

SCANFIL

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Scanfil Oyj

Sustainability Report

31.12.2023

Sustainability Report

Scanfil is a trusted manufacturing partner and system supplier for the electronics industry with over 45 years of experience. Scanfil provides its customers with an extensive array of services, ranging from product design to product manufacturing, material procurement, logistics solutions, and refurbish and end-of-life services.

Sustainability is essential to Scanfil. Scanfil wants to preserve the earth for future generations and be an excellent and responsible business partner for its customers and suppliers, and a reliable employer. Scanfil is committed to UN Global Compact and has identified seven key UN Sustainable Development Goals from the company perspective.

Scanfil plc is committed to developing its sustainability, sustainability targets, and its reporting and measuring. This sustainability report has been approved by the Board of Directors, and it has been compiled according to the EU's other than non-financial information reporting directive.

The company continued to prepare for the EU Corporate Sustainability Regulation Directive (CSRD) and European Sustainability Reporting Standards (ESRS), which comes into force in 2024. In its preparation work, Scanfil finalized double materiality assessment survey to be able to fulfill the forthcoming ESRS requirements and started to adopt a new ESG data collection tool.

We contribute to the following UN Sustainable Development Goals.



Sustainability at Scanfil

Management

The Board of Directors and members of the management of Scanfil are responsible for the management of corporate responsibility. In terms of its governance, Scanfil complies with Finnish laws and regulations, its Articles of Association, Nasdaq Helsinki's rules and guidelines, and the Finnish Corporate Governance Code. In practical work, responsibility perspectives are guided by the Group's Code of Conduct. Furthermore, in each country Scanfil has operations, it follows the national laws of that area. In addition, the policies and other ethical operating principles are approved by the Board of Directors or the Management Team.

Key themes in corporate responsibility

Ensuring and developing the sustainability of operations is vitally important for Scanfil's success. The monitoring and continuous development of corporate sustainability serve the needs of all Scanfil's stakeholders. Scanfil has defined key factors for its corporate responsibility and divided them into Environmental (Responsible Consumption and Climate Action), Social (Good Health, Gender Equality, Good Jobs and Reduce Inequalities), and Governance (Peace, Justice and Strong Institutions).



**“Our ESG is a continuous process in which we align our operations and targets with our values as a company”,
Christophe Sut the CEO of Scanfil plc.**

Environmental

The focus areas for environmental responsibility are the efficient use of raw materials, the control and reduction of energy and water consumption, as well as the management and reduction of waste, recycling, and the reduction of the carbon footprint throughout the value chain. All sites within Scanfil are certified according to ISO 14001.

Social

Social responsibility focuses on competence development, occupational health and safety, the development of the motivation and work satisfaction of the personnel, and equal treatment of the people. The ISO 45001 occupational health and safety management standard is being used at all Scanfil's factories. Scanfil's objective is to be an excellent place to work.

Governance

Good Governance includes the development of customer satisfaction, product quality, delivery reliability, continuous development of the community, compliance with the law and ethical principles throughout the supply chain, the prevention of corruption and bribery, and the focus is on profitability, ethical values and the transparency of operations. All the company's factories operate a quality control system observing the ISO 9001 criteria.

Sustainability risks

Scanfil's most important sustainability risks.

Supply chain

Scanfil's global supply chain includes procurement from countries with different risk levels. Potential risks in the supply chain include, e.g., compromising human rights or labor rights, risks to occupational health and safety, and causing environmental damage. Scanfil suppliers can cause notable reputation or business risks to Scanfil if they engage in unethical behavior.

To effectively manage risks in the supply chain, Scanfil has a supplier evaluation process, and each supplier is committed to Scanfil's Supplier Code of Conduct.

Health and safety

In our operations, the greatest threats to employee health and safety, such as work-related illnesses and accidents, arise when Scanfil's health and safety processes are not followed, and risks in the work environment are not recognized and controlled.

Our employees are involved in health and safety decisions through consultation and cooperation. We comply with legal requirements and develop and implement appropriate health and safety procedures and working practices.

Scanfil has a Safety Council, which monitors all work safety aspects. Safety Council convenes quarterly to share and decide on corrective actions and preventive best practices. In addition, sick leaves, accidents, and lost time resulting from these are monitored monthly.

The occupational risk analyses are performed regularly at all locations to prevent health and safety incidents related to our operations.

Unethical behavior

Employee-related risks may also arise from violations of Scanfil's Code of Conduct and related principles, such as practices related to bribery, fraud, corruption, and misconduct, which could impact the company's reputation and its financial position.

Climate-related physical risks

Due to climate change e.g., extreme weather conditions are becoming more common. For example, floods or tornadoes could pose a threat to the continuity of Scanfil's operations. The company has business continuity plans in place in all factories to manage possible impacts.

Environmental responsibility

Responsible consumption

Scanfil produces extensive services for its customers, ranging from product design and development to material procurement, product manufacturing and distribution. It is generally estimated that approximately 80% of a product's negative environmental impacts are determined in the product design phase. Environmental impacts are taken into account throughout Scanfil's value chain, ranging from the procurement of raw materials to production, distribution, and recycling.

Scanfil promotes sustainable development by identifying, measuring and reporting the environmental impact caused by its activities. The goal is to reduce negative impacts on the environment. Scanfil's aspiration is to consider the environmental impact throughout the value chain, ranging from the procurement of raw materials to production, distribution, and recycling possibilities. All Scanfil's factories have a certified ISO 14001-compliant environmental management system. In its production, Scanfil mainly uses metals, electronic and plastic components, and chemicals. It prefers recyclable materials and eco-friendly products. Part of the materials to be used are chosen by customers. The utilization rate of all raw materials is optimized to ensure the efficient use of resources and decrease the amount of waste created. Waste materials are recycled if they cannot be re-used in the company's own production. Steel is an important raw material used by Scanfil. Its effective use is closely monitored in the production process.

