

smartoptics



**SUSTAINABILITY
REPORT
2023**

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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.

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 is just one of many ways that Smartoptics is working to make a positive impact on the world around us.

In addition, we have achieved certification in ISO 45001, the internationally recognized standard for occupational health and safety management systems. This prestigious certification reflects our unwavering commitment ensuring a safe and healthy working environment for all our employees. By implementing ISO 45001 standards, we have reinforced our dedication to proactively identifying and mitigating workplace hazards, enhancing employee well-being, and continuously improving our health and safety practices. 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.

We continued to improve the previously implemented 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. At Smartoptics, sustainability is a core value that is deeply rooted in our values and mission.

We believe that it is not only a business requirement but also a moral obligation to future generations. By integrating sustainable practices, we enhance our long-term profitability and resilience, ensuring a positive impact on both our bottom line and the environment.



Magnus Grenfeldt, CEO

1. GENERAL REQUIREMENTS (ESRS 1)

1.1 AFFECTED STAKEHOLDERS

At our company, we recognize the importance of engaging with our stakeholders to ensure that their needs and concerns are considered in our decision-making process. The table below shows the methods we use to communicate with our mainly affected stakeholders, which is employees and customers.

STAKEHOLDER ENGAGEMENT	
Employees	<ul style="list-style-type: none">• Personal development plan (PDR) discussions• Suggestions for improvements• Local channels for communication and information• Annual employee survey• Companywide meetings for all employees (weekly, bi-weekly, quarterly)• Training
Customers	<ul style="list-style-type: none">• The company has a customer service which helps our customer• Our Sales team has a near customer relationship through continuous dialogue• Customer survey,• Events,• Newsletter

1.2 DOUBLE MATERIALITY AS THE BASIS FOR SUSTAINABILITY DISCLOSURES

Our materiality assessment process consists of 10 steps designed to comprehensively evaluate and prioritize the most significant sustainability issues for our company and stakeholders.

The materiality assessment process involves ten key steps to thoroughly evaluate and prioritize sustainability issues for our company and stakeholders. It begins with defining the scope and objectives of the assessment, followed by engaging in stakeholder dialogue to gather different perspectives. Subsequently, we conduct a comprehensive analysis of our value chain to identify potential environmental, social, and economic impacts both within our own organization and on upstream and downstream activities

With a structured materiality framework in place, we

categorize and evaluate sustainability issues based on their relevance and significance. This is followed by the collection of quantitative and qualitative data through surveys, interviews, and reports. Through meticulous assessment, we analyze the data to understand the impact and importance of each sustainability issue, considering internal and external data.

Next, we plot the assessed issues on a materiality matrix to visually represent their significance and prioritize them based on their impact on the business performance and stakeholder concerns. These priorities are then reviewed and validated with key stakeholders and senior management to ensure accuracy and alignment with organizational goals.

Based on the prioritized issues, we develop a detailed action plan outlining specific initiatives, timelines, and responsible parties for addressing sustainability concerns. The action plan includes integration in the strategy of the company and follow-up based on KPIs. Finally, we transparently communicate the results of the materiality assessment and the planned actions to all stakeholders, reinforcing our commitment to sustainability and accountability.

Smartoptics Double materiality assessment process can be seen [here](#).

1.2.1 IMPACT MATERIALITY

The impact materiality has been influenced by the ESRS guidelines, which include the review of topics, subtopics and sub-subtopics. These were analyzed based on consistency of scale, scope, recall and probability. In this way, actual negative consequences receive a degree of severity, while potential negative consequences contain an additional measure of probability. Positive consequences are considered as possibilities. Impact materiality assesses the significance of issues based on their potential impact on the environment, society, and stakeholders. It plays a crucial role in sustainability reporting, CSR, and ESG frameworks. Key aspects include environmental impact (e.g., carbon emissions, water usage), social impact (e.g., labor practices, community engagement), and economic impact (e.g., financial performance, job creation). Stakeholder relevance, regulatory compliance, and long-term sustainability are essential in identifying material issues.

1.2.2 FINANCIAL MATERIALITY

The financial materiality is determined based on ESRS guidelines. The company has identified which essential aspects of sustainability can result in negative financial consequences and the expected degree of financial impact. The analysis includes risks and opportunities that entail financial effects, degree of probability and time aspects (short, medium and long term)

Threshold Scoring System:

Low Materiality: Score of 1-4

Medium Materiality: Score of 5-14

High Materiality: Score of 15-25

Prioritization of topics is conducted according to a detailed scoring system that evaluates both impact and financial significance, with a maximum achievable score of 25. Topics and sub-topics that receive the highest scores are prominently visualized, reflecting their critical importance. Additionally, topics with lower scores are also represented, as they are considered material and relevant despite their relatively low scores.

