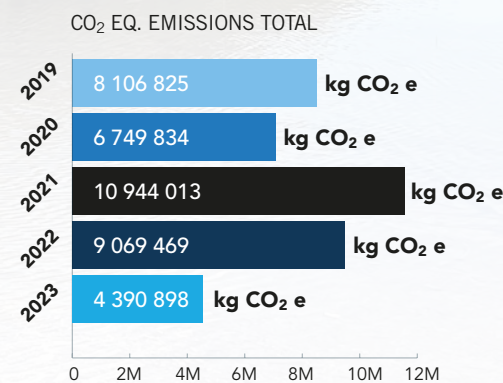
Scope 1 and scope 2 emissions remain at zero level. 5 ton CO₂ emissions have been compensated by supporting a VERRA-certied emission reduction project that helps to prevent deforestation in Borneo, Indonesia.

Most of our greenhouse gas emissions originate from purchased goods, such as raw material extraction.

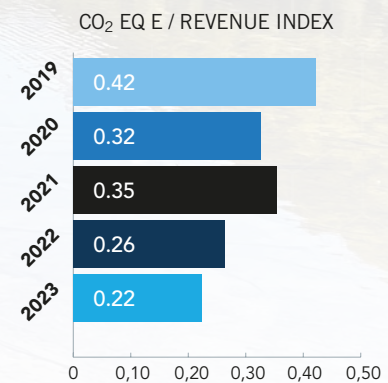
Less overall raw material purchases have been the main reason for lower total emissions, but **a very positive outcome of changing from virgin to recycled ABS is now starting to show in the results.**

There are many factors impacting and contributing to the results, but we can safely say that we are developing in the right direction.

Carbon Footprint Scope 1-3



Carbon Footprint Intensity





50%

30%

74%

50% LESS WASTE!

The amount of waste has decreased by 50 percent compared to 2022, and 30 percent since 2019.

Reduction compared to last year:

54 t CO₂ eq emissions

Reduction compared to baseline year:

27 t CO₂ eq emissions

30% Less diesel consumption

One of two forklift diesel trucks exchanged to an electric truck.

Reduction compared to last year:

3 t CO₂ eq emissions

Reduction compared to baseline year:

2 t CO₂ eq emissions

74% Less emissions from ABS

Less overall raw material purchases have of course been the main reason for lower emissions, but a very positive outcome of changing from virgin to recycled ABS is now starting to show in the results.

Reduction compared to last year:

323 t CO₂ eq emissions

Reduction compared to baseline year:

178 t CO₂ eq emissions

Carbon footprint

– Measuring progress

Scope 1

Direct greenhouse gas emissions from our operations.
Fuel used in trucks and company cars.