The risks associated with chemicals are analyzed before their deployment, and they are handled following precise instructions and precautions. In addition, proper training and drills are arranged to prepare for any accidents.



Scanfil promotes sustainable development by identifying, measuring and reporting the environmental impact caused by its activities.

Reduce carbon footprint

Scanfil commits to reducing its carbon footprint by 50% from 2020 16,853 tCO₂e to 2030 10,000 tCO₂e. This means on average 4.2% annual actual reduction in carbon footprint until 2030 and is in line with the temperature target of the Paris Agreement. In 2023, the result was a 47% reduction in CO₂ emission from the baseline in 2020. However, the target is challenging with the annual organic turnover growth rate target of 5 - 7%.

As an internationally operating company, employees' business travel is necessary, while the company seeks to reduce it, for example, by utilizing the possibilities of the latest technology and by favoring virtual meetings. The travel practice always guides the employees to choose the most environmentally friendly alternative for travel and meetings. Emissions from daily commuting have been reduced by organizing bus transportation for personnel at several Scanfil factories. The company's updated vehicle policy favors low-emission cars, such as hybrid and electric cars.

Increasing usage of fossil-free energy

The company also commits that its energy consumption is 60% fossil-free by 2030. Target was increased from the previous 50% to 60% in 2023. In 2023, the share of fossil-free energy increased to 52.4% from the baseline of 28% in 2020. Scanfil uses energy in heating, cooling, lighting, and production machinery. In 2023, Scanfil's electricity energy consumption was 27 million kWh and the total energy consumption was 41,6 million kWh. The total energy consumption includes the combustion of fossil fuels in on-site boilers, furnaces, vehicles, purchased electricity, district heating, and cooling. The total energy consumption increased by 1,5% year-on-year. This is due to higher customer demand and volumes in 2023. The total energy consumption per value-added decreased by 17%.

Most of the increase in energy consumption came from Suzhou and Sieradz which are the largest production units at Scanfil. The increase in production resulted in a larger number of machines installed and in more shifts when the factory operated during evenings and weekends.

It is also notable, that climate change has increased the need for air cooling in several factories and increased energy consumption during the summer.

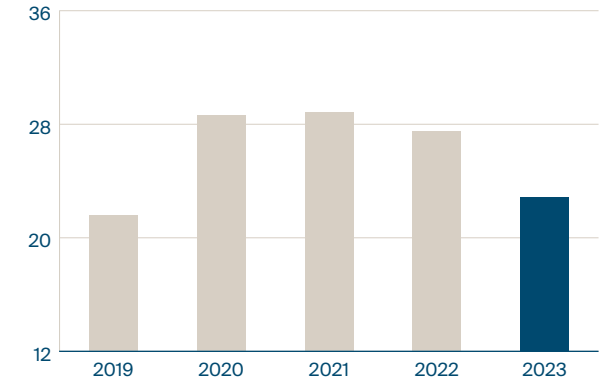
In 2023, electrical energy consumption divided by value-added decreased by 19%. Value add increased at a higher pace than electricity consumption.

Water and waste

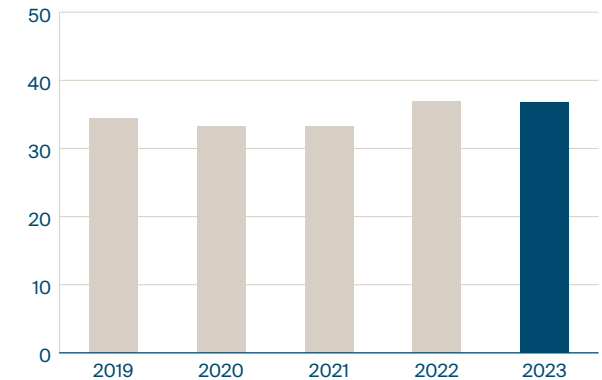
Water is used in facility cooling and maintenance, production, and sanitary facilities. Total water consumption was 66,985 (55,065) m³. Water consumption increased by 22% and increase divided by added value was 0.4%. The main reason for the increased water consumption is the galvanic line in the Pärnu factory and the introduction of the overflow system in the rinsing baths. In Suzhou, rainwater recycling for cooling tower and production building toilets was installed and the Suzhou factory reduced water consumption by 14%. The increase in water consumption is also distributed across all factories in relation to the increase in production volume.

The amount of waste created increased by 3.8% in 2023 compared to 2022. There were some differences between factories due to changes in production and different product ranges, but majority of the increase came from increased volumes. Waste divided by value-added improved from 2022 by 15%.

Energy consumption kWh / value add



Water consumption m³ / value add



Added value = turnover - purchases

Environmental certificate held by all

All Scanfil's factories have a certified ISO 14001:2015 -compliant environmental management system that verifies the measurement and improvement of environmental impacts on the company's management and employees, as well as on its external stakeholders. The company's management monitors the implementation of environmental practices, as well as the development of key indicators and the goals set, both locally and at group level. In addition, the employees are provided with the necessary knowledge and training to ensure they can work in accordance with the objectives of our environmental practices.

