



SUSTAINABILITY AT KATKO



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Introduction

The purpose of this **Sustainability at KATKO report** is to provide an overview of KATKO's sustainability efforts and development thereof through the years 2019–2024 and beyond. In addition, the report addresses prospects and goals, as well as how we intend to move forward on our sustainability journey. This report focuses on examining the following three areas: **climate and environment**, **people and society**, and **sustainability governance**.



KATKO in Brief

KATKO is a Finnish electrical industry company, specializing in designing, manufacturing, and delivering leading solutions for the electrical installation sector. At KATKO, we are pioneering industrial grade high-quality electrical switches and other installation products. Our commitment to sustainability and installer-friendly solutions sets us apart from the rest of the industry. Supported by our extensive network of distribution partners and manufacturing facilities in Finland and Poland, we ensure the availability of our solutions in over 70 countries around the globe.

As an electrical industry company and a family business, taking care of people and the environment is a central part of our operations. We continuously strive to improve our operations to be more environmentally friendly and consider how we can provide value for the people, environment and broader society. Our environmental thinking is guided by factors such as efficient use of low-carbon raw material and energy and the quality and life cycle of our products. All the materials used in our production processes are 100% recyclable and in increasing quantities recycled.

As an agile and customer-centric operator, we are well positioned and focused on providing green solutions to our customers around the globe.

We want to bring about significant change together with our stakeholders.



Greetings from CEO

KATKO Oy has always strived to promote sustainability in its operations. In the past, this was driven by the need, born out of scarcity, to use resources as efficiently as possible, with careful and efficient use of raw materials and minimizing energy consumption.

We have always chosen to design and manufacture functional and durable products. We have always been at the forefront in adopting and applying the latest, safest and most sustainable raw materials in our manufacturing processes. It is principles like these that allow us to minimize the lifetime carbon footprint of our products and continue pursuing sustainable manufacturing excellence.

Moving forward, we will continue to stay committed to our goals and focus on minimizing the carbon footprint of our manufacturing operations and products without compromising on quality. At KATKO, the key idea has always been to ensure the long lifespan of our products, so they last for decades under heavy use, helping our customers to avoid premature replacement of products.

We design and manufacture our products primarily in-house. This way, we can ensure that our entire value chain aligns with our values and ways of conducting business.

Our suppliers are respected operators within their field, and for the most part located in Europe - close to our manufacturing sites. We choose and partner up and work with suppliers whose values and commitments align closely with ours.





Greetings from CEO

For us, sustainability means taking care of our staff, our environment, as well as our business. Between 2018 and 2024, we have invested significantly in our operations to help us reach our sustainability targets. We have, inter alia, taken the following concrete steps to promote sustainability:

- Made sustainability a key part of our corporate strategy.
- Invested in a new energy efficient manufacturing facility in Finland, the location of which was selected based on: a) minimizing the commutes of our staff in comparison to the old facility, and b) easy access for logistics & transportation services.
- We have made significant improvements to workplace safety and the comfort of the work environment, e.g. modern manufacturing and office spaces overflowing with natural light, extensive gym for our staff to use and increased efforts in work ergonomics.
- Invested in energy efficiency: factory layout, lighting, ventilation & air conditioning, and latest generation energy-efficient production machinery.
- Commissioned a validated GHG calculation from Gaia Oy – a leading sustainability consultant.
- We have further implemented the use of recycled plastics in our production.
- Invested in and implemented new machinery for reusing excess plastic generated during the production process.

Industrial scale manufacturing inevitably causes emissions. We at KATKO want to be the most reliable manufacturer in our field when talking about sustainability and responsible manufacturing. Our aim is to achieve carbon neutrality in our operations well before 2035. In accordance with our renewed strategy for 2024, we are committed to promoting sustainability in all our operations, and will communicate our environmental impacts openly, reliably and systematically in the years to come.