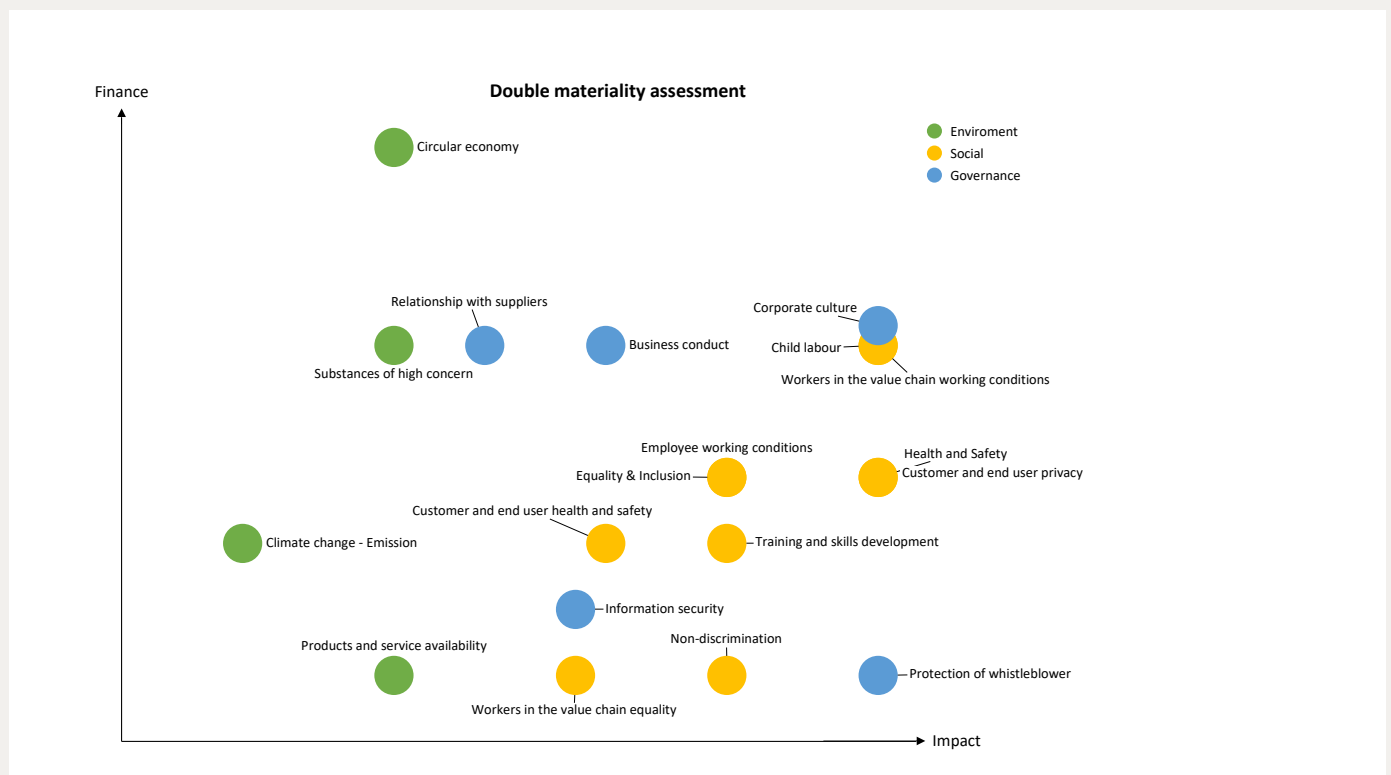


Figure.1 - Double materiality assessment

1.3 VALUE CHAIN

In alignment with the OECD Due-Diligence Guidance, our company conducted a comprehensive value chain analysis to assess double materiality, which encompasses both financial and sustainability impacts. This analysis is critical in identifying and addressing risks, opportunities, and consequences throughout our value chain, from upstream suppliers to downstream customers.

Starting with suppliers and logistics as upstream activities, the focus is on sourcing and procurement of raw materials, considering the sustainability practices of suppliers. During manufacturing and production, or the operation phase, attention is given to processes transforming raw materials into finished products, including energy use, emissions, and labor practices. Downstream logistics covers transportation and warehousing, focusing on emissions, fuel usage, and efficiency of logistics operations. The usage and consumption stage examines how end-users interact with the product, including product lifespan, energy efficiency, and user safety. Finally, end-of-life management includes recycling, disposal, and waste management practices, emphasizing circular economy principles and minimizing environmental impact.

The value chain's ESG impact considerations are comprehensive. Environmental impacts are analyzed through the carbon footprint, resource usage, waste generation, and biodiversity impact across the value chain. Social impacts evaluate labor practices, human rights, community relations, and consumer safety in all stages. Governance impacts assess compliance with regulations, ethical business practices, and transparency in reporting and operations.

UPSTREAM ANALYSIS

Our upstream analysis focused on the supply chain, scrutinizing the sourcing and manufacturing processes, and logistics.

Key risks identified include:

1. Environmental Risks:

- Emissions: Identified high carbon emissions from certain suppliers.

Action: We are engaging with these suppliers to implement emission reduction strategies.

- Waste Generation: Excessive waste during production processes.

