



HPS' ESG-STRATEGY

24th August 2022



SUSTAINABLE ORGANISATION



STRATEGIC AREAS OF ACTION



EMPLOYEES



**GOVERNANCE &
COMPLIANCE**



**ENVIRONMENT
& SOCIETY**



**CUSTOMERS
& PRODUCTS**



SUPPLY CHAIN

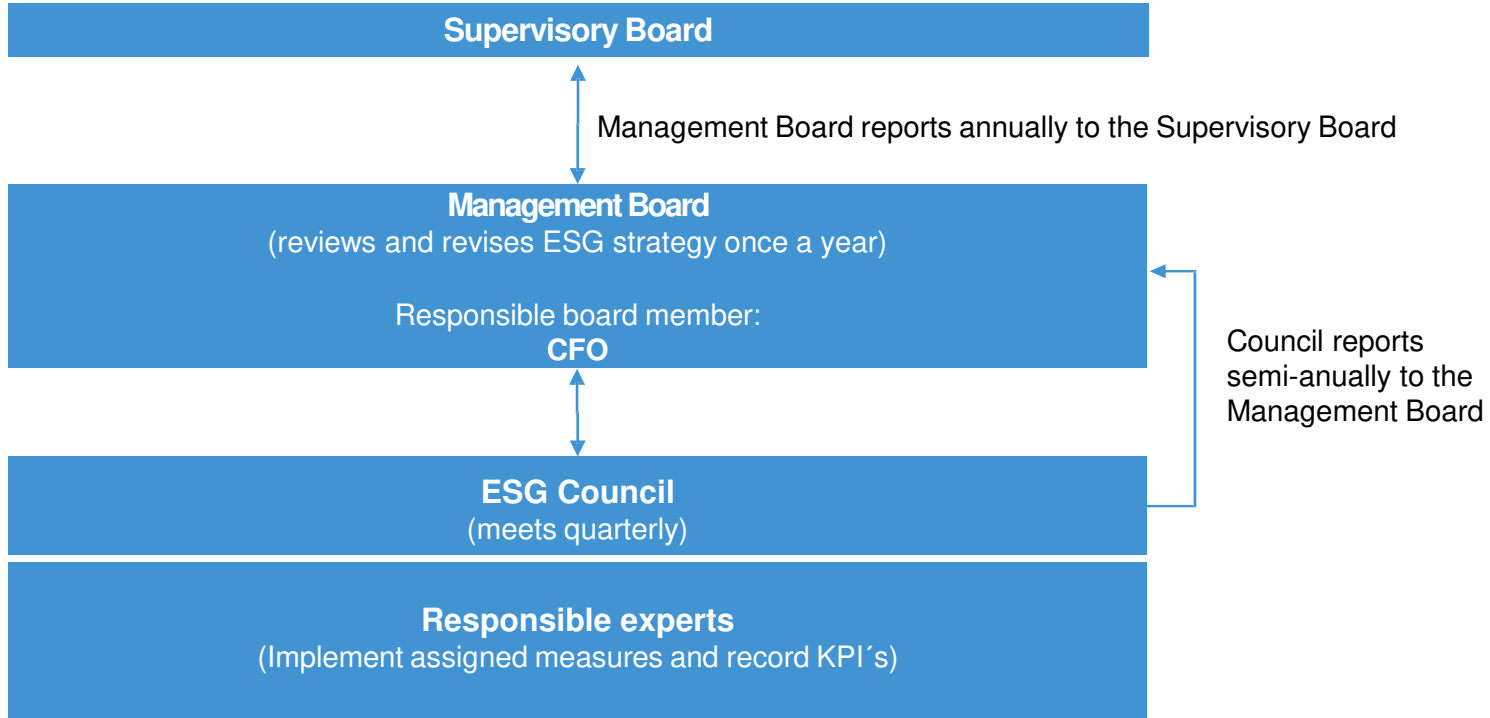


AREAS OF ACTION AT A GLANCE

CLUSTER	TOPIC	CLUSTERING
	Management	Sustainability management
	Employees	Occupational safety & health protection
		Prime & sustainable employer
		Diversity & equal opportunities
	Governance & Compliance	Good corporate governance
		Stakeholder dialogue
		Corporate ethics
	Environment & Society	Decentralised & sustainable energy supply
		Utilisation of resources & efficiency
		Environment & climate
	Customers & Products	Data security & data protection
		Product responsibility & product safety
	Supply chain	Sustainability in the supply chain