Markus Hyryläinen
Managing Director
KATKO Oy



Sustainability at KATKO Overview

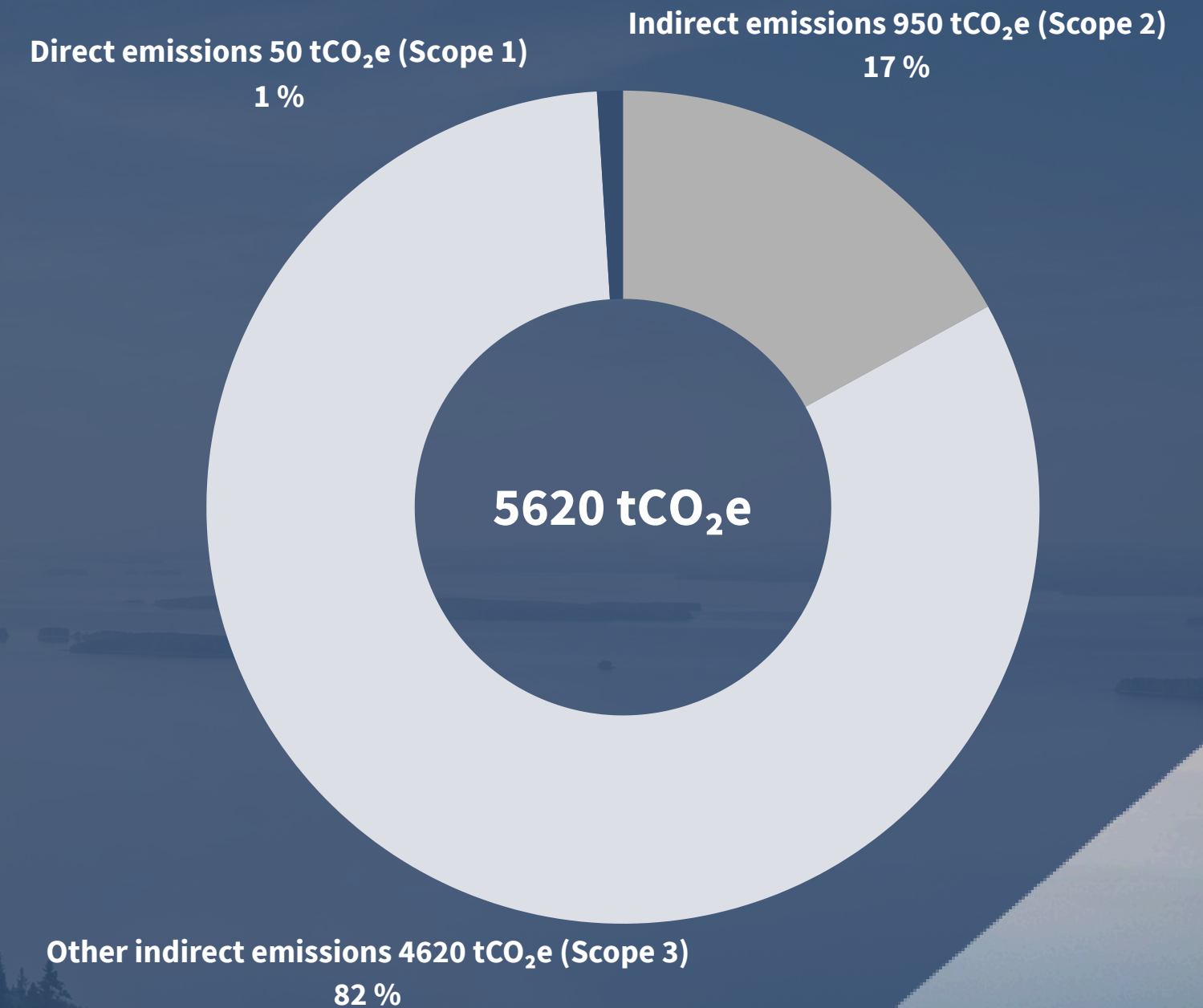


KATKO's Total Emissions

Scope 1 direct emissions from own activities consist of combustion of natural gas in Poland, which is about half of the emissions. The rest of the emissions are coming from fuel use in vehicles in Finland and Poland.

Scope 2 indirect emissions are coming from purchased energy consumption in facilities which includes electricity consumption and district heating. The most of these emissions are coming from Finland, but also from Poland.

The largest source of emissions affecting our carbon footprint is **other indirect emissions (Scope 3)**. The main source of emissions in Scope 3 is purchased goods and services, which account for more than 80% of other indirect emissions. Purchased goods and services included production and non-production-related purchases and services. Other emission sources have a smaller impact than the other indirect emissions such as upstream transportation and distribution, employee commuting, capital goods, business travel, fuel and energy-related activities, end-of-life treatment of sold products, downstream transportation and distribution, and lastly waste generated in operation.





