

# 23.



# Sustainability strategy and targets

GARO's sustainability efforts are based on three pillars, each of which is part of the strategic framework: Climate, Circular economy and Ethical and responsible business. This strategy is the foundation that allows GARO to respond to regulatory requirements, meet growing market expectations and pursue growth and return for investors, while focusing on strengthening GARO's social capital by attracting, encouraging and retaining employees.

GARO's operations are to be conducted in a sustainable manner in which all employees are to be offered safe and comfortable workplaces. The products and services that GARO provides create the preconditions for and enable the growth of a fossil-free society. GARO's overall climate target is to

become climate neutral by 2040 and develop into a circular company.

GARO works toward the UN Sustainable Development Goals (SDGs). From the 17 SDGs, the Group has selected four that we believe we can create the greatest value and make the most difference.

As different areas of materiality have varying degrees of impact, which may also change over time, GARO adapts measures, action plans and resources on a step-by-step basis. Reporting and monitoring of KPIs involves broad collaboration and continuous dialog to ensure responsible and effective measurement of progress towards the SDGs.



## Climate

### → ACHIEVE CLIMATE NEUTRALITY

GARO aims to be climate neutral throughout the value chain by 2040. This is in accordance with the Paris Agreement whose goal is to limit global warming to 1.5°C.

#### TARGET:

- Emissions related to the operations in GARO's own premises are to only come from fossil-free sources for electricity and heating production by 2025.
- All electricity in the Group's facilities is to come from fossil-free sources by 2025.

#### OUTCOME:

- 690 tons CO<sub>2</sub>e emissions (Scope 1 and 2).
- 81% of electricity from fossil-free sources in own operations.

Read more on page 30.



## Circular economy

### → SUCCEED IN ACHIEVING THE CIRCULAR COMPANY

GARO strives to ensure that its products are climate-smart, recyclable and reusable, thereby optimizing the conditions for GARO to become a circular company. This requires GARO to continue to develop products and services where materials and natural resources are used throughout the entire life cycle. This transition not only reduces climate impact but also offers financial benefits such as cost savings and strengthens GARO's position in an increasingly sustainability-driven market.

#### TARGET:

- Achieve a recycling level of over 98% by 2025.

#### OUTCOME:

- The recovery rate amounted to 87%.

Read more on page 33.







## Ethics and responsible business

### → BE AN EMPLOYER RECOMMENDED BY RESIDENTS, EMPLOYEES, CUSTOMERS AND INVESTORS

GARO believes that sustainability is the key to a successful and ethical corporate culture. GARO values and promotes an environment of ethical and responsible behavior at both the individual and corporate level and complies with international standards and conventions such as the UN SDGs.

#### TARGET:

- Zero serious workplace accidents and a downward trend for minor workplace accidents.
- To strive for equality in all occupational groups in the company.
- To strive for equality among senior executives.

#### OUTCOME:

- 24 serious workplace accidents and 58 minor workplace accidents.
- The percentage of women during the year was 41%.
- The percentage of women in senior executive positions amounted to 18%.

Read more on page 36.







# Climate

## Achieve climate neutrality

Climate change is a global matter that threatens to result in serious consequences for our planet. GARO's overall aim is to be climate neutral throughout the value chain by 2040. GARO wants to be an enabler that contributes to the UN 2030 Agenda, the European Green Deal, Fit for 55 and the goals of the Paris Agreement.

The challenges of achieving climate neutrality and the SDGs are significant, but GARO's ambition and objective is to develop the necessary solutions together with suppliers and partners.

GARO's products and services are integrated throughout the low voltage sector, which contributes to and enables efficient energy use with low climate impact.

### FOSSIL-FREE ENERGY IN OWN OPERATIONS



**81%**

### COMPANY CARS RUNNING ON ELECTRICITY FROM 2025



**100%**

### GREENHOUSE GAS EMISSIONS



**690 tons**

### EMISSION INTENSITY<sup>1</sup>



**4.9 tons**

### KEY FIGURES

	Goal	2023	2022	2021	2020	2019
CO <sub>2</sub> e emissions (tons).	Climate neutrality (Scope 1, 2, 3) by 2040	690 <sup>2</sup>	250	279	246	229
Percentage of electricity from fossil-free sources in own operations.	All electricity in the Group's facilities is to come from fossil-free sources by 2025.	81	92	-	-	-
Energy consumption electricity and heat (MWh)		3,777	3,140	3,321	3,058	2,939
Water consumption		7,838	4,274	-	-	-

1. Emission intensity is measured as a company's carbon dioxide equivalents (CO<sub>2</sub>e) in relation to the portfolio company's revenue. The emission intensity figures (annual CO<sub>2</sub>e in tons/company's annual revenue in USD million) are primarily intended to allow for relevant comparisons regardless of the size of the companies.

2. Scope 1 and 2 in 2023.

The increase for 2023 temporarily includes two production sites in Poland, the former being divested in the fourth quarter, and owned and leased vehicles, which were not reported in previous years.



## Products, services and systems enabling the new flexible, decentralized and sustainable energy and transportation system

GARO designs and manufactures products and complete solutions for electricity distribution and EV charging with a focus on safety, governance and metering as well as sustainability.

### GARO – A LINK IN THE ENERGY CHAIN

GARO's product development and ability to be innovative enables people to contribute to the transition and companies and sectors to invest in the ongoing sustainability transition. The fact that operations that manufacture products for the distribution of electricity play an important role in the transition is a factor that is particularly highlighted in the EU taxonomy. This concerns the upgrade of existing electricity distribution, use and new establishment, which is increasingly supplied via solar and wind power. Electricity distribution then enables the charging of electric vehicles and the transition to 100% electrified properties and societies. The trend demonstrates that the future will include more complex and entire system solutions since residential areas, logistics hubs, industries, harbors and cities' electricity use will increase both in the short and long term with the following driving factors:

- Climate transition – when fuel will be phased out to the benefit of solar and wind power combined with batteries to relocate electricity and power in time, when and where it is required.
- Energy efficiency – transition to cooling and heat pumps.
- Population densification – demand for electricity and power increases.
- The electrification of the entire transport and energy sector and more local electricity distribution.