Action: Encouraging suppliers to adopt waste minimization and recycling practices.

2. Social Risks:

- Labor Practices: Potential for poor working conditions and unfair labor practices.

Action: Conducting regular audits and partnering with suppliers that adhere to fair labor standards.

- Human Rights Issues: Risks related to child labor and forced labor.

Action: Implementing strict supplier codes of conduct and continuous monitoring.



OPPORTUNITIES IDENTIFIED UPSTREAM INCLUDE:

1. Sustainable Sourcing:

- Leveraging suppliers that use renewable resources and sustainable practices.

Action: Forming long-term partnerships with certified sustainable suppliers.

2. Innovation in Processes:

- Adopting eco-friendly technologies in manufacturing processes.

Action: Investing in R&D to develop and implement cutting-edge, environmentally friendly technologies.

DOWNSTREAM ANALYSIS:

Our downstream analysis examined the distribution, use, and end-of-life stages of our products. Key risks identified include:

1. Product Lifecycle Impact:

- Environmental impact during product use and disposal.

Action: Designing products that are durable, energy-efficient, and easily recyclable.

2. Customer Health and Safety:

- Ensuring product safety and compliance with health standards.

Action: Rigorous testing and compliance checks for all products before market release.

OPPORTUNITIES IDENTIFIED DOWNSTREAM INCLUDE:

1. Circular Economy:

- Implementing take-back schemes and promoting recycling.

Action: Establishing programs for product returns and recycling and using recycled materials in new products.

2. Customer Awareness:

- Educating customer about sustainable practices and benefits.

Action: Developing marketing campaigns and educational materials to highlight the environmental benefits of our products.

CONSEQUENCES ACROSS THE VALUE CHAIN:

The double materiality approach has enabled us to understand the broader implications of our business activities. The consequences of our value chain practices include:

1. Enhanced Corporate Reputation:

- Building trust with stakeholders through proactive environmental and social initiatives.

Action: Transparent reporting and regular stakeholder engagement.

2. Regulatory Compliance:

- Ensuring compliance with international and local regulations.

Action: Adopting best practices and continuous improvement in due diligence processes.

3. Financial Performance:

- Achieving cost savings and operational efficiencies through sustainable practices.

Action: Ongoing investment in sustainability initiatives that also deliver financial returns.

Through this rigorous value chain analysis, we are committed to mitigating risks and leveraging opportunities to drive sustainability and create shared value for our stakeholders. Our approach not only aligns with global standards but also reinforces our dedication to ethical business practices and sustainable development.

1.4 TIME HORIZONS (V)

1.4.1 SHORT-TERM (1-3 YEARS):

- Immediate Risk Mitigation: Address critical risks, such as emissions and labor practices, by implementing quick and effective interventions.
- Initial R&D Investments: Begin investing in research and development for eco-friendly technologies.
- Early-Stage Supplier Engagement: Start engaging with key suppliers to adopt sustainable practices and improve their compliance with environmental and social standards.

1.4.2 MEDIUM-TERM (3-5 YEARS):

- Scaling Innovations: Scale up the implementation of eco-friendly technologies identified in the R&D phase.
- Strengthening Partnerships: Develop stronger, more collaborative relationships with sustainable suppliers.
- Customer Programs: Launch customer awareness campaigns and product take-back schemes to promote recycling and sustainable consumption.

1.4.3 LONG-TERM (5-10 YEARS):

- Sustainable Integration: Achieve full integration of sustainable practices across the entire value chain.
- Continuous Improvement: Maintain a focus on innovation and continuous improvement in both upstream and downstream activities.
- Global Leadership: Position the company as a leader in sustainability, setting benchmarks for the industry and influencing global standards.



2. GENERAL DISCLOSURE (ESRS 2)

2.1 IMPACTS, RISKS, AND OPPORTUNITIES (IRO)

The impact materiality has been influenced by the ESRS guidelines, which include the review of topics, subtopics, and sub-subtopics. These were analyzed based on consistency of scale, scope, recall and probability. In this way, actual negative consequences receive a degree of severity, while potential negative consequences contain an additional measure of probability. Positive consequences are considered as possibilities.

RISKS

Risk identification is part of our way of working, meaning we perform risk identification continuously where the company categorizes the risks and evaluates the likelihood and impact of each risk on the organization. Smartoptics has a preventive approach which means conducting scenario analysis to explore potential future events and their impact on the organization. By considering worst-case and best-case scenarios to assess the range of potential outcomes Smartoptics built up a robust Business Continuity Plan which covers all areas of the organization.

Smartoptics' main risk categories include strategical risks, operational risk, financial, sustainability and climate related risks, as well as compliance related risks. Risks and opportunities were considered when the double materiality assessment was conducted.

OPPORTUNITIES

Positive consequences are regarded as opportunities. These are mainly identified during the materiality assessment. Other opportunities are identified in connection with different ISO standards and its quality management system. Smartoptics also performs the following activities to identify different opportunities:

- Environmental scanning

Environmental scanning includes regulatory monitoring, trends and emerging factors that could create opportunities.