Next Steps in Our Sustainability Journey

As we have integrated sustainability into the core of our new strategy, we have outlined our next steps toward a more sustainable future. We have assessed our current situation and conducted a comprehensive company-specific GHG calculation, which discloses our carbon footprint for the financial year 2023. Our upcoming initiatives are closely tied to our **commitment to attain Life Cycle Assessments (LCA) and other relevant certifications** for our modern products.

We are dedicated to continuing our **investment in sustainable practices within our manufacturing processes**. To date, we have enhanced our recycling efforts by investing in new equipment that optimizes the recycling of excess materials. Additionally, we are committed to improving our facilities' infrastructure and the working environment for our employees while maximizing energy efficiency through comprehensive design. We aim to continue to **manufacture long-lasting and high-quality products sustainably** by minimizing waste and using raw materials and other resources as efficiently as possible, all while diligently monitoring the energy efficiency of our production processes. The fact that most of our production occurs in Finland enables us to maintain flexibility in the management of production by ensuring these targets are achieved.

Over the years, we have refined our supply chain strategy to prioritize the responsibility of our suppliers, focusing on sourcing all our raw materials as locally as possible and by taking into account their raw materials sustainability. We will **continue to work with our supply chain to minimize our overall environmental impact**. We are committed to maintaining high standards for raw material quality, striving to select materials that are fully recyclable and have a low carbon footprint. Since the majority of our emissions stem from sourcing raw materials, we aim to invest in our procurement strategy and ensure the sustainability of our suppliers' operations.

We also recognize the importance of **enhancing our product designs allowing us to develop even more sustainable and low-carbon solutions**. We have initiated efforts to minimize the carbon footprint of our products through R&D. For example, we have calculated that with our new KU 16-40 A load break switches, we have successfully reduced the carbon footprint by approximately 20% to the previous generation product, and we are committed to achieving similar improvements with clever design in the future. We take pride in being known for high-quality, durable solutions, and we will not compromise on these values. We aim to **provide our customers with sustainable, long-lasting, high-quality, and installer-friendly solutions that are produced responsibly**.



Climate and Environment

At KATKO, environmental responsibility is at the core of our operations. We are committed to maximizing our positive environmental impact through sustainable practices across our design, manufacturing and distribution processes. Our manufacturing facilities in Finland and Poland prioritize energy efficiency, reducing waste, using efficiently all the resources at their disposal and relying on renewable sources of energy wherever possible to reduce carbon emissions. Over the past years, we have observed continuously the sustainability opportunities, and we have taken certain actions towards more sustainable operations.

As part of the carbon neutrality goal, we are investing in new technologies to further reduce emissions and improve resource efficiency across all stages of the product lifecycle, from design to end-of-life disposal. We believe that our extensive research and development and flexible production philosophy are key to how we can make a positive impact on the climate and environment. In addition, by continuously innovating and seeking sustainable solutions, we aim to lead the electrical industry toward a greener future, while ensuring our products remain of the highest quality, long-lasting and reliable.

At KATKO, sustainability is an ongoing journey. We are constantly evaluating and improving our operations to stay ahead of environmental challenges. Through regular audits, sustainability reporting, and stakeholder engagement, we identify new opportunities to enhance our sustainable practices. Our goal is to set industry standards for operational sustainability while continuing to deliver the best products and services to our customers.





Sustainable Operations

Over the past few years, we have taken significant steps towards more sustainable operations and have increasingly implemented sustainability according to our new strategy. At KATKO, sustainable operations are central to our mission of creating high-quality products while minimizing our environmental footprint. Our focus on sustainability drives innovation across all aspects of our manufacturing processes, resource management, and supply chain practices. By prioritizing sustainability in our day-to-day operations, we are building a future where economic performance and environmental responsibility go hand in hand. One of our major initiatives has been the investment in a validated GHG calculation, enabling us to better understand and reduce our carbon emissions. In the coming years, we will invest in Life Cycle Assessment for selected products.

PRODUCT DESIGN AND INNOVATION

In Research & Development (R&D), we are pushing the boundaries of innovation by aiming to reduce the carbon footprint of our new, modern solutions by 20%, all while maintaining the high-quality standards we are known for. We have also introduced recycled plastics in selected products and are continually exploring new ways to incorporate recycled materials more extensively.

