

smartoptics



**SUSTAINABILITY
REPORT
2022**

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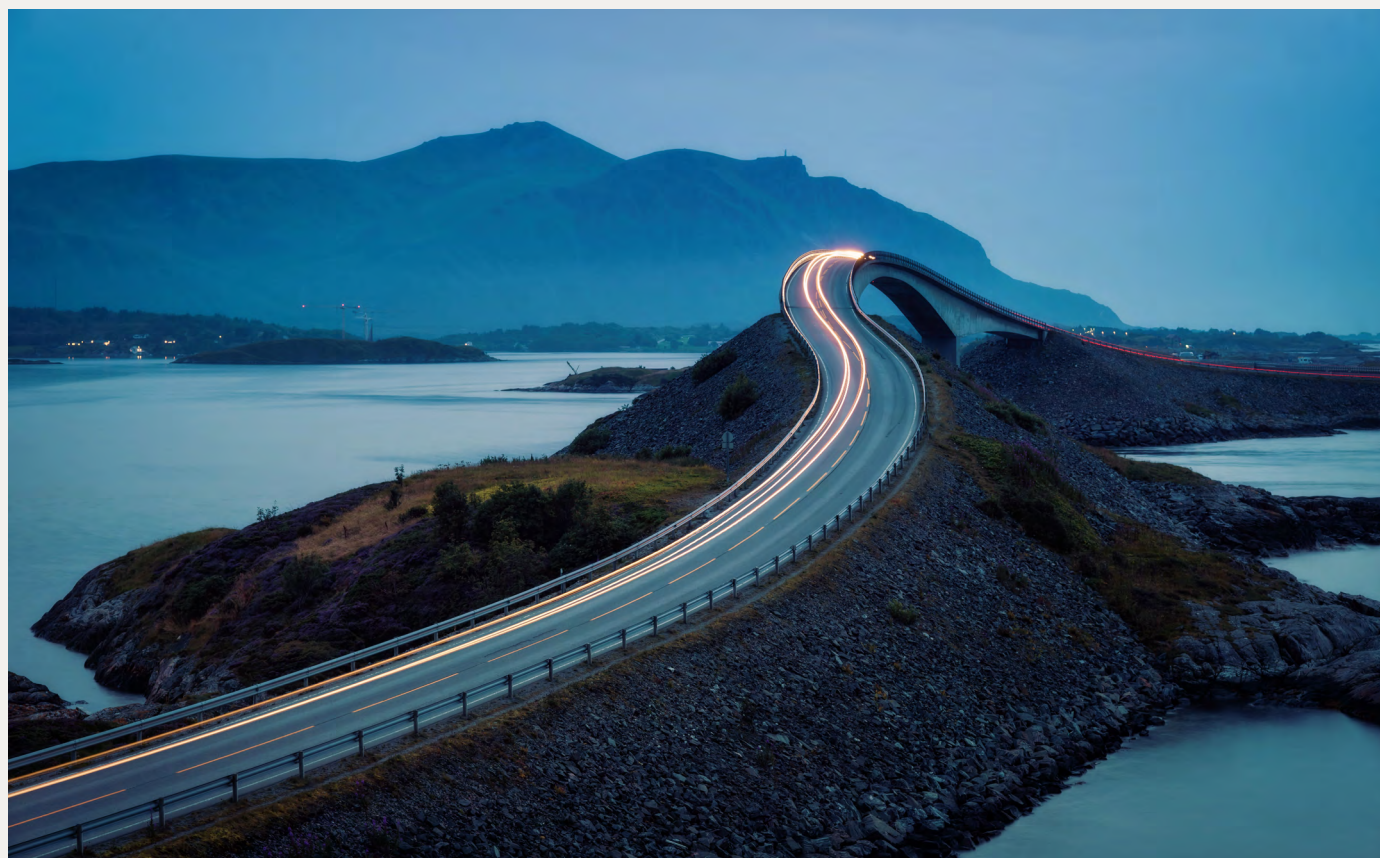
ABOUT SMARTOPTICS

Smartoptics is a global provider of innovative optical networking solutions for the data center and service provider markets. We recognize that as a technology company, we have a responsibility to minimize our environmental impact and support sustainable practices. Our dedication to sustainability is evident in our product offerings, operational practices, and collaboration with stakeholders.

At Smartoptics, we strive to reduce our carbon footprint through energy-efficient solutions and sustainable practices in our operations. We also work closely with our suppliers and partners to promote sustainable sourcing and ethical practices. As part of our efforts to minimize waste, we have implemented an improved waste management process and are actively working towards achieving circularity.

Our commitment to sustainability extends beyond our operations and products. We are engaged in industry initiatives such as the Telecom Infra Project (TIP) – Project Open Optical & Packet Transport (OOPT), which aims to promote open technologies and interfaces in optical and IP networking. We also prioritize the well-being and satisfaction of our employees, as demonstrated by our Great Place to Work certification and TrustIndex© results.

Smartoptics firmly believes that adopting sustainable practices is crucial for both our business and the well-being of our planet in the long run. As a responsible corporate entity, we are fully committed to this cause and eagerly anticipate our continued progress on the path of sustainability.



WORD FROM CEO

As the CEO of Smartoptics, I am proud to state that sustainability is at the heart of our business. We are fully committed to operating in an environmentally and socially responsible manner and have taken several initiatives to achieve this.

An example of Smartoptics' commitment to sustainability is the company's participation in the Telecom Infra Project's (TIP) Open Optical & Packet Transport (OOPT) project. By working with other industry leaders to define open technologies, architectures, and interfaces in Optical and IP Networking, Smartoptics is helping to promote innovation and efficiency in the telecommunications industry, which can ultimately lead to a more sustainable future. This project is just one of many ways that Smartoptics is working to make a positive impact on the world around us.

In addition, we have implemented an enhanced waste management system and made considerable progress towards achieving circularity. We partner with various suppliers and partners to gain access to relevant data, allowing us to calculate emissions with greater accuracy and set clear targets for the future. Moreover, we have improved the working environment for our employees, as evidenced by our TrustIndex© results of 86% and subsequent receipt of a Great Place to Work certificate. We remain committed to promoting human rights, equality, and diversity. At Smartoptics, sustainability is a core value that is deeply rooted in our values and mission. We believe that it is not just a business requirement, but a moral obligation to future generations and the planet we all share.