- Performing SWOT analysis to identify internal and external factors that can be leverage as opportunities.

- Technology and Innovation assessment

Smartoptics is a technological innovation company with a research and development department that is constantly working on improving our products. Assessing this area contributes to new opportunities but also gives us the possibility to adapt new technologies which can enhance products, services and processes.

- Customer and Market analysis

By analyzing market and customer trends and the market segments in which we are active. New opportunities can be identified which come from our customers' requests.

- Collaboration and Partnership exploration

Collaboration and Partnership is one of our strengths, we are always looking for possibilities to innovate together with partners and suppliers by exploring new ways to collaborate.

- Regulatory and policy analysis

We monitor regulations at all levels to ensure we always comply. We see new regulations as opportunities and a way to innovate.

- Continuous dialog with stakeholders

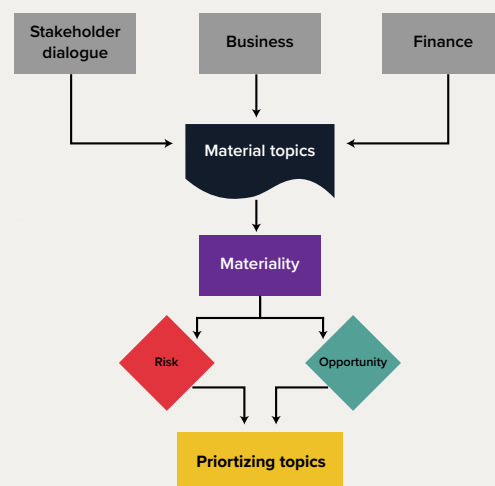


Figure.2 - Risks and opportunities

2.1.1 SUSTAINABILITY STATEMENT ON DUE DILIGENCE

The basis for the sustainability report is to report on the environmental, social, and business aspects of the company in relation to finances. This is Smartoptics’ approach to present, measure and create transparency towards.

Smartoptics has developed a 5-year sustainability strategy. The strategy extends to 2027 with concrete goals and an action plan. This strategy covers Smartoptics and all its subsidiaries as well as the sustainability statements that have been prepared on a consolidated basis.

As a Norwegian company, we are obliged to include the Norwegian legislation (Transparency Act Norway) into Smartoptics sustainability report. This requirement is not part of the ESRS reporting standard data points.

The Group’s Norwegian entities are obligated to follow the stipulations in the Norwegian Mandatory Occupational Pensions Act. The Group’s pension scheme adheres to the requirements, as set in the Act.

2.1.2 POLICIES ADOPTED TO MANAGE MATERIAL SUSTAINABILITY MATTERS

After performing a double materiality assessment Smartoptics updated its policies. The following policies are part of managing sustainability matters:

Environmental	Social	Governance
Environmental policy	Health and Safety policy	Code of Conduct
Sustainability policy	Equality, Diversity and Inclusion policy	Code of Conduct Business Partner
Sustainability strategy	Quality policy	Information Security policy
Travel policy	Conflict Mineral policy	Anti-Corruption and bribery policy
		Privacy policy

2.1.3 ACTIONS AND RESOURCES IN RELATION TO MATERIAL SUSTAINABILITY MATTERS

Addressing sustainability matters is integral to our strategy for long term success and corporate responsibility.

The following actions and resources have been addressed during 2023 and will continue during 2024:

Environmental	Social	Governance
Usage of SAF – sustainable transportation	ISO 45001 certification	Information security assessment
Optimization of Waste management	Employee well-being	Responsible Sourcing
Green dot membership	Great Place to Work certification	
Circular solutions	Offering yearly health check to employees	
	Customer satisfaction	

2.2 GOVERNANCE (GOV)

Smartoptics monitor diversity within employees at all levels. Among all levels, non-executive management has the best results regarding diversity.

Executive members refer to Smartoptics Management team which includes CEO, CFO, COO, CTO and CMO.

Non-executive members refer to all employees including managers.

Supervisory body refers to any authorized third party who performs controls, audits either by legal requirements or by requests from Smartoptics.

Smartoptics is not unionized, but all our employees have the possibility to join any of their preferred unions. Smartoptics has health and safety representatives and a chief safety officer representative.

Smartoptics Management team has the responsibility for the company's sustainability strategy and follow-up of results. The supervisory body is responsible for ensuring that reporting and content of the Sustainability report is relevant, complies with regulations and that the information provided in this report is correct. Other supervisory bodies are responsible for auditing Smartoptics' quality management systems and products.

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 whistle-blower 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 CSRD directive and are influenced by the ESRS Standard.

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 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.

- Grønt Punkt Norge (Green Dot Norway) - Smartoptics is a registered member of Grønt Punkt Norge, to ensuring compliance with packaging directive

- Open ROADM - Smartoptics is an active member of 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.