SUSTAINABLE SUPPLY CHAIN

In 2024, 98% of our suppliers are in Europe. Our supply chain strategy prioritizes suppliers who can ensure supply availability near our manufacturing facilities, though their represented principals may be outside of Europe, with the U.S being a key source. Our chosen supply partners are respected operators in their fields and are, as are we, precise and diligent about where their raw materials originate from. We require the utmost quality from our suppliers and raw materials, this enables us to deliver high quality and long-lasting solutions to our customers that are produced by considering the sustainability aspect.

In addition, we have created a Suppliers Code of Conduct document, which helps us to ensure that our suppliers operate in alignment with our ethical, environmental, and quality standards. By clearly defining expectations around fair labor, anti-corruption, sustainability, and compliance, it promotes responsible practices throughout the supply chain. This not only mitigates reputational and regulatory risks but also fosters stronger, trust-based relationships with our suppliers who share our values. Ultimately, a Code of Conduct enhances supply chain reliability, supports our sustainable growth, and meets our stakeholder expectations for ethical business practices, building a resilient and responsible foundation for long-term success.



ENERGY EFFICIENT AND SUSTAINABLE PRODUCTION

Sustainability is central to our production processes, driving us to constantly explore new ways to enhance our environmental performance. A key focus area is energy efficiency. To reduce our energy consumption and environmental footprint, we have invested in the latest generation energy-efficient machinery, waste reduction strategies, and facility layout design.

For instance, our adoption of hybrid injection molding machines has lowered energy use by 50% compared to traditional hydraulic models, significantly reducing the carbon footprint of our production processes. In our production, we use targeted heat recovery ventilation, capturing heat from specific sources and repurposing it throughout our manufacturing facility. Additionally, we are recycling excess heat from the air compressors to the production hall during the colder seasons, which again improves the energy efficiency of our facility.

Moreover, we have replaced halogen lighting with environmentally friendly LED lighting to improve energy efficiency, as LED lights use significantly less electricity than halogen bulbs, reducing our overall energy consumption.

RESOURCE EFFICIENCY & WASTE REDUCTION

We are committed to improving resource efficiency and reducing waste in all facets of our operations. As part of this commitment, we continuously test and implement more sustainable raw materials. For example, our ABS plastic products are made with 100% recycled plastic, as are our black Polycarbonate installation enclosures. Furthermore, we regularly observe opportunities to optimize and upgrade our production tools and processes to minimize our excess materials which are generated as a byproduct of production.

Our waste reduction efforts extend to recycling and repurposing all production waste. To enhance plastic reuse, we've invested in new equipment such as plastic repurposing machinery that allows us to process and reuse a part of our excess plastic generated during production. Additionally, our hot runner mold technology in plastic product manufacturing minimizes plastic waste and increases operational efficiency. The excess material that is created as a byproduct of production, which we cannot repurpose internally, we recycle through an external operator.

By integrating these sustainable practices throughout our operations, we have actively minimized our negative environmental impact while delivering high-quality, eco-conscious solutions to our customers. Our dedication to energy efficiency, waste reduction, and resource sustainability reflects our commitment to a greener future.



People and Society

The well-being of our employees is our top priority. We strive to create a meaningful and safe working environment for our staff. We rely on professionalism, openness, and a customer-first mindset, which have enabled us to be successful over the years.

We aim to provide our staff with an open atmosphere where they have the opportunity to develop, feel safe being themselves, and freely share their ideas for improvement. We want to work together to develop our business in the right direction every day, and to do that, we need our experts. Together, we can deliver quality solutions and great customer service that exceeds our customers' needs and desires.





How We Offer a Meaningful Workplace

HEALTH & WELLBEING

Our employees' physical and mental health is vital for us. We want to make sure that people feel safe and get all the necessary input to be able to look after their wellbeing. We have also invested in employee wellness programs, offering resources such as on-site gym facilities, comprehensive health services & insurance, comfortable and ergonomic office and factory spaces. These initiatives have significantly improved both physical and mental well-being across our workforce.

EMPLOYEE PERSONAL DEVELOPMENT

On a regular basis employees have discussions with their team leaders about their performance, satisfaction, development, and potential improvement actions, helping the staff to develop their skillsets and capabilities both on a personal and professional level. Additionally, the employees are encouraged to engage in conversations with the company executives and team leaders, where they can address development ideas and bring forth valuable insights to the company representatives. This feedback loop helps the staff of KATKO to improve and develop its internal working environment and culture.