The most important actions taken in 2023 to support the above targets

- Energy saving activities in all factories e.g. automated power switches, runtime optimization and led lightning
- New energy agreements in Wutha and Pärnu factories
- Logistics and transportation optimization

The most important actions to be taken in 2024 to support the above target

- Full climate Scope 3 reporting
- Energy saving and transportation optimization to continue
- Further development with fossil-free energy consumption

Certificates of Scanfil's factories

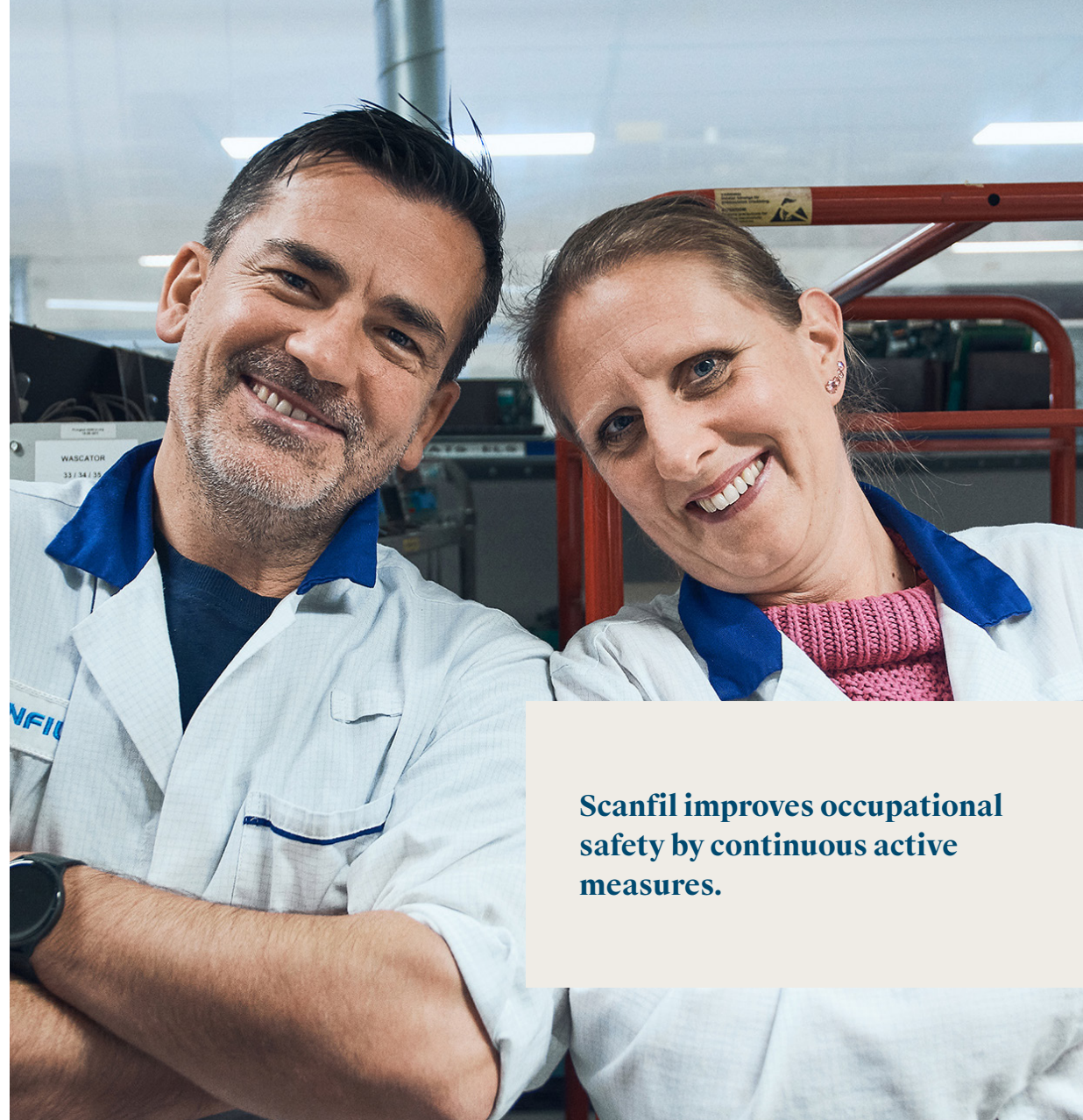
Factory	ISO 9001:2015 Quality management system	ISO 14001:2015 Environmental management system	ISO 13485:2016 Medical equipment	ISO 45001:2018 Occupational health and safety assessment system	IATF 16949:2016 Quality system standard for the automobile industry, conformity document
Atlanta	●	●	●	●	
Malmö	●	●	●	●	
Myslowice	●	●	●	●	
Pärnu	●	●		●	
Sieradz	●	●	●	●	
Sievi	●	●	●	●	
Suzhou	●	●	●	●	●
Wutha	●	●	●	●	
Åtvidaberg	●	●	●	●	

Social responsibility

At Scanfil, social responsibility focuses on its employees' competence development, occupational health and safety, as well as the development of the personnel's motivation and employee satisfaction. Scanfil aims to be a responsible employer and an encouraging working community where every individual has the opportunity to develop their personal skills and abilities. Scanfil aims to improve the employee satisfaction to the top quartile among all companies covered by our employee satisfaction survey service partner.

Scanfil joined the UN initiative "Global Compact" in 2021 to enhance responsible business practices. The principles are based on the UN Declaration of Human Rights, the ILO Fundamental Conventions on Human Rights at Work, the Rio Declaration, and the UN Convention against Corruption. Being part of the "Global Compact" initiative, Scanfil uses the best practice guidance, tools, resources, and training provided.

Scanfil has HR and work environment policies and the Code of Conduct to guide the daily work of the management and other employees. The Code of Conduct describes in detail the ethical and sustainable methods of operation compliant with Scanfil's core values. Any updates of the Code of Conduct are consulted with all subsidiaries, also involving their non-managerial employees, in order to get full alignment and contribution from differentiated communities. A thorough review of the Code of Conduct is part of the induction process.



Scanfil improves occupational safety by continuous active measures.

Occupational health and safety

The Group's sick leave rate was 4.2% (2022: 4.4).

There were 33 (2022: 30) occupational accidents, which resulted in sick leave. The accident rate calculated as a percentage of accidents vs active workforce changed from 0,68% (2022) to 0,70%.