CERTIFICATES

Smartoptics holds the following relevant certificates:

- During 2023 Smartoptics received a certificate in ISO 45001:2023 and also kept the already existing certifications in ISO 9001:2015 and ISO 14001:2015

- Smartoptics received a Great Place to Work certification during 2023.

- 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.

ECOVADIS ASSESSMENT

Smartoptics has been awarded a Silver Medal in recognition of our sustainability achievement with an overall score of 65/100. The assessment shows improvements across several areas, for example ethics, procurement and labor rights. The company have achieved gold medal in 2024.

COMPLIANCE

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

ROHS/REACH

Our products are RoHS/REACH compliant

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



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

2.3 STRATEGY (SBM)

Smartoptics approach has always been to be a sustainable company. One of companies' key elements in a general strategic context is to be at the forefront and be a leading company when it comes to sustainable solutions and innovation. Smartoptics has developed a 5-year sustainability strategy. The strategy extends to 2027 with concrete goals and an action plan. This strategy covers Smartoptics and all its subsidiaries as well as the sustainability statements that have been prepared on a consolidated basis.

2.4 METRICS AND TARGETS (MT)

In our commitment to sustainability, we recognize the importance of monitoring and improving our material sustainability performance across our value chain. Our sustainability report outlines key metrics that highlight our efforts in resource efficiency, waste management, carbon emissions reduction, and social responsibility.

Resource Efficiency: We measure resource efficiency by evaluating material input per unit of output, energy consumption, and water usage in our production processes. By minimizing resource inputs per unit of output, we aim to enhance efficiency and reduce our environmental footprint.

Material Traceability: We prioritize transparency and accountability by tracking the origin and journey of materials throughout our supply chain. Our report highlights the percentage of materials sourced from certified sustainable suppliers and our ability to trace material origins back to their source.

Recyclability and Recycled Content: We are committed to promoting circularity by prioritizing recyclable materials and incorporating recycled content into our products and packaging. Our report shows the percentage of recyclable materials used and the amount of recycled content in our products.

Waste Generation and Management: We strive to minimize waste generation and effectively manage waste throughout our operations. Our report outlines metrics such as waste-to-product ratio and waste diversion rate to demonstrate our commitment to reducing environmental impact.

Carbon and Greenhouse Gas Emissions: We measure and report emissions associated with material extraction, processing, manufacturing, and transportation. Our report includes metrics such as carbon footprint per unit of product and progress toward emissions reduction targets.

Social Impact Metrics: In addition to environmental

considerations, we prioritize social responsibility by monitoring metrics related to fair labor practices, human rights, and community engagement in areas where materials are sourced.

Life Cycle Assessment (LCA): Our sustainability report includes a comprehensive life cycle assessment (LCA) to evaluate the environmental impacts of our products and services. This assessment considers factors such as energy use, resource depletion, emissions, and waste generation at each stage of the product life cycle.

By transparently reporting on these material sustainability metrics, we aim to enhance stakeholder understanding of our sustainability efforts and progress toward our sustainability goals. We remain committed to continuous improvement and to contributing to a more sustainable future for all.

Tracking effectiveness of policies and actions through targets (MDR – T)

Smartoptics recognizes the importance of setting clear targets to measure the effectiveness of our policies and actions. Our sustainability report highlights our commitment to tracking progress against these targets to ensure accountability and drive continuous improvement.

Setting Targets: We establish ambitious targets across various sustainability areas, including resource efficiency, waste reduction, carbon emissions, and social responsibility. These targets are informed by industry best practices, stakeholder expectations, and our own sustainability aspirations.

Monitoring Progress: Our sustainability report provides transparent and comprehensive tracking of progress against these targets. We regularly collect and analyze data to assess our performance and identify areas for improvement.

Adjusting Strategies: If we identify areas where progress is not meeting our targets, we proactively adjust our strategies and actions to address gaps and accelerate progress. This may involve refining policies, investing in new technologies, or collaborating with stakeholders to drive change.

Engaging Stakeholders: We actively engage with internal and external stakeholders to ensure alignment with our sustainability targets and to gather feedback on our progress. This collaborative approach fosters accountability and strengthens our commitment to sustainability.

Reporting Results: Our sustainability report serves as a platform to communicate our performance against targets to stakeholders. We provide detailed insights into our achievements, challenges, and future plans, demonstrating our commitment to transparency and accountability.

Continuous Improvement: Our sustainability journey is iterative, and we are committed to continuously improving our performance over time. By tracking the effectiveness of our policies and actions through targets, we strive to drive positive change and contribute to a more sustainable future.

Through robust target-setting and transparent reporting, we aim to demonstrate our commitment to sustainability leadership and inspire others to join us in creating a more sustainable world.



3. ENVIRONMENTAL INFORMATION (E)

3.1 CLIMATE CHANGE AND POLLUTION

Most emissions originate from logistics to and from Smartoptics. The calculation of Scope 3 in accordance with GHG is a challenge as the data we need is not easy to collect. The company has created a 5-year strategy that outlines how we want to contribute to the Paris Agreement. We strive to reduce our emissions by 5% in relation to our revenue.