KATKO has a long history in training its employees. Training at KATKO varies from internal group-based training to individual external professional education programs and courses provided by selected educational institutions. KATKO understands the need for educated and professional staff and is therefore flexible and open to offering extra training and education to employees when the training is beneficial and valuable for both the company and the individual.

DIVERSITY & EQUALITY

We want to treat our people in an equal manner, creating a working environment where everyone has the same access to resources, promotions, and rewards, where ideas are valued for their merit, regardless of factors like age, gender, cultural background, or other unrelated traits. We seek to create a working environment, where everyone can feel safe in giving and receiving constructive criticism or pointing out areas in need of development. We believe that diversity and versatile perspectives & beliefs in the work environment create value for our company and customers.

HUMAN RIGHTS

At KATKO, we are dedicated to upholding and advancing human rights in all aspects of our operations and value chain. Our commitment aligns with the United Nations Guiding Principles on Business and Human Rights, and we actively work to ensure fair labor practices, safe working conditions, and respect for individual dignity and freedoms. This includes clear policies against forced labor, child labor, discrimination, and harassment.

We strive to create a workplace that values diversity, equity, and inclusion while holding our partners and suppliers accountable to these same high standards. By prioritizing human rights, we reinforce our commitment to ethical, responsible business practices that positively impact our employees, communities, and stakeholders.



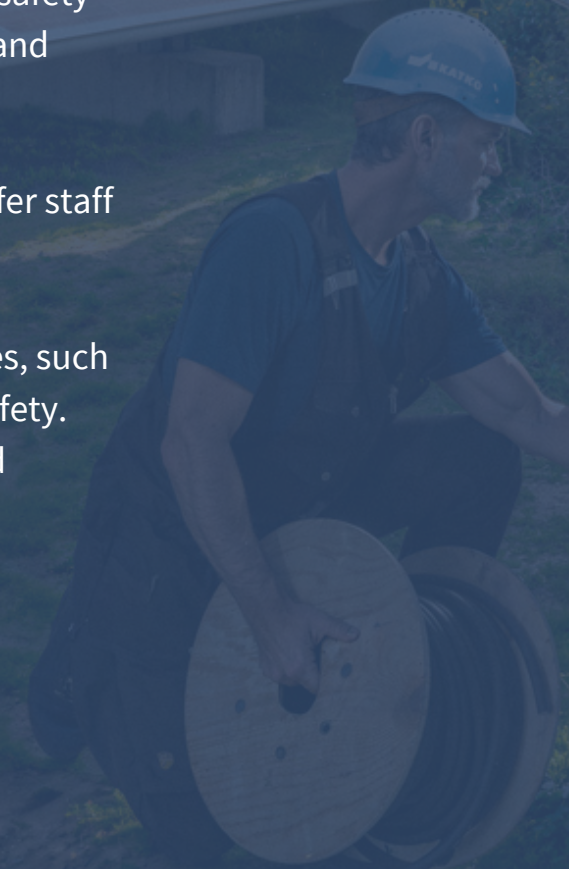
Safety and Security

At KATKO, we prioritize the well-being of our employees by fostering a strong safety culture and ensuring that health and safety are embedded in every aspect of our operations. We are committed to complying with all relevant regulations and have implemented rigorous safety protocols, including regular risk assessments and safety training.

Our goal is **zero accidents**, and we strive to monitor our operations throughout the entire value chain to identify potential safety risks in time and prevent possible incidents. All our employees undergo comprehensive safety training during onboarding and receive ongoing training to ensure they are well-prepared to identify and mitigate risks.

We have made significant improvements to workplace safety and the comfort of the work environment, for example, we offer staff modern production facilities with lots of natural light and have renovated employee workspaces to ensure safety.

Additionally, our focus on continuous improvement and innovation has led to the adoption of advanced safety technologies, such as real-time hazard monitoring systems and energy and movement efficient production layouts that improve workplace safety. Moving forward, we remain committed to achieving further reductions in incident rates and maintaining a safe, secure, and supportive working environment.





Sustainability Governance

At KATKO, our commitment to sustainability is deeply embedded within our corporate governance structure. We recognize that achieving meaningful environmental and social impacts requires robust oversight and dedicated leadership. Our corporate governance model enables sustainability and ensures accountability at all levels and that our actions align with our broader business objectives.