### KEY EVENTS IN 2023

- The wall boxes of the new GARO Entity technical platform reach the market, offering smarter EV charging in part through the Price Adaptive Charging (PAC) function. The function enables provides the opportunity to charge when the price of electricity is lower, which occurs when the burden on the electricity grid is low.
- Focus on heavy vehicles and construction transport by expanding the product offering.



## Fossil-free energy only

GARO's ambition is to use only fossil-free energy in its own operations and throughout the value chain. GARO believes that direct and indirect operational emissions from premises in terms of electricity and heating will be zero tons by 2025. The company also focuses on reducing emissions from suppliers and partners in logistics, commuting and business travel.

### GARO sees opportunities in reducing the company's operational emissions by 2030 by:

- increasing the share of fossil-free energy for heating and cooling by, when possible, phasing out gas to the benefit of energy, cost and emission reducing heat pumps.
- increasing solar electricity production with lower electricity costs, reduced transmission costs and more efficient use of energy as a positive consequence.
- increasing the use of electric vehicles for business travel, work vehicles and logistics transport, reducing the company's dependence on fuel and further reducing GARO's climate emissions.

### KEY EVENTS IN 2023

- As of 2023, 100% of official vehicles are ordered with electric power, which reduces GARO's climate impact and provides financial benefits through lower fuel costs.
- New production and logistics facility in Poland inaugurated. The facility has a clear focus on sustainability, and factors such as the exclusion of gas heating contribute to reducing climate emissions.
- More than 100 employees have been trained in the rapid development of the new sustainable energy system, its benefits and the role of GARO.



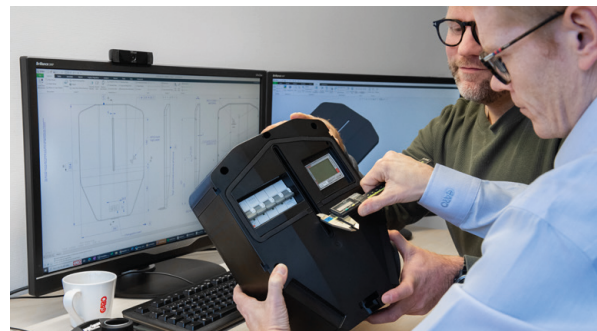
## Fossil-free emissions from the supply chain

GARO's efforts focus on encouraging the use of fossil-free energy in suppliers' operations. In order to reduce emissions in the logistics chain and promote the transition to electric freight transport, collaboration with suppliers, logistics and transport operators, as well as stakeholders in the deployment of charging infrastructure, is required.

### KEY EVENTS IN 2023

- In 2023, GARO intensified the degree of its influence on supplier sustainability performance. The target is for suppliers and partners to use 100% climate neutral energy in their production processes by 2025 for all components and services delivered to GARO.

- GARO has consolidated its own production and logistics facilities in Sweden from three to two in order to improve logistics and reduce emissions.



## Collaborations

It is naturally important for GARO to take social responsibility, both at an overall level and a local one in the locations where the Group operates. GARO can contribute to reducing emissions alone and in collaboration with other players with new knowledge and an established exchange of frontier research.

### PROJECT DIALOGS IN 2023:

- University, research and student dialog.
- During the year, bachelor and master's theses on sustainability from six different universities were supported. Particular focus was placed on a case study exploring

how industry, including GARO, can contribute to the new flexible electricity system and the financial benefits this can create.

- Together with researchers at RISE, dialog was initiated on collaboration to integrate more climate-smart materials in GARO's products, with a particular focus on wood materials.
- GARO has participated in the "SuperEffekt" project led by Blekinge Institute of Technology. The project focused on exploring the combination of solar energy, batteries, hydrogen and artificial intelligence (AI).



# Circular economy

## Succeed in achieving the circular company

At GARO, awareness of the circular economy is steadily increasing, reflecting not only a general industry trend but also influenced by changes in global financial, political and societal spheres. GARO is aware that all materials used have an impact, and that there is a need to quantify and assess its degree of impact in order to find new alternative materials.

Faced with a time of more stringent requirements and regulatory commitments, such as the EU taxonomy and CSRD, GARO is aware that action and transformation is required to ensure that products, operations and the company develop in a sustainable way. These driving requirements affect GARO’s strategic direction and its ability to lead the transition to a circular company.

At the same time, investors, customers and wholesalers are becoming increasingly aware of and demanding a higher

share of circular materials, such as recycled plastics, in products and processes, as well as opportunities for return. This increased awareness and demand is something that GARO is actively embracing and responding to. By reducing the use of raw materials and increasing the use of recycled materials, GARO also facilitates the path to climate neutrality, reduced impact on biodiversity, reduced water use, minimized pollution risks and inefficient land use.

GARO’s strategy includes an action plan for sustainable products and services that spans the short, medium and long term and supports the company’s overall corporate objectives and key results. Through a circular economy, a more sustainable and future-proof business can be achieved in line with the demands and expectations of our time.



## GARO focuses on the circular economy in the following areas:

### MATERIAL CHOICES

Nature provides us with raw materials for products, directly or through subcontractors. GARO sets requirements and evaluates all material purchases. The Group's suppliers are mainly located in Europe, which limits the risk of non-compliance with the Group's Code of Conduct.

All suppliers with whom GARO enters into strategic partnerships are continually assessed to ensure that they meet the Group's quality and sustainability requirements. GARO works together with suppliers to develop and achieve a sustainable working method through cooperation and dialog.