In order to reach our goal and enable data collection, we have placed higher demands on our logistics partners, which also means that we can reach our goal even as we continue to grow. Smartoptics believes that the key to successful decarbonization is strategic partnerships where parties have a common goal. In 2023, Smartoptics has entered a strategic partnership that enables logistics transport with SAF (Sustainable Aviation Fuel), in this way we will reach our goal while contributing to the logistics partner’s transition to sustainable flights.

During 2023, Smartoptics performed a resilience analysis to see where we have our strength and where we can improve. The scope of resilience analysis included the entire company and its value chain. During the analysis

we refer to two different types of climate risks:

- Transition risks – risks related to the transition to lower-carbon economy
- Physical risks – risks related to physical impacts of the climate change

During the analysis, the company has identified which key elements are crucial for the company. As a method, the company has used realistic scenarios of potential disruptions that could affect these key elements. The analysis has resulted in a solid Business Continuity Plan (BCP). One of the findings among the physical risks was climate related resilience, that is, climate change causes extreme weather phenomena that will affect our suppliers both upstream and downstream.

Among transition risks we could find that we have a strong position on the market and that we have an ability to adjust to the changing landscape. New regulations can affect our company, but Smartoptics sees this as an opportunity to innovate and grow.



Figure.3 - Climate related risks and opportunities, and financial impact

REPORTING ON GHG

Smartoptics has mapped emissions based on GHG and tried to measure Scope 3, which was a challenge. However, the company improved its data collection regarding emission which resulted in more accurate numbers. Smartoptics is continuously working on improvement regarding emission and data collection.

Regarding logistics, Smartoptics has entered into a partnership where the company is offering SAF for some freight transportation.

The property in Oslo is BREEEM certified, while the property in Stockholm has a green agreement. Both properties are powered by renewable energy.

Total emission from waste (burning) is 6 tCO2.

	2023	2022
Scope 1	0 tCO2	0 tCO
Scope 2	20 tCO2	1 tCO2
Scope 3	471 tCO2	N/A
Total emission offset from logistics WtW	27 tCO2	57 tCO2

Scope 2	
Oslo (Norway)	15 tCO2
Stockholm (Sweden)	5 tCO2

Scope 3	
Upstream	98 tCO2
Operation	269 tCO2
Downstream	104 tCO2.

*Emission conversation factor: 1 ton waste incinerated=0.445 tCO2

	2023	2022
Electricity kW/year	157 848	147 131

3.2 WATER AND MARINE RESOURCES

Water and marine resources are generally considered critical due to their importance for ecosystems, economies, and human well-being. However, Smartoptics does not classify water and marine resources as material because of the type of industry in which Smartoptics operates and therefore we focus on electronic waste and emission generated from transportation.

	2023	2022
Water usage	317 m3	372 m3

3.3 BIODIVERSITY AND ECOSYSTEM

Smartoptics comply with REACH (Registration, Evaluation, Authorization, and Restriction of Chemicals) and RoHS (Restriction of Hazardous Substances) regulations. These regulations significantly benefits biodiversity by minimizing the release of harmful substances into the environment. REACH, a European Union regulation, mandates that manufacturers and importers collect and provide detailed information on the properties and uses of chemicals.

Similarly, RoHS aims to restrict the use of specific hazardous materials in electrical and electronic products. By limiting substances such as lead, mercury, cadmium, and certain flame retardants, RoHS reduces the environmental impact of electronic waste. These materials, if not properly controlled, can leach into soil and water, causing severe damage to plant and animal life. The reduction of these substances in electronics ensures that fewer toxins are released into the environment during the production, usage, and disposal of these products.

Together, REACH and RoHS compliance help to mitigate pollution and reduce the introduction of hazardous chemicals into ecosystems. This not only protects individual species but also maintains the balance and resilience of ecosystems. Thus, compliance with REACH and RoHS is a critical step towards safeguarding the rich variety of life on Earth, promoting environmental sustainability, and ensuring the continued provision of ecosystem services vital to human and ecological health

In addition to REACH and RoHS, compliance with the SCIP (Substances of Concern In articles, as such or in complex objects (Products)) database also plays a crucial role in protecting biodiversity. Smartoptics monitors substances of very high concern (SVHCs) present in articles and products are available throughout the entire lifecycle of these products, including the waste stage.

Together, compliance with REACH, RoHS, and SCIP database requirements ensures a comprehensive approach to managing hazardous substances, from production through to disposal.

3.4 RESOURCE USE AND CIRCULAR ECONOMY

Through enhanced waste management practices, we have gained detailed insights into the volume and composition of our waste streams, enabling us to identify which materials are recyclable. This improved understanding allows us to develop targeted strategies for waste reduction and recycling. Our objective is to maximize the use of recyclable materials, thereby reducing our environmental footprint and contributing to a more sustainable and circular economy.

