

HOVE A/S

ESG REPORT 2022

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HOVE

BASIS OF PREPARATION



This ESG statement summarises our current performance on the three principles; Environment, Social, and Governance, and set expectations for the financial year of 2023 to improve and manage our impact on ESG.

We want to contribute to a sustainable future and create long-term value for all our stakeholders. This emphasises the importance of measuring growth on ESG parameters and not only financial figures.

Our ESG strategy reflects upon Sustainable Development Goals (SDG) 5, 7, 9, 12, and 13 in our primary Standard Industrial Classification (SICS) industry: the Industrial Machinery and Goods sector.

Furthermore, our ESG report is framed around the UN Global Compacts' 10 principles for responsible business conduct in the areas of human rights, labour, the environment, and anti-corruption.

In 2022, Hove A/S became a signatory to the UN Global Compact. We committed to the UN Global Compact, its principles, and the global goals as such. This report serves as our Communication of current status to UN Global Compact 2022.

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1. CEO STATEMENT

A year has passed since our last ESG report was published, and we can conclude that being on an ESG journey is a living and ongoing process. We want to create and show results that are relevant.

To this end, we have established employee-led committees for environmental, work environment, and quality issues. Some of our other initiatives in 2022 include processes for onboarding new employees and publishing an employee handbook.

We offer education and training to all employees, and we survey the workforce to get a temperature check on work/life balance and overall satisfaction. We are proud of our diverse workforce, and take pride in having established a welcoming, open workplace.

We are meticulous and diligent about recycling all the waste materials that come through our production plant.

On the other hand, we, like everyone else, have had to deal with circumstances that were outside our control.

Some of these challenged and stressed our processes and usual way of doing things. In 2022 Covid 19, inflation and soaring energy prices affected the global markets, putting pressure on procurement, logistics and our people.

We recognise that our licence to operate in the field we are excelling in has changed since Hove was founded more than 20 years ago, and the shift towards being a company that positively influences the community of which it is a part, is no longer just an optional nice-to-have. It's an essential.

It is our ambition to be an organisation that is an active key player when it comes to building a sustainable future and we want to continue to create long-term value for all our stakeholders. Above all, we want to be an active part of the green transition.

March 2023, On behalf of the CEO; CFO Thomas Kjeldbæk and CCO Thomas Cramer.



2. PART I

ESG

PERFORMANCE

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2.1. Environmental performance

Our innovative technology enables us to offer easier and more precise lubrication of machinery bearings, primarily within the wind turbine industry. We strive our solutions to have cost-saving effects for our consumers, which will contribute to making green renewable energy a cheaper option and ultimately help to subsidise and minimize the need for energy that is harmful to the environment.

However, we are aware, being a production company delivering to wind, mining, and harbour industries, that we also affect the environment negatively. We are therefore on a journey where we aim to minimize or compensate for this imprint.

Throughout 2022, our first ESG year, we have established initiatives and processes whose purpose is to help Hove continuously improve its performance for the future.

The first initiative that was launched is Hove's new **environmental committee**, whose purpose is to improve and optimize Hove's environmental performance. This includes optimization of production, with a particular focus on sustainable alternatives. The committee consists of staff members from different departments, making sure that we have different viewpoints. The environmental committee has looked at how Hove can reduce its energy consumption:

- A heat pump has been purchased and implemented in 2022 as a more energy efficient alternative.
- We are preparing to install solar panels on the roof our Danish facility.

The environmental committee also helps to ensure that Hove can retain its **ISO 14001** certificate through continuous environmental improvements.

At our headquarters in Denmark, waste sorting practices have been implemented to increase our recycling efforts and mitigate as much negative impact from our waste generation as possible.

2.2. Social performance

It is essential that we build and maintain a fair and equal workplace. We gain from diverse perspectives, approaches, and experiences with both genders in our teams, which contribute to making our firm more inventive and productive, as well as increasing employee satisfaction.

We recognize that diversity makes us stronger, more innovative, and more prepared to meet future challenges. We have elaborated our attitude to non-discrimination, child and forced labour, human rights, etc. in our Code of Conduct and **Human and Labour Rights policy**.

Among our current staff, we have thirteen ethnicities. People from many backgrounds and identities who contribute to the enrichment of our culture. We continue to introduce initiatives at the workplace that offers inclusion and employee health and safety. We offer our employees four months' full pay during maternity leave and two months with half pay regardless of gender. We also offer hybrid (flexible) work, where possible.