Scanfil improves occupational safety by continuous active measures. The work environment must always be safe and healthy. The ISO 45001 occupational health and safety management standard is used at all Scanfil's factories. The development of safety is also monitored by the Safety Council, which meets four times a year and consists of the HR Managers and Safety Officers of each factory.

Scanfil uses a Safety Book to record occurred occupational accidents during the year. The organization reacts to all occupational accidents and near-miss incidents to prevent them from recurring. Most accidents in 2023 were related to handling of materials and machines operating. Owing to Safety Council solutions sharing, factories have opportunity to take into use the preventive measures implemented at sister sites. There is a lot of focus on personal well-being's self-awareness and employees are being equipped with hints and instructions on how to stay focused and avoid risks while performing work.

The annual practice of gathering employees' opinions in the employee engagement survey has proven to be highly appreciated as the response rate increased again and resulted in 91% (2022: 89%). The survey's main measures evaluating employees' satisfaction and motivation, and loyalty show a positive trend for eight consecutive years. The scores are above the weighted external benchmark, which proves that the development activities taken during past years were effective and drove Scanfil towards the desired top quartile. To continue this positive trend, all units prepare own plans and almost 500 development actions were defined within Scanfil.

Human rights

The company ensures its social responsibility through fair working conditions and practices, with an exclusive focus on human rights as expressed in Scanfil's Code of Conduct.

Human rights and equal treatment are fundamental values in Scanfil's operations, and here no compromises can ever be made. Besides the personnel, they concern all partners, and they define, among other things, the principles of respecting individuals, as well as those of preventing forced labor, child labor, and human trafficking. The Code of Conduct also includes instructions on reporting possible or suspected unethical or illegal actions. Scanfil's personnel survey includes questions about any unwanted behavior.

Scanfil has a whistleblowing channel through which the company's personnel and partners can report any observed or suspected misconduct regarding corruption, bribery, or rules described in the Code of Conduct. In 2024, Scanfil is upgrading its whistleblowing channel and operating tool available to all external (www.scanfil.com) and internal (Intranet) stakeholders. This will be replacing the mailbox-based channel (report.codeofconduct@scanfil.com and whistleblowing@scanfil.com). The company aims to ensure compliance with the Code of Conduct in its supply chain by carrying out audits and increasing supplier's awareness in this field. Compliance with the law and ethical principles is also monitored in internal control and audits. In 2023, no non-conformities pursuant to corporate governance were identified in Scanfil's global whistleblowing channels. There were ten cases reported by employees when they perceived themselves to be exposed to discrimination or mobbing. These were in detail investigated thoroughly by global authorized personnel together with local management representatives. Most of them occurred

not to be justified, and thus Scanfil acknowledges the need to improve misconduct awareness in the organization. The actions to enhance it were started in 2023 with DEI (Diversity Equity Inclusion) global training. Next activities are planned for 2024. In those cases where misbehavior was found to be true, the individual disciplinary conversations and consequences took place.

During 2024, Scanfil will enhance the Succession planning process. This will, in addition to designed in 2023 Talent management process,

Development of employee satisfaction results



help to further develop diversity in all management levels. The Scanfil Women Appreciation Team collaborates closely with Diversity Equity Inclusion forum to strengthen the workforce potential. Scanfil will also start implementation of a system which will support pay transparency and its improvements.

Scanfil's factories are actively involved in charity activities like occasional gift gatherings (for Christmas, for child's days, etc.), charity sports events, supporting orphanage. Additionally, Scanfil sponsors youth sports teams and clubs. Scanfil also supports UNICEF at the Group level.

Non-discrimination and diversity

We believe that the broader the pool of talent open to an employer, the greater the chance of finding the optimum person for the job. Innovation and agility are seen as the great benefits of diversity, and there is an increasing awareness of what has come to be known as 'the power of difference.'

Scanfil focuses a lot on diversity, equity, and inclusion. After Women Appreciation Team started operating in 2022 to enhance gender equity, the next step was taken in 2023. That was quarterly DEI forum kick-off of which was hosted by the CEO. DEI community works to foster desired attitudes and behaviors.

Scanfil employs around 50 different nationalities. We have over 70 employees with disabilities. The average age of our employees is 41 years, and the ratio between women and men is 45% to 55%.

Board and management diversity is handled in the Scanfil's Board of Directors Report. Group Senior Management diversity ratio became one of the strategic targets and is now monitored quarterly, including Global Management Team, Factory Local Management Teams and Global Functions' Directors and Heads. Women representation in the Senior Management stands for 20% in the end of 2023.

The most important actions taken in 2023:

- Continuously improve employee satisfaction, including employee well-being as well as leadership practices to enable better support
- Kick-off of DEI (Diversity Equity Inclusion) Forum
- Performing DEI training for white collars
- Safety Council workshop summarizing 2023 best preventive actions and brainstorming on safety culture roll-out initiatives

The most important actions to be taken in 2024:

- Enhance diversity & inclusion by cascading down the diversity targets, include diversity dimension in the succession planning
- Introduce advanced digital whistleblowing reporting channel
- Perform ScanfilWay Culture roll-out (updated CoreValues, leadership and collaboration practices)
- Safety-first campaign and trainings

Good governance

Scanfil's governance is divided into good and sustainable business practices, customer satisfaction, and a sustainable supply chain. Topics concerning Board and Management are handled in the Board of Directors Report and in addition to this in the Remuneration report.

Good corporate citizen

Scanfil has operations in seven countries, and it co-operates with suppliers and subcontractors around the world. Scanfil is committed to being equal and fair to its stakeholders internationally and locally, which is why all its functions must respect different cultures and cultural heritage, as well as local methods of operations compliant with national laws. Scanfil's Code of Conduct defines the ethical principles and commitment to anti-bribery, honesty, fair methods of operation, and the behavior expected of Scanfil's employees business partners and other stakeholders. Human rights and equal treatment are basic values in Scanfil's operations, and they cannot be compromised. People must be treated with dignity and respect in the manner approved by the international community.