By prioritizing recyclable materials, we aim to decrease our reliance on virgin resources and minimize landfill waste. This approach not only supports environmental conservation but also aligns with our commitment to sustainability and corporate social responsibility. As part of our waste management strategy, we are implementing comprehensive recycling programs, educating employees and stakeholders on best practices, and collaborating and innovation with suppliers to enhance the recyclability of materials used in our operations.

Our efforts are geared towards creating a closed-loop system where materials are continuously reused, reducing waste and promoting resource efficiency. By embracing a circular economy model, we are taking proactive steps to ensure that our operations have a positive impact on the environment, contributing to a healthier planet for future generations.

In addition to our internal goals, we are also responding to customer requirements for more sustainable products and practices. Consumers are increasingly demanding environmentally responsible options, and by improving our waste management and recycling efforts, we are meeting these expectations. This not only strengthens our market position but also builds trust in our customers. By aligning our sustainability initiatives with customers' requirements, we are launching a shared vision of a more sustainable future.

During 2023, Smartoptics replaced plastic pallets with wooden to make the recycling process easier.

Smartoptics has complied with WEEE regulation and regulation for packaging material.

	2023	2022
Total waste	21 502 kg	16 356 kg
- of which waste recycled	6 883 kg	2 391 kg
- of which food waste to soil	416 kg	N/A
- of which electrical waste according to WEEE	1 330 kg	N/A



4. SOCIAL INFORMATION (S)

4.1 OWN WORKFORCE

During 2023, Smartoptics received certificates in Health & Safety in accordance with ISO 45001:2023. Smartoptics has developed strategies and followed up on established policies regarding social responsibility. The company has several policies that describe its stance on human rights, including the Code of Conduct, Equality and Diversity, and the Work Environment Policy. The basis lies in our Code of Conduct, which describes our starting point regarding human rights, discrimination, diversity, and inclusion and protection of privacy. Policies are approved and communicated to all employees. A review of our policies is part of the company's on-boarding process. Each policy is reviewed once a year in accordance with ISO standard 45001:2023 and 9001:2015.

Smartoptics received a Great Place to Work certification during 2023 with Trust index 86. The employee survey conducted as part of the certification process allows us to gain valuable insights into our organization's strengths and areas for improvement. We use this feedback to form our strategies for enhancing employee satisfaction, fostering a positive work culture, and driving continuous improvement.

Being recognized as a Great Place to Work not only validates our efforts but also serves as a source of pride for our entire team. It motivates us to continue investing in initiatives that support the well-being and professional growth of our employees, ultimately contributing to our collective success.

We are grateful to our employees for their feedback and contributions to achieving this certification, and we remain committed to creating an inclusive, supportive, and rewarding workplace for all.

The below table shows the breakdown of male and female employees at respective position in the Smartoptics Group.

Smartoptics experienced an increase in the total number of employees during 2023. However, the number of female employees is still being underrepresented, which is a common feature in the industry in which Smartoptics operates. 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.

The increase in employees also implies that a more balanced age distribution was reached compared to 2022.

	2023		2022	
	Men	Women	Men	Women
Board of Directors	3	1	3	1
Executive Management	4	1	4	1
Non-Executive	8	4	4	4
Employees	82	16	68	14
Total	97	22	79	20

	2023		
	Under 30	30-49	50+
Board of Directors	0	1	3
Executive Management	0	2	3
Non-Executive	0	6	6
Employees	16	57	25
Total	16	66	37

4.1.1 HEALTH AND SAFETY

Smartoptics has taken several steps to improve workplace safety and promote employee health. These measures include ergonomics training programs and voluntary health checks. The company has also designated two safety officers and a chief safety officer to regularly conduct Health, Safety, and Environment (HSE) rounds to ensure compliance and identify areas for improvement as part of systematical work environment process. Additionally, Smartoptics adheres to ISO 45001 standards, demonstrating commitment to maintaining an effective occupational health and safety management system.

We are dedicated to upholding a workplace free from any form of discrimination. All aspects of recruitment, compensation, skills development, promotion, and retirement are based strictly on merit. Additionally, we have implemented a robust grievance mechanism that allows employees to submit complaints without fear of retaliation. We take these matters very seriously and strive to create a work environment that is fair, respectful, and supportive for everyone.

	2023	2022
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

4.1.1 EMPLOYEE TRAINING AND ENGAGEMENT

Employee training and development are essential for a company’s growth and success. These processes foster a culture of continuous learning and improvement, enhancing both workforce skills and overall organizational performance. Training programs boost employees’ technical and soft skills, such as communication and leadership, ensuring they are well-equipped to meet their roles’ demands. This leads to increased efficiency, higher quality work, and reduced errors, maintaining the company’s competitive edge.

Investing in employee training and development helps employees adapt to changes in the business environment, such as new technologies and market trends, ensuring the company’s relevance and competitiveness. Moreover, such investment fosters employee satisfaction, reducing turnover rates. Development plans also provide clear career advancement pathways, aligning employees’ personal goals with organizational objectives and fostering

a motivated and engaged workforce.