Market requirements regarding the choice of materials, certification and/or standards are rising at the same or faster pace than legislation requires, particular in the EU. One area is legislation and the use of conflict materials, such as tin, tungsten, tantalum and gold that are used in a variety of everyday products.

**Efficient material choices:** GARO strives to systematically minimize material use while maintaining resistance and quality and meeting increased safety and sustainability requirements.

**Low carbon footprint:** GARO prioritizes materials with low carbon footprints. This includes using local materials and materials produced with renewable energy.

**Sustainability over the life cycle:** GARO's target is to assess the environmental and social impact of the material throughout its life cycle, from raw material extraction to disposal. This helps to identify the most sustainable materials.

**Sustainable materials:** The choice of sustainable and long-lasting materials reduces the overall environmental impact of the product over time.

**Recyclable and reusable materials:** Materials that can be easily recycled or reused are prioritized.

### COLLABORATION FOR THE CIRCULAR ECONOMY

GARO works with industry peers, universities, NGOs and authorities to promote circular economy principles and drive sustainability developments with a focus on electrification.

### MATERIAL WASTE AND RECYCLING

GARO's objective is that no waste goes to landfill and the Group operates based on the EU waste hierarchy, which mainly involves minimizing and reusing resources. When this is not possible, waste is recycled and, in a last case scenario, waste goes to landfill.

### MODULARITY AND REPARABILITY

Modularity and reparability is an important area for GARO in the development of products and represents a significant strength for the overall sustainable business model. Through identified sustainability aspects, products are developed with a focus on their entire life cycle. These aspects include, for example, ensuring that GARO allows, as far as possible, for upgrades to be made without having to replace entire units. The fact that certain modules or components can be replaced separately promotes a circular economy that contributes to a lower environmental impact by reducing waste.







### KEY EVENTS IN 2023

- In 2023, efforts began on evaluating system suppliers to ensure that the use of materials for GARO's products is in line with set sustainability targets and the requirements of the EU taxonomy. This strategic action aims to strengthen internal understanding and the conditions for achieving a circular economy.
- During the year, the review of choices of materials continued and needs were identified. This concerned prioritizing the materials that we use in our product portfolio to an even greater extent. These efforts will continue for many years and could have a direct impact on the choice of materials, suppliers, circular flows, packaging and waste management.
- New, more climate-smart packaging was gradually implemented during the year. This is applied to all new packaging and will also be applied to the existing range in 2024.
- During the year, GARO continued its dialog with companies that offer cable and electronics recycling. The aim of this was to increase the conditions for recycling materials for new products.
- GARO has implemented a proactive strategy to diversify its EU-based subcontractors with a focus on sustainability standards. This includes careful consideration of supplier certifications and recyclability, reducing the risk of problematic origins.

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**When GARO develops products, the objective is for them to offer high functionality and be energy- and cost-efficient while having the least possible environmental impact throughout their life cycle. The operations have a life cycle perspective integrated in all product development projects and include the entire GARO value chain, from the choice of materials to reparation and recycling.**

### KEY FIGURES

	Goal	2023	2022	2021	2020	2019
Waste recycling rate (%)	Achieve a recycling level of over 98% by 2025.	87	82	84	85	72

# Ethics and responsible business

## GARO is to be an employer recommended by residents, employees, customers and investors

It is important for GARO to be part of the society it operates in. Conducting responsible and ethical business is fundamental for operations, the brand and its long-term success.

Maintaining consideration for employees who we see as the key to the Group's continued development and success is just as meaningful. By placing people in the focus and offering favorable personal development opportunities and safe workplaces,

GARO gains access to motivated employees who thrive at work.

When combined with an open corporate culture that promotes innovation and new thinking, the result is an engaged workforce that contributes to a dynamic and innovative organization that can more rapidly adapt to change and meet the challenges of the future. This forms the basis of positive and stable operational development.

### EQUALITY WOMEN/MEN IN SENIOR POSITIONS



**19%**  
WOMEN

**81%**  
MEN

### EQUALITY WOMEN/MEN TOTAL



**41%**  
WOMEN

**59%**  
MEN

### ACCIDENTS AND INCIDENTS



**24**  
ACCIDENTS

**58**  
INCIDENTS

### KEY EVENTS IN 2023

- The continuous monitoring of employee well-being through engagement surveys is an important part of the development of the working environment within the Group. This has begun to be implemented Group-wide and will be fully integrated in 2024.
- More than 100 employees from the GARO Electrification business area have undergone training in rapid societal development and opportunities within the new sustainable energy system.
- Intensified sustainability work that ensures coordination,

management and monitoring of environmental and social aspects.

- GARO achieved a high ranking in the EcoVadis sustainability assessment, demonstrating its strong commitment to sustainability and responsibility. This ranking provides GARO with valuable insights for further improvements in its sustainability efforts. EcoVadis is a global leader in sustainability ratings, focusing on environmental concerns, fair labor practices, ethics and sustainable sourcing, and following international standards such as GRI, UN Global Compact and ISO 26000.

### KEY FIGURES

	Goal	2023	2022	2021	2020	2019
Number of employees		478	521	498	412	421
Number of serious workplace accidents	Zero serious workplace accidents and a downward trend for minor workplace accidents.	24	26	18	21	15
Proportion of women in the organization (%)	To strive for equality in all occupational groups in the company.	41	42	-	-	-
Proportion of women in senior positions (%)*	To strive for equality among senior executives.	19	16	-	-	-

\* Senior positions includes members of Group Management and the Board of Directors.