ESG-ORGANISATION





ESG COUNCIL WITH RESPONSIBILITIES

Members	Key topics	Tasks
CFO	Good corporate governance Corporate ethics	Chairman of the ESG Council
Sustainability Manager	Sustainability management	Consolidates, monitors, organises and records the implementation of measures and reports to the chairman and the committees
Head of Commercial Management	Data security & data protection	Responsibility for implementing the packages of measures assigned in the strategy
Head of Human Resources	Prime & sustainable employer Diversity & equal opportunities	Responsibility for implementing the packages of measures assigned in the strategy
Head of Occupational Safety	Occupational safety & health protection	Responsibility for implementing the packages of measures assigned in the strategy
Head of Product Management	Decentralised & sustainable energy supply	Responsibility for implementing the packages of measures assigned in the strategy
Head of Operations	Resources, efficiency & environmental protection	Responsibility for implementing the packages of measures assigned in the strategy
Head of Purchasing	Supply chain sustainability	Responsibility for implementing the packages of measures assigned in the strategy
Product Compliance Officer	Product responsibility & product safety	Responsibility for implementing the packages of measures assigned in the strategy



STRATEGY TABLES

Important notice:

Please note that the following actions and KPIs have not been completely introduced yet, but will be introduced consecutively over the next five years



AREA OF ACTION – MANAGEMENT

SUSTAINABILITY MANAGEMENT

Targets	Measures	KPIs*
Strengthening of sustainability management	ISO 9001 (certification)	<ul style="list-style-type: none"> – Coverage of locations by ISO 9001 (%) – Coverage of locations by ISO 14001 (%) – Coverage of locations by ISO 45001 (%)
	ISO 14001 (certification)	
	ISO 45001 (Orientation)	
	Inform on ESG software and introduction (if necessary)	
	Setup committee and organisational chart/ core team	
	Appoint/recruit main operational responsibility for sustainability (50 % position)	
Establish sustainability communication	Website information on ESG (report excerpts)	
	Produce UN GC progress report for the first time	
Conduct and continuously improve ESG ratings	Carry out Sustainalytics for the first time	– Rating-Score

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OCCUPATIONAL SAFETY & HEALTH PROTECTION

Targets	Measures	KPIs*
Avoid accidents at work	Carry out and document instruction and training on occupational safety and health protection annually	<ul style="list-style-type: none"> – Number of reportable accidents – Number of severe accidents – Number of near-accidents – Average accidents per 200,000 working hours – Coverage employees through general training (%)
	Create operating instructions for all relevant areas	
	Regularly documented audits (quarterly)	
	Establish semi-annual report to Management Board on ESG Committee	
	Introduction of tool for systematic accident analysis	
Promote physical and mental health	Ergonomic inspection for on boarding	<ul style="list-style-type: none"> – Average downtime per employee – Number of cases of disease – Average cases of disease per 200,000 hours worked
	External survey on stress levels (integration into employee satisfaction survey)	
	Derive measures from the survey, e.g. team events for the benefit of social cohesion, etc.	

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PRIME & SUSTAINABLE EMPLOYER (1/2)

Targets	Measures	KPIs*
High satisfaction among employees	Survey on satisfaction and suggestions for improvement	<ul style="list-style-type: none"> – Satisfaction index – Kununu-Rating – Coverage 360° feedback from employees (%) – Average proposals per employee per year – Total number of Info Coffees per year
	Maintain mobile working (50% of weekly working time)	
	(Remunerated) suggestion scheme	
	Standardise 360° feedback (through assessment matrix)	
	Digitally strengthen a transparent communication by the Management Board on changes (monthly addresses via Info Coffee, quarterly addresses on site)	
Develop new employees (and apprentices)	Optimisation/ further development of the mentoring programme	<ul style="list-style-type: none"> – Fluctuation rate in first three years of membership – Number of new employees – Satisfaction with on boarding process
	Examine establishment of a training programme (for apprenticeship, dual studies and student degree theses)	
	Establish/ expand on boarding process and monitor quality	
	Communication campaign in favour of employer branding	
	Implement comprehensive careers page on company website	

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PRIME & SUSTAINABLE EMPLOYER (2/2)

Targets	Measures	KPIs*
Strategically expand further education	Clearly structure short- and long-term development concept and make it visible	<ul style="list-style-type: none"> – Total training hours per year – Average training hours per year per employee – Coverage of employees through development discussions
	Info Coffee for exchange between the departments	
	Targeted expansion of an intranet for digital exchange between departments	
	Data collection of further education hours (together with departments)	
	Further structure development discussions (combination with existing annual interviews)	