Anti-corruption and anti-bribery measures

As part of its corporate responsibility management, Scanfil is also developing its activities to fight corruption and bribery. Compliance with corporate responsibility is raised more often than previously in talks with customers. Scanfil has defined responsible operating guidelines in its' Code of Conduct. This, for example, prohibits corruption and bribery. The Group's operating methods, such as transparent and cost-based pricing, reduce the possibility of non-compliant activities. No deviations from Scanfil's Code of Conduct in these areas were identified in 2023.



Whistleblowing

Scanfil has a whistleblowing channel through which the company's personnel and partners can report any observed or suspected misconduct regarding corruption, bribery, or rules described in the Code of Conduct. More information about Whistleblowing is found in the Social Responsibility section.

Anti-competitive

Scanfil is committed to not take part in decisions and practices that are anti-competitive. These actions are, e.g., price-fixing, bid-rigging, market sharing, production controlling, or miss-use of market power.

Facilitating customer sustainability

Customer satisfaction is one of the company's core values, and everybody at Scanfil understands that success depends on satisfied and loyal customers. Maintaining active contacts regarding the customer's requirements and Scanfil's plans is an essential element of cooperation. It allows the correct business decisions to be made and the competitiveness and responsibility of production services to be developed. Continuous development of operations in cooperation with customers is in both parties' best interest.

Continuous contact with customers is based on the key account management model. It includes a plan on cooperation, systematic and regular meetings at several levels, and a standardized reporting model presenting the most important key performance indicators (KPIs). Development projects are also implemented based on customer feedback. For example, they may be related to quality matters or the expansion of the service offering. High-quality and cost-effective production is one of Scanfil's key competitive advantages. The continuous development of production processes, utilization of the right technologies, and verified quality of the materials used are key factors in the continuous improvement of competitiveness.

Scanfil works actively together with its customers to improve the sustainability activities of the entire supply chain and industry. In 2023, Vaisala awarded Scanfil as the most responsible supplier of the year, and at ThermoFisher's supplier days, Scanfil was facilitating together with the customer responsible business practices and recommendations to other suppliers.

Satisfied customers

Customer satisfaction (Net Promoter Score, NPS) is measured regularly by conducting a customer satisfaction survey twice a year. Feedback helps us to monitor our operational performance in terms of our delivery capacity and our ability to produce quality, as well as our flexibility, competitive prices, the organization's ability to react, and the coverage and performance of our services. Based on the survey, we

How probable is it that you would recommend Scanfil's services?

NPS-scale from -100 to +100.

	Q2 2022	Q4 2022	Q2 2023	Q4 2023
NPS Score	5	-5	7	22

will define a factory- and/or function-specific development program, including relevant measures. These measures will be monitored actively in cooperation with customers. NPS, which shows the probability of our customers recommending Scanfil as a manufacturing partner, increased significantly from the previous year. This was thanks to a positive development in both customer quality and delivery punctuality. The increase in the NPS score shows that the measures implemented have had a positive effect and that they had a great impact on the customer experience.

Quality and performance

All Scanfil's factories operate a quality control system observing the ISO 9001 criteria. In addition, certain factories have other certified quality management systems applicable to specific industries. All Scanfil's factories observe the Lean Six Sigma process development methodology and analysis (FMEA) that identifies the supply chain and production risks. The objective is to identify the deficiencies and risks in processes and production at an early stage, continuously make improvements, and carry out preventive measures. The numbers of continuous improvements are measured in all factories and in 2023, a total of 7 685 continuous improvements were implemented and documented. Performance is measured by KPIs, the most important being delivery punctuality and customer quality, measured as Defective Parts Per Million (DPPM). In 2023, both customer quality and the delivery punctuality significantly improved.

Scanfil is committed to continuously develop its operational performance. The company has made significant investments in the digitalization and automation of its operations. The technology investments have been made to further develop production processes and by that improve company's competitiveness. Scanfil's gross investments totaled 2.5% of company's turnover.

Towards sustainable supply chain

Material purchases represent approximately two-thirds of turnover, which is why efficient procurement is a significant competitive factor for Scanfil. Scanfil has a broad network of local, regional, and international suppliers and partners, which it seeks to develop to ensure good quality, cost-effectiveness and a responsible sustainability approach throughout the whole value chain.

Sustainability evaluation of suppliers

Scanfil requests our preferred and key suppliers to undergo a sustainability assessment by a reputable third-party provider, such as

EcoVadis or similar. EcoVadis is the chosen third-party assessment provider by Scanfil. The result of such an assessment will be part of Scanfil's strategic purchasing decisions.

By continuously working to consolidate purchasing volumes with our preferred and key suppliers and proactively requesting sustainability assessments, we will ensure that our supply chain is aligned with Scanfil's sustainability objectives.

Supplier selection and Supplier Code of Conduct

Scanfil requires that all its partners comply with the law and agreements and operate according to Scanfil's Code of Conduct. Scanfil Supplier Code of Conduct sets the standards we expect our suppliers to follow. It is the starting point for any new or existing business relationship, and it covers areas such as health and safety, child and forced labor, human rights, anti-corruption, compliance with laws and regulations, environment and climate change, and more. We expect our suppliers to comply with our Supplier Code of Conduct and be transparent in their ESG. Scanfil strongly recommends all its suppliers and business partners to use the EcoVadis platform.

The Supplier Code of Conduct constitutes part of purchase agreements signed with major suppliers. In addition, the Code of Conduct is signed with all suppliers when operating in the Asian market. Scanfil selects its suppliers carefully, and cooperation with its key suppliers is long-term.