### OPENNESS, FRIENDLINESS AND PRIDE

Openness, friendliness and pride are the foundations of GARO's corporate culture and the GARO spirit that has been created by its employees. An active and close leadership is a prerequisite for success, and every employee must, regardless of position, be treated with respect. GARO's strong corporate culture creates motivation, commitment, pride and belonging. Each employee acting as a good ambassador for the Group not only strengthens the brand and corporate culture, but also contributes to the continued development of operations and maintaining strong relationships with the company's stakeholders. GARO strives to be a workplace where people can grow, develop and forge careers internally.



### SAFE, HEALTHY ENVIRONMENT

GARO is to offer safe and secure workplaces characterized by good working conditions, zero tolerance towards discrimination and a sound balance between work and free time. The Group's production environments are clean, light and without noise, and the safety of employees is always in focus. The goal is for equally low sick leave, regardless of work tasks and country. Workplace accidents must be as close to 0 as possible.



### DIVERSITY AND EQUALITY

Everyone is welcome at GARO, regardless of gender, ethnicity, sexual orientation or disability. There is considerable value in having cultural diversity with even age and gender distribution throughout operations. This creates a successful corporate culture. GARO always strives to achieve an even employee composition and to have more women in senior positions.



### HUMAN RIGHTS

The GARO Group supports the protection of internationally recognized human rights and works proactively to avoid contributing to human rights violations. Employees should respect the rights of the individual while demonstrating good faith and mutual respect in their dealings with colleagues. Products must not contain conflict materials (tin, tantalum, tungsten and gold) that are originated from high-risk and conflict-affected areas.



### PERSONAL DEVELOPMENT AND RECRUITMENT

GARO is to have an attractive workplace in which its employees feel acknowledged and are offered developing and challenging work tasks, regardless of where in the Group they find themselves. Attracting and retaining expertise is an important aspect of GARO's strategy, and creating the conditions for employees to forge a career in the Group attracts external expertise as well as ensuring that the expertise already present in the Group is maintained. All employees are to be given the same opportunities for development, training and promotion in their respective areas of activity. There is a wide range of various positions in the Group that creates favorable opportunities for employees to develop internally. Flexibility between different units, business areas, countries and within the Group in general has led to new insight and supplementary skills positively impacting GARO's operations.



### RESPONSIBLE PURCHASING

Through collaboration with carefully selected suppliers, who like GARO have high sustainability goals, it is ensured that each supplier is involved in and contributes to GARO's strategic sustainability efforts.



### SOCIETAL DEVELOPMENT

GARO is committed to the local community in which it operates and, through local involvement, aims to create an attractive and prosperous community primarily from a developmental, economic, social and cultural perspective.



# Sustainability at GARO

## BUSINESS OPPORTUNITIES THROUGH SUSTAINABILITY

GARO sees sustainability as a key path to meeting ecological and social needs while creating the best prerequisites for financial success. Our business strategy, with sustainability as an integrated feature, creates opportunities for positive societal impact and enables new business opportunities.

GARO sees the financial benefits of prioritizing sustainability in the company's processes and decisions such as improved use of resources and optimizing material intensity. Life cycle assessments help GARO to ensure material selection and enable reduced energy costs. These insights create financial value and are essential for GARO to reduce its climate impact.

In addition to reducing its impact on the climate and financial opportunities, GARO focuses on building its social capital. By investing in a sustainable work environment that promotes a work-life balance and supports social responsibility initiatives, GARO increases employee motivation. This results in a more engaged and productive work environment that benefits both employees and the company as a whole.

GARO's commitment to sustainability has also attracted the interest of students who want to become involved in companies with a strong sustainability agenda. Through various partnerships with GARO, they have the opportunity to apply their

knowledge and help create a more sustainable society.

Integrating sustainability into the business strategy lays the foundation for a gradual reduction of GARO's environmental impact while creating a stable foundation for sustainable growth and future success.

## EXPANDED SUSTAINABILITY EFFORTS

During the year, GARO has taken several measures to strengthen its work on assessing significant consequences, risks and opportunities in resource use and the circular economy.

GARO has enhanced the internal process by integrating the Framework for Strategic Sustainable Development (FSSD) into the strategic sustainability process. This framework has provided the Group with a clear structure and governance to assess and prioritize the material aspects.

The process involves reviewing the production and logistics facilities and business operations to identify actual and potential effects, risks and opportunities.

A particular focus is placed on analyzing and understanding resource flows and waste management.

At the same time, collaboration with students from different universities and disciplines has been expanded to provide these efforts with new knowledge and perspectives.

GARO's investment in a new production and logistics facility



in Poland, in which the company is guided by BREEAM, has been an important part of promoting the circular company and the sustainable use of resources.

In parallel, several new policies have been adopted to further support these efforts, with the policy for sustainable purchasing being a clear example.

### **GARO'S SUSTAINABILITY REPORT**

The Sustainability Report for 2023 includes GARO Group companies for which GARO AB has operational control, which are those companies in which GARO has a majority shareholding.

GARO's sustainability efforts are based on the scientifically developed framework for strategic sustainable development. The framework facilitates GARO's strategic and methodical efforts with the Corporate Sustainability Reporting Directive (CSRD), the European Sustainability Reporting Standards (ESRS), the EU taxonomy and the forthcoming Corporate Sustainability Due Diligence Directive (CSDDD).

GARO's sustainability efforts are guided by international standards, conventions and frameworks such as the UN Universal Declaration of Human Rights (UDHR), the Children's Rights and Business Principles, the Organisation for Economic

Co-operation and Development's (OECD) Guidelines for Multinational Enterprises, the Fundamental Conventions developed by the International Labor Organization (ILO), the Fair Labor Association and the UN Global Compact and Ethical Trading Initiative (ETI). GARO reports its sustainability efforts in accordance with the Swedish Annual Accounts Act and reports in accordance with the taxonomy regulation.

In order to provide a comprehensive overview of the Group's sustainability impacts, strategies, plans and practices, the most material aspects for operations and its stakeholders have been included in the report.

