

HOVE A/S

ESG REPORT 2021

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Hove A/S
CVR no. 25804821

Herstedøstervej 7
DK-2600 Glostrup
Denmark

BASIS OF PREPARATION



Our first ESG report represents a systematic overview of our ESG performance and impact of the financial year of 2021. The report is based on a materiality assessment that includes a stakeholder analysis and on our overall business strategy.

In this ESG statement, we have summarized our current performance on the three principles Environment, Social, and Governance, and we have set expectations for the financial year of 2022 to improve and manage our impact on ESG. We want to contribute to a sustainable future and create long-term value for all our stakeholders. This emphasizes the importance of measuring growth on ESG parameters and not only financial figures.

Our ESG report is framed around the UN Global Compacts' 10 principles for responsible business conduct in the areas of human rights, labor, environment, and anti-corruption. Furthermore, our ESG strategy reflects upon SDG 5, SDG 7, SDG 9, SDG 12, and SDG 13 together with United Nations Sustainable Development Goals as the metrics are applicable in our primary SICs industry: the Industrial Machinery and Goods sector.

We strive to increase our reporting efforts, including on scope 3 emissions, and to meet our goals for the financial year of 2022. Our current objectives are to begin tracking and to find methods and procedures, which can create transparency of our measurements as well as create comparability across the years. The data points were not obtained prior to the financial year of 2021, which is why many of the measures serve as our baseline year.

[Learn more about our operations and financial performance at Hove.](#)

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1. CEO STATEMENT

We are proud of supplying the wind industry with solutions that enable owners and operators of wind farms to increase safety, decrease waste, and lower costs of wind turbine maintenance.

While our solutions are used to optimize operations in the renewable field, we acknowledge that there are many more ESG parameters where we can improve and contribute.

To help us structure and expand our environmental, social, and governance initiatives, we have decided to formally measure and report on these parameters moving forward, with this report being our first.

Environmental regards are becoming a license to continue our operations and keep our position as a preferred supplier of lubrication solutions to some of the world's largest OEMs.

We have a unique, familiar and, entrepreneurial culture that enables us to develop and grow. This has always been the case, and I am confident that our ability to generate ideas will strengthen the sustainability of our operations.

Taking good care of our employees, diversity and inclusion are integral parts of our DNA, and we see this report as a great opportunity to share information about our culture with our stakeholders.

Opening more subsidiaries during 2021 have led to an increased focus on governance within our organization. We look forward to continuing this focus.

Thinking ESG into every part of our business is a prerequisite for staying relevant; when we produce, attract more talent or expand into new markets.

Initiatives going forward

During 2022, we will build a strong ESG database to make sure we report on comparable metrics across years to increase transparency.

Our initiatives will be shaped by our stakeholders' expectations. We are open to partnerships with current or future suppliers and customers to find the optimal and most sustainable solutions for our industry.

We have only scratched the surface of calculating CO₂ emission in the preparation of this report. In 2022, we will report on scopes 1, 2 and 3 emissions to gain a better understanding of our value chain's impact.

I consider our ESG focus as an educational journey that not only I, but everyone in our organisation, are looking forward to.



Maja Vonsild Jørgensen
CEO, HOVE A/S

2. PART I

ESG

PERFORMANCE



2.1. ESG Outline

Environmental performance

By offering solutions for lubrication of mechanical bearings, primarily within the wind turbine industry, we impact the environment favourably on a variety of pressing challenges that the world is facing today. This goes for reducing the CO₂ footprint as we aim to make it a preferred choice for the end consumer to choose a green option when deciding energy sources.

Our innovative technology makes us able to offer solutions for maintenance of industrial-scale machinery easier and more precise. We strive for our solutions to have cost-saving effects on our customers' maintenance of their machinery, which will contribute to making green renewable energy a cheaper option.

We are very proud to say that we strive to contribute to the government's goal that Denmark must be independent of fossil fuels by the year 2050, where we aim to subsidise and minimise the need for energy that is harmful to the environment.

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

Social performance

We are very proud that as a company we have always embraced personal differences, and therefore aspects such as diversity and inclusion are naturally embedded in our company DNA. Among our current staff, we have ten nationalities. We continue to introduce initiatives at the workplace that offer inclusion and appreciation of a multicultural workforce, as well as draw even more attention to employee health and safety.

Gender equality is also an issue we address, which is why we have chosen to take the lead, offering our employees four months' full pay during maternity leave and two months with half pay regardless of gender.

We have started the process of introducing new policies including topics related to Health, Safety, Human Rights, Diversity & Inclusion, Anti-corruption, and Environmental. The main goal of introducing these policies is to serve and hold our standards high to ensure a fair, respectable, and safe workplace for all employees and for the stakeholders we interact with through our operations.

The policies specifically concern the organisational standards set within our industry, and all our employees are entitled to adhere to and respect them, irrespective of their country of operation. The policies apply management, employees, contractual workers, and our suppliers are expected to follow a similar example. As the policies are still in process, there is no significant evidence of impact yet.

Corporate governance

Our Board of Directors (BoD) currently consists of five members, including the chairman of the board. The BoD is elected at the general meeting for one year at a time, with a possibility of re-election. The chairman of the board is appointed by the general meeting from among the elected members. The board may, among its members, elect a vice-chairman. The BoD has a quorum when more than half of all Board members are present or represented. The issues dealt with by the BoD are decided by simply majority of votes. The vote of the Chairman of the BoD is decisive in the event of a tie.

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



2.2. ESG Metrics

	Note	Metric	2021	2020	Change
Environmental					
GHG emissions	1.1	ton CO ₂	111.8	n/a	n/a
Electricity usage	1.2	ton CO ₂	15.1	n/a	n/a
Energy usage	1.2	ton CO ₂	7.9	n/a	n/a
Water usage	1.2	ton CO ₂	0.2	n/a	n/a
Purchases of materials	1.3	ton CO ₂	53.7	n/a	n/a
Vehicles	1.4	ton CO ₂	35.0	n/a	n/a
Avoided emissions	1.5	t CO ₂	n/a	n/a	n/a
Social					
Employees					
Total number of full-time employees	2.1	Qty	31	26	19%
Total number of part-times employees	2.1	Qty	6	8	-25%
Nationalities	2.2	Qty	10	8	25%
Employee well-being					
Satisfaction (index 1-100)	2.3	Index	n/a	n/a	n/a
Employee injuries		Qty	0	0	0%
Employee turnover - total	2.4	Percentage	17%	n/a	n/a
Gender diversity					
Overall female employees		Percentage	19%	18%	7%
Management female members		Percentage	33%	33%	0%
Salary					
Gender pay gap	2.5	Percentage	n/a	n/a	n/a
CEO pay ratio	2.6	Ratio	2.72	3.25	-16%

2.2. ESG Metrics (continued)

	Note	Metric	2021	2020	Change
Governance					
Board composition					
Total board members	Qty	5	4	25%	
Independent members	Percentage	60%	50%	20%	
Average age	Years	54	53	0%	
Female members	Percentage	20%	0%	n/a	
Danish nationality	Percentage	100%	100%	0%	
Board meetings					
Board meetings	3.1	Qty	9	6	50%
Board attendance	Percentage	100%	100%	0%	
Data security					
Total data security breaches	3.2	Percentage	0%	0%	0%



2.3. Environmental performance

It is vital to track and manage our environmental performance in order to reduce present and future hazards associated with our operations. We believe that increasing our awareness of our own footprint will help us plan and implement a reduction strategy more effectively. Our energy usage is one of the hazards we have identified as having the potential to have a negative impact. The usage of electricity in manufacturing constitutes our primary source of energy consumption. To minimize the effect, we will put in place an environmental policy that states this, and we will communicate with our suppliers about the significance of changing to renewable energy sources.

Renewable energy consumption

As our primary energy consumption comes from electricity, we are trying to find better and greener alternatives to source this for the production located in Denmark. Whether it is going to be through solar or wind energy is not decided yet.

Waste initiatives

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

Besides sorting our general waste, food, paper, and plastic waste, we have also signed an agreement with one of our suppliers. The agreement implies that all our waste stemming from production and office equipment is picked up by our supplier who then makes sure the items are recycled correctly. Afterwards we are provided with a report, which contributes to our ESG statement.

Excluded metrics

The following metrics have been deemed less relevant due to the limited timeframe; climate oversight/management, emission intensity and energy mix. However, it is important to mention that we are aware of the factors, and we aim to be able to report on this for the next ESG report in 2023.



2.4. Social Performance

Our employees have always been, and will continue to be, our top priority. Therefore, it is important that we keep an eye on the well-being of the employees and continuously follow up in case of risks related to hazards to the work environment. Stress, absence of motivation and illness could all be signs of changes to well-being at work. Through the intimate relationship between managers and staff, preventive actions are taken in the relevant departments. On a broad level, hazards to our workplace and environment are described in our Employee Code of Conduct, ensuring that employees are informed of and supported on issues of fundamental importance.

Employee overview and well-being

Our team is the backbone of the company's success and operations. To evaluate our success, we need a clear picture of our employee numbers and distribution. Employee satisfaction is important because it allows us to analyse and improve our work environment and culture, encourage active engagement, and attract and retain talent. We plan to perform an annual employee satisfaction survey across all offices to compare, measure progress, and begin new initiatives.

Diversity and inclusion

Diversity refers to the presence of people from many backgrounds and identities who contribute to the enrichment of our culture. Gender identity, age, culture, ethnicity, physical ability, political and religious convictions, and sexual orientation are all examples of diversity measures. **Our goal is for everyone to feel appreciated and secure in the knowledge that their opinions will be heard.**

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

We think that a diverse and inclusive workforce is vital to speeding up the global green energy transition. We recognize that our diversity makes us stronger, more innovative, and more prepared to meet future challenges. As a result, we are committed to ensuring that all current and prospective workers, regardless of social identity, have equal opportunities. Everyone should feel comfortable and valued, and they should know that their opinions will be heard. This journey has only just begun; collectively, we must continue to move forward and become more sustainable in all that we do. We have elaborated our attitude to non-discrimination, child and forced labour, human rights, etc., in our Code of Conduct – both for employees and suppliers.

Safety culture

Widespread awareness is integral to the management and prevention of safety hazards. Given that we are a production company, there is great attention to the safety of employees. Therefore, safety training is mandatory part of the onboarding process for all employees.

We take great care of our employees, which is why they are fully insured in the event of an accident during production. Previously, this was only applicable after a probationary period of three months, but since security is our first priority, regardless of employment status, we believe it is most prudent that insurance policies apply from day one, regardless of employment status.

Salary

As Denmark is noted for having a bigger gender pay gap than its neighbours, we find it even more important to track our progress toward attaining gender pay equality. Given that this is our first year monitoring this topic, we believe it is important that we improve our present efforts.

We aim to minimize the gender pay gap. According to our growth plan, we are expanding our workforce. We have succeeded by hiring more female colleagues in leading positions to close the gender pay gap. **Looking forward we will continue to have this focus in our continuous new hirings.**

For the purpose of this report, it has not been possible to make accurate calculations about the gender pay gap. **In 2022 we will investigate, how we can calculate an accurate gender pay gap.**

2.5. Governance Performance

Solid governance structures are also key to our work with ESG. This section describes how sustainability is managed and governed and outlines central activities in 2021. It is important for us to comply all regulations. Furthermore, due to the fact that we are a global company, it is even more important to set a good example and high standards.

Board structure

We have a two-tier management structure. However, one of our board members is still employed.

Stakeholder engagement

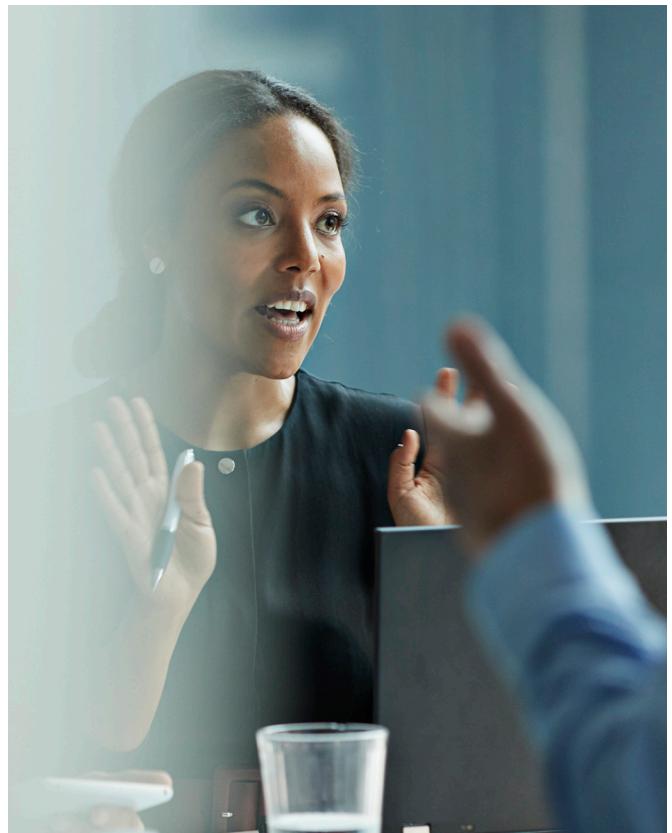
While the materiality assessment reflects a focused approach to aligning our ESG strategy with our most important stakeholders, we as a global company interact with many different stakeholder groups. These include customers, employees, shareholders, etc. We acknowledge that our ESG performance is an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

We have both categorised and prioritised stakeholders to rationalise and focus our engagement efforts. This exercise is based on the degree to which they impact our performance and are affected by it, as well as their interest in us. Engagement ranges from forming active partnerships to address common ESG issues, to more passive engagement through, for example, the publication of our Annual Report. We use the priority given to each stakeholder to determine the most appropriate approach to engagement.

Codes of Conduct

In 2021, we introduced our Codes of Conducts, for both employees and suppliers, to reflect current and upcoming legal industry standards and expectations. Several topics were strengthened, such as discrimination and harassment, setting a higher standard for expected workplace behavior. Our suppliers play a central role in our mission to become the global leader in lubrication solutions, and we rely on their commitment to conduct business ethically and responsibly. We work with suppliers around the globe who share our values and dedication to doing business with integrity.

Our Codes of Conduct have been prepared in accordance with the UN Global Compact, serving as the framework.



Our Supplier Code of Conduct outlines the minimum requirements suppliers must adhere to when conducting business with us. Suppliers must undertake due diligence measures to maintain our standards in their own supply chain, and our employees work hard to ensure our suppliers understand and comply with our Code. This allows us to prioritise business partners who share our view on ESG.

With the Code, we aim to introduce the requirements that are expected of our customers regarding compliance with laws and regulations, corruption and bribery, social and working conditions, and protection of the environment. **It is our goal that, throughout 2022, all our suppliers have signed the Code.**



Our production

When designing our products, we consider ESG requirements throughout our development process. We always aim to start and end with a focus on customer requirements. By involving relevant stakeholders in the development process, we can build requirements into the product design at an early stage. This approach enables us to decide whether to continue a project to the next stage or not. It moreover guarantees that specification requirements are always met. The specifications are based on internal commitments, international legislation, and internationally recognised codes and standards like ISO.

It is key to our intent to make ESG an integral component of all production processes. In order to further demonstrate a commitment to meeting the highest standards of health, safety and the environment, our operations are built on global certificates for ISO 9001 for Quality, ISO 14001 for Environment.

We have not, yet, obtained the ISO 45001 certification for Health and Safety. Nonetheless, **it is one of our goals for 2022 to achieve this certificate.**

UN Global Compact

The UN Global Compact (UNGC) is the world's largest corporate sustainability initiative. It encourages businesses to align their operations and strategies with ten universal principles on human rights, labor, the environment and anti-corruption.

We have set a goal for ourselves to minimize our corporate environmental impact by 2022. Our goal is to match our activities with the UNGC's ten principles. Currently, we have attempted to cover these four areas in our Codes of Conduct – both for employees and suppliers. To ensure a culture of integrity, ten principles define essential obligations that should be incorporated into all strategies, policies, and processes. Working with the UNGC will guide us on our way to reaching verified social and environmental performance, transparency, and accountability.

At the moment, we are not a member of the UNGC; we only use the principles as a framework for conducting business. However, it is a goal to become a future member.

2.6. Notes

Note 1.1: The total amount of CO₂ emission is calculated on the basis of data on electricity, water and heating consumption for only the Danish operations. 'Klimakompasset' has been used as tool for calculation. It will be subject to change if we find a more appropriate way to measure our CO₂ footprint. Another change that may come is the scope that is to encompass our global CO₂ emissions when we have assembled data on our global operations.

It is important to point out that these CO₂ figures are only estimates. As this is the first report on these parameters, we do not have the exact methods of calculation and figures to use.

Note 1.2: Electricity, energy/heating, and water are all calculated based on the numbers received from our vendors. And based on this data, we have calculated, using 'Klimakompasset', our CO₂ footprint.

Note 1.3: In terms of parameters such as the procurement of materials, we have only had the opportunity to obtain data on grease containers, aluminum, steel and technical plastics for 2021.

It is our goal to be better at tracking procurement of materials for 2022, which is why data from 2021 are subject to change when forming next years ESG report.

We have already started looking for new methods of how to track most optimally delivery from our suppliers and hope to have found a solution by next year.

Note 1.4: The calculation of CO₂ emissions from vehicles comes from data that only affects employees who have been provided with company cars. These are both cars that are leased, as well as cars that are owned by us. The leasing contracts set out a fixed mileage rate which is approved for company cars. This rate has been used in the calculation, along with the fuel type.

Note 1.5: This is our first year of reporting on our environmental impact, which is why we have not had the opportunity to measure avoided emissions. However, we have already initiated a new procedure the **goal of which is to minimize our own CO₂ footprint**. This involves greener consumption of renewable energy as well as greener waste initiatives.

Note 2.1: A full-time or part-time employee is a member of the workforce who is employed in a way that allows them to be compared over time within their category. An overview of our employees on our different sites can be found in the tables to the right.

Note 2.2: When specifying nationalities, we include Hove A/S.

Note 2.3: We are in the middle of conducting our first employee satisfaction survey, but it will not be finished before publishing our ESG statement. **Therefore, this factor will first be available for the next ESG report.**

Note 2.4: The employee turnover rate is calculated by dividing the number of employees who left the company by the average number of employees in 2021. The average number of employees is calculated by adding the number of employees employed by the company at the beginning of 2021 and the total number of employees at the end of 2021 and dividing the result by 2.

Note 2.5: We have not yet determined what the calculation of salary should include, such as pay and holiday supplements, to give the most accurate number for transparency and comparability.

Note 2.6: The CEO pay ratio is based on the CEO's annual remuneration compared to the total salary costs divided by average number of employees.

Note 3.1: As we in 2021 completed an IPO, it was essential to conduct more board meetings.

Note 3.2: As the employee headcount increases, there will be an increase in the risk of data security violation. We are aware of this risk and will initiate procedures to mitigate it.

Employee overview

Full-time	2021	2020	▲▼
Hove A/S	26	23	+3
America	4	3	+1
India	1	0	+1
Brazil	0	0	0
Total	31	26	+5
Part-time	2021	2020	▲▼
Hove A/S	4	7	-3
America	1	1	0
India	-	-	-
Brazil	1	0	+1
Total	6	8	-2

3. PART II

UNITED

NATIONS

SUSTAINABLE

DEVELOPMENT

GOALS



3.1. CONTRIBUTION TO THE SDGs

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

Continued	Material issue	Sustainability Agenda	Our contribution to the SDGs	Goal and Indicators
	Employee maintenance and satisfaction	<p>Achieve gender equality and promote sustained, inclusive and sustainable economic growth</p> <p>Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	<p>We aspire to have satisfied and healthy employees with a high level of integrity and work ethics, as well as being open and considerate to both colleagues and society, ensuring equality among all genders. We aim to quantify our impact with respect to employee retention and satisfaction, and publish our results in our ESG report.</p>	SDG 5 Goal 5.5 – Indicator 5.5.2 SDG 8 Goal 8.8 – Indicator 8.8.2  
	Responsible suppliers (Supplier due diligence)	<p>Ensure sustainable consumption and production patterns.</p> <p>Take urgent action to combat climate change and its impacts.</p>	<p>We have applied the same guidelines to our suppliers that we navigate ourselves. As the final link between our suppliers and consumers, we are adamant in ensuring responsible suppliers. Our goal is to have all suppliers sign our Supplier Code of Conduct by the end of financial year 2022.</p>	SDG 12 Goal 12.2 – Indicator 12.2.1 Goal 12.5 – Indicator 12.5.1 Goal 12.6 – Indicator 12.6.1 SDG 13 Goal 13.3 – Indicator 13.2.2  
	Board governance (board & management)	Ensure sustainable consumption and production patterns	We will work to ensure that our BoD is the best fit to supervise the management and provide direction for our ESG development.	SDG 17 Goal 17.14 – Indicator 17.14.1 

2.6. OUR CONTINUED ESG JOURNEY

As described throughout the report, the green transition is an important topic for us, which is why we also prioritize developing products for, among other things, the wind turbine industry. Setting goals for the future comes natural to a growth company, and our impact is proportional to our business growth. During the compilation of our first ESG report, we encountered elements that are lacking in the company and that are at the same time easy to overcome. We therefore deem it important to set a strategy focusing on how we as a production company and our employees can contribute to a more sustainable society and how we can impact both our suppliers and customers to take more sustainable choices. The aim is to integrate ESG into all corners of our business, which we will do in the following areas:

Supplier Code of Conduct

We will work towards getting our suppliers to sign our Supplier Code of Conduct as we aim to contribute to the green transition by reviewing the whole supply chain.

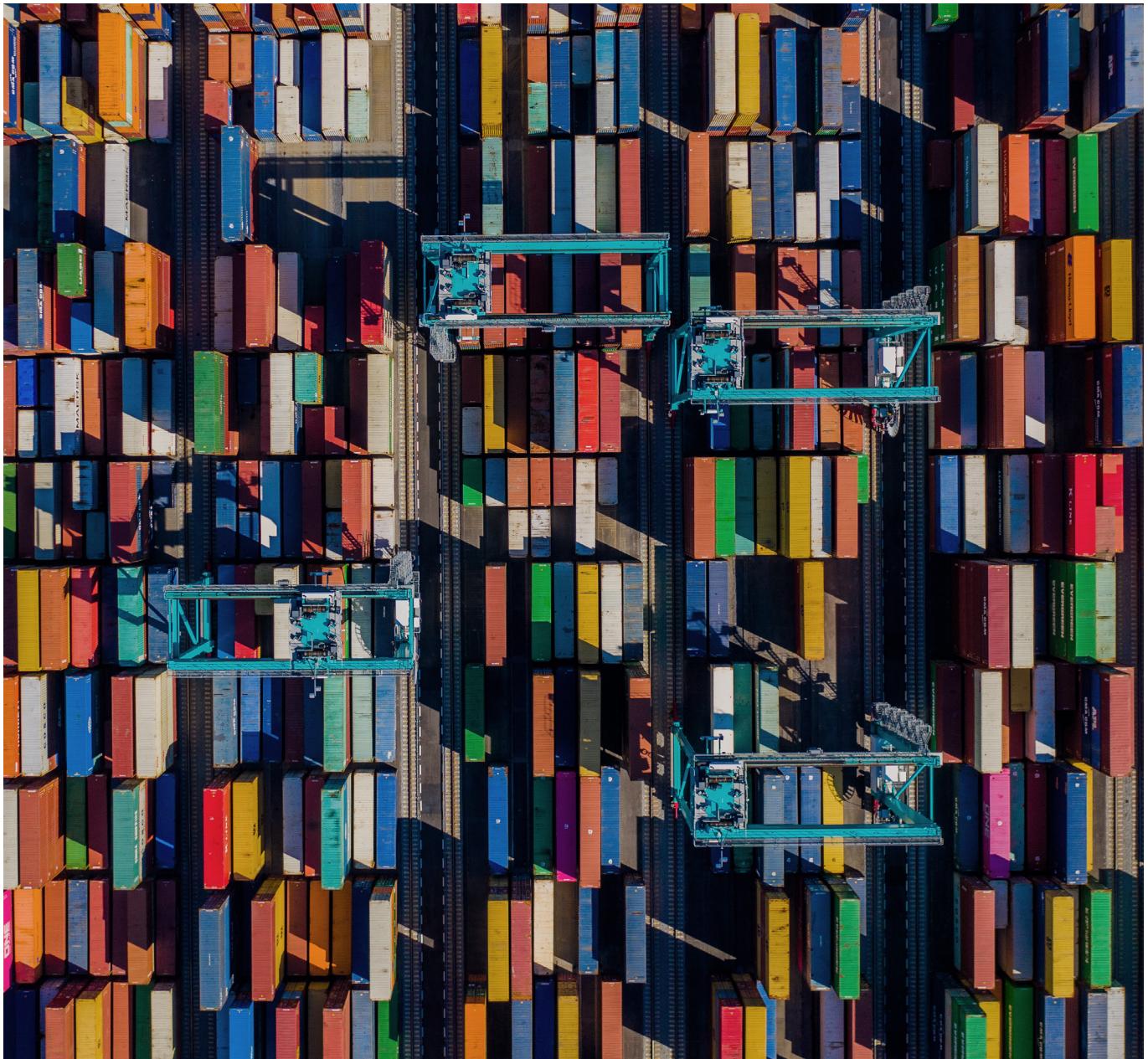
ISO 45001 for Health and Safety certificate

In order to further demonstrate our commitment to meeting the highest sustainability standard, our operations are built on global certificates for Quality and the Environment. However, we have yet to obtain the certificate for Health and Safety. Under this standard, it is a matter of securing the working environment for the sake of our employees. It is vital to achieve this certification as our employees are our most important stakeholders. It is our goal throughout 2022 to attain this certification.

Company policies

We develop and manufacture products for a variety of customers all over the world as a global partner in sustainable energy solutions. Our goal is to provide best-in-class solutions to our stakeholders and the environment. We want to operate under a certified integrated management system to manage risk and achieve continuous company performance improvements through innovation, benchmarking, and learning from experience.





We will therefore meet current legal and voluntary requirements and ensure transparency in our quality, working environment and safety as well as environmental performance through the publication of the following policies:

- Human and Labour Rights policy
- Diversity & Inclusion policy
- Anti-corruption policy
- Environmental policy

Energy consumption

In connection with the calculations of our CO₂ footprint, we found that electricity constitutes our largest energy consumption. We have chosen to do something about this by searching for alternatives so that our own production becomes greener. It is not yet determined from where we will source power, but we aim to source it from solar or wind energy.

Become a member of the UN Global Compact

Running a sustainable company requires high standards, compliance with all applicable national and international law as well as good corporate governance. As mentioned, we have used the UNGC as a framework for preparing our first ESG report. However, we aim to become a member and comply with the ten principles of the UNGC. Business ethics, compliance with the law and good corporate governance are fundamental to everything we do as a company, in our daily lives as employees and in our work with sustainability.

GLOSSARY

Term	Explanation
CEO	Chief Executive Officer
CO ₂	Carbon dioxide
Data security	Data security refers to the process of protecting data from unauthorised access
DNA	Referring to strong company culture
ESG	Environmental Social Governance
GhG emissions	Greenhouse gas emissions
IPO	Initial Public Offering
SDG	Sustainable Development Goals
SICS	The Standard Industrial Classification
UNGC	United Nations Global Compact



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CVR no. 25804821

Herstedøstervej 7
DK-2600 Glostrup
Denmark