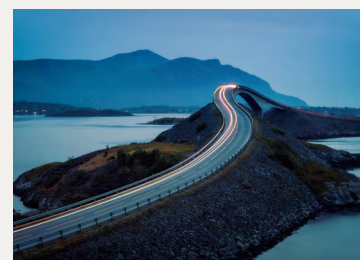
Magnus Grenfeldt, CEO

SUSTAINABILITY HIGHLIGHTS 2022

The following is a summary of the sustainability work highlights during 2022 for the Smartoptics group.

SUSTAINABILITY STRATEGY

Smartoptics reviewed its sustainability strategy in 2022 and decided on Smartoptics 5-year goals



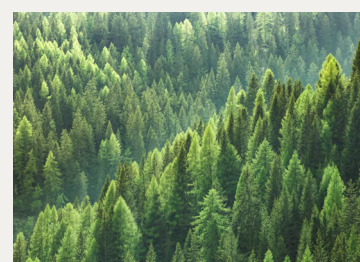
IMPROVED WASTE MANAGEMENT AND RECYCLING

Smartoptics has implemented an enhanced waste management system. This initiative is a step towards achieving circularity in our operations, ensuring that we minimize our environmental impact and contribute to a more sustainable future. By improving our waste management processes, we have also improved the quality of the data we collect, enabling us to track our progress more accurately to make more informed decisions about our sustainability efforts.



CO2 AND EMISSION

In 2022, the company committed to streamlining its deliveries to optimize logistics emissions. By adopting better tracking and follow-up procedures, Smartoptics will be able to accurately measure its emissions and climate compensation efforts.



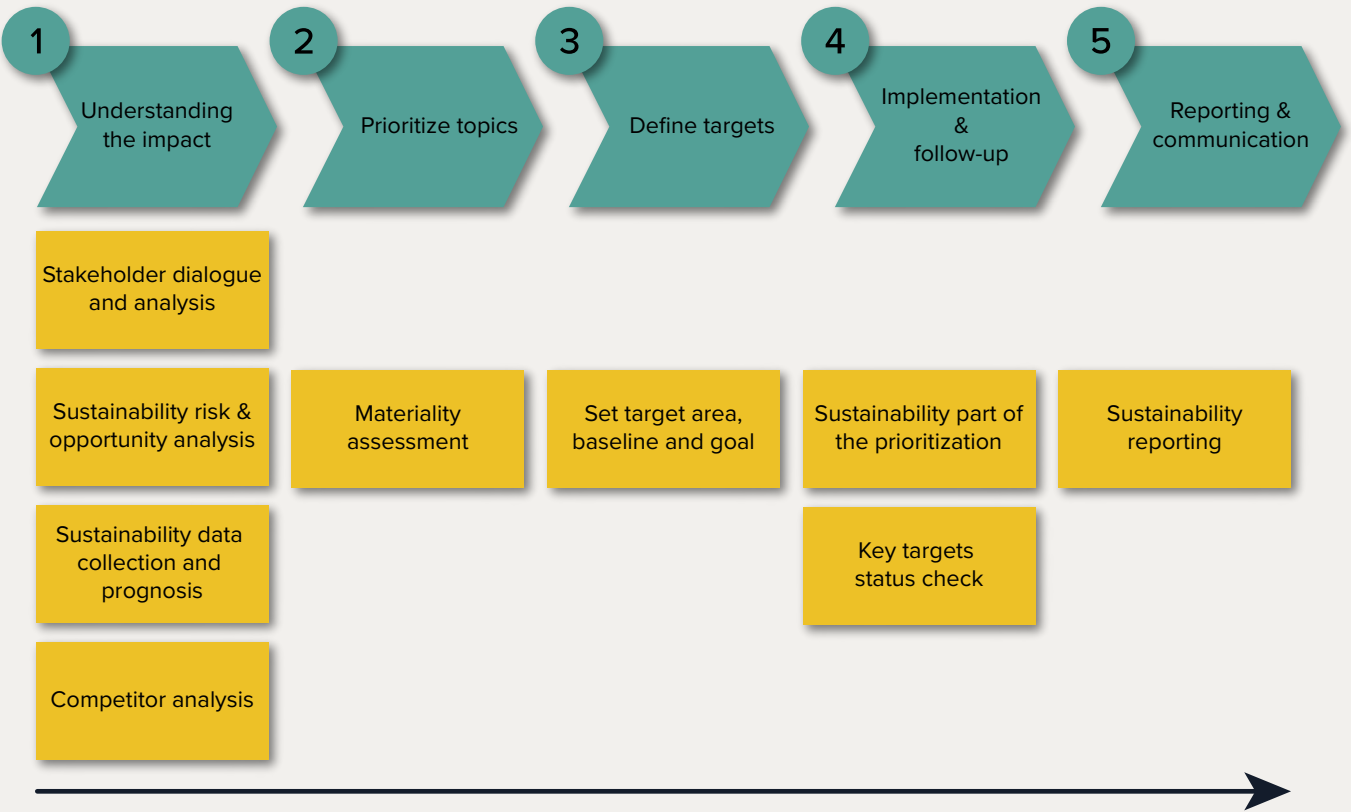
HEALTH AND SAFETY

Smartoptics conducted an employee survey, achieving a TrustIndex© score of 86%, resulting in the company being awarded a Great Place to Work certificate.



LEADERSHIP AND STEERING OF A SUSTAINABLE BUSINESS

OUR PROCESS OF DEFINING OUR 2027 SUSTAINABILITY GOALS



1. UNDERSTANDING THE IMPACT

In order to achieve our sustainability goals, it is crucial that we understand the impact our company has on the planet and society, and how different topics may affect us. This requires engaging in ongoing dialogue with our key stakeholders to fully understand their needs and concerns. At our company, we believe in continuous engagement with our stakeholders, as the world is constantly changing. Through regular risk and opportunity analysis, we are able to stay updated and informed based on the information and data we collect. Additionally, we closely monitor sustainability studies, regulations, and industry organizations, as well as conduct competition analysis to ensure we are at the forefront of sustainability practices.