Data for the reporting was collected from each company in the Group through BI reports, IT and financial systems and external support systems for such things as energy consumption. In addition, internal databases such as life cycle assessments and other analyses, including climate analyses, have been prepared by the sustainability department. At the same time, GARO is required to include all target areas and dimensions of sustainability within the company. The CSRD identifies several key areas that require special attention, resources and targets to meet sustainability requirements.



# Sustainability governance

GARO governs its sustainability work with a clear objective and ambition to continually evolve. Sustainability is integrated and embedded in the GARO Group's strategy and decision-making processes. The sustainability governance structure ensures that regular follow-ups of compliance with the sustainability goals are carried out and that progress and results are actively reported to meet the growing needs for materials and energy with a focus on ecological, social, regulatory and compliance requirements. This ensures that GARO's actions and initiatives are in line with the set sustainability goals and commitments in the sustainability strategy.

This focused and proactive approach allows GARO to continuously improve its sustainability efforts and adapt to the dynamic conditions in the field of sustainability.

The ultimate responsibility for GARO's sustainability work lies with the Board of Directors, while the CEO and Group Management have overall responsibility. Those responsible for sustainability lead efforts through target, strategy and action plans as well as operational governance and accountability and related steering documents. Governance is formalized in the GARO's Sustainability Policy.

Currently, GARO does not have a specific incentive scheme linked to sustainability goals for the management team. GARO is evaluating and considering the introduction of such incentives to further strengthen commitment to the sustainability goals and ensure a more focused sustainability strategy within the company.

## CERTIFICATIONS

The majority of GARO Group companies have ISO 9001 and 14001 certification, which ensures that quality and environmental management systems are regularly evaluated and comply with applicable regulations. The allocation of responsibilities is based on specific areas for the implementation of operational sustainability efforts. Operations in Ireland and the UK hold ISO 9001 certification and undergo similar annual evaluations to ensure compliance with relevant regulations.

## POLICIES AND GUIDELINES

GARO has a clear and integrated policy for sustainability that permeates the company's business decisions and operations. The policy is based on GARO's commitment to reducing the company's environmental impact and promoting sustainability. It guides GARO's employees and partners in the set sustainability initiatives. GARO's policies, codes of conduct, guidelines and associated action plans are well implemented as guidance for employees, corporate culture and social responsibility.

### Quality and environmental management system

ISO 9001:2015

ISO 14001:2015

### Code of Conduct

GARO Code of Conduct

GARO Supplier Code of Conduct

## GOVERNANCE MODEL

### The Board of Directors

Ultimate responsibility for the company's sustainability efforts

### Group Management

Overall responsibility for the company's sustainability efforts

### Head of Sustainability

Operational responsibility for the company's sustainability efforts on a Group level.

### Operations

Operational responsibility for implementing action plans and monitoring KPIs in the area of responsibility.

### Employees

Follow and work based on sustainability frameworks, codes of conduct and policies.



# Stakeholder dialog

For GARO, it is a given to consider stakeholders and their expectations in the design of our sustainability efforts. Their input is significant for our efforts to maintain a relevant and material nature. Through transparent processes and active collaboration, GARO strives to create a sustainability strategy that benefits all parties involved. GARO's operations, products and services are engaging, which facilitates dialog with various stakeholders.

Stakeholder dialogs are regularly conducted and form an important part in understanding society, the continuous changes that impact GARO and GARO's effect, both today and tomorrow, on society, people and cultures where the Group operates. Sustainability work, the materiality analysis and sustainability goals are designed so that they are in line with the insight that stakeholder dialogs provide based on this data and other relevant information.

Dialog with various stakeholder groups take place in various contexts depending on the stakeholder. For example, natural points of contact, customer and employee surveys, major product launches and personal meetings.

The Group has seen rising interest in sustainability from customers, clients, analysts, banks, funds, universities, authorities and employees. Dialog is conducted on such topics as the EU taxonomy, related new future legislation, climate and energy, product analyses and talent supply. GARO has also taken the initiative to carry out research and development projects into future flexible electric systems.

The table below describes the Group's most important stakeholders and their prioritized sustainability matters.

Stakeholder	Dialog	Topics
Customers	Surveys Business dialog Contracts	Safe products Sustainable products Business relationships Minimizing risk
Employees	Employee dialog Surveys	Work environment Safety Expertise
Suppliers	Surveys Business dialog Contracts	Long-term approach Performance Minimizing risk Corruption
Investors/analysts	Financial statements Personnel meetings	Return Long-term approach Sustainability matters
Management	Sustainability strategy	Management by objectives Focus areas Resources
Shareholders	Annual General Meeting Personnel meetings Management talks	Return Long-term approach Minimizing risk
Authorities	Surveys Visits Lobbying	Law and legal compliance Skills supply Infrastructure Green transition
Universities and colleges	Research projects Degree project	Energy transition Electric systems
Local community	Local cooperation Stakeholder group engagement	School collaborations Sponsorship

# Auditor's report on the statutory sustainability statement

To the general meeting of the shareholders of GARO AB (publ), corporate identity number 556051-7772

## ENGAGEMENT AND RESPONSIBILITY

It is the Board of Directors who is responsible for the statutory sustainability statement for the year 2023 on pages 28–43 and 102–107 and that it has been prepared in accordance with the Annual Accounts Act.

## THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

## OPINIONS

A statutory sustainability statement has been prepared.

Jönköping, April 9, 2024  
Ernst & Young AB

Joakim Falck  
Authorized Public Accountant







# EU Taxonomy Regulation

## GARO's REPORTING

The 2023 sustainability reporting encompasses the companies in the Group in which GARO has operational controls, meaning where GARO AB has a majority holding.