Scanfil value add creation 2023, EUR million

Sales to customer 902 (2022: 844)	—	Purchases from suppliers 719 (694)	=	Value add 182 (149)
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Scanfil only uses approved suppliers that fulfill Scanfil's strict criteria in terms of quality, delivery reliability and cost-efficiency. Scanfil audits its suppliers systematically and monitors their compliance with the terms and conditions of agreements. It also prevents any misconduct through the verification of orders and training. Once cooperation has started, quality assurance is carried out continuously. This means that incoming material is inspected, any non-conformities are kept under control, any errors in quality are corrected and the general performance of suppliers is evaluated. When new components or materials enter production, Scanfil always uses a separate inspection process to ensure quality. Making use of Scanfil's global position and volume in procurement processes helps to maintain competitive prices and control the supplier network. This is why Scanfil aims to focus its purchases on a few selected suppliers.

The most important actions taken in 2023:

- Preparation for EU level CSRD and EU taxonomy
- Start of Scope 3 measurement
- Roll out of Scanfil sustainable procurement program
- Code of Conduct online training

The most important actions to be taken in 2024:

- CSRD driven double materiality assessment and actions based on the results

- Full reporting from factory level according to ESRS
- Validation of science based target near-term targets ready
- Commitment of science based target long-term targets to achieve net-zero 2050
- Achieving EcoVadis Gold

Business partners and society

Scanfil's sales to customers totaled EUR 902 million, of which purchases from external suppliers accounted for EUR 719 million. The difference, EUR 182 million, was the added value produced by Scanfil. The added value produced increased by EUR 33 million (+21,9%) from the previous year. Scanfil produces added value for employees, creditors, shareholders, and for the company's further development. Most of the added value was produced by the employees. During the year, Scanfil had an average of 3,670 employees and paid them EUR 96 million in salaries and wages. Salaries and wages increased by EUR 13 million, or 15,8%, year-on-year. Scanfil paid a total of EUR 39 million in other statutory staff costs and income taxes.

The company's subsidiaries are located in seven different countries. Scanfil is committed to paying taxes and other statutory expenses in each of its countries of operation. Scanfil has solvent financial partners. The company's financial position is strong. The company's net financial expenses totaled EUR 0 (2022: 4) million. The company aims to pay approximately a third of its net result as annual dividends. In keeping with this principle, Scanfil paid EUR 14 million in dividends in 2023. The dividend per share paid by the company has increased every year since 2012. Correspondingly, the company aims to use two-thirds of its result for investments, future growth and the general development of business. The company's return on equity was 19.6% in 2023, which clearly shows that the investments made in the company have repaid themselves well.

EU taxonomy

The EU taxonomy is a classification system for sustainable economic activities. It aims to provide robust definitions and transparent reporting to support increased finance for activities that substantially contribute to solving the climate and environmental crisis.

The EU taxonomy is reported in financial terms as the proportion of economic activities that are determined non-eligible, eligible and aligned in turnover, Capital Expenditure (CapEx) and Operating Expenditure (OpEx).

The EU taxonomy is intended to encourage financial markets to invest and finance more sustainably and avoid green washing. It sets the criteria for activities that the EU has classified as environmentally sustainable. Activities that are described in the taxonomy are referred to as eligible activities. Eligible activities that also meet set criteria are referred to as aligned activities in the taxonomy.

How Scanfil is affected by the EU Taxonomy

Scanfil is an electronics manufacturing service (“EMS”) company that almost exclusively produces according to the customers’ specifications, with little control over how the specifications are developed. Since most of its operations fall under NACE code 26 (Manufacturing of computers and electronic and optical products), sold as components for further assembly and manufacturing, Scanfil does not always know what the produced components are used for by the customer in the final product or application. Components may be used for Taxonomy eligible or non-eligible, aligned and non-aligned economic activities and it can be difficult to assess and influence usage in detail.

That said, Scanfil works in close collaboration with its customers to the greatest extent possible to ensure that its products are of the highest quality and contribute substantially to achieving the environmental objectives defined in Article 9 of Regulation (EU) 2020/852.

In accordance with Article 10 on Substantial contribution to climate change mitigation, Scanfil contributes substantially by enabling the activities listed in points (a) to (h). These are economic activities that qualify as substantially stabilizing the concentrations of greenhouse gas in the atmosphere at a level that prevents dangerous anthropogenic interference with the climate system consistent with the long-term temperature goal of the Paris Agreement. Scanfil’s EU Taxonomy aligned customers’ main contribution via a) generating, transmitting, storing, distributing, or using renewable energy in line with Directive (EU) 2018/2001, including through using innovative technology with a potential for significant future savings or through necessary reinforcement or extension of the grid; (b) improving energy efficiency, except for power generation activities as referred to in Article 19(3).

As described in Article 16, enabling activities are defined as those which contribute substantially to one or more of the environmental objectives and:

- (a) does not lead to a lock-in of assets that undermine long-term environmental goals, considering the economic lifetime of those assets; and
- (b) has a substantial positive environmental impact, based on life-cycle considerations

Scanfil has activities that qualify as environmentally sustainable according to the EU Taxonomy as per EU Regulation 2020/852. Scanfil has activities that are in the scope of Technical Screening Criteria (TSC) 3.1 Manufacture of renewable energy technologies, 3.4 Manufacture of batteries and 3.5 Manufacture of energy efficiency equipment for buildings.