SUSTAINABILITY RELATED RISKS AND OPPORTUNITIES

At Smartoptics, risk analysis is an integral part of our daily work. We recognize that risks and opportunities are crucial considerations for understanding our impact from multiple perspectives, especially from a sustainability standpoint. By prioritizing awareness and understanding, we are able to mitigate potential risks and identify opportunities that align with our sustainability goals.

RISKS

In 2022, Smartoptics took a decisive stance on sustainability, outlining clear strategies and goals for the future. To make informed decisions, the company conducted a comprehensive risk analysis that considered the principles, probability, consequence, and priority of key issues that could potentially impact the company. As a global organization, Smartoptics operates in multiple countries where sustainability priorities and regulations differ, which the company considers during the risk analysis process.

One of the risks identified through the analysis was information security and data privacy. As the pandemic has accelerated the shift to digital work and communication, the company has begun a significant internal project to enhance its cybersecurity policies and procedures to ensure that employees' and customers' data is always protected. Smartoptics continuously monitors legal requirements and trends in each country where it operates to stay up to date in this field. The company also welcomes

the new information transfer agreement between the EU and the US, which will provide a legal framework for transatlantic data transfers that meet EU data protection standards.

As a company that delivers products globally, Smartoptics recognizes the impact of its operations on the environment, particularly in terms of CO2 emissions. To mitigate this impact, the company has made it a priority to gather data and assess the sustainability of its transport methods. Smartoptics acknowledges that transportation is a critical area of concern for sustainability and aims to minimize the associated risks by making informed choices between regular and green transport options. In 2022, the company committed to streamlining its deliveries to optimize logistics emissions. By adopting better tracking and follow-up procedures, Smartoptics will be able to accurately measure its emissions and climate compensation efforts.

OPPORTUNITIES

In order to minimize our impact on the environment, Smartoptics has implemented several sustainability initiatives. One such initiative is our switch to renewable energy sources in our office lease agreements. Our property owners have installed solar panels on the roofs of our buildings, which generate electricity for our daily operations. Additionally, they have invested in energy-efficient lighting systems and equipment to reduce our overall energy consumption. These efforts have not only reduced our carbon footprint, but also lowered our energy costs. We will continue to explore new ways to reduce our energy consumption and carbon emissions, and to promote sustainability both within our company and throughout our industry.

In order to make informed decisions, accurate and reliable data is crucial. Smartoptics recognizes the importance of data and sees it as a powerful tool for driving improvements in sustainability. The company conducts annual surveys and also gathers data from suppliers and partners to inform on its sustainability efforts and track progress towards its goals. Sustainability is integrated into everyday operations, with key performance indicators (KPIs) set annually and evaluated through biannual internal audits. Smartoptics is always on the lookout for opportunities to

turn sustainability challenges into successes. For example, in response to a new legal requirement to separately sort food waste, the company partnered with others to convert organic waste into compost and nutrient soil.

In compliance with national and international laws and regulations, Smartoptics remains committed to staying informed about sustainability standards and reporting requirements. The EU Green Deal is a primary source of guidance for the company, and we eagerly await the new EU standard for sustainability reporting. Additionally, Smartoptics follows other standards such as the Global Reporting Initiative (GRI). In 2022, the Norwegian Transparency Act on Compliance and Due Diligence came into effect, outlining expectations for Norwegian-based companies and strengthening collaboration with partners and suppliers.

SMARTOPTICS IMPACT ON PEOPLE, THE ENVIRONMENT AND SOCIETY THROUGH ITS VALUE CHAIN

To ensure a comprehensive understanding of our company's impact, we conducted an analysis of our operations. Our analysis identified the activities that are critical for our business operations and the ones we can directly impact. We categorized them as high, medium, or low impact based on their potential effects. We strongly believe that we can significantly reduce our emissions by collaborating with stakeholders and optimizing our resource utilization. We have already implemented several of the activities listed in the impact analysis, and the remaining ones are targeted goals in our sustainability strategy.

We prioritize sustainability in all aspects of our operations, from our products and services to our supply chain and employee practices. Our sustainability strategy is comprehensive, and we strive to continuously improve our performance through regular assessments and audits. Our goal is to minimize our environmental impact while also creating value for our stakeholders. To achieve this, we have identified key areas where we can make the greatest impact, such as reducing greenhouse gas emissions, conserving water and energy, promoting circular economy practices, and supporting social and ethical responsibility. By prioritizing these areas, we can achieve our sustainability targets while also creating a more resilient and responsible business for the future.

	Impact	Upstream	Own operations	Downstream		
		Supply chain	Management and product development	Production and logistics	Customers	Final handling
Planet	H	Greenhouse gas emissions Renewable/recycled materials	Products with small environmental impact (inc. packaging)	Greenhouse gas emission Waste management	Electrical waste	Recycling of waste
	M		Internal and external compliance	Energy consumption Water consumption	Sorting of waste	Green house emission from waste management
	L	Local waste management				
People	H	Health and safety Responsible working conditions Competence development Conflict minerals	Low energy consumption products	Safe production Health and safety Responsible working conditions Competence development	Safe products	
	M	Safe raw materials				
Governance	H	Responsible business practice Traceability and transparency	Responsible business practice Sustainable transition Quality and risk management Transparency and stakeholders' involvement	Traceability, reporting and involvement	Responsible business practice	
	M			Information security and privacy	Information security and privacy	
Prosperity	H	Local and global job creation	Innovation	Local tax payment Partnerships	Social and environmental commitment	Contribution to circularity

STAKEHOLDER DIALOGUE

Gathering input from stakeholders is a critical aspect of our decision-making process, as we strive to balance their interests with our own. We value open and transparent dialogue and welcome suggestions from all stakeholders. We engage in various methods of communication, such as meetings and surveys, to ensure that we receive input from all relevant parties. By incorporating stakeholder input, we can make informed decisions that align with our sustainability goals and create value for all stakeholders.