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DIVERSITY & EQUAL OPPORTUNITIES

Targets	Measures	KPIs*
Prevent discrimination	Create and adopt a policy on anti-discrimination	<ul style="list-style-type: none"> – Number of reports on discrimination – Number of cases audited
	Establish/ expand anonymous reporting system and/ or appoint ombudsperson	
	Standardise non-discriminatory language	
Promote diverse workforce	Record pay gap of relevant categories	<ul style="list-style-type: none"> – Share of women among employees (%) – Share of women in leadership positions (%) – Share of internationals among employees (%) – Unadjusted/ adjusted gender pay gap – Unadjusted/ adjusted age pay gap – Coverage of employees through unconscious bias training (%)
	Analysis of the need for support programmes (diversity in leadership positions, internationality, gender, ...)	
	Introduction of appropriate support programmes	
	Unconscious bias training	
	Make the cover letter, application process, interview and on boarding diversity-friendly and in English	
	Determine responsible person	

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GOOD CORPORATE GOVERNANCE

Targets	Measures	KPIs*
Prevent compliance incidents (corruption, anti-competition, tax law)	Determine responsibility for compliance (beyond product compliance)	<ul style="list-style-type: none"> – Coverage of employees through compliance training (%) – Number of suspected cases of compliance violations – Number of compliance violations detected
	Establishment of compliance management (beyond PDCA procedure)	
	Adopt guidelines on relevant compliance issues (corruption, anti-competition, money laundering)	
	Introduce whistle-blower system/ appoint ombudsperson	
	Introduce training on compliance (e.g. start via e-learning and risk-oriented areas)	
	Analysis/ audit of compliance structure	
	Set up data collection	
Expand sustainable risk management	Develop/ expand risk management	
	Integration sustainability criteria	
	Integration of external impacts	

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BUSINESS ETHICS

Targets	Measures	KPIs*
Creating a value-based and sustainable leadership culture	Sustainability training for managers (e-learning)	<ul style="list-style-type: none"> – Coverage of managers through sustainability training (%) – Coverage of employees with Code of Conduct training (%)
	Adopt Code of Conduct	
	Present/teach contents of the Code of Conduct upon entry	
	Integrate sustainability in newsletters and on the intranet	
	Joining the UN Global Compact, participating in DGCN events and writing the progress report	
	Analysis of relevant initiatives (ILO, Paris Agreement, OECD Guidelines) and voluntary commitment	
	Training/awareness-raising for employees on environmental and human rights aspects (e-learning)	
Deepening stakeholder management	Active advocacy for energy transition and climate protection	
	Stakeholder consultation (and inclusion in the next materiality analysis)	
	Analysis of impacts and conflicts of interest with stakeholders	
	Donation policy incl. exclusion of political donations	

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RESOURCES, EFFICIENCY & ENVIRONMENTAL PROTECTION (1/2)

Targets	Measures	KPIs*
Reduce own energy consumption	Determine responsibility for environment	<ul style="list-style-type: none"> – Reduction compared to previous year (kWh/employee) – Energy consumption (kWh/employee) – Energy consumption per turnover/sold piece – From sustainable sources(% or kWh) – By categories (kWh)
	Build environmental data collection	
	Have an (external) energy audit performed	
	Analyze efficiency measures: LED, motion detector, automatic lighting	
Reducing our own emissions	Analysis of the (relevant) emission sources	<ul style="list-style-type: none"> – Reduction comparison base year(t CO₂e) – Scope 1-emissions (t CO₂e) – Scope 2-emissions (t CO₂e) – „Own“ scope 3- emissions (t CO₂e) – Green power share (%) – E-car share (%) – Offset emissions (t CO₂e)
	Use green power and sustainable heat	
	Convert company fleet into sustainable powertrains (phase out diesel vehicles) and expand charging point infrastructure	
	Sustainable and decentralized business travel	
	Optimize delivery operations by incorporating regional focus	
	If necessary, compensation of the remaining emissions	
	Climate neutrality Scope 1 and Scope 2	

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RESOURCES, EFFICIENCY & ENVIRONMENTAL PROTECTION (2/2)

Targets	Measures	KPIs*
Reduce resource use and waste	Analysis of resource use, wastage rate and use of water	<ul style="list-style-type: none"> – Set of relevant resources (steel, copper; t) – Recycling share production (%) – Share of recycled and reusable packaging (%)
	Analyze/increase recycling/refurbishment share in production	
	Set up/expand repair concept	
	Reduce material use for next product generation	
	Establish packaging concept, switch to sustainable packaging / reusable packaging (subsequent generations)	
Carry out substitution check	Examine alternatives for battery base materials and other conflict minerals and make transition sustainable	<ul style="list-style-type: none"> – Hazardous waste avoided (t or kg)
	Perform operational tests with green hydrogen	