The primary target group of the reporting is investors and shareholders. The most relevant parts for the operations and its stakeholders have been included in the Sustainability Report in order to provide an overall view of the Group's impact, strategies and work methods in the area of sustainability. All data for the reporting has been collected from each company via BI reports and IT and accounting systems. Data has then been compiled to calculate aggregated figures for the Group. Sustainability activities and their results are used in GARO's operations to meet the ecological and social necessities resulting from growing material and energy needs and to assign resources of talented people, which is beneficial for the Group. The Head of Sustainability is responsible for quality assurance of the data in the Sustainability Report.

## BACKGROUND INFORMATION

The EU taxonomy is a new EU Regulation that came into effect in 2020 and was applied with certain restrictions from January 1, 2022, to later be expanded in 2023. The taxonomy includes the EU Action Plan on Sustainable Finance 2018 and the EU Green Deal. The aim is to illustrate the proportion of a company's turnover, capital expenditure and operating expenditure for products or services that make a significant contribution to the taxonomy's six environmental objectives.

1. Climate Change Mitigation
2. Climate Change Adaptation
3. Water and marine resources
4. Circular economy
5. Pollution
6. Biodiversity

GARO's economic activities have been assessed at an overall level based on whether our operations make a substantial contribution to one or more of the identified environmental objectives, while also doing no significant harm (DNSH). For 2023, the proportion is reported for all environmental objectives 1-6, compared with 2022 when only environmental objectives 1-2 were reported. These technical screening criteria are laid down through secondary legislation known as delegated acts.

The taxonomy is part of the EU Green Deal that aims to transform the EU into a fair and prosperous society, with a modern, resource-efficient and competitive economy where there are no net emissions of greenhouse gases by 2050, where the environment and the health of European citizens are

protected, and where economic growth is achieved by the most efficient and sustainable use of natural resources.

The taxonomy is to protect, conserve and enhance the EU's natural capital, and protect the health and well-being of citizens from environment-related risks and impacts. These efforts are in line with the UN Agenda 2030 and the Paris Climate Agreement with the aim of limiting global warming to well below 2°C, and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels. Global warming is driven by higher greenhouse gas emissions, of which the transport and energy sector account for a high share.

## REPORTING POLICIES

Description of the disclosures to be provided together with the key performance indicators The taxonomy reporting encompasses the companies over which the Group has control, meaning that the company is a majority shareholder. Under the taxonomy, non-financial undertakings are to disclose information and report according to the taxonomy based on the three key performance indicators (KPIs) of sales (turnover), capital expenditure (CapEx) and operating expenditure (OpEx).

The Group's economic activities have been assessed and verified based on the EU Nomenclature of Economic Activities (NACE), which in the first instance shows whether or not an activity is taxonomy-eligible. In stage 2, GARO's activities have been assessed as to whether they are taxonomy-aligned based on the technical screening criteria.

### Turnover

Turnover includes the products and services that are taxonomy-eligible. The products groups have been assessed at product group level since their performance and purpose differ. All companies have reported Group-external turnover in order to eliminate double counting. Accordingly, the Group's turnover has been determined in the same way as for the financial reporting, refer also to the information in Note G6.

### CapEx

CapEx comprises tangible and intangible assets, business combinations and leases (see Note G10, 13, 14, 15). The taxonomy-eligible tangible and intangible assets refer to investments directly attributable to the production and development of the associated products.

In accordance with the precautionary principle, the Group has decided not to include other taxonomy-eligible investments such as office buildings, IT security and vehicles regardless of their performance.

For classifying business combinations, the guiding factors were the purpose of the investment and the companies' current operations. For the sake of simplification, leases were classified based on the specification of sales by each company.



GARO works actively with plans aimed at expanding the company's economic activities and upgrading taxonomy-eligible activities so that they are taxonomy-aligned.

### OpEx

OpEx comprises non-capitalized costs that relate to research and development, building renovation measures, maintenance and repair, machinery and equipment. Research and development were classified in the same manner as the classification of tangible and intangible assets.

### TAXONOMY-ELIGIBLE ACTIVITIES

The Group's economic activities have been assessed and verified based on the EU Nomenclature of Economic Activities (NACE), which illustrates how taxonomy-eligible the Group is. No NACE adjustments have been made in 2023 for GARO companies and are the same as in 2022. GARO's taxonomy-eligible activities subsequently have been assessed as to whether they are taxonomy-aligned based on the technical screening criteria, see A1 in tables 1, 2 and 3.

Taxonomy-eligible products and services are presented in the bullet point list below. The KPIs related to turnover, CapEx and OpEx attributable to these companies are included in column A, see tables 1, 2 and 3.

- Other research and experimental development on natural sciences and engineering (72190)
- Manufacture of electricity distribution and control apparatus (27120)
- Electrical installation (43210)
- Manufacture of instruments and appliances for measuring, testing and navigation (26510)
- Renting and operating of own or leased other premises (68203)
- Manufacture of other electrical equipment (27900)

### TAXONOMY-NON-ELIGIBLE ECONOMIC ACTIVITIES

Economic activities that are taxonomy-non-eligible, such as "Wholesale of electrical equipment" (46434) "Wholesale of measuring and precision instruments" (46691) and "Wholesale of other machinery, equipment and supplies" (46.6) are examples of activities that comprise "Proportion of not taxonomy-eligible economic activities." The KPIs related to turnover, CapEx and OpEx attributable to these companies and activities are included in column B, see tables 1, 2 and 3.

### KPIS

	Proportion of taxonomy-eligible economic activities		Proportion of not taxonomy-eligible economic activities	
	2023	2022	2023	2022
Turnover	83%	69%	17%	31%
CapEx	76%	91%	24%	9%
OpEx	97%	98%	3%	2%

A general description of both of the Group's business areas is provided below.