Scope 2

Energy
Electricity and heat

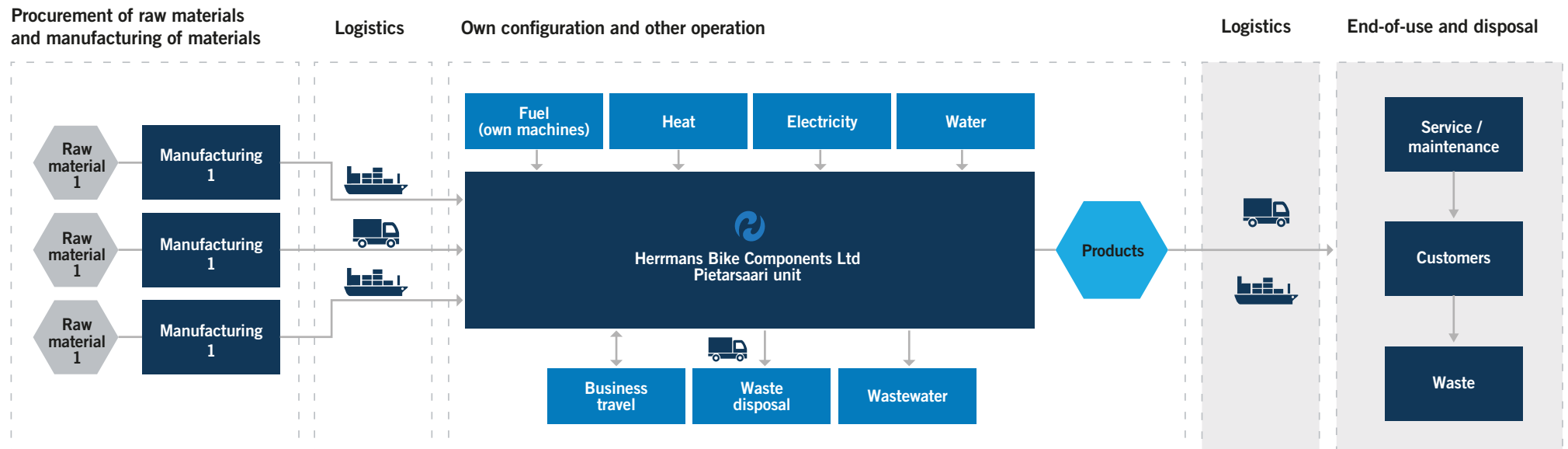
Scope 3

Upstream activities:
Waste, water, business travel, employee commuting
Purchases: Materials, logistics

Our target is clear; to be carbon neutral by 2035. But what does it really mean? Let us guide you:

By calculating our carbon footprint, we get a sense of where we are at in terms of impacting the planet. We get a calculated value that shows the total amount of greenhouse gases that are generated by our actions. The value is reported in tons of emissions per year; CO₂-eq per year. But what does this value consist of? According to the GHG protocol there are different scopes and categories that can be included in the calculation. Here is an overview of what is included in our calculations and why these categories are seen as relevant or not to our calculations.

Our calculations include all categories that contribute significantly to the total anticipated emissions and that we are able to influence towards emission reductions. In the future, more categories can be included. The calculations include emissions that are related to our HQ & Production facility in Pietarsaari, Finland.



Carbon footprint calculations include operations in Finland.

Not included in the calculation

Fact-based actions - No quick fixes

We realize that there is no such thing as a completely green bike grip or front light, and that there are many issues in the industry that need to be addressed. But that does not stop us from trying to do better every day. One way to do this is to lower our emissions also in scope 3 – mainly the materials we use for our products. Obviously, we will never compromise on quality, hence any new or recycled material we choose to use must be at least as good or better than the virgin plastic or petroleum-based materials we are replacing.

We are working on several parallel paths:

1. Recycled plastic raw materials

– Since there is already a lot of existing plastic material around, it's wise and efficient to reuse them as much as possible. **Already today we are using recycled plastic in several of our products, such as grips, light components and chainguards, and we are continuously looking at which existing products could work with recycled plastic instead.** In our product development, it's a criterion to use recycled material always when possible.

2. Waste recycling and waste reduction

– We are reusing waste material from our own production to manufacture new products. We have grinders in use that grind scrap material back into small pieces, that can be used as a mix with new material. **Reducing our waste is just as important, and this is done firstly by designing products in a way that prevents waste from occurring, and secondly by finding ever more efficient ways of producing our products.** All waste is managed in a responsible way: sorted carefully so that as much as possible can be recycled. The goal is to decrease the waste percentage year by year.

But it is important to remember in a plastic manufacturing context, that someone has to first use a virgin fossil based material, for there to be something to recycle, and most plastic materials can only be recycled a limited number of times. So, to find real and long term solutions, we must also look at other options.

*We can not just
recycle our way out of this.*

So what can we do?

We research new materials and ways of doing things

3. Biobased plastics to reduce our dependence on fossil-based materials.

Biobased plastics are fully or partially made from biological resources, rather than fossil raw materials. Regular plastics are predominantly a by-product of oil, which is a limited and diminishing resource that we need to use with great care. It's vital to study how we can work with biobased and renewable materials instead.

We use only biobased raw materials that come from renewable vegetable crops that are responsibly grown. The vegetable crops are intended only for industrial use, which means they are grown in poor soil which is not usable for cultivating food.

A big advantage of using biobased plastic is that it replaces the need to extract and use more oil to create new plastic material. While the vegetable crops are growing, they are also consuming CO₂, so it's a win-win situation. In a long-term perspective, we believe that biobased materials will be an important tool to get our environmental impact down.

4. Circularity

Our products should last long, be of high quality and in the future, they should also be easily repairable. We are currently working on a scoring system, which will make it possible to get details on and compare our products in matters of sustainability and repairability. **Producing products that last and that can live on after an easy repair will have a big impact on how sustainable the bike industry will be in the long run.**

Efficient, durable and repairable products will enable the bike industry to reach true sustainability.

Nucore Biobased Grips

Launched in 2023, the grip series was an important milestone, where we were able to turn our intense material research into a concrete product. The Nucore grips are the result of hard work from our product development team, who spent many hours on testing material options, production parameters, quality, and durability of the new materials.

One of our main goals is to gradually decrease the dependence on fossil-based plastics. Nucore's biobased material mix currently consists of 25-30% biobased material depending on the model. In other words, Nucore reduces the use of fossil-based plastic by 25-30%, saving precious non-renewable resources from being extracted unnecessarily from the earth.

At the same time, it is vital that the products remain visually appealing and ergonomically comfortable, otherwise the biobased grips will never be successful. In cooperation with experts on hand ergonomics and design, we managed to create an appealing product series, suitable for many cycling categories.



BIOCOMPOSITE



with natural fibers and recycled polypropylene

BIOBASED TPE



from plant and vegetable crops mixed with regular TPE

The future of the Nucore Series, Biobased Ratio reaching 60% in 2025!

The goal is a continuous improvement year by year, which will be possible only with constant research. We are happy to announce that the results are positive, and we will be able to increase the percentage to 60% starting from 2025. The Nucore grips with higher ratio of biobased material will be first presented at Eurobike 2024, and gradually introduced in 2025. With new material mixes and learning more and more about the materials, this positive increase was made possible.

Why don't we just use 100% biobased plastic?

To be able to manufacture grips in large quantities, industrial machinery called “injection molding machines” are used. These machines melt the raw material, inject it into a mold with the shape of the grip, and when the raw material cools down and takes solid form again, a brand-new grip comes out of the machine.

The characteristics of the raw material make a big impact on the result. When you try a new material mix, either with recycled or biobased plastic, you need to test thoroughly how the material behaves in the machine. We check if it maintains the same quality and look, does it feel right in the hand (nobody wants a too hard or too sticky grip), does the machine still run smoothly, can we keep material waste at the same or a lower level (it's not more sustainable if we create more waste), is the biobased material available in large enough quantities etc.

Step by step, we are taking the development forward together with our raw material suppliers.



Guided by values

For us, people management means creating an environment where each individual feels valued and motivated to contribute to the success of the company. Our defined values **"We are Hungry and Humble while always Kind and Professional"** are the foundation of our corporate culture. They reflect a drive for continuous improvement while maintaining a humble attitude and acting professionally in all situations.

Our leadership philosophy is focused on supporting our and leaders in their development, with a focus on integrity, a growth mindset and collaboration. We believe that leaders who demonstrate authenticity and are open to learning **inspire their teams** to do the same.

To motivate staff in uncertain times, it is important to maintain communication and transparency. Monthly individual meetings are an effective tool to achieve this. These meetings provide an opportunity for employees to express their thoughts and feelings, and for managers to provide support and recognition. By listening and responding to staff

needs, we can build a stronger and more committed team. This approach not only helps to navigate through uncertainty, but also to foster a culture of openness and trust that is critical to long-term success. And of course we offer our people a Bike benefit to enable more riding!

Herrman's commitment to sustainability is also reflected in how it cares for its staff. By implementing policies that prioritize the well-being, safety and health of staff, we promote an environment of fair treatment and equal opportunity. **We strive to enable a healthy work-life balance**, which is reflected, for example, in flexible working arrangements. In addition, we work closely with the Occupational Health Service, ensuring that employees have access to the necessary resources and support.

We are constantly working to create a workplace where all employees feel valued and respected. Our policies not only contribute to a positive working environment but also improve the overall productivity and satisfaction of the workforce.



Our defined values "We are Hungry and Humble while always Kind and Professional" are the foundation of our corporate culture."

Veronika Holm
HR Specialist

Being profitable is a must, but not at any expense.

Being a bike component manufacturer, Herrmans is uniquely positioned to promote a healthier lifestyle, contribute to sustainable transportation, and reduce carbon footprint. This purpose of existence is embedded in the culture, mission, and vision of Herrmans. **However, the company cannot exist in the long run without being profitable. And we need companies to solve the challenges with the ongoing climate change!** It has been a conscious choice all along to align our path to be more sustainable with our culture, mission, vision and profitability goal.

Growth in the bike industry is driven by the aspiration to be more environmentally responsible. We experience that a great product with sustainable materials is more desirable by the industry. As long as the cost of sustainable material and renewable energy remains within the market's tolerance level, environmentally friendly purchases increase the profitability. Reducing waste contributes towards a cleaner environment, and at the same time, has the potential to improve the profitability.



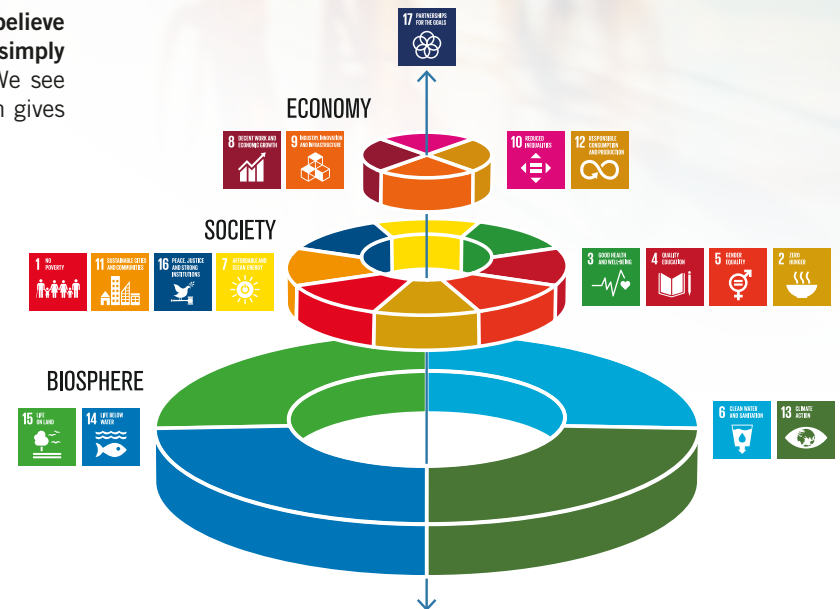
"As long as the cost of sustainable material and renewable energy remains within the market's tolerance level, environmentally friendly purchases increase the profitability."

Shayekh Ahmed
CFO

Herrmans takes an active role in social responsibility by keeping employee welfare embedded in the profit-making goals. In all financial decision-making, employee welfare and community engagement is considered. Although it incurs some cost, it pays back when engaged and motivated human capital is at work. We experienced contribution from our employees through innovation and proactively solving problems. Our employees never come short of going the extra miles when Herrmans needs it. We are truly proud and grateful to have such dedicated colleagues.

We are committed to the ESG actions because we believe that this is the way to build a better future – we simply want to be a company that “does good things”. We see that ESG actions make us more sustainable, which gives us competitive advantage in the long run.

Let's pedal towards making profits through sustainable actions!



Breakaway riders in sustainability - our roadmap

2008

- » Environmental Management System ISO 14001 certification achieved
- » The use of regranulated raw materials commenced

2018

- » Code of Conduct introduced for subcontractors

2017

- » Transition to 100% renewable energy

2019

- » Sustainability at management level

2020

- » Renewable & FCS certified packaging
- » First annual GHG calculations for Scope 1, 2 and 3 (baseline year 2019)

2021

- » Increased use of energy-efficient technology
- » Completed Lifecycle Assessments on key products
- » Added two new more sustainable raw materials and continued the research for more sustainable raw materials
- » Developed and launched a spoke protector made of recycled materials

2022

- » Carbon neutral Scope 1 & 2
- » Health & Safety ISO 45001 certification
- » Increased share of recycled raw materials
- » Signed Packaging Pledge

2023

- » Electrical fork-lift trucks for internal logistics
- » Increase of internal recycling of production waste
- » Developed and launched Grip Nucore with biobased raw materials.
- » Deepened LCA knowledge
- » Eco-Design Guidelines
- » Product scoring from a sustainability point of view



2024

- » Increase share of biobased raw material in Grip Nucore
- » Continue research for biobased raw materials for rimpapes
- » Implement recycled raw material for rimpapes
- » Research and test recycled aluminum for locking in Grip Nucore.