The board maintains active oversight of our sustainability strategy, integrating environmental, social, and governance (ESG) factors into decision-making. We ensure that sustainability is not just an isolated focus but an integral part of how we conduct business.



Ethical Conduct

At KATKO, ethical conduct forms the foundation of our business practices, guiding how we operate, make decisions, and interact with all stakeholders. We uphold the highest ethical standards of honesty, integrity, and fairness, which apply to all employees and partners. Our ethical principles cover areas such as anti-corruption, confidentiality, conflict of interest, and fair competition. Regular training ensures that our team is equipped to handle ethical dilemmas responsibly, while clear reporting mechanisms encourage transparency and accountability. By committing to these high standards, we foster trust, uphold our reputation, and ensure that our operations contribute positively to the communities we serve.

ANTI-CORRUPTION

At KATKO, we maintain a zero-tolerance approach to corruption across all our operations and partnerships. Our anti-corruption policy strictly prohibits bribery, kickbacks, and any unethical practices, aligning with global standards like the UN Global Compact and OECD Guidelines. We are transparent and educate employees on identifying and preventing corruption risks. Furthermore, we have established confidential and transparent reporting to encourage the reporting of any suspected violations. By embedding transparency and accountability into our processes, we protect our reputation and uphold the trust of our stakeholders.

CONFIDENTIALITY

Respecting confidentiality is essential to maintaining trust with our clients, employees, and partners. Our confidentiality policy ensures that sensitive information is securely managed, only accessible to authorized individuals, and used solely for legitimate business purposes. All employees are trained to handle confidential information with care and to adhere to strict data protection standards. This commitment safeguards proprietary data and personal information, building a secure and trustworthy environment for all stakeholders.

CONFLICT OF INTEREST

We are dedicated to ensuring that our business decisions are made objectively and without personal bias. Our conflict-of-interest policy requires employees to disclose any potential conflicts, such as personal relationships or financial interests that could influence business decisions. Through regular awareness and clear disclosure processes, we create a culture where transparency and integrity are valued, ensuring that all decisions prioritize the company's and stakeholders' best interests.

FAIR COMPETITION

We believe that fair competition drives innovation, improves quality, and enhances value for customers. We adhere to all relevant competition laws and ensure that our business practices reflect fair play in the market. Our policies prohibit anti-competitive practices such as price-fixing, market-sharing, or any agreements that unfairly limit competition. Through our commitment to fair competition, we support a transparent and vibrant marketplace that benefits our customers, partners, and the communities we serve. At KATKO, ethical conduct forms the foundation of our business practices, guiding how we operate, make decisions, and interact with all stakeholders. We uphold the highest ethical standards of honesty, integrity, and fairness, which apply to all employees and partners. Our ethical principles cover areas such as anti-corruption, confidentiality, conflict of interest, and fair competition. Regular training ensures that our team is equipped to handle ethical dilemmas responsibly, while clear reporting mechanisms encourage transparency and accountability. By committing to these high standards, we foster trust, uphold our reputation, and ensure that our operations contribute positively to the communities we serve.



Risk Management

At KATKO, we recognize that effective risk management is essential for achieving our sustainability objectives and maintaining operational integrity. Our aim is to identify, assess, and prioritize risks across multiple dimensions, including environmental, social, governance, and economic factors. We conduct regular risk assessments to evaluate potential impacts on our business and stakeholders, which enables us to develop proactive strategies for mitigation. Our approach incorporates ongoing relevant monitoring, reporting, and review processes that foster transparency and ensure we remain agile in responding to emerging risks.

We emphasize proactive identification and mitigation of environmental and social risks, which are critical to our long-term sustainability and resilience. Environmental risk management is a priority, focusing on minimizing the impact of our operations through initiatives such as energy efficiency, waste reduction, and responsible resource use. Additionally, we continuously assess supply chain risks to ensure our suppliers adhere to the same sustainability standards we uphold.

By cultivating a culture of risk awareness and resilience, we aim to protect our assets and fulfill our commitments to sustainability. This commitment ensures that sustainability remains a core component of our business strategy, driving long-term value for our stakeholders while effectively addressing the environmental and social challenges of today and tomorrow.