### GARO ELECTRIFICATION

The majority of GARO Electrification products are taxonomy-eligible. Some examples are products for construction of new buildings, such as consumer units and combination units, switchboards and energy systems and energy meters, which are deemed to be enabling activities under the technical screening criteria of the Taxonomy Regulation, Code 3.5 Manufacture of energy efficiency equipment for buildings. The following clarifications apply to our products:

- Presence and daylight control systems for lighting systems, which include such GARO products as KNX and astrour.
- Energy-efficient systems for property automation and equipment for operations for apartment buildings and properties, which includes the product groups of energy meters, engine heaters that are user, time and temperature-controlled.
- Zone thermostat and appliances for smart surveillance of the largest electric loads or cooling requirements in buildings and sensor equipment, which includes the GARO products of consumer units, combination units and switchboards.

The business area has taxonomy-non-eligible economic activities, which are reported in column B in tables 1, 2 and 3. These are activities that have the following NACE: 46.6 (Wholesale of other machinery, equipment and supplies), 46.691 "Wholesale of measuring and precision instruments" and 46.434 "Wholesale of electrical equipment."

### GARO E-MOBILITY

The majority of GARO E-mobility's products and services that comprise EV charging stations are taxonomy-eligible under activity code 3.6 "Manufacture of other low carbon technologies." The technical screening criteria for activity 3.6 specifies that the economic activity is for the manufacture of technologies that are aimed at and demonstrate substantial life cycle GHG emission savings compared to the best performing alternative technology/product/solution available on the market. Life cycle GHG emission savings are calculated using Commission Recommendation 2013/179/EU96 or, alternatively, ISO 14067:201897 or ISO 14064-1:201898. Quantified life cycle GHG emission savings are verified by an independent third party.

GARO E-mobility has performed a life cycle assessment of the LS4 charging station but does not currently have the data to meet the taxonomy's strict requirements for being considered to be taxonomy-aligned.

**TABLE 1: PROPORTION OF TURNOVER FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES - DISCLOSURE COVERING YEAR 2023.**

	Year			Substantial Contribution Criteria **						DNSH criteria (Do No Significant Harm) **										
	Code * (2)	Turnover (3)	Proportion of turnover, 2023 (4)	Environmental objective 1 Climate Change Mitigation (5)	Environmental objective 2 Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of Taxonomy-aligned (A.1.) or -eligible (A.2.) turnover, 2022 (18)	Category enabling activity (19)	Category transitional activity (20)	
GARO		MSEK	%	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)  Manufacture of energy efficiency equipment for buildings  Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)  Of which enabling  Of which transitional  A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)  Manufacture of other low carbon technologies  Construction of new buildings  Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		CCM 3.5	173	13	Y	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	8	E		
			173	13														8		
			173	13																
			173																	
		CCM 3.6	992	67	N	N	N/EL	N/EL	N/EL	N/EL								57	E	
		CCM 7.1	44	3	N	N	N/EL	N/EL	N/EL	N/EL								5		
			966	71														62		
Total (A.1+A.2)		1,369	83														69			
B. Taxonomy-non-eligible activities  Turnover of Taxonomy-non-eligible activities (B)																				
		230	17														31			
Total (A+B)		1,369	100														100			

83% of GARO is taxonomy eligible (A). Only a small proportion is taxonomy-aligned, 13% (A.1). Accordingly GARO reported under both A.1 and A.2.

\*The Code constitutes the abbreviation of the relevant objective to which the economic activity is eligible to make a substantial contribution, as well as the section number of the activity in the relevant Annex covering the objective, i.e.: CCM: Climate Change Mitigation  
 \*\*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

Proportion of CapEx		
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	13%	13%+71%=83%
CCA	-	-
WTR	-	-
CE	-	-
PPC	-	-
BIO	-	-



**TABLE 2: PROPORTION OF CAPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES – DISCLOSURE COVERING 2023.**

	Year			Substantial Contribution Criteria**						DNSH criteria (Do No Significant Harm)**										
	Code * (2)	Turnover (3)	Proportion of CapEx, 2023 (4)	Environmental objective 1 Climate Change Mitigation (5)	Environmental objective 2 Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of Taxonomy-aligned (A.1) or -eligible (A.2) CapEx, 2022 (18)	Category enabling activity (19)	Category transitional activity (20)	
GARO		MSEK	%	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	
<b>A. Taxonomy-eligible activities</b>																				
<b>A.1 Environmentally sustainable activities (Taxonomy-aligned)</b>																				
Manufacture of energy efficiency equipment for buildings		CCM 3.5	8	6	Y	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	10	E		
<b>CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)</b>			<b>8</b>	<b>6</b>													<b>10</b>			
<b>A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>																				
Manufacture of other low carbon technologies		CCM 3.6	010	70	N	N	N/EL	N/EL	N/EL	N/EL							73	E		
Construction of new buildings		CCM 7.1	1	0.4	N	N	N/EL	N/EL	N/EL	N/EL							8			
<b>CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)</b>			<b>102</b>	<b>70</b>													<b>81</b>			
<b>Total (A.1+A.2)</b>			<b>110</b>	<b>76</b>													<b>91</b>			
<b>B. Taxonomy-non-eligible activities</b>																				
CapEx of Taxonomy-non-eligible economic activities (B)			35	24													9			
<b>Total (A+B)</b>			<b>145</b>	<b>100</b>													<b>100</b>			

76% of GARO is taxonomy eligible (A). Only a small proportion is taxonomy-aligned, 6% (A.1). Accordingly GARO reported under both A.1 and A.2.