Diversity refers to the presence of gender identity, age, culture, ethnicity, physical ability, political and religious convictions, and sexual orientation are all examples of diversity measures. Our goal is for everyone to feel appreciated and secure in the knowledge that their opinions will be heard.

A **work environment committee** has been established. The purpose is to ensure and optimize the working conditions for Hove's employees. The committee consists of employees from all departments ensuring diverse viewpoints. The committee have been involved in the preparation of an Employee Handbook, ISO certification (45001), social events, onboarding procedures and the employee satisfaction survey.

An **occupational health and safety representative (OHS)** have also been elected by Hove's employees. Given that we are a production company, we are stringent in our attention to the safety of our employees. Therefore, safety training is mandatory part of the onboarding process for all employees. Widespread awareness is integral to the management and prevention of safety hazards. Our employees are fully insured in the event of an accident during work. This insurance policy is active from day one, regardless of employment status.

TWAS (Together We Are Strong) is a monthly event where everyone is invited, including employees of the subsidiaries. Here management can share big and small announcements, and department heads and members of the staff share successes or opportunities to get better; inform of upcoming ISO-initiatives, etc. TWAS ensures transparency and inclusion.

2.3. Corporate governance

Solid governance structures are key to our work with ESG. It is important for us to comply with all regulations. Furthermore, since we are a global company, it is even more important to set a good example and high standards.

Our board of directors (BoD) currently consists of six members, including the chairman of the board. In 2022 we welcomed a newly elected chairman and a deputy chairman.

The BoD is elected at the general meeting for one year at a time, with a possibility of re-election. The chairman of the board is appointed by the general meeting from among the elected members. The BoD has a quorum when more than half of all Board members are present. The issues dealt with by the BoD are decided by simple majority of votes. The vote of the Chairman of the BoD is decisive in the event of a tie.

We are committed to ensuring a transparent management with an open approach to sharing the structures, responsibilities, and policies that we governed by, with the BoD, investors, customers, and other stakeholders. Governance documents are available on our [website](#).

The last of the three committees is the **Quality Committee** ensuring procedures for quality assurance. They are also tasked with making certain that Hove complies with all standards from both national/international foundations and that Hove complies with the **ISO 9001** standards.

In 2022, Hove officially became a member of the **UN Global Compact**.

Throughout 2022 we have been able to introduce four new policies:
[Anti-Corruption Policy](#)
[Diversity and Inclusion Policy](#)
[Human and Labour Rights Policy](#)
[Quality, Health, Safety and Environmental Policy](#)

The main goal of introducing these policies is to serve and hold our standards high to ensure a fair, respectable, and safe workplace for all employees and for the stakeholders we interact with.

The policies specifically concern the organisational standards set within our industry, and all our employees are expected to adhere to and respect them, irrespective of their country of operation.

The policies apply to management, employees, contractual workers. We also expect our suppliers to follow a similar example.

2.4. Data security

Protecting the privacy of our customers, workers, and business partners is a core value for Hove who strives to maintain solid data security. When we develop, purchase, and use IT solutions, we attach the utmost importance on securing the data of our customers, suppliers, employees, and other stakeholders.

Based on current best practices and standards, we promote generally accepted information security.

Employees at Hove must be well-informed about data ethics, data security as well as the proper and confidentially handling of personal data. All our employees must sign a confidentiality agreement.

Hove complies with the Danish Data Protection Act and the General Data Protection Regulation. Our Data Policy is available [here](#).

2.5. Supplier's Code of Conduct

In our Code of Conduct, we emphasize our intention to be as sustainable as possible throughout the business. This means working with suppliers who comply with national, and where applicable, international laws on human and labour rights, environmental laws and regulations, and anti-corruption.

All our suppliers are urged to abide by the principles of the UN Global Compact and to support and actively participate in the UN's sustainable development goals. It should be noted that failure to comply with our Code of Conduct standards does not automatically entail contract termination; however, we reserve the right to do so if the supplier refuses to make the necessary changes to fulfil our requirements. [Supplier Code of Conduct](#)

2.6. Stakeholder engagement

While the assessment reflects a focused approach to aligning our ESG strategy with our most important stakeholders, we, as a global company, interact with many different stakeholder groups. These include customers, employees, shareholders, ect. We acknowledge that our ESG performance is an important part of our relationship with these groups. By pro-actively engaging with stakeholders to understand their needs and concerns, we feed this information back into our decision-making process.

2.7. Statement of Environmental, Social, and Governance Performance

For the financial year 2022

	NOTE	METRIC	2022	2021	CHANGE
Environmental					
GHG emissions	1.1	ton CO ₂	120.25	123.09	2.84
Electricity usage	1.2	ton CO ₂	47.40	48.16	0.76
Energy usage	1.2	ton CO ₂	14.05	14.06	0.01
Water usage	1.2	ton CO ₂	3.32	3.86	0.54
Purchases of materials	1.3	ton CO ₂	55.49	57.01	1.52
Social					
Employees					
Full-time employees	2.1	Qty	42	34	+8
Part-times employees	2.1	Qty	13	14	-1
Ethnicities	2.2	Qty	13	11	+2
Employee well-being					
Employee injuries		Qty	1	0	+1
Employee turnover - total	2.3	Percentage	17%	27%	-10%
Gender diversity					
Female employees		Percentage	31%	30%	+1%
Female members of management		Percentage	33%	33%	0
Salary					
Gender pay gap	2.4	Percentage	6.65%	6.78%	-1.91%
CEO pay ratio	2.5	Ratio	2.94	2.16	0.87
Governance					
Board composition					
Total board members	2.6	Qty	6	5	+1
Independent members	2.6	Qty	5	4	+1
Female/male		Ratio	1:5	1:4	
Average age		Years	56.5	54	+2.5
Danish nationality		Qty	6		
Board meetings					
Board meetings		Qty	4	9	-5
Board attendance		Percentage	100%	100%	0%

2.8. Notes on ESG Performance

Note 1.1: The total amount of CO₂ emissions is calculated based on data on electricity, water, heating consumption, and company vehicles for only the Danish operations. Emissions are aligned with the methodology recommended by **GHG Protocol Scope 2 Guidance**. It is important to point out that CO₂ figures are only estimates. As our primary energy consumption comes from electricity, we are committed to installing solar panels on the roof of our Danish facility during 2023.

Note 1.2: Electricity, energy/heating, and water are all calculated based on the numbers received from our vendors. Based on this data we have used “klimakompasset” to calculate our CO₂ footprint. We have used the **market-based method**, as it is internationally acknowledged.

Note 1.3: The calculation of CO₂ emissions from vehicles comes from data that only affects employees who have been provided with a company car. These are both cars that are leased, as well as cars that are owned by Hove. The number has increased as we have employed more salesmen.

Note 2.1: FTE is calculated via the ATP-method, which is measured thru the total reporting of ATP contributions divided by 3,408 (total ATP contribution per employee). Afterwards were FTEs from subsidiaries added. Therefore, a change in the results from last year have occurred.

Note 2.2: When specifying ethnicities, we include Hove A/S, Hove Americas, Hove India, Hove Brazil, and Hove Turkey.

Note 2.3: The employee turnover rate is calculated by dividing the number of employees who left the company by the average number of employees in 2022. The average number of employees is calculated by adding the number of employees employed by the company at the beginning of 2022 and the total number of employees at the end of 2022 and dividing the result by 2.

Note 2.4: There is no gender difference as the same salary is given for the same work.

Note 2.5: The CEO pay ratio is based on the CEO’s pay compared to the total salary costs divided by number of employees. After a recalculation from last year’s reporting, we noticed a change in the results.

Note 2.6: We have a two-tier management structure. One of our board members is actively involved in the day to day running of the company.

Employee overview

Full-time	2022	2021	▲▼
Hove A/S	30	30	+0
America	5	3	+2
India	4	1	+3
Brazil	1	0	+1
Total	40	34	+6

(ATP-method have been used for calculating FTE for Hove A/S)

Part-time	2022	2021	▲▼
Hove A/S	12	12	0
America	1	1	0
India	0	0	0
Brazil	0	1	-1
Total	13	14	-1



3. PART II UN SUSTAINABLE DEVELOPMENT GOALS

3.1. CONTRIBUTION TO THE SDGs

Material issue	Sustainability Agenda	Our contribution to the SDGs	Goal and Indicators
Reduction of costs	Ensure access to affordable, reliable, sustainable, and modern energy for all	In many years, our focus has been on how we can help our customers reduce their costs by achieving a lower cost per price of kWh from wind energy. We aim to find concrete ways to reduce our own costs.	SDG 7 Goal 7.1 – Indicator 7.1.1 Goal 7.1 – Indicator 7.1.2 Goal 7.2 – Indicator 7.2.1 
Optimization of operations	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	For many years, our solutions have optimized the operations of various industrial machines, and they continue to do so. We aim to set goals for how to optimize our own operations.	SDG 9 
Minimization of overconsumption and spillage	Ensure sustainable consumption and production patterns	Our technology minimizes the risk of overconsumption and spillage of lubricants for our customers, and we aim to quantify our impact.	SDG 12 
Industry frontrunner	Take urgent action to combat climate change and its impact	We provide our customers with innovative solutions to optimize the conditions for their prevention of climate change. We aim to set goals for our own actions to combat climate change.	SDG 13 Goal 13.2 – Indicator 13.2.1 

Material issue	Sustainability Agenda	Our contribution to the SDGs	Goal and Indicators
Employee maintenance and satisfaction	<p>Achieve gender equality and promote sustained, inclusive and sustainable economic growth</p> <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	<p>We aspire to have satisfied and healthy employees with a high level of integrity and work ethics, as well as being open and considerate to both colleagues and society, ensuring equality among all genders. We aim to quantify our impact with respect to employee retention and satisfaction.</p>	<p>SDG 5 Goal 5.5 – Indicator 5.5.2</p> <p>SDG 8 Goal 8.8 – Indicator 8.8.2</p>  
Responsible suppliers (Supplier due diligence)	<p>Ensure sustainable consumption and production patterns</p> <p>Take urgent action to combat climate change and its impacts</p>	<p>We have applied the same guidelines to our suppliers that we navigate ourselves. As the final link between our suppliers and consumers, we are adamant in ensuring responsible suppliers.</p>	<p>SDG 12 Goal 12.2 – Indicator 12.2.1 Goal 12.5 – Indicator 12.5.1 Goal 12.6 – Indicator 12.6.1</p> <p>SDG 13 Goal 13.3 – Indicator 13.2.2</p>  
Board governance (board & management)	<p>Ensure sustainable consumption and production patterns</p>	<p>We will work to ensure that our BoD is the best fit to supervise the management and provide direction for our ESG development.</p>	<p>SDG 17 Goal 17.14 – Indicator 17.14.1</p> 

4. PART III UN GLOBAL COMPACT

4.1. OUR CONTRIBUTION TO THE 10 PRINCIPLES

Being a new member of UN Global Compact, we try to continually to incorporate the ten principles into our business model. This ESG report serves as our Communication on Progress. Here you find where we have acted in relation to each principle so far.

Human rights

Principles 1: Businesses should support and respect the protection of internationally proclaimed human rights

Page: 7, 12.

Sections: Corporate governance, SDGs
Human and Labour Rights Policy

Principles 2: Make sure that they are not complicit in human rights abuses

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Sections: Corporate governance, SDGs
Human and Labour Rights Policy

Labour

Principles 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

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Sections: Corporate governance, SDGs
Human and Labour Rights Policy

Principles 4: The elimination of all forms of forced and compulsory labour

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Sections: Corporate governance, SDGs
Human and Labour Rights Policy

Principle 5: The effective abolition of child labour

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Sections: Corporate governance, SDGs
Human and Labour Rights Policy

Principle 6: The elimination of discrimination in respect of employment and occupation

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Sections: Corporate governance, SDGs
Human and Labour Rights Policy

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges

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Sections: Environmental performance, SDGs, ESG goals
Quality, Health, Safety and Environmental Policy

Principle 8: Undertake initiatives to promote greater environmental responsibility

Page: 6, 7, 11.

Sections: Environmental performance, SDGs, ESG goals
Quality, Health, Safety and Environmental Policy

Principle 9: Encourage the development and diffusion of environmentally friendly technologies

Page: 6, 7, 11.

Sections: Environmental performance, corporate performance, SDGs, ESG goals
Quality, Health, Safety and Environmental Policy

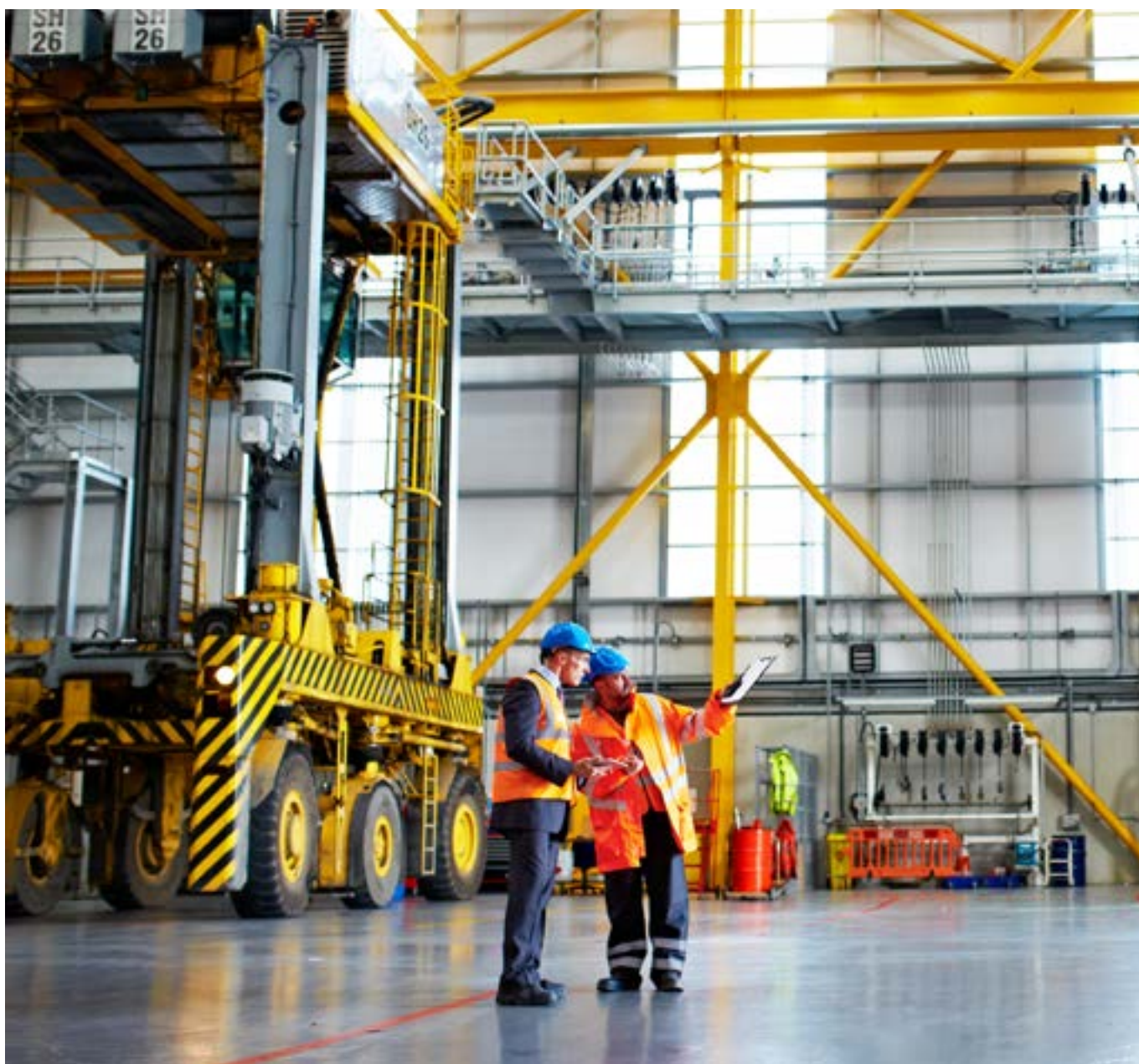
Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery

Page: 7.

Sections: Corporate governance, SDGs
Anti-Corruption Policy

5. OUR CONTINUED ESG JOURNEY



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We continue to encounter elements that need our attention. The aim is to integrate ESG into all corners of the business, which we will do in the following areas:

During 2023

Solar panels: During 2023, we will have installed solar cells on our roof. This will also help us minimize our electricity consumption.

Charging station for EV: We will have set up charging stations for electric vehicles, so employees can charge their cars while they are at work.

Before 2030

Product Life Cycle Analysis: Before 2030, Hove will do an LCA on our grease containers, as this is our main product group. This aims to help Hove clarify how big a CO₂ load we have.

Conduct extensive materiality assessment: We want to conduct an extensive materiality assessment across all subsidiaries. Our stakeholders' priorities are constantly changing, and we must continually evolve to meet expectations. Conducting a thorough materiality assessment will help us identify and prioritize the issues that matter most to our business and stakeholders.

Waste management: Before 2030 we want to be able to document and prove the correct handling of all waste in accordance with the 10 recycling groups as defined by ISO 14001 standards.

Car fleet: All company cars must be powered by electricity.

GLOSSARY

Term	Explanation
Data security	Data security refers to the process of protecting data from unauthorised access
SDG	Sustainable Development Goals
SICS	The Standard Industrial Classification
UNGC	United Nations Global Compact
Scope 1	Direct emissions from owned or controlled sources
Scope 2	Indirect emissions from the generation of purchased electricity, steam, heating, and cooling (upstream activities)
Scope 3	Includes all other indirect emissions that occur in the value chain (downstream activities)





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Thomas Cramer

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