At our company, we recognize the importance of engaging with our stakeholders to ensure that their needs and concerns are taken into account in our decision-making

processes. We understand that stakeholders have varying interests and expectations, such as customer requirements and legal compliance, and we strive to balance these with our own goals and objectives. To achieve this, we prioritize an open and transparent dialogue, and actively seek out feedback through a variety of channels, including meetings, surveys, and other forms of communication. By incorporating stakeholder input into our decision-making, we aim to build strong, long-lasting relationships with those who are impacted by our business operations.

The table below describes the methods we use to communicate with our stakeholders.

Employees	Customers	Suppliers & Partners	Investors and Shareholders
<ul style="list-style-type: none"> Employee performance appraisal at least once a year Suggestions for improvements Local channels for communication and information Annual employee survey Companywide meetings for all employees 	<ul style="list-style-type: none"> The company has a customer service which helps our customer, handling complaints and receives feedbacks. Our Sales team has a close customer relationship through continuous dialogue We perform annual customer survey Customer events 	<ul style="list-style-type: none"> Dialogue Assessments Surveys 	<ul style="list-style-type: none"> Dialogue Survey Review of global investors survey
Authorities	Organizations	Local communities	Environment and planet
We have dialogue with authorities to ensure that we comply with the national, international and local laws and regulations.	Through membership in different industry organizations we have the possibility to create dialogue with other experts	Actively communicating with local communities to be able to contribute to social sustainability	Monitoring science-based data, regulations and innovations



GOVERNANCE AND MANAGEMENT SYSTEMS

At Smartoptics, we believe that strong corporate governance and management systems are essential to achieving our sustainability goals. Our Board of Directors is responsible for overseeing the company's sustainability strategy and ensuring that it aligns with our overall business objectives. We follow a top-down approach to setting sustainability goals, with input from stakeholders across the organization.

We have also established an Environmental Management System (EMS) that is certified to ISO 14001. The EMS provides a framework for identifying and managing environmental risks, setting targets and objectives, and measuring our performance. The EMS is integrated with our overall management system, which is certified to ISO 9001.

To ensure that we are addressing sustainability risks and opportunities effectively, we conduct regular risk assessments and engage with stakeholders to understand their concerns and expectations. We also have a whistleblower hotline and other channels for reporting potential violations of our sustainability policies and procedures.

Finally, we are committed to transparency and accountability in our sustainability reporting. We follow the Global Reporting Initiative (GRI) Standards and report on a range of sustainability topics, including our governance and management systems.

MEMBERSHIP, CERTIFICATES AND COMPLIANCE

Smartoptics holds the following memberships relevant for improving the sustainability of our business:

- **ERP (European Recycling Platform)**

Smartoptics is a registered member of ERP Norway AS, ensuring compliance with Norwegian Waste Regulation for the collection and treatment of Electrical and Electronic products. We work with a recycling and disposal company to ensure that all waste generated by our products complies with the WEEE (Waste Electrical and Electronic Equipment) regulation from the European Commission.

- **Telecom Infra Project (TIP)**

Telecom Infra Project (TIP) – Project Open Optical & Packet Transport (OOPT) works on the definition of open technologies, architectures, and interfaces in Optical and IP Networking.

- **Open ROADM**

Smartoptics is an active member the development of Reconfigurable Optical Add/Drop Multiplexers (ROADMs), with a focus on fostering innovation, improvements, and collaboration in this field. As part of the multi-source agreement (MSA), Smartoptics is committed to creating products that are compatible across different vendors, effectively acting as de facto standards. By collaborating with other members of Open ROADM, Smartoptics is helping to establish a competitive market for interoperable products. Through this effort, Smartoptics is contributing to the advancement of the industry.



SPONSORSHIPS

At Smartoptics, we are committed to making a positive impact on society and supporting those in need. To this end, we have made a significant contribution to cancer research, specifically to The Swedish Childhood Cancer Fund. We are proud to support the efforts of Team Rynkeby, a group of dedicated cyclists who undertake a gruelling cycle ride from Sweden to France to raise funds for cancer research. Our support for Team Rynkeby's cyclists allows us to make an even greater contribution to The Swedish Childhood Cancer Fund, where we join a community of like-minded individuals who share our goal of helping children. At Smartoptics, we believe in giving back to our communities and making a difference in the lives of those who need it most.

COMPLIANCE

Smartoptics follows the current EU directives regarding CE marking of products. All our CE marked products are verified by third parties.

The object(s) of the declaration described above is in conformity with the following directives:	
2014/35/EU	Low Voltage Directive, LVD
2014/35/EU	Electromagnetic Compatibility, EMC
2015/863/EU	The Restriction of the Use of Certain Hazardous Substances, RoHS Directive, 2011/65/EU, and the amendment

CERTIFICATES

Smartoptics holds the following relevant certificates:

- Smartoptics renewed the ISO certificates in 9001:2015 (Quality management system) and 14000:2015 (Environmental management system) with good results. Our recertification will take place in 2025.
- Smartoptics holds product certificates according to TÜV Rheinland.
- Smartoptics holds a certification in UL/ETL, where our products undergo inspection four times a year by third party to ensure that we continuously meet the standard and quality.

NEBS (Network Equipment-Building system)

Smartoptics is NEBS level 3 compliant which means that our products can handle tough physical conditions.

RoHS/REACH and WEEE

Our products are RoHS/REACH compliant, and we comply with the WEEE (waste electrical and electronic equipment) regulation through our membership in ERP

The following designated standards have been practiced fulfilling the above-mentioned EU regulations:	
EN 62368-1:2020+A11	Audio/video, information, and communication technology equipment - Part 1: Safety requirements
EN 55032:2015	Electromagnetic compatibility of multimedia equipment - Emission requirements
EN 55035:2017+A11	Electromagnetic compatibility of multimedia equipment - Immunity requirements
ETSI EN 300386: V2.1.1	Telecommunication network equipment; ElectroMagnetic Compatibility (EMC) requirements; Harmonized Standard covering the essential requirements of the Directive 2014/30/EU
EN 61000-3-2:2019	Electromagnetic compatibility (EMC) - Part 3-2: Limits - Limits for harmonic current emissions (equipment input current up to and including 16 A per phase)
EN 61000-3-3:2013+A1	Electromagnetic compatibility (EMC) - Part 3-3: Limits - Limitation of voltage changes, voltage fluctuations and flicker in public low-voltage supply systems, for equipment with rated current = 16 A per phase and not subject to conditional connection
IEC 60825-1:2014	Safety of laser products - Part 1: Equipment classification and requirements

2. PRIORITIZE TOPICS

MATERIALITY ASSESSMENT

Smartoptics conducted a materiality assessment to identify the most significant environmental, social, and governance (ESG) issues that are relevant to our company and our stakeholders. The assessment was based on a combination of internal and external stakeholder engagement, as well as a review of industry specific ESG frameworks and standards. We also used the United Nations Sustainable Development Goals (SDGs) as a framework to help scope and guide our efforts.