\*The Code constitutes the abbreviation of the relevant objective to which the economic activity is eligible to make a substantial contribution, as well as the section number of the activity in the relevant Annex covering the objective, i.e.: CCM: Climate Change Mitigation

\*\*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

Proportion of CapEx		
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	6%	6%+70%=76%
CCA	-	-
WTR	-	-
CE	-	-
PPC	-	-
BIO	-	-

**TABLE 3: PROPORTION OF OPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES - DISCLOSURE COVERING YEAR 2023.**

	Year			Substantial Contribution Criteria **						DNSH criteria (Do No Significant Harm)**										
	Code * (2)	Turnover (3)	Proportion of OpEx, 2023 (4)	Environmental objective 1 Climate Change Mitigation (5)	Environmental objective 2 Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular economy (9)	Biodiversity (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular economy (15)	Biodiversity (16)	Minimum safeguards (17)	Proportion of Taxonomy-aligned (A.1) or -eligible (A.2) OpEx, 2022 (18)	Category enabling activity (19)	Category transitional activity (20)	
GARO		MSEK	%	Y/N/EL	Y/N/EL	Y/N/EL	Y/N/EL	Y/N/EL	Y/N/EL	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	E	T	
<b>A. Taxonomy-eligible activities</b>																				
<b>A.1 Environmentally sustainable activities (Taxonomy-aligned)</b>																				
Manufacture of energy efficiency equipment for buildings	CCM 3.5	5	9.5	Y	Y	N/EL	N/EL	N/EL	N/EL	Y	Y	Y	Y	Y	Y	Y	6	E		
<b>OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)</b>		<b>5</b>	<b>9.5</b>														<b>6</b>			
<b>A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)</b>																				
Manufacture of other low carbon technologies	CCM 3.6	42	82	N	N	N/EL	N/EL	N/EL	N/EL							Y	74	E		
Construction of new buildings	CCM 7.1	3	5	N	N	N/EL	N/EL	N/EL	N/EL							Y	8			
<b>OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)</b>		<b>45</b>	<b>87</b>														<b>93</b>			
<b>Total (A.1+A.2)</b>		<b>50</b>	<b>97</b>														<b>98</b>			
<b>B. Taxonomy-non-eligible activities</b>																				
OpEx of Taxonomy-non-eligible economic activities (B)		2	3														2			
<b>Total (A+B)</b>		<b>51</b>	<b>100</b>														<b>100</b>			

97% of GARO is taxonomy eligible (A). Only a small proportion is taxonomy-aligned, 9.5% (A.1). Accordingly GARO reported under both A.1 and A.2.

\*The Code constitutes the abbreviation of the relevant objective to which the economic activity is eligible to make a substantial contribution, as well as the section number of the activity in the relevant Annex covering the objective, i.e.: CCM: Climate Change Mitigation

\*\*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

Proportion of CapEx		
	Taxonomy-aligned per objective	Taxonomy-eligible per objective
CCM	9.5%	9.5%+87%=97%
CCA	-	-
WTR	-	-
CE	-	-
PPC	-	-
BIO	-	-

# Climate Change Adaptation

## CLIMATE CHANGE ADAPTATION

GARO works continuously with risk and vulnerability analyses to systematically assess the potential effects and risks of climate change on the Group's operations and vulnerabilities linked to climate change based on four perspectives: Environmental, Social, Economic and Political, focusing on the production facilities in Sweden (Gnosjö and Hillerstorp) and in Poland (Szczecin). This involves GARO assessing the impacts of climate change on natural systems, employee well-being, economic impacts and policy challenges and opportunities as well as identifying mitigation measures for the Group's operations.

By using general climate projections and adapting them to local conditions and guidelines, including EU taxonomy requirements and regional adaptation strategies, GARO has identified key areas.

### Environmental

The effects of climate change on natural systems, including changes in temperature, precipitation, sea levels and extreme weather. This includes risks for water resources, biodiversity and ecosystem services.

### Social

The effects of climate change on GARO's employees, including the potential for transfers and lack of supply, and effects on the social system.

### Economic

The costs of climate change assumptions, including costs for carrying out mitigation and adaption measures, both the potential economic effects of climate change and the changes to productivity and land ownership.

### Political

Challenges and opportunities related to climate change, including the potential for conflict or cooperation between different countries and regions.

GARO's identified risks and opportunities in the short and medium term are:

### Transition risks

These transition risks can affect GARO's operations and require continuous monitoring, evaluation and strategic actions to proactively manage the impacts of climate change and related risks.

- Changes in abrupt and unpredictable climate patterns that exceed expectations and render current adaptation measures ineffective.

- Potential losses in productivity or resource scarcity due to unpredictable climate change affecting the availability of raw materials and energy.
- Significantly tightened regulations and policies related to climate change that may result in higher costs for adaptation measures and compliance.
- Difficulties in adapting sites to changing environmental conditions, which could impact production capacity and efficiency.
- Potential impact on GARO's market position if customer preferences and demands for sustainable products and production methods change faster than GARO's ability to adapt.

### Physical risks

- In terms of wind, water and land-based damages, GARO sees no direct system-risking and decisive effect of climate change where GARO currently has, or plans to have, production.

### Opportunities

- To reduce the effects of future heatwaves at the production facilities, the number of trees may be maintained and, where possible, increased. Trees have an especially cooling effect.
- Improved understanding, developed processes and streamlining of the implications of climate change, starting with own operations. Systematically assess risk and vulnerability based on four different perspectives: Environment, Social, Economic and Political, increase resource efficiency and access to capital.
- The consequences of torrential rain can never be completely prevented by increasing capacity in the pipe network. In most cases it would be impossible in practice and also expensive. The key for creating an area that can withstand rain is, instead, to find areas that can be flooded without leading to any serious consequences, and for everyone to assume their responsibility. Physical barriers can be used to prevent water from reaching areas at risk. Certain roads could, in cooperation with the relevant municipality, be set aside as drain lines without jeopardizing important transportation. Another method is to allow water to accumulate by leading it to areas where it can remain for a period of time without doing any harm, such as green areas.