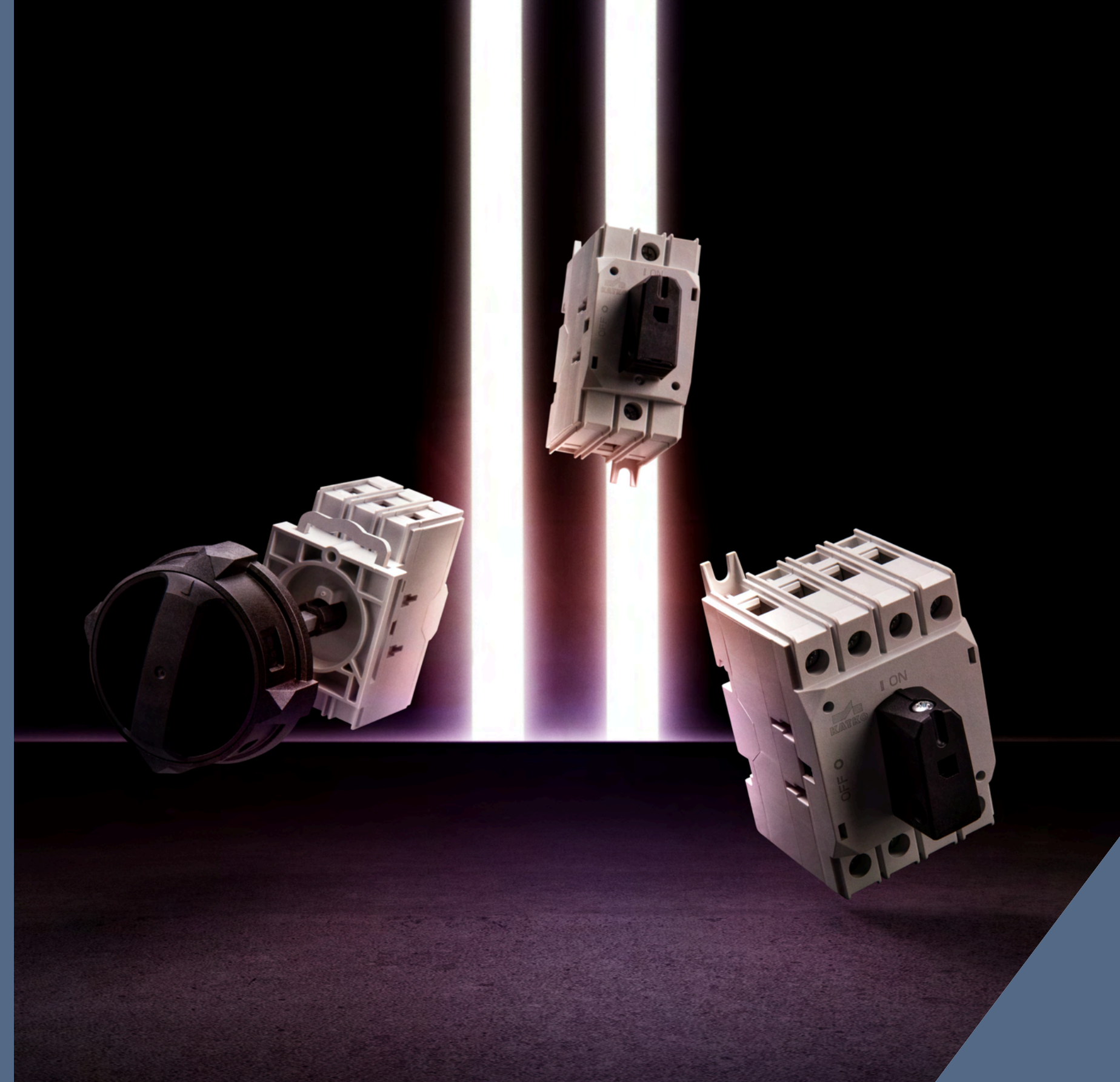


Looking Ahead

Our journey to sustainability began many years ago, shaping us into what we have become today. At KATKO, we consider the well-being of people and the environment in every aspect of what we do. We have been taking significant steps towards sustainability for many years, and it has always been a core value of our family business.

This first of a series of reports forms the foundation of our sustainability reporting. In the coming years, we will increasingly focus on our sustainability reporting.

We are grateful to work together with all our stakeholders for the common good on a daily basis. Our shared commitment to sustainable business practices helps to secure and ensure that we pass the planet on to future generations in as good a condition as possible – if not improved, then at least as close to the state in which we received it.





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