Assessment of compliance with the taxonomy regulation

Scanfil has carried out an assessment regarding its economic activities against the EU Sustainable Finance Taxonomy’s first Delegated Act on Climate, as required by the Delegated Act on Article 8. The purpose of this assessment was to define the taxonomy-eligibility and alignment. Scanfil’s approach to identifying and reporting sustainable economic activities consisted of:

1. Eligibility assessment: mapping of economic activities to taxonomy activity descriptions and NACE codes.
2. Substantial contribution assessment: screening of activities against technical screening criteria.
3. Do no significant harm (DNSH) assessment: screening of Scanfil’s procedures to ensure that our operations do not cause significant harm to relevant environmental objectives. Screening conducted at an appropriate level for each environmental objective. The company has established management procedures that address different environmental issues, including waste disposal and pollution control. These procedures are primarily carried out using environmental management systems that are certified by ISO 14001.

4. Minimum safeguards assessment: A review of Scanfil's social safeguards to ensure that our operating instructions, company policies, and management system are compliant with the UN Declaration of Human Rights, the ILO Fundamental Conventions on Human Rights at Work, the Rio Declaration, and the UN Convention against Corruption.

Scanfil works with the requirements for minimum safeguards by assessing and managing the risk and impact of their business activities on people, society, and the environment. These requirements are met by ensuring compliance with its Code of Conduct (CoC). Internally this means that all employees are required to participate in a course to make sure their behaviors are in line with the values of Scanfil. For its upstream activities, Scanfil works to ensure that its suppliers comply with their supplier CoC. As part of its minimum requirement, 100% of all new suppliers have signed Scanfil's supplier CoC. Scanfil has a risk assessment process for all new suppliers that results in a score card. Suppliers are categorized and assessed according to a three-point criteria containing of business and customer needs, and regulatory requirements. Scanfil conducts an in-depth audit for these suppliers.

To ensure its sustainability in procurement Scanfil uses EcoVadis to assess its suppliers. Scanfil requests specific measures from suppliers who cannot meet with the required minimum rating score. If insufficient measures are implemented to raise their score, Scanfil may phase out these suppliers.

Human rights impact assessments are part of broader efforts to promote corporate social responsibility, sustainable development, and ethical business practices. They contribute to the protection and promotion of human rights by proactively identifying and addressing potential risks and impacts associated with various activities. Scanfil requires the commitment of the Supplier Code of Conduct for the approval of all new suppliers. This is in combination with a "Due Diligence procedure", where criteria for sustainability are included.

To meet the increased demands on the due diligence process for human rights impact assessment, Scanfil continuously develops its processes including the implementation of new tools. The goal is to have the opportunity in 2024 to cover the entire supplier base from both a risk perspective, but also for the introduction of new suppliers.

Scanfil promotes and supports sustainable and ethical business practices. To enforce business conduct policy against corruption and misconduct, Scanfil uses a whistleblower service that allows everybody to speak up. The purpose is to ensure that no acts of bribery, anti-competitiveness and harassment occurs at Scanfil. Cases reported via the whistleblower service are handled by an internal council. On a monthly basis, any and all reported cases are assessed with consequent follow-ups as needed.

As a result of the 2023 assessment, the following economic activities were identified as taxonomy eligible and aligned for Scanfil with the objective of Climate Change Mitigation (CCM) according to the Technical Screening Criteria of 3.1 Manufacture of renewable energy technologies, 3.4 Manufacture of batteries and 3.5 Manufacture of energy efficiency equipment for buildings.

Scanfil Taxonomy KPIs for the year 2023 are presented in the tables of the following pages.

Double counting has been avoided by classifying external revenue streams into taxonomy-eligible economic activities only once. The shares of eligible and aligned net sales have been used as key to calculate eligible and aligned Opex and Capex.

Turnover

Scanfil is an electronics manufacturing service (“EMS”) company. It manufactures components and products for its customers. Most of Scanfil’s operations fall under NACE code 26 (Manufacturing of computers and electronic and optical products), which is currently not covered in the first Delegated Act on Climate. Scanfil has approximately 160 active customers and it manufactures approximately 10,000 different products annually. To describe the complexity, customers’ end products can vary from heat pumps and recycling solutions to elevators and industrial pumps and frequency converters. For now, Scanfil’s taxonomy-eligible and aligned economic activities are conducted predominantly in the Energy & Cleantech segment customers while other businesses are currently not described in the Taxonomy Regulation. Only customers and their line of business is assessed.

Capital Expenditure

The idea of an EMS company is to share assets in the production with other customers e.g. SMT lines are used for multiple customers and therefore identifying or separating investments in these assets based on taxonomy eligibility or alignment cannot be done. In cases, where assets cannot be shared i.e. they are customer specific, customer typically owns the assets.

Taxonomy CapEx is presented and measured in line with the CapEx presented in the Group’s financial statements. It consists of purchases of property, plant and equipment, and intangible assets and right-of-use assets.

Breakdown of CapEx KPI

MEUR	
Additions to property, plant and equipment	19
Additions to intangible assets	2
Additions to capitalized right-of-use assets	3
Total	24

Operating Expenditure

The Taxonomy regulation’s definition of OpEx relates to assets and economic activities that generate taxonomy eligible net sales. It consists of expenses relating directly to maintenance and servicing of assets including e.g., facility improvements. Scanfil has applied a conservative interpretation of the Taxonomy OpEx definition. Raw materials, and salaries of employees performing repairs, maintenance, and services of eligible fixed assets, are excluded.