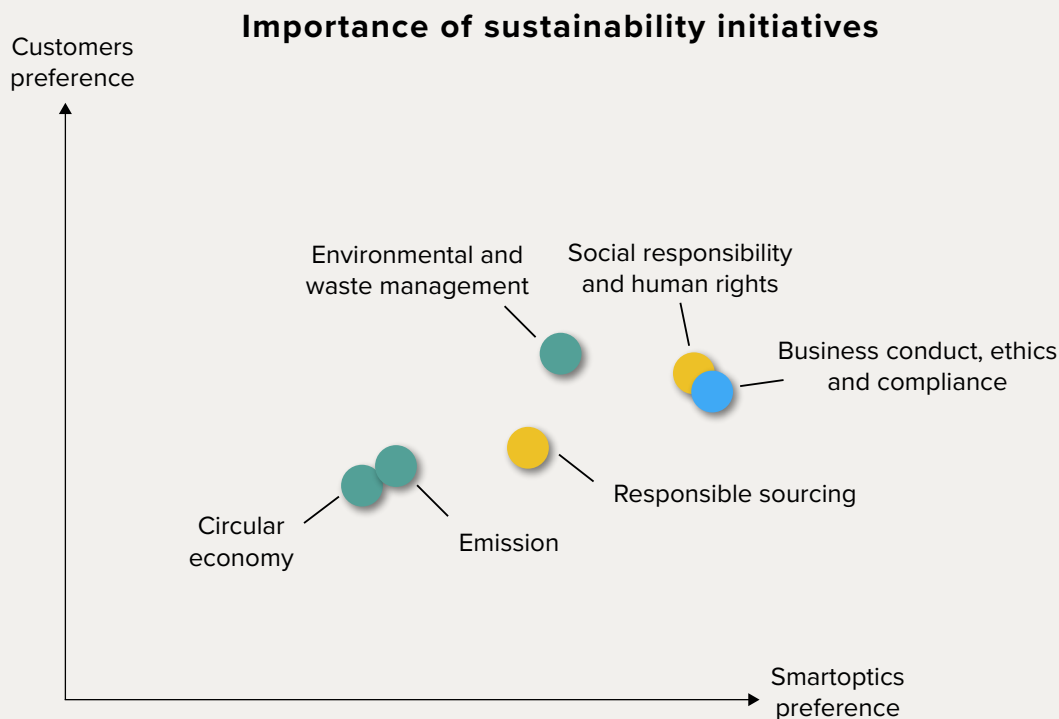
CUSTOMER SURVEY

In Smartoptics annual customer survey, done most recently in April 2023, customers were asked to rate which topics within sustainability were most important.

The results are shown in the picture below. On the vertical axis the customers’ preferences are shown and on the horizontal axis the corresponding internal ranking, within Smartoptics, is shown. There is a clear correlation between these rankings – the external from customers and the internal from Smartoptics. These results are used to identify the most relevant topics to address with actions, policies and processes.

We have defined strategies and action plans to address these issues, and we regularly monitor and report on our progress towards achieving our goals. In addition, we recognize that ESG topics are constantly evolving, and we will continue to engage with our stakeholders to ensure that our materiality assessment remains up-to-date and relevant.

The materiality assessment identified the following issues as the most significant for our company and stakeholders:



SOCIAL RESPONSIBILITY

HEALTH AND SAFETY

The health and safety of our employees is of highest priority. We conduct regular Health, Safety and Environment (HSE) rounds with a dedicated safety representative to ensure that our workplace environment is healthy and safe. Our HSE audits cover a wide range of areas, including emergency plans, control of fire equipment, physical and psychosomatic work environment, and more. Any findings from our HSE audits are acted upon promptly to ensure that necessary steps are taken to create a safe and healthy work environment.

We are fully committed to maintaining high standards of health and safety in compliance with relevant local legislation and guidelines in all areas in which we operate. Any health and safety incidents are recorded and thoroughly investigated to prevent recurrence in the future.

EQUAL OPPORTUNITY AND DISCRIMINATION

At Smartoptics, we are committed to maintaining a workplace that is free from discrimination of any kind. We ensure that all aspects of recruitment, compensation, skills development, promotion, and retirement are based solely on merit. Additionally, we have a robust grievance mechanism in place that enables employees to submit complaints without fear of retaliation. We take these matters very seriously and work diligently to create a work environment that is fair, respectful, and supportive for all employees.

HUMAN RIGHTS AND WORKING CONDITIONS

Smartoptics is fully committed to upholding the United Nations Convention of Human Rights. We encourage all employees should to have a clear understanding of their employment conditions. We are dedicated to ensuring that our employees receive fair and reasonable pay and benefits that meet or exceed applicable laws and industry standards.

We strictly adhere to applicable laws regarding working hours and provide vacation time in accordance with the respective local vacation acts. At Smartoptics, we have a zero-tolerance policy towards forced labor and child labor. We respect the right of every co-worker to freedom of association and collective bargaining, and we do not tolerate any form of punishment or harassment for exercising these rights.

ENVIRONMENTAL RESPONSIBILITY

WASTE MANAGEMENT

We recognize the importance of responsible waste management and are committed to reducing our environmental footprint. We believe that it is essential to minimize the impact of our operations on the environment and contribute to sustainable practices wherever possible. Our goal is to use more recyclable materials to contribute to a more circular environment.

We are committed to further reducing our environmental impact by exploring additional sustainable practices and working with suppliers and partners who share our commitment to sustainability. For example see our collaboration with Boxon on page 20. Through our efforts, we hope to inspire others to adopt sustainable practices and contribute to a more environmentally responsible future.

Smartoptics is committed to ensuring that our products are environmentally responsible and comply with all relevant regulations and standards. We are proud to say that our products are RoHS/REACH compliant. We work with a recycling and disposal company to ensure that all waste generated by our products complies with the WEEE regulation from the European Commission.

EMISSION

We recognize that our operations have an impact on the environment, and we are committed to minimizing our carbon footprint. To achieve this, we regularly measure our greenhouse gas emissions in accordance with the GHG protocol, and use this information to identify areas where we can reduce our impact.

One key area where we are focusing our efforts is on transportation. We are actively seeking out suppliers who can offer us solutions that reduce our carbon footprint, and we encourage all employees to choose environmentally friendly options when it comes to travel.

BUSINESS INTEGRITY

ETHICS - SOUND AND FAIR TRADE BUSINESS RELATIONS

Smartoptics is committed to conducting its business in an ethical and legal manner, and we expect the same from our business partners. Therefore, we have developed a Business Partner Code of Conduct to ensure that our business partners comply with our values and standards. We share this code with all our business partners and expect them to adhere to it in all their dealings with us.

The Code of Conduct includes principles such as respect for human rights, labor rights, and environmental protection. We expect our business partners to comply with all applicable laws and regulations, including those related to labor, health and safety, and the environment. We also require that our business partners treat their employees with dignity and respect, and do not engage in any form of forced labor or child labor.

In addition, we expect our business partners to conduct themselves with honesty, integrity, and transparency, and to avoid conflicts of interest. We encourage our business

partners to communicate openly with us and to report any suspected violations of our Code of Conduct or applicable laws and regulations. We will take appropriate action in response to any such reports, including termination of our business relationship if necessary.

The code of conduct at Smartoptics emphasizes a strong stance against corruption, bribery, and unethical practices. The company maintains a zero-tolerance policy towards corruption and provides regular internal training to ensure employee awareness. Soliciting, accepting, or offering bribes, kickbacks, or unethical benefits to business partners or third parties is strictly prohibited. Gifts and entertainment must be modest, appropriate, and comply with applicable laws, regulations, and organizational policies. Money laundering, funding criminal activities, and conflicts of interest are strictly forbidden. Smartoptics maintains political neutrality and prohibits insider trading, with severe consequences for employees found in violation. All employees are expected to adhere to the code of conduct and comply with relevant laws and regulations. Our code of conduct is published on our website.



3. DEFINE TARGETS

TARGETS AND 2027 GOALS

Smartoptics is committed to promoting sustainability and contributing towards the United Nations' Sustainable Development Goals (SDGs). In particular, the company has set defined targets to promote several SDGs, including:

Goal 5: Gender Equality

Goal 6: Clean Water and Sanitation

Goal 8: Decent Work and Economic Growth

Goal 10: Reduced Inequalities

Goal 12: Responsible Consumption and Production

Goal 13: Climate Action

Goal 15: Life on Land

Goal 16: Peace, Justice and Strong Institutions.

Our materiality analysis results serve as a valuable compass for our sustainability journey, helping us identify and pursue the most important topics where we can make a positive impact, improve, and grow. These topics are broken down into smaller goals that we aim to achieve over the next five years.



SOCIAL RESPONSIBILITY

HEALTH AND SAFETY

- Zero work related injuries at Smartoptics
- Annual health-check for all employees
- Promote and offer solutions for well-being at work
- Offer attractive employee development
- Strive for the lowest sick leave among peers
- Promote innovation related to improving the safety of the workplace

EQUAL OPPORTUNITY AND DISCRIMINATION

- Culture of open communication and collaboration
- Strive for a balance in diversity throughout the company
- Cooperate with local organisation for an inclusive society

HUMAN RIGHTS AND WORKING CONDITIONS

- Annual re-assessment of every supplier
- Continue to exclude some minerals according to "Conflict Minerals"
- Continue to safeguard and promote human rights to suppliers
- Aim to introduce supplier on-boarding
- Actively look for sustainable partnerships and possibilities

ENVIRONMENTAL RESPONSIBILITY

WASTE MANAGEMENT

- Increase circularity in the business
- Find partnerships that facilitates the circularity of the business
- Promote circularity in the industry

EMISSION

- Partnership with logistic companies who offer sustainable transports
- Improve in-data from partners and suppliers in order to analyze and optimize transportation
- Evaluate and optimize emission in our value chain
- Offer and promote environmentally friendly transportation for employees
- Using more quality offset
- Aim to increase recycled material
- Evaluate product designs through the sustainability criteria

BUSINESS INTEGRITY

ETHICS

- Employees to perform internal training on our Code of Conduct
- Zero breaches regarding Code of Conduct
- Ethical workplace
- Internal training about ethics, human rights, and sustainability

4. IMPLEMENTATION AND FOLLOW-UP

Smartoptics is committed to continuously implementing its sustainability goals and involves all employees in sustainability work in some way. The company is fortunate to have dedicated employees who help bring the organization closer to its goals. Follow-up on sustainability goals is done based on short- and long-term objectives, with annual KPIs set for long-term goals that are monitored each year. In addition, monthly monitoring is carried out on specific areas to track trends and draw meaningful conclusions that inform future sustainability initiatives.

This comprehensive approach to follow-up ensures that Smartoptics stays on track with its sustainability goals while identifying areas that need improvement. In addition, we recognize that ESG issues are constantly evolving, and we will continue to engage with our stakeholders to ensure that our materiality assessment remains up-to-date and relevant. We are committed to transparency and accountability in our sustainability reporting, and we welcome feedback from our stakeholders on our ESG performance and reporting.



5. REPORTING AND COMMUNICATION

We are committed to setting and achieving long-term and measurable sustainability objectives that are integrated into our business plan and daily operations. Our sustainability goals are not just a separate agenda item but an integral part of how we do business. We are proud that our employees show dedication and appreciation towards achieving these goals, and we continuously strive to engage them in our sustainability efforts to create a culture of sustainability throughout the organization.

SOCIAL RESPONSIBILITY



HEALTH AND SAFETY

	2022	2021
Number of reported work-related sick leaves	0	0
Number of fatal occupational injuries	0	0
Lost time injuries	0	0
Number of reported discrimination cases	0	0

Smartoptics has made significant strides in improving its health, safety, and environmental (HSE) practices, resulting in a more structured and systematic work environment. Among the measures implemented are training programs on ergonomics and the introduction of voluntary health checks. Smartoptics has also appointed two safety officers and a chief safety officer who conduct regular HSE rounds to ensure compliance and identify areas for improvement. These efforts demonstrate Smartoptics’ commitment to providing a safe and healthy workplace for its employees while minimizing its environmental impact.

ANNUAL EMPLOYEE SURVEY

Smartoptics recently conducted a comprehensive employee survey based on standardized measures,

which earned the company a coveted Great Place to Work certification. This globally recognized certification serves as a testament to our commitment to providing a positive and fulfilling work environment for our employees. Our employees reported high levels of trust, respect, fairness, pride, and camaraderie within the organization, which are key indicators of a great workplace. This certification motivates us to continue to prioritize employee satisfaction and well-being, and we are proud to be recognized as a Great Place to Work.

EQUAL OPPORTUNITY AND DISCRIMINATION

The following was the breakdown of the male and female employees and respective positions in the Smartoptics group:

	2022		2021	
	Men	Women	Men	Women
Board of Directors	3	1	4	0
Executive management	4	1	4	1
Non-exec management	4	4	2	2
Employees	68	14	54	12
Total Employees	79	20	63	15

Smartoptics experienced a notable 21% increase in its number of employees during 2022, with the increase being more evenly distributed compared to the previous year. We hold a strong belief in creating a workplace that is built on equality, and we are committed to striving towards becoming one of the most equitable companies within our industry, even though we recognize that achieving this goal may pose challenges. Our efforts to promote gender equality have been reflected in our non-executive management level, where we have achieved a 50-50 distribution between men and women.

Smartoptics increase in employees also led to a more balanced age distribution in the company compared to 2021.

	2022			2021		
	Under 30	30-49	50+	Under 30	30-49	50+
Board of Directors	0	1	3	0	0	3
Executive level management	0	2	3	0	2	3
Non-executive management	0	7	4	0	3	1
Employees	14	45	20	11	40	15
Total number of Employees	14	55	30	11	45	22

HUMAN RIGHTS AND WORKING CONDITIONS

Smartoptics recognizes the importance of responsible sourcing and supply chain management, and as part of our commitment to sustainability, we require our suppliers to uphold similar standards. This includes implementing policies and due diligence measures to ensure compliance throughout their supply chain. We conduct supplier assessments where we ask for information about the origin of minerals used in their products to ensure they are ethically sourced. Additionally, we perform CSR assessments on key suppliers to verify that they meet our requirements and uphold responsible practices. By working closely with our suppliers and ensuring responsible sourcing practices, we aim to minimize any negative impacts on people and the environment.

	2022	2021
Number of suppliers assessed	48	10
Number of suppliers re-assessed	10	0
Number of suppliers reviewed CoC Business Partners	14	0

CONFLICT MINERALS

Smartoptics has a clear statement and policy regarding Conflict Minerals. The company support a sustainable solution to the issue of conflict minerals through collaboration of the information and communications technology (ICT) industry and the mining sector to improve both the traceability of minerals and the transparency of global supply chains.

The conflict minerals were assessed and verified by third party. All of our main suppliers are covered by the third-party verification.

Smartoptics has a robust Conflict Minerals policy that emphasizes the importance of a sustainable solution to this global issue. We strongly believe in collaborating with the information and communications technology (ICT) industry and the mining sector to improve both the traceability of minerals and the transparency of global supply chains.

To ensure that we are not contributing to the use of conflict minerals, Smartoptics conducts a thorough assessment and verification of these minerals by a trusted third party. Furthermore, we require all our main suppliers to undergo third-party verification as well. By taking these measures, we can be confident that our products are free from conflict minerals and that our supply chain is ethical and responsible.

THE MISA PROJECT

Smartoptics’ collaboration with Misa is a great initiative that highlights the company’s commitment to inclusivity and diversity. Misa’s vision of providing work-oriented daily activity to people with a variety of functions aligns well with Smartoptics’ values of creating a positive impact in the community. The fact that some of the tasks are carried out in Misa’s premises by people who may not feel ready to be in a workplace yet shows Smartoptics’ dedication to providing opportunities to all individuals, regardless of their background or circumstances. Additionally, the collaboration helps to foster a more inclusive and diverse workplace by providing opportunities for people with different abilities and challenges to participate in the workforce. This initiative showcases Smartoptics’ commitment to social responsibility and creating a positive impact in the society.



Lars Bäckström, Smartoptics with Leif Ericson from the Misa Project.

ENVIRONMENTAL RESPONSIBILITY



WASTE MANAGEMENT

Through improved waste management we have received more information about how much waste we have and what is actually recyclable. Our goal is to use recyclable materials to contribute to a more circular environment. Below numbers are generated from our Kista office:

Waste management	2022	2021
Total waste (kg)	16 356	12 496
Total waste recycled (kg)	2 391	2 286

BOXON PARTNERSHIP

Smartoptics has entered into a partnership with Boxon to be able to ensure that the packaging material Smartoptics uses is recycled, climate compensated, traceable and does not harm the environment.

Boxon is a company that supplies packaging materials made from mainly recycled materials. This means that the packaging can be traced all the way through the supply chain and can also pinpoint which forest originally contributed to the material. Boxon delivered 5963 kg of recycled packaging material to Smartoptics in 2022, helping us to fulfill our commitment to use sustainable and environmentally friendly packaging.

COMPOSTING

At the end of 2022, Smartoptics made an investment in a composting machine with the aim of converting organic waste into nutrient-rich soil. The machine is energy-efficient and can produce soil quickly. Smartoptics distributes the soil produced to those who need it. During 2022, the Smartoptics Sweden office was able to produce a total of 13 kg of nutrient-rich soil using the composting machine. This investment demonstrates Smartoptics’ commitment to reducing waste and promoting sustainable practices.



EMISSION

To ensure the sustainability of our offices, we prioritize leasing properties that have green agreements or are BREEAM-certified (Building Research Establishment Environmental Assessment Method). It is important for us to receive and monitor data on our water consumption and the use of renewable energy in our offices.

Emission	2022	2021
Electricity	147 131 kWh	45 337 kWh
Heating	53 723 kWh	52 589 kWh
Cooling	10 419 kWh	9 133 kWh
Water consumption	372 m3	N/A

TRANSPORT

As we rely heavily on transportation, it is crucial to determine the amount of emissions generated by our operations to optimize and enhance our environmental footprint.

Transports	2022	2021
Total	174.91 tCO ₂ e WtW	113.77 tCO ₂ e WtW
CO ₂ offset	56.54 tCO ₂ e WtW	10.38 tCO ₂ e WtW

Our calculations on emissions are done based on principles in the GHG protocols. According to EcoVadis, Scope 1 and Scope 2 calculations are methods used to measure greenhouse gas emissions in a company's operations.

Scope 1 - emissions are direct emissions from sources that are owned or controlled by the company, such as emissions from combustion in company-owned vehicles or emissions from on-site energy production.

Scope 2 - emissions are indirect emissions from the consumption of purchased energy, such as emissions from purchased electricity, heat or steam.

Scope 1	Scope 2
0	0.77 tCO ₂ eq

Our Scope 1 and Scope 2 calculations are done in EcoVadis

BUSINESS INTEGRITY



ETHICS

We have introduced a number of new internal training courses regarding our code of conduct. All new employees undergo an overall introduction where we present our approach and internal guidelines.

	2022	2021
Number of internal courses completed CoC	98	48
Number of courses completed in Anti-Corruption	98	0
Number of courses completed in diversity, equality, inclusion	98	0
Number of courses completed in Information security	98	0

EU TAXONOMY

REPORTING ACCORDING TO ARTICLE 8 IN TAXONOMY

The EU Taxonomy is an important classification system that identifies which investments are environmentally sustainable and aligned with the European Green Deal, Paris Agreement, and Agenda 2030. Its six objectives include climate change mitigation and adaptation, sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention, and protection and restoration of biodiversity and ecosystems. To be considered sustainable under the Taxonomy Regulation, an economic activity must significantly contribute to one environmental goal without causing significant damage to others and must fulfill minimum requirements within social sustainability. Smartoptics has been monitoring and analyzing the EU Taxonomy regulation criteria for the past year, as the company manufactures products for customers in various areas with different degrees of alignment to the Taxonomy criteria. The company is awaiting the remaining criteria to determine which areas of its business fall under the Taxonomy and has identified that only a small part of its activities currently meet the technical criteria asset. Smartoptics is working to align its different activities with its internal process for future reporting according to the EU Taxonomy.

- Climate change mitigation: Smartoptics offers solutions for data center connectivity that enable more efficient use of energy, which contributes to mitigating climate change.
- Transition to circular economy: Smartoptics products have a long lifespan and can be upgraded, which supports a circular economy and reduces waste.
- Sustainable use and protection of water and marine resources: Smartoptics' products do not directly impact water or marine resources, but the company strives to minimize water usage in its manufacturing processes.
- Pollution prevention: Smartoptics works to prevent pollution through the use of environmentally friendly packaging materials and by implementing a waste management system.
- As the EU Taxonomy criteria continue to evolve, Smartoptics will continue to monitor and assess which of its activities align with the goals and requirements of the EU Taxonomy, and work towards integrating them into its reporting and business operations.



TRANSPARENCY ACT NORWAY

GOVERNANCE

Smartoptics has been proactively working on mapping its processes and functions to improve its risk management and transparency even before the Norwegian Transparency Act came into force in 2022. Through this initiative, the company has identified areas where its processes were already effective and areas that needed improvement. By conducting a thorough risk and impact analysis, Smartoptics has introduced new processes and made improvements to the existing ones. During this mapping process, the management identified certain roles, such as protection officer, chief protection officer, and other roles with the authority to act when necessary, as essential to the company's functioning and structure. The improved processes and defined roles have resulted in increased visibility and risk management capabilities at all levels of the company. Smartoptics has also set its risk acceptance levels and aims to create awareness to proactively mitigate risks. These efforts have led to the development of governing documents at the corporate level and improved processes across different areas.

ACTIVITIES AND INSIGHTS

Smartoptics has taken significant steps to enhance our supplier evaluation process and has raised the bar for meeting customer, business, and sustainability needs. We have implemented much more comprehensive requirements for suppliers, and we now conduct a more in-depth analysis of each supplier. Additionally, we re-assess each supplier annually to ensure they still meet our requirements, and we monitor new laws and directives to ensure compliance. Our supply chain works diligently to meet sustainability requirements by objectively assessing suppliers, which makes the entire supply chain more efficient. Through these efforts, we have gained better insights, improved efficiency, and created more transparency both internally and externally. This has also led to easier follow-up activities, measurable results, and valuable insights for future improvements.

CONTINUOUS RISK MANAGEMENT AND MONITORING

Smartoptics prioritizes risk assessment and incorporates it into its business operations. By utilizing different risk categories, we can evaluate risks from multiple perspectives and consider the long-term implications of our decisions. All of our suppliers and partners undergo assessments in accordance with our internal processes. We understand the concerns surrounding conflict minerals in the market and set high standards for our suppliers to comply with the Conflict Mineral Act. Additionally, we actively seek out and engage with suppliers and partners who share our commitment to promoting the following values: respect for human rights, equality and diversity, taking action to address climate change with measurable results, creating a safe and inclusive workplace culture, sustainable corporate governance, business integrity and fair-trade practices, transparency, and freedom of speech. We believe in reducing emissions and adhering to the Paris Agreement and strive to work with like-minded partners to achieve these goals.

IMPLEMENTATION, FOLLOW-UP AND REPORTING

Smartoptics adheres to a rigorous approach of maintaining availability, integrity, and confidentiality while handling information. These principles are consistently implemented across all levels to ensure that information is appropriately organized and accessible to the relevant individuals when needed. This approach not only complies with our ISO certifications but also facilitates reporting on diverse subjects. By prioritizing information security and ensuring the accuracy and completeness of information, we can make informed decisions that positively impact our overall performance.



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