Effective training involves assessing organizational needs, setting clear goals, designing structured programs, implementing them effectively, and continuously evaluating their impact for improvement. Successful initiatives include leadership development, technical training, and mentorship, contributing to a well-rounded and capable workforce.

	2023	2022
Number of employees participated in some kind of training	73	N/A
Number of employees changed role	13	N/A
Number of personal development dialogue carried out	119	N/A
Number of employees in leadership role	7	N/A

In summary, investing in training and development initiatives is crucial for achieving higher performance, innovation, and employee satisfaction, driving long-term success and sustainability.

4.2 WORKERS IN THE VALUE CHAIN

Smartoptics cooperates with several suppliers and partners and has identified several subtopics which are material, these include child labor, forced labor, health and safety and working conditions. All our suppliers undergo an assessment that includes, among other things, questions about working conditions, human rights and other aspects that are the key to a good partnership. Smartoptics has a Business Partner Code of Conduct that describes our requirements and expectations during the collaboration. Suppliers will be reassessed once a year if we have an active collaboration.

Smartoptics had no new relevant suppliers during 2023.

Smartoptics has conducted the CSR and business criticality check of our 14 most important suppliers. None of them is a high-risk supplier. Further, in 2023, we restarted our supplier onsite visits (after Covid) and have conducted a supplier tour where four main suppliers were visited focusing on their CSR activities. On this tour, we also visited four potential suppliers.

	2023	2022
Number of supplier assessed	N/A	48
Number of supplier re-assessed	14	10
Number of suppliers reviewed CoC	N/A	14

4.2.1 CONFLICT MINERALS ACT

These minerals (tin, tantalum, tungsten, and gold) are used in various electronic devices and other products. The mining and trade of conflict minerals are frequently associated with severe human rights abuses, including forced labor, child labor, and funding armed groups.

To ensure Smartoptics comply with the Conflict Mineral Act the company uses third party verification on the main suppliers. 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.

4.3 CUSTOMERS AND END-USERS

At Smartoptics, customers are among our most vital stakeholders and addressing their needs and expectations is crucial to our success. To ensure that we maintain transparency and continuously understand customer needs, we engage in ongoing dialogue with our customers.

We conduct an annual customer satisfaction survey to collect valuable feedback and identify areas for improvement. Notably, our Net Promoter Score (NPS) has consistently remained high:

	2023	2022
Net promoter score (NPS)	82	82

Increasingly, consumers are conscious of environmental issues and demand greater transparency and responsibility from the companies they support. Our customers expect products that are safe, high-quality, and sustainably sourced and manufactured.

Our commitment to sustainability is integral to our products, operations, and customer service approach. We believe that delivering exceptional service is aligned with our environmental and social responsibilities. Our customer service teams provide support that minimizes environmental impact and promotes sustainable practices.

We employ efficient communication channels, such as online chat platforms and email, to reduce paper consumption and transportation emissions associated with traditional mail. Additionally, remote support options enable our representatives to work from home, contributing to reduced carbon emissions from commuting.

Furthermore, we prioritize sustainability in our service offerings by promoting repair and reuse over replacement whenever possible. Our trained representatives are equipped to troubleshoot issues, provide repair guidance, and facilitate the responsible disposal or recycling of products at the end of their lifecycle.

By integrating these practices, we not only enhance customer satisfaction but also contribute to a more sustainable future.

5. GOVERNANCE INFORMATION (G)

5.1 BUSINESS CONDUCT

Smartoptics believes that corporate culture should reflect the company’s values and approach, which is why the Management Group and responsible managers promote our policies. Smartoptics has an open corporate culture with an innovative orientation where everybody is free to speak and express their opinion. The company and management are clear about zero tolerance for discrimination, sexual harassment, and corruption.

Everyone begins their employment by undergoing the company’s core values test. All employees are also expected to complete internal training in, for example, Smartoptics Code of Conduct, anti-corruption and discrimination. As stated in the company’s Code of Conduct, Smartoptics as a company does not get involved in politics or political parties.

The company has a whistleblower function and a policy that clearly states the rights of the whistleblower, and that the whistleblower must be protected.

2023	
Number of employees performed trainee in CoC as part of introduction process	119
Number of employees performed trainee in anti-corruption as part of introduction process	119
Number of employees performed introduction to diversity, equality and inclusion as part of introduction process	119

5.2 INFORMATION SECURITY

Information security is a critical aspect of our business operation, ensuring the protection of data from unauthorized access, disclosure, alteration and destruction. We prioritize effective information security measures to safeguard the interests of our stakeholders, including our partners.

Smartoptics has among many things performed information security assessment and implemented Privilege Elevation and Delegation Management (PEDM).

There are several other measures planned for 2024.

2023	
Number of employees performed Information security trainee as part of introduction process	119



smartoptics

Smartoptics Group AS
Brynsalléen 2
NO-0667 Oslo, Norway

www.smartoptics.com

smartoptics