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DECENTRALISED & SUSTAINABLE ENERGY SUPPLY

Targets	Measures	KPIs*
Record emissions saved by picea	In-depth certified analysis of emissions in upstream value chain (creation of used resources, upstream production, transport, commuting, ...)	<ul style="list-style-type: none"> – Emissions saved through picea use (total, comparison with grey power grid) – Factor by which picea is better than grey power grid (taking into account winter/summer difference)
	In-depth certified analysis Emissions in downstream value chain (waste from production, recycling according to life cycle)	
	Analysis of savings compared to grey power grid continue/concretize	
Increase number of independent households	Recording of projects carried out	<ul style="list-style-type: none"> – Number of set up/ running picea – CO₂ avoidance of all picea (in tons) – Number of piceas sold
	CO ₂ avoidance	
Transform customers to corporate ambassadors	Awareness campaign for customers	<ul style="list-style-type: none"> – Recommendation rate
	Analyse energy consumption/optimization potential report at customers and introduce/offer if necessary	

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DATA SECURITY & DATA PROTECTION

Targets	Measures	KPIs*
Prevent data privacy and data security incidents	Implementation of data protection concept by external provider	<ul style="list-style-type: none"> – "Successful" penetration tests per tests performed – Coverage of employees by training (%) – Number of cases of data theft/data loss relating to customer data
	Introduce active penetration testing	
	Employee training and awareness	
	Complete documentation of personal data processing (employees, customers and partners)	

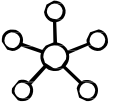
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PRODUCT RESPONSIBILITY & PRODUCT SAFETY

Targets	Measures	KPIs*
Always ensure sustainable & safe products	Environmental Product Declaration (EPD)	<ul style="list-style-type: none"> – CO₂ footprint picea – Specifications KPIs – Average life time
	Life cycle analysis	
	Regular analyses on safety / safety tests and publish them in cooperation with TÜV	
Further strengthening of innovation & quality	Increase R&D rate/even maintain it with company growth	<ul style="list-style-type: none"> – R&D rate – Customer satisfaction index – Customer complaints per picea delivered
	Develop picea 2 (better cost structure, faster commissioning)	
	Improve customer app	
	Establish/expand quality management and internal auditing	
	Enable integration of picea into smart home systems	
	Establish complaint management policy	

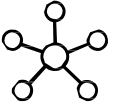
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SUSTAINABILITY IN THE SUPPLY CHAIN (1/2)

Targets	Measures	KPIs*
Supplier commitment to sustainability and human rights	Implement supplier self-disclosure with sustainability topics and query on emission reduction measures	<ul style="list-style-type: none"> – Coverage of new suppliers with completed self-disclosure (%) – Coverage of suppliers who have signed a supplier code of conduct (%) – Number of business relationships terminated due to violations of human rights or sustainability requirements
	Implement code of conduct for suppliers	
	Have key suppliers sign supplier code of conduct	
	Establish written consequences for violations and documentation (in supplier file)	
Conduct supply chain audits on sustainability and human rights	Direct suppliers on human rights and sustainability audit	<ul style="list-style-type: none"> – Coverage of audited direct suppliers (%)
	Analysis of suppliers in critical procurement areas and subsequent audit	
	Writing down the consequences of violations	

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SUSTAINABILITY IN THE SUPPLY CHAIN (2/2)

Targets	Measures	KPIs*
Strengthen sustainable procurement	Develop/implement procurement guideline with sustainability criteria and distance of suppliers as criteria based on supplier code of conduct	<ul style="list-style-type: none"> – Share of suppliers with ISO 14001 certification (%) – Share of suppliers with ISO 45001 certification (%) – Share of suppliers with green power (%) – „Foreign“ scope 3- emissions (t CO₂e)
	Preference for suppliers with ISO 14001 and ISO 45001 certification (guideline or similar document)	
	Preference for suppliers with green power use and long-term partners/key suppliers to commit to green power use (policy or similar document)	
	Cooperation with suppliers in favor of sustainable products (recycling concepts batteries, etc.)	
	Analysis of the CO ₂ footprint of the supply chain	

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WE ARE LOOKING TO HEARING FROM YOU!

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