Breakdown of OpEx KPI

MEUR	
Costs of maintenance, repair and equipment	10
Total	10

Proportion of turnover from products or services associated with Taxonomy-aligned economic activities - disclosure covering year 2023

Financial year 2023	2023			Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)							Proportion of Taxonomy-aligned (A.1.) or -eligible turnover, year 2022 (A.2.)	Category enabling activity	Category transitional activity
Economic activities	Code	Turnover	Proportion of turnover, year 2023	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards			
		MEUR	%	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacturer of renewable energy technologies	CCM 3.1	6	0.6%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.5%	E	
Manufacturer of batteries	CCM 3.4	19	2.1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	1.5%	E	
Manufacturer of energy efficiency equipment for buildings	CCM 3.5	76	8.4%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	6.0%	E	
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		101	11.1%	11.1%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	8.0%		
Of which enabling		101	11.1%	11.1%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y		E	
Of which transitional			0.0%	0%															
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacturer of renewable energy technologies	CCM 3.1	3	0.4%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.4%		
Turnover of Taxonomy eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		3	0.4%	0.4%	0%	0%	0%	0%	0%								0.4%		
A. Turnover of Taxonomy-eligible activities (A.1 + A.2)		104	11.5%														8.4%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
Turnover of Taxonomy-non-eligible activities		798	88.5%																
TOTAL		902	100.0%																

A.1.
Y - Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N - No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL - Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective

A.2.
EL - Taxonomy-eligible activity for the relevant objective
N/EL - Taxonomy-non-eligible activity for the relevant objective

Scanfil plc's principles for defining turnover, capital expenditure and operating expenditure can be found in notes 1.1, 1.5., 3.2., 3.3. and 3.4. in the Financial Statements.

Proportion of CapEx from products or services associated with Taxonomy-aligned economic activities - disclosure covering year 2023

Financial year 2023	2023			Substantial contribution criteria							DNSH criteria (Does Not Significantly Harm)							Proportion of Taxonomy-aligned (A.1.) or -eligible CapEx year 2022 (A.2.)	Category enabling activity	Category transitional activity
Economic activities	Code	CapEx	Proportion of CapEx, year 2023	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Minimum safeguards				
		MEUR	%	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T	
A. TAXONOMY-ELIGIBLE ACTIVITIES																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
Manufacturer of renewable energy technologies	CCM 3.1	0.2	0.6%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.5%	E		
Manufacturer of batteries	CCM 3.4	0.5	2.1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	1.5%	E		
Manufacturer of energy efficiency equipment for buildings	CCM 3.5	2.0	8.4%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	6.0%	E		
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		2.6	11.1%	11.1%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	8.0%			
Of which enabling		2.6	11.1%	11.1%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y		E		
Of which transitional			0,0%	0%																
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Manufacturer of renewable energy technologies	CCM 3.1	0.1	0.4%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.4%			
CapEx of Taxonomy eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0.1	0.4%	0.4%	0%	0%	0%	0%	0%								0.4%			
A. CapEx of Taxonomy-eligible activities (A.1 + A.2)		2.7	11.5%														8.4%			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																				
CapEx of Taxonomy-non-eligible activities		21.3	88.5%																	
TOTAL		24.0	100.0%																	

A.1
Y – Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N – No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL – Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective

A.2
EL – Taxonomy-eligible activity for the relevant objective
N/EL – Taxonomy-non-eligible activity for the relevant objective

Scanfil plc's principles for defining turnover, capital expenditure and operating expenditure can be found in notes 1.1., 1.5., 3.2., 3.3. and 3.4. in the Financial Statements.

Proportion of OpEx from products or services associated with Taxonomy-aligned economic activities - disclosure covering year 2023

Financial year 2023	2023			Substantial contribution criteria						DNSH criteria (Does Not Significantly Harm)							Proportion of Taxonomy-aligned (A.1.) or -eligible Opex year 2022 (A.2.)	Category enabling activity	Category transitional activity
Economic activities	Code	OpEx	Proportion of OpEx, year 2023	Climate change mitigation	Climate change adaptation	Water	Pollution	Circular economy	Biodiversity	Climate change mitigation	Climate change adaptation	Water and marine resources	Pollution	Circular economy	Biodiversity	Minimum safeguards			
		MEUR	%	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y;N;N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Manufacturer of renewable energy technologies	CCM 3.1	0.1	0.6%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	0.5%	E	
Manufacturer of batteries	CCM 3.4	0.2	2.1%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	1.5%	E	
Manufacturer of energy efficiency equipment for buildings	CCM 3.5	0.8	8.4%	Y	N/EL	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	6.0%	E	
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1.)		1.1	11.1%	11.1%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y	8.0%		
Of which enabling		1.1	11.1%	11.1%	0%	0%	0%	0%	0%	Y	Y	Y	Y	Y	Y	Y		E	
Of which transitional			0.0%	0%															
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Manufacturer of renewable energy technologies	CCM 3.1	0.0	0.4%	EL	N/EL	N/EL	N/EL	N/EL	N/EL								0.4%		
OpEx of Taxonomy eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0.0	0.4%	0.4%	0%	0%	0%	0%	0%								0.4%		
A. OpEx of Taxonomy-eligible activities (A.1 + A.2)		1.1	11.5%														8.4%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																			
OpEx of Taxonomy-non-eligible activities		8.9	88.5%																
TOTAL		10.0	100.0%																

A.1.
Y - Yes, Taxonomy-eligible and Taxonomy-aligned activity with the relevant environmental objective
N - No, Taxonomy-eligible but not Taxonomy-aligned activity with the relevant environmental objective
N/EL - Not eligible, Taxonomy-non-eligible activity for the relevant environmental objective

A.2.
EL - Taxonomy-eligible activity for the relevant objective
N/EL - Taxonomy-non-eligible activity for the relevant objective

Scanfil plc's principles for defining turnover, capital expenditure and operating expenditure can be found in notes 1.1., 1.5., 3.2., 3.3. and 3.4. in the Financial Statements.

Delegated Regulation 2022/1214

Most of Scanfil's operations fall in under NACE code 26, Manufacturer of computer, electronic and optical products, in accordance with the statistical classification of economic activities established by regulation (EC) no 1893/2006. As an electronics manufacturing service ("EMS") Scanfil has customers in the Energy & Cleantech segment but rarely with knowledge of in-depth energy related activities.

Nuclear energy related activities		
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
Fossil gas related activities		
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO