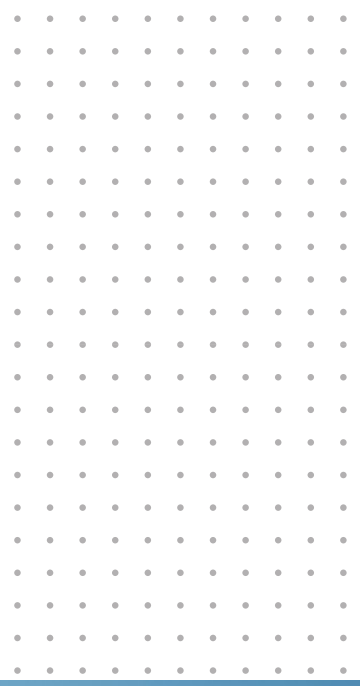


hammond
POWER SOLUTIONS



ESG REPORT

2023



ABOUT US

HAMMOND POWER SOLUTIONS INC.
Hammond Power Solutions Inc. (“HPS” or the “Company”) enables electrification through its broad range of dry-type transformers, power quality products and related magnetics. HPS’ standard and custom-designed products are essential and ubiquitous in electrical distribution networks through an extensive range of end-user applications. The Company has manufacturing plants in Canada, the United States (U.S.), Mexico and India and sells its products around the globe. HPS shares are listed on the Toronto Stock Exchange and trade under the symbol HPS.A.

hammond
POWER SOLUTIONS



What's inside

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Hammond Power Solutions

Corporate Sustainability



Our passion for sustainability

ensures that the world is energized today for future generations to come.

Our passion for sustainability ensures that the world is energized today for future generations to come. We commit to designing energy-efficient products; to shrinking the ecological footprint of our operations; and to developing a workplace which fosters inclusion and innovation.

Hammond Power Solutions is a leading manufacturer of dry-type transformers and related magnetics. Our products are used in a wide range of industries, including renewable energy, data centers, mining and industrial applications. We are committed to providing innovative, reliable, and sustainable solutions that meet the needs of our customers while minimizing our impact on the environment.

Established in 1917, Hammond has grown from a small family-owned business in the shortwave radio market into the industry leader in magnetic transformer design and manufacturing. Hammond today has multiple manufacturing facilities throughout Canada, United States, Mexico and India. Hammond serves its customers from a network of nine regional warehouses throughout North America.



Our vision

To be a leader in the electrification of our world by providing power conversion solutions to our customers while positively impacting social and environmental sustainability.



Our mission

We are a talented, aligned, and collaborative team that is agile, engaged, and customer-centric. Our strong culture, technical expertise and reliability of execution allows us to meet our customers' and stakeholders' needs in an exceptional way.

Our 5 Pillars of Sustainability

1 Economics

2 People

3 Community

4 Environment

5 Continuous Improvement

Our 5 Pillars of Giving (Priority SDG Goals)

1 Food Insecurity
(Zero Hunger)

2 Affordable Housing (Sustainable
Cities & Communities)

3 Education
(Quality Education)

4 Health and Welfare
(Good Health & Well-Being)

5 Environment
(Climate Action)

message from our CEO



A handwritten signature in blue ink, appearing to read 'Adrian Thomas', written over a white background.

ADRIAN THOMAS
CHIEF EXECUTIVE OFFICER

In 2023 we published our inaugural environmental, social and governance (“ESG”) report based on measures baselined in 2022, however, this was not when we first started to care about our environment, our impact to society, or our governance model. Engrained in our company values are many traits that align well with and are foundational support to our ESG actions and ambitions. Our commitment to the safety and well-being of our employees, our commitment to integrity and ethical behaviour and our belief in a collaborative approach to social and environmental action all have been part of our way of working for many years. Our reporting has two main purposes: reinforcing our transparency of our actions to external stakeholders and helping us identify areas for improvement.

What you will see in this second ESG report is continued improvements in our focus areas and examples of initiatives and projects like our wood use reduction project that has saved tremendous amounts of wood that was used in single use crating, and our first external waste management certification at our Granby facility. You will also see that as we have experienced tremendous business growth that even though we have increased our energy efficiency, our consumption of energy has increased with output and we will need to work harder on finding even more ways to reduce our carbon footprint.

What I am most proud of our journey so far is not so easily seen in our report. This is the eager engagement of our teams to be more active and involved in making our company a positive contributor to our planet and our communities. The energy is felt when teams share their ideas during company wide showcases is truly energizing. Our employee developed, and newly launched ‘Supplier Showcase’ is one event where our sourcing team identifies projects from a sourcing perspective that would reduce

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waste or improve the sustainability of our operations. This employee led initiative has increased our engagement with suppliers to support our aspirations and is in line with our value of collaborative approach to ESG. Our Continuous Improvement 'Share Showcase' is where teams from HPS are awarded on the most impactful continuous improvement projects across the company – each with a component related to sustainability. These projects inevitably remind us as well, that operational improvements and environmental improvements go hand in hand and its not a trade-off but a win-win opportunity.

We are dedicated to our ESG principles and making steady and significant progress as we move forward. We are committed to continue to communicate and share in a transparent manner our progress and our challenges. We believe that ESG and business objectives can be aligned and reinforce each other; it's not a cost benefit trade off and this is the way we will move forward.

Thank you for your continued support in our journey to making a positive impact to our world.

Hammond Power Solutions

Approach to ESG

Our passion for sustainability ensures that the world is energized today for future generations to come. We have committed to designing energy-efficient products; to shrinking the ecological footprint of our operations and to developing a workplace which fosters inclusion and innovation. We are committed to continuously improving our ESG performance and reporting on our progress. We believe that by prioritizing ESG, we can create long-term value for our stakeholders, build a stronger and more resilient business and make a positive impact on the world around us. We have been embedding sustainability principles into the way we do business, our decision-making processes and our everyday activities.

Hammond’s ESG strategy is managed by our Sustainability Working Committee. The Sustainability Working Committee is composed of individuals from across our business who not only provide a diverse perspective on Hammond’s efforts on ESG topics, but also support the activation of our approach to ESG throughout our business. The Sustainability Working Committee provides updates to Hammond’s leadership with specific details of our efforts to ensure effective management of our ESG priorities. Hammond has followed a content gathering and approval process to ensure this report accurately reflects our practices and performance.



Fig 1. Hammond Power Solutions 2023 Materiality Assessment

The 2023 ESG Report

The 2023 ESG Report for HPS utilizes our 2022 baseline measurement to assess our progress in many areas within our 5 pillars. In 2022 HPS took an essential step with the completion of its first formal materiality assessment to inform its future sustainability work and to shape and prioritize the content of this report. HPS enlisted ESG-focused third-party guidance and referenced both the Global Reporting Initiative (“GRI”) and Sustainability Accounting Standards Board (“SASB”) standards to complete the assessment in three stages: topic identification, prioritization, and validation. Our inaugural report was our first step in formalizing our commitments and making our progress transparent. This assessment continues to inform, shape and focus implementation of our set of priorities. It continues to serve as our guide for our direction today.

While we have made significant progress in our ESG year-over-year metrics, we continue to focus on our five pillars:



Aligned with our “Continuous Improvement” sustainability pillar, one of the ways that provides us with external validation of our progress as well as providing opportunity areas for improvement is through our participation in the EcoVadis survey. This survey provides an assessment on where we are positioned relative to our industry in four categories: Environment, Labor & Human Rights, Ethics and Sustainable Procurement. Hammond has consistently improved our overall score each year since we began participating in 2015. In 2023, we achieved a score of 43 which is within the average of our industry. As we strive to be better, we have established a target of 45 for the 2024 reporting year and a 5-point improvement thereafter.

The need for a focus on Climate Change

The 2023 year was an unprecedented one for climate related events around the world. From flash floods in Africa, extreme monsoon flooding in India and extreme heat around the world. As fires raged in Southern Europe and the Northern Hemisphere, the El Nino event refused to relent in its heat exceeding the 1.5 degree C average world temperature at record setting levels for warming of the earth. Our operations were not impacted by these events; however, this fueled our resolve to imbed sustainable practices in everything we do to have a positive impact on climate change.

Our customers depend on our products to power buildings efficiently and effectively to reduce energy utilization and support applications such as electric vehicle (“EV”) charging stations as the world moves to electrification. Our business depends on the movement of these goods and the materials to produce them around the world. These types of climate events could not only disrupt our supply chain but cause irreparable harm to the communities we thrive in.

Hammond’s focus on the nine ESG topics that are critical to its business, in alignment with the United Nations’ Sustainable Development Goals (“SDGs”), guides our direction in realizing our objectives to do our part in positively impacting climate change.

Furthermore, we are preparing for the requirements for reporting of sustainability risks through the International Financial Reporting Standards (“IFRS”) and the Canadian Sustainability Standards Board (“CSSB”) standards to ensure better transparency and communication about sustainability related risks and the opportunities we face as an organization.





Environment

4.1% Improved Energy Efficiency

11.8% (increased) Total GHG Footprint



566 Trees Planted



Health & Safety



1.6 Frequency of Incidents/Injury

6.8 Severity of Incidents/Injury

.00027% Hours Lost as a % of Hours Worked



Social

1,997 Workforce

2,404 Employee Continuous Improvement Solutions

\$400,200

Continuous Improvement Savings from Employee Solutions



1,043 Employee Volunteer Hours



\$104,137

Donations Amount

Environment

Hammond strives to achieve an optimal balance between protection of the environment and the commitment to create economic prosperity for shareholders, employees and the communities in which we operate.

Environmental sustainability continues to be a key focus area for Hammond. We are focused on the development and adoption of sustainable practices in the work we do every day to minimize the impacts our operations have on our environment. Measures we have implemented have diverted waste from landfills, generated more efficient use of energy, reduced emissions and elevated engagement of our employees. These measures are specifically designed to reduce our energy consumption and emissions, minimize waste and to ensure our employees are stewards of a circular economy.

Within our internal operations, we believe sustainability starts with our people. We have involved our employees in identifying and addressing opportunities to reduce our energy consumption

and emissions while minimizing waste by creating a “Green Team”. A representative from each of our sites are challenged with the responsibility of engaging fellow team members with identifying opportunities to increase our use of clean power and adopt strategies to reduce consumption.

Along with a reduction of 170 trees per year, the team realized financial cost savings of \$200,000 CAD per year proving sustainability solutions also makes financial sense for the company. The team that initiated the project was a successful recipient of an award in our internal competition, “HPS Share Showcase” where teams across our sites provide submissions in implemented continuous improvement ideas. This new design has been integrated into our standard operating procedures.

A key project initiated in 2023 was an opportunity to reduce wood within wood pallet construction required to support our product and reduce risk of damage in transit. Beginning with our high-volume SKU production, our teams collaborated to design

The following table outlines the emissions that were captured for HPS’s 2023 reporting year. Total increase of 6,671 tCO2e (11.8%) was attributed to an increase in production and facility growth as well as increased utilization of company fleet vehicles. The improvement in efficiency of carbon production was 3%.

Global GHG Emissions (tCO2e)		
	2023	2022
Scope 1	3,126	2,788
Scope 2	3,299	2,908
Scope 3*	246	262
Total	6,671	5,963

Fig 2. Greenhouse Gas Emissions for HPS

Emissions are further broken down in the 2 figures on the following page, to highlight all reported emission scopes and breakdown by the facility level.

Scope 1 includes direct GHG emissions from sources that are owned or controlled by the company such as natural gas combustion and company owned vehicles.

Scope 2 accounts for GHG emissions from the generation of purchased electricity.

Scope 3* includes all other indirect emissions. Captured Scope 3 encompasses waste generation and water consumption.

and test a pallet configuration that resulted in less utilization of wood while maintaining product integrity and safety. This new design has been integrated into our standard operating procedures.

A Greenhouse Gas (“GHG”) assessment is an essential tool in the monitoring and reduction of our climate change impact as it allows reduction targets to be set and action plans formulated. As demand for electrification continues to escalate, we completed expansion of capacity in many of our facilities. With the increased manufacturing volume, although total emissions increased as an absolute commensurate with the increase in volume, more efficient utilization of energy was realized.

Hammond continually seeks out ways to improve our waste management and the amount of waste that is diverted from landfills. Our Granby facility received the company’s first waste management certification “ICI on recycle” which is a recognition program across Quebec that honours proactive organizations that improve their waste management.

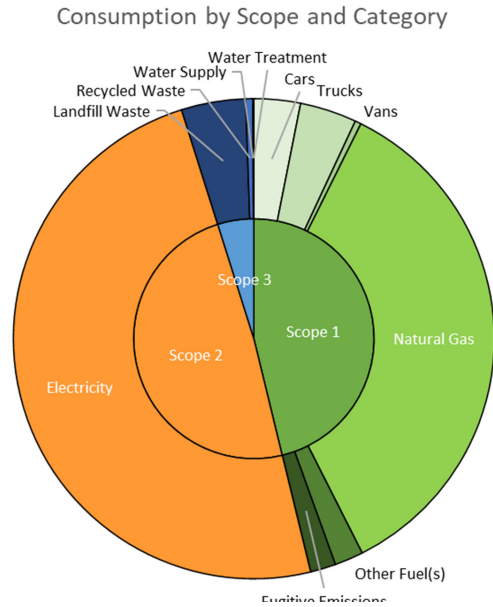


Fig 3. Stacked pie chart showing consumption by scope and category for total HPS emissions.

The following tables, provide a graphical total company and by facility view of our GHG emissions and waste diversion.

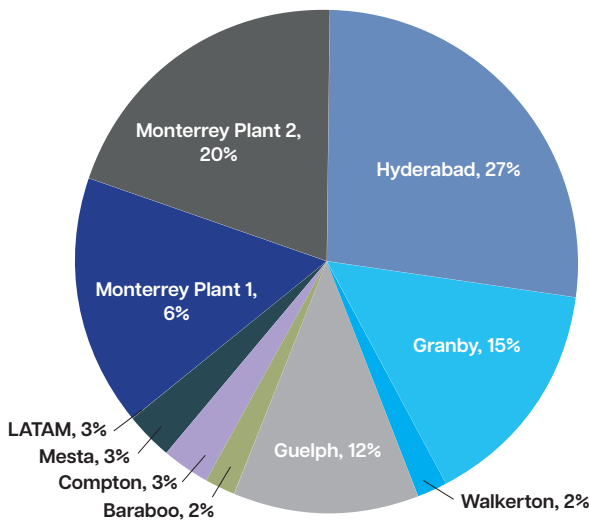


Fig 4. Facility breakdown of HPS total consumption by percentage for 2023.

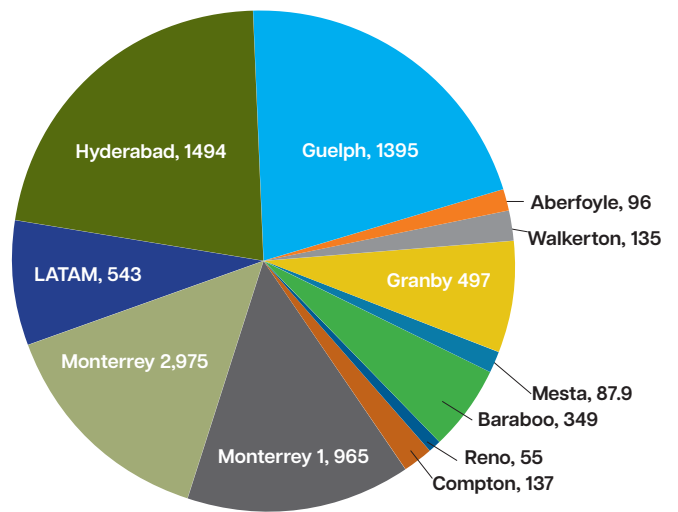


Fig 5. Facility breakdown of HPS total consumption by tCO2e in 2022.

Environment (con't)

Global Waste Consumption 2022-2023 (t)

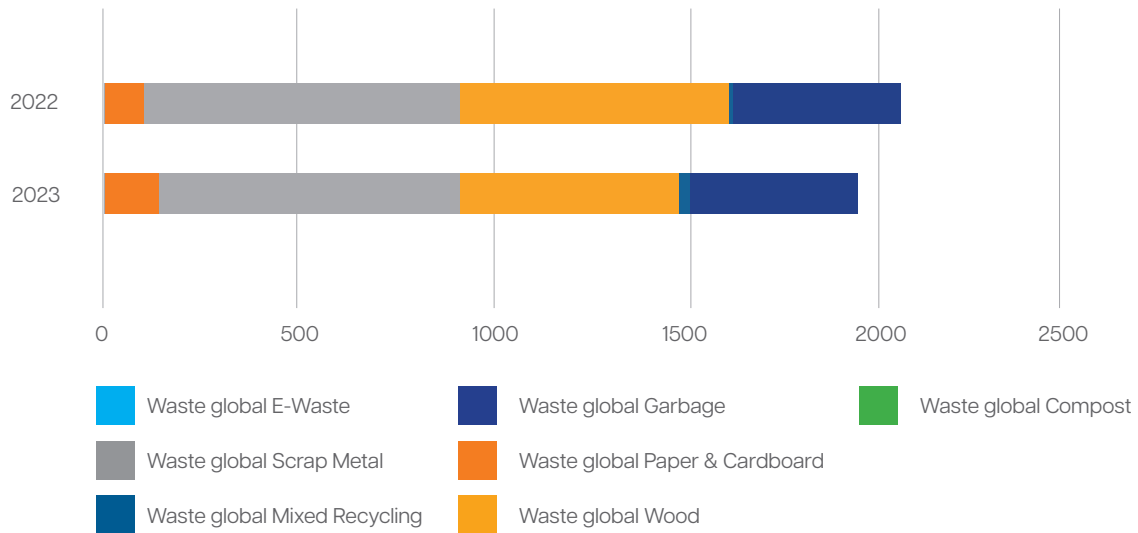


Fig 6. 13.6% decrease in recycled waste consumption. In 2023 our method of data collection was improved resulting in more accurate waste reporting versus prior year estimated numbers

Recycled Waste Comparison (t)

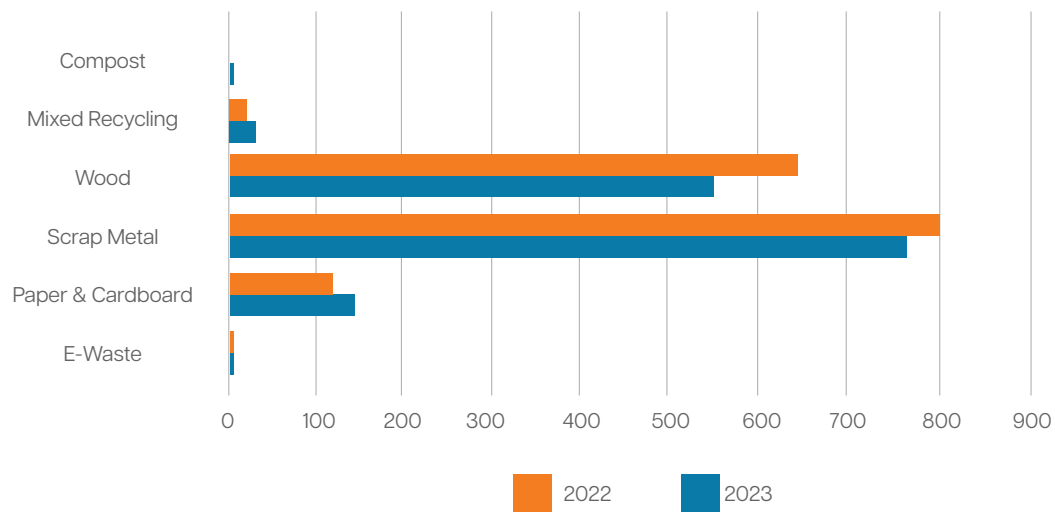


Fig 7. Compilation of recycled waste year over year. In 2023, HPS realized 25% improvement in efficient use of materials in production and less wood utilization.

Wood waste was significantly reduced in 2023 with the implementation of a wood pallet initiative that utilized less wood in pallet construction in high volume manufactured SKUs. In addition, wood pallets are diverted from landfill through community and employee donations for various purposes such as heating sources, wood construction projects, reclaimed wood applications and various community and employee purposes. Within local agriculturally based economic communities such as Walkerton, farmers utilize these donated pallets for heating purposes. Whereas, other sites such as Compton, California, partner with community vendors in repurposing wood in pallets for use in reclaimed wood applications such as mulch.

In 2023, HPS realized a 25% improvement in efficient use of materials from increased manufacturing volume which provided elevated opportunities to utilize metal materials (steel, aluminum and copper). Newer innovative manufacturing equipment improved precision in steel cutting resulting in less waste of material.

With our renovation of our Guelph, Ontario facility we seized the opportunity to begin our “paperless office” document management initiative through digitization of documents, as well as introducing paperless workflow processes.

In 2023, a composting program was successfully initiated in our Granby, Quebec facility and ultimately adopted in 2024 in other facilities.

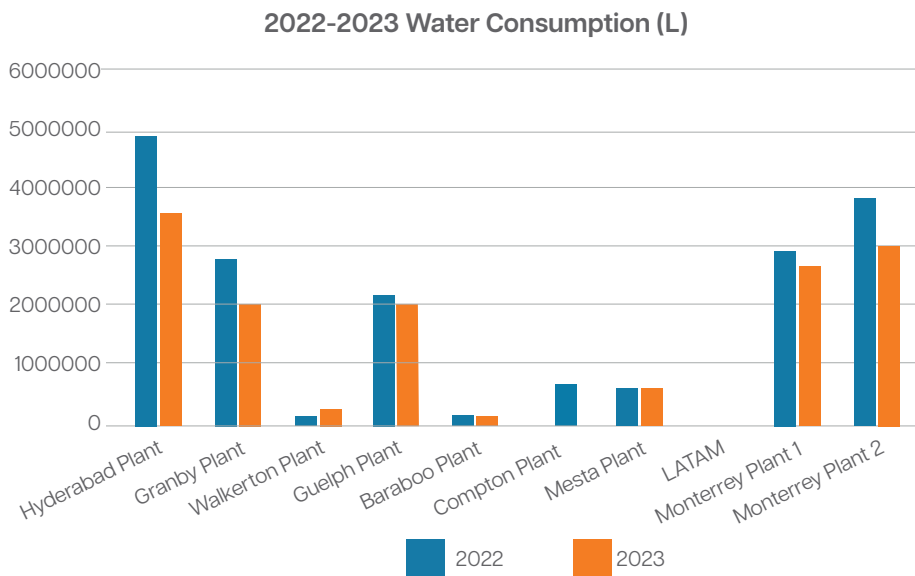


Fig 8. Water consumption by facility year over year.

Climate Disclosure Project

Our commitment and resolve informed our interest to participate in the Climate Disclosure Project (CDP) measurement. This was our first entry resulting in positively confirming our performance relative to peers in the electrical and electronic equipment within North America as well as the global average. We are well positioned within our emissions reduction initiatives and low carbon products

production, energy utilization, targets and value chain engagement. In 2024, additional Scope 3 emissions will be included with additional measurements.

When we collaboratively work externally with our customers, we strongly believe that through our innovative products, our customers can take meaningful steps toward the achievement of their own sustainability goals.

Social

Social Sustainability

Hammond actively contributes to the betterment of society, emphasizing health, safety and wellbeing, community support, and environmental consciousness. Our commitment extends to various aspects, including health and safety, community engagement and environmental stewardship in alignment with the United Nations' SDGs.

Hammond aligns our strategic vision with our values and cultural behaviours. We believe that a successful company is also a responsible one. Our

approach involves engaging with a wide range of stakeholders, including employees, shareholders, the community, the marketplace and the environment. Through various educational and philanthropic programs, we manage the social, ethical and environmental impact of our business activities. These initiatives include community investments, employee volunteering, in-kind donations and sponsorships of organizations and events.

Health, Safety & Wellbeing

Health, Safety & Wellbeing is a cornerstone in our values and culture. As an electrical manufacturer, we adhere to stringent health and safety precautions. Our proactive procedures and Emergency Response Plan (ERP) are designed to swiftly address any potential emergencies. Ensuring the safety and wellbeing of our people, partners and local communities remains a core element of our culture.

Our commitment to safety is focused on creating a culture of safety beyond compliance. Our safety systems focus on identifying, assessing and managing hazards throughout all sites. Our Environmental, Health, Safety & Wellness policy reflects on our commitment and dedication to health, safety and wellbeing which is synonymous with the success of our company.

Our Plan, Do, Check, Act methodology is the cornerstone of our Health & Safety practices. Every step and system is planned, checked for

compatibility, refined and then implemented. Our measurement systems ensure we are monitoring and analyzing the frequency and severity of incidents, while focusing on prevention. Near miss and first aid incidents are analyzed and trended for potential hazards. In many regions we participate in local safety groups to analyze workers safety insurance statistics and measure against local and industry standards. We believe ongoing and frequent training in Health and Safety compliance for all levels of the company ensures safety is top of mind. We practice sound governance through our Health, Safety & Wellbeing policies such as our Workplace & Safety Rules of Conduct, Contractor Health & Safety Policy, Health & Safety Communication Procedures, Electrical Safety, Health & Safety Enforcement & Discipline, Health & Safety Responsibilities, Business Continuity Response Plan and Pandemic and viral Pandemic plan. As an ISO certified organization, our

sound quality management systems provide clearly documented Standard Practice Instructions (“SPIs”) and are regularly updated to ensure employees have the working knowledge, the acknowledged reading and understanding and have completed training on a regular basis.

We recognize emergencies may occur despite diligently working to identify hazards through our 360 -degree safety hazard identification and other systems. Hammond does so with the desire to minimize the effect these emergency situations have on employees, the environment and the business. Our SPI on emergency preparedness and response was created to establish, maintain and communicate

an Emergency Response Plan. This plan provides guidance and information to employees and emergency responders during an emergency situation. Although not an exhaustive list, procedures are in place for specific emergencies such as:

- Evacuation
- Fire/Explosion
- Medical
- Spills
- Bomb threats
- Electrical power failure
- Natural disasters (weather related)
- Suspicious packages

	Frequency	Severity	Hours Lost as % of Hours Worked
2022	2.7	31.1	0.00127%
2023	1.6	6.8	0.00027%

Our commitment to safety and employee wellbeing has resulted in year-over-year improvement in reduction of lost time injury or accidents. In 2023, Hammond had positive safety performance overall with seven of our facilities celebrating zero lost time injury or accidents. Overall, our performance achieved was below our target rates. A 360-degree risk analysis project was implemented and selected to win an award in April, 2024 from the MultiPrévention ASP in Quebec.

Sustainable Communities

Hammond Giving Program

Our Hammond Giving Program will continue to play the central role in our giving strategy by donating to broad community initiatives, allowing Hammond Power Solutions to focus on areas that are specifically aligned with our business strategies. We contribute to worthy causes around the world, primarily handled in the regions where we operate and serve. Most of our charitable donations are aligned with our corporate direction with a focus on the communities in which we operate.

Serving communities for over 100 years, HPS takes pride in the positive contributions we've made. We actively participate in supporting local organizations such as community Food Banks, Food 4 Kids and Habitat for Humanity. Additionally, we collaborate with the Children's Foundation to enhance the health and well-being of children and youth.

Charitable Donations: Hammond has donated to local universities and hospitals throughout its long history as well as other very worthy charitable causes, recognizing the value of these institutions to our communities.

Food Insecurity: Food insecurity is a growing concern with more than 22 million people around the world (almost 30% of them children) turning to food banks. We believe we make a difference through financial contributions, donations and employee volunteer efforts both at the global level and within the communities in which we live and work. Our 2023 contributions include both cash and employee food donation programs regionally. For example,

we support holiday food hampers and Food4Kids weekend nutrition programs in Canada and provided meals to 300 orphans and patients with HIV or cancer living near Hyderabad, India.

Affordable Housing: We imagine a world where everyone has a place to call home, a safe, decent and affordable and energy efficient shelter where families can thrive and get a fresh start on life. We have partnered with Habitat for Humanity, one of the world's largest not-for-profit organizations, to help address the crisis of providing affordable housing in our communities. In 2023, HPS joined forces with the Electro Federation of Canada and industry partners across Canada to support financially and through volunteer employee labour, Habitat for Humanity build sites across the country.

Education: We believe quality education is integral to creating vibrant and sustainable communities and a culture of lifelong learning. The Lillian E Hammond Memorial Scholarship was established to commemorate the life of the late mother of the founders of Hammond Manufacturing Company Limited to honor and commemorate her with all our Hammond employees. The purpose of the scholarship is to assist students who are dependent children of the Hammond employees to continue their full-time education at post-secondary institutions. In 2023, the Lillian E. Hammond Scholarship provided 66 students with education funding, a total investment of \$31,463 Canadian dollars.

HPS also partners with school boards and national industry associations to offer scholarships

promoting our industry and recognizing outstanding scholars in academic achievement each year, including the HPS Outstanding Electrical Scholar Award, the Bluewater Regional Science & Technology Award and the Walkerton District High School Mathematics Scholarship. In 2023, HPS launched a new \$3,500 HPS Equity & Diversity Scholarship which supports post-secondary university and college students who identify as part of a historically excluded or marginalized group (i.e. race, gender, sexual orientation) to provide equitable access to financial support and quality education for all people.

Health and Welfare: We value the safety and well-being of all our people and the communities where their families live and work. The health and welfare of our communities are served by individuals within our medical communities and hospitals that provide in many cases life-saving measures. Our support of these services through our financial donations helps provide much needed care and services when our families need it the most. We vow to continue to support the research, clinical and health services dedicated to the treatment of cancer – a disease which has impacted many of our employees and their families as well as the Hammond family itself.

A growing global social issue is the victimization of young and vulnerable people in human trafficking for the purpose of forced labour, sexual slavery or commercial sexual exploitation. Hammond is committed to providing a work environment that is free from human trafficking and slavery, which includes forced labour and unlawful child labor. We do not tolerate or condone human trafficking or slavery and have taken a stance in supporting local law enforcement and community organizations with financial and other resources to aid in the education and awareness within our communities. In 2023, we continued our financial donations and fundraising support to organizations such as Elora House in

the Guelph, Ontario area that provides respite for victims of Human Trafficking. A Mother's Day flower fundraiser went to support Elora House, a place that provides women with a safe place to stay while they begin to recover from the impacts of violence and exploitation.

Environmental Stewardship: Our passion for sustainability ensures that the world is energized today for future generations to come. We are committed to designing energy-efficient products; to shrinking the ecological footprint of our operations and to nurturing a workplace environment which fosters diversity, inclusion and innovation treating everyone with dignity and respect. We recognize that responsible corporate citizenship involves safeguarding the environment and we strive to uphold these principles. Our support to our communities through tree-planting, community gardens, water conservation, cleanup, reducing, reusing, recycling or repurposing items are ways our people commit their time and resources to providing a healthier plant and more sustainable communities. Each year, Hammond holds Earth Week campaigns devoted to educational awareness building, tree planting, and other community activities that show how our employees (and their families) can help to make our communities sustainable for future generations. In 2023, Guelph employees put "waste in it's place" by diverting a truckload of household goods and e-waste from landfill in support of the Habitat for Humanity ReStore program. Employees at our Wisconsin, Ontario, Quebec and India facilities planted a combined 550 trees in support of Earth Week campaigns while Walkerton and Wisconsin helped clean up our waterways in river clean-up events. Our U.S. and Mexico facilities participated in battery recycling programs and neighbourhood cleanups that directly benefitted their communities.

Social (con't)



Fig 9a. Tree planting in Hyderabad, India



Fig 9b. Partnering with Habitat for Humanity ReStores in Guelph



Fig 9c. Tree planting in Guelph, ON Canada



Fig 9d. Guelph gardens

It is important that our efforts are meaningful and have a significant positive impact. Therefore, HPS has made a commitment to donate a minimum of 1% of net profits over the next three years to registered food banks, and charities in all regions in which we operate to support the fight against hunger and poverty, to support affordable housing and to address significant social issues across the world.

Employee Well-Being & Growth

HPS prioritizes the well-being and growth of our employees. Our employee-centric initiatives include: Professional Development Support. We invest approximately 1.5% of salary in the HPS Learning Centre, providing ongoing training, networking opportunities and assistance in obtaining and maintaining professional designations.

As we grow revenues, add capacity and enter new businesses, we need to attract and retain top talent. Employee engagement has been a strength of ours, and we continue to make investments to support our team members through various programs. In 2023 our employee population grew to just over 1,900 employees worldwide. This increase in hiring put pressure on our onboarding and training capabilities and we saw increased turnover, especially during peak hiring. Adapting quickly, we modified our methods for screening candidates as well as onboarding and training programs, resulting in a positive trend on new hire retention over the last four months of the year. Our goal is to fill 50% of open positions with internal talent by 2026.

Advanced Software and Technologies: We adopt leading software and technologies to enhance employee efficiency and productivity. In 2023, through the conversion all of our systems to cloud based technology, we deployed a fully integrated suite of Microsoft D365 products including imbedded Artificial Intelligence (“AI”) applications. In 2023, we began exploration of the use of AI applications within our business processes.

Flexible Work Options: Our employees enjoy flexible days that can be used to care for family or personal commitments. In many sites, employees have the opportunity to work remotely.

Stock Option Plan: We encourage team engagement by enabling employees to participate in Hammond’s stock option plan in our Canadian and U.S. based locations aligning their interests with shareholders. In 2024, we will be exploring ways to expand participation across the company.

Social Events: HPS sponsors and organizes various social events, fostering camaraderie and a positive work environment. In 2013, the United Nations (“UN”) proclaimed International

Happiness Day to recognize the importance of happiness in the lives of people around the world. The theme in 2023 was ‘Be Mindful. Be Grateful. Be Kind.’ Hammond acknowledged the importance of this day by providing an appreciation gift to all employees and held various events throughout the company.

Employee Engagement Surveys: Our annual and bi-annual surveys allow us to tailor employee-specific programs, action plans and performance tracking while ensuring we are providing positive employee experiences.

Collaboration with Educational Institutions: We collaborate with local colleges and universities to hire summer students, co-op work terms and internships. This is an important talent opportunity for Hammond to nurture the next generation of innovation.

Succession Planning and Leadership Development: HPS focuses on internal workforce planning and leadership development. The Board believes these practices support long-term sustainability. Hammond has historically benefited from very low attrition and long tenured experienced employees. However, as a result of changing demographics, Hammond has experienced several

Social (con't)

What makes our people happy at HPS?



“The company in general, it’s the family feeling, they treat the employees amazing. The opportunities that we have within the company are generally easy to get a grasp of. Thank you Bill.”

Dorothy Gilder – Strip Core Cutter



“The people at HPS make me happy”

Jorge Maldonado – Manufacturing Engineer



“The opportunity to learn different jobs, different trades and departments. Being able to grow, the stability and the retirement opportunities. Having the chance to put forth ideas, and the open door policy.”

Jovi Gillis – Stacker (Dep 18)



“HPS is there when you need them. When my daughter had cancer, HPS and management were so supportive; they even took up a collection to help.”

Liz Brown – Kitting



Employee Well-Being & Growth (con't)

retirements within 2023. Given our focused attention on leadership development and succession plans, transition and knowledge transfer were completed successfully without any business interruption or risk.

Community Engagement and Social Events: HPS hosts social events for collaboration and relationship-building. These events also benefit vulnerable community members through employee-raised financial contributions and support.

Two donations of \$5,000 each, were made to indigenous non-profit organizations on National Day of Truth and Reconciliation. The Anishnabeg Outreach (Spirit Bundle Program), a local non-profit provides indigenous families with access to various supports and services in the Kitchener Waterloo and Guelph region to uplift communities in need.

The Spirit Bundle Program offers bi-weekly deliveries of a variety of essentials (food, clothing, household items, baby supplies, etc.) to those in need in collaboration with the Waterloo Foodbank, the SEED, Guelph Foodbank, COBS bread and the Kitchener Waterloo Humane Society.

The Water First Training and Education Program:

Water First partners with indigenous communities and youth to learn about/become certified in water treatment, water testing and helping ensure safe drinking water, improved water quality and environmental health. This program aims to engage indigenous youth in a working environment in this area, whether in internships as plant operators, or engaging in STEM workshops for school-age children K-12 to understand water science given the importance of clean drinking water for Indigenous populations.

At HPS, we prioritize growth, family support, and community impact. We believe that a thriving workforce contributes to our long-term success.

Social (con't)

Community & Stakeholder Engagement

HPS takes pride in being an active and trusted member of the communities where it operates. The company prioritizes ongoing stakeholder engagement, recognizing the importance of collaborating with a diverse group of stakeholders. These stakeholders include customers, employees, suppliers, investors, regulators and local communities. Our approach to stakeholder engagement includes:

Open Dialogue and Transparency:

HPS actively seeks to hear the concerns of its stakeholders. The company promotes collaborative working relationships by engaging in open dialogue. Information is shared transparently to foster understanding and consensus.

Initiatives for Engagement:

HPS has implemented several initiatives to promote stakeholder engagement:

- Customer Surveys: Regular surveys allow HPS to gather feedback from its customers.
- Employee Surveys and Focus Groups: These forums are key elements of our listening strategy to hear our employees' perspectives through surveys and facilitated focus group sessions on a variety of topics that are valued by our employees.
- Townhalls: These provide a platform for interactive discussions on the state of the business financially and important organization wide updates.
- Supplier Meetings: Engaging with suppliers ensures strong partnerships. When our suppliers are considered in our plans, we ensure we have uninterrupted supply chain in delivery our goals.
- Community Outreach Programs: HPS actively

reaches out to local communities in several ways.

An example of Hammond's partnership with suppliers and community was demonstrated with a 'recycled art' project. This unique project was brought to us by one of our suppliers. HPS' manufacturing sites competed internally to build the best sculpture to represent the importance of electricity using only scrap on hand. Teams competed to win an opportunity to provide a financial donation to their local children's charity of choice.



**Fig 10 Winner – Compton, California Facility
\$6,000 for Miller Children's & Women's Hospital**

Economic Contributions to Local Communities:

HPS aims to uplift local economies by:

- Recruiting Locally: The company hires employees and external contractors from the local community.
- Supporting Local Businesses: HPS relies on local businesses for services.

The belief is that HPS represents the community, and in turn, the community represents HPS. Our commitment to stakeholder engagement reflects our dedication to responsible business practices and sustainable interactions with the broader community.

Diversity, Equity and Inclusion

Hammond Power Solutions is committed to building a diverse, equitable and inclusive workplace where everyone is valued and respected. We recognize that diversity is a key driver of innovation and growth, and we are dedicated to creating an environment where employees from all backgrounds can thrive. Hammond has implemented initiatives to promote diversity, equity and inclusion (“DEI”) including training and education and hiring and promoting practices that prioritize these values. Hammond tracks and

reports on its efforts to promote DEI throughout its employee locations and seeks feedback from employees and stakeholders to continuously improve its initiatives. Hammond holds events throughout the year including celebrating and honoring women on International Women’s Day. In 2023, Hammond improved our levels of women in leadership by 1.3%.



Fig 11. International Women’s Day celebrations at the Hyderabad, Monterrey and Guelph locations.

Governance

Good governance is the foundation of Hammond Power Solution's ESG program. We continue to be committed to upholding the highest ethical standards in our business practices, and we hold ourselves accountable to our stakeholders. We have established policies and procedures to ensure compliance with applicable laws and regulations, as well as best practices in corporate governance. We take meaningful steps to ensure we source our materials and components from our supply partners who share our commitment to sustainability.

Good Governance

Sound corporate governance builds trust with our stakeholders and is core to the success of our business. Our actions are guided by our values and supported by a clear governance framework that ensures proper oversight and accountability. This understanding informs the way we operate and provides Hammond with a framework that allows us to pursue our business objectives while respecting the interests of our stakeholders.

Aligned with our corporate values, our commitment to sustainability, ethical conduct and sound policies and practices that ensure our long-term resilience is vital. One of the ways we ensure we do this is through our adherence to recognized reporting standards and frameworks, such as those established by the Global Reporting Initiative ("GRI") or the Task Force on Climate-related Financial Disclosures ("TCFD"). Consistent, comparable and reliable data enables all of our stakeholders, our investors, customers, employees and others to make informed decisions and to hold us accountable for our performance.

Management and the Board of Directors clearly communicate and promote ethical practices and value compliance to our governance frameworks. HPS' Management, Discussion and Analysis Report

provides progress to the Board of Directors on our ESG Roadmap on a regular basis. Management and the Board of Directors clearly communicate and promote ethics and value compliance to our governance frameworks.

In addition to background checks conducted, new employees are trained, and are required to read, understand and acknowledge our Code of Conduct along with company practices and Standard Procedures and Instructions that are relevant to their role. Internal and external audits are conducted to ensure these practices are followed in accordance with our ISO 9001 quality management system. Hammond has committed to extending our ISO quality management system to include receiving certification in the ISO 14001 Environmental Management System in 2024.

We are committed to our governance frameworks that ensure transparency, objectivity and fairness of the management of our company and earn the trust of our stakeholders everywhere we operate. Hammond has always focused on virtuous governance and the social impact of our operations.

Supply Chain

A review was conducted of our warehouse locations and an assessment completed of our freight movements to improve service levels to our customers and reduce truck emissions. This resulted in the launch of a new Northeast warehouse located in Baltimore, which is now fully launched, using a third-party logistics (“3PL”) partner reducing our truck emissions by an estimated 18.2 MT of CO2 emissions in better utilization of freight lanes. The next step in our warehouse strategy is to explore how we can further optimize flows to further increase customer service levels while optimizing inventory, reduce transportation costs and emissions throughout our freight movements.

With the enactment of legislation in many countries to eradicate human trafficking, remove forced and child labour in supply chains, Canada followed suit with the enforcement of Bill S-211. Hammond had implemented practices and incorporated statements within our supply agreements ensuring our suppliers are complying with legislation. To assist with a robust supplier risk analysis along with detailed action plans for Canada’s compliance reporting for 2024 and beyond, a 3rd party partner was engaged to assist in this effort.

Continuous Improvement

We recognize that the journey towards sound corporate governance is ongoing and requires continuous improvement. We are committed to fostering a culture of learning and innovation, where feedback is encouraged and considered and where we create opportunities for best practices to be embraced and shared. We regularly review and refine our governance practices, seeking opportunities to enhance our ESG performance and contribute positively to the communities in which we live and work.

Hammond Power Solutions knows that risks are inherent in any business and through careful management, including emergency response programs, is critical to our ongoing business. It supports our efforts to ensure compliance with regulations and most importantly, helps to protect our employees and the environment against possible hazards as well as risks that may hamper our ability to realize our organizational objectives.

Growing Clean Energy Sector

Hammond Power is playing a key role in the transformation to cleaner energy



**Greening + Upgrading
Global Electrical Grid**



**Utility Scale renewable
Build-out**



**Electrification of
Transportation**

Innovation & Service

With the shift from hydrocarbon to electrical based power systems, we are seeing more conversion technologies being added to our electrical systems creating issues with the quality of the power at a time when electricity needs to be even more reliable. We are accelerating our activity in this area by developing solutions that support power quality using both magnetics and power electronics technologies. To better support growth in this area, we have created a new business unit dedicated to profitably growing our sale of these products.

Hammond Power Solutions is a leading enabler in the global push for electrification. Global urgency to

limit climate impact through electrification combined with the need for electricity to support the world's growing need for data are driving significant tailwinds benefiting our business. HPS is committed to using our expertise to contribute to the electrification of our world as a strong, sustainable company that can thrive for decades to come.

HPS manufactures a wide range of Active Harmonic Filter (“AHF”) products. AHF products are used to mitigate the negative effects of harmonics in power systems, such as overheating of equipment, power quality issues and increased energy consumption. Hammond’s AHF products are

designed to analyze and filter out harmonics from the electrical system, resulting in a cleaner, more efficient electrical system. Our AHF products are known for their reliability, efficiency and ease of use. They can help reduce energy costs, improve power quality and extend the life of electrical equipment. Ninety percent of HPS' low voltage and medium voltage units comply with the Department of Energy ("DOE") and Natural Resources Canada ("NRCAN") efficiency standards.

Approximately seventy percent of annual shipments in North America meet these stringent requirements (typically requiring 98+% efficiency). The remainder of our shipments are either exempt from these standards, are driven by customer specifications (in some cases exceeding DOE/NRCAN efficiencies) or it is not economically feasible for the industry to provide units with higher efficiency (i.e. small control transformers, etc.). We strive to provide our customers with an energy efficient product to produce fewer Greenhouse Gas ("GHG") emissions, consume less energy from the grid and allow our customers to make a more environmentally responsible choice. Hammond has invested millions of dollars in the past decade to ensure we can offer the market the best high-efficiency designs at a competitive price. To help illustrate both the environmental and economic benefits of retrofitting older, less efficient transformers, Hammond offers an on-line Transformer Efficiency Payback Calculator.

Hammond is committed to financial stability and a long history of service through its commitment to entrepreneurial thinking. Positive economic performance is a vital element of our success. We measure our economic performance through sustainable profitability, the efficiency of our business operations and our ability to innovate. Building a positive culture that encourages creative thinking,

innovation and collaboration drives how we make decisions and where we focus our talent for maximum positive impact.

On March 22, 2024, HPS entered into a financing agreement with SmartD Technologies Inc. ("SmartD"). In the agreement, the Corporation will invest up to \$3.9 million over three years in convertible debentures of SmartD. SmartD Technologies produces advanced motor control products, most notably its Clean Power Variable Frequency Drive™. SmartD's products combine motor drives with harmonic mitigating technology that help businesses save energy, lower costs and minimize their carbon footprint.

ESG Performance Data Table

GRI STANDARDS			
1. Emissions & Energy Management	2023	2022	Framework
Our approach to supply of lower-carbon and/or alternative energy	To date we are not utilizing alternative energy production internally. However, we are exploring the viability of solar applications within 2 production sites. Externally, our products serve the needs of customers in the electrification and renewable energy markets, predominately featured in EV charging, solar and wind segments.	At this time, we are researching the impact and feasibility of renewable energy at each facility while tracking current consumption and looking where consumption can be decreased to produce less carbon emissions in the meantime.	GRI
Initiatives and progress towards improving energy efficiency and consuming less energy	Internally, LED lighting is continuing to be installed during renovation efforts of workplaces throughout 2024. The Guelph facility has joined a Demand Response Program to reduce electricity consumption during times of high demand on the grid.	LED lighting; motion sensor lights; management accountability for monthly consumption tracking	GRI
Air emissions of the following pollutants: 1. NOx (excluding N2O) 2. SOx, 3. Particulate matter (PM10) 4. Lead (Pb) 5. Mercury (Hg); Percentage of each in or near areas of dense population	Reporting limits for the National Pollutant Release Inventory 1. 1.903 t/yr 2. 0.011 t/yr 3. .0145 t/yr 4. 0.000 t/yr 5. 0.000 t/yr These numbers are reported globally for all facilities.	Reporting limits for the National Pollutant Release Inventory 1. 3.082 t/yr 2. 0.018 t/yr 3. 0.234 t/yr 4. 0.000 t/yr 5. 0.000 t/yr These numbers are reported globally for all facilities.	IF-EU-120a.1

GRI STANDARDS (con't)			
1. Emissions & Energy Management (con't)	2023	2022	Framework
Estimated total scopes 1 and 2 (location based)	6425 tCO2e	5696 tCO2e	GRI
Total scopes 1 and 2 per CAD \$ (measured per million \$)	0.000009 tCO2e/million CAD dollars	0.0011 tCO2e/million CAD dollars	GRI
Direct scope 1 GHG emissions of which: Fuel oil Natural Gas Coal Vehicle fleet SF6 Emissions	Fuel oil: 0 tCO2e Natural Gas: 2385 tCO2e Coal: 0 tCO2e Vehicle Fleet: 495 tCO2e SF6: N/A	Fuel oil: 0 Natural gas: 2489 tCO2e Coal: 0 Vehicle fleet: 208 tCO2e SF6: N/A	GRI
Indirect (scope 2) GHG emissions Of which grid electricity Of which renewable electricity (market based) Of which district heating	Grid electricity: 3288 tCO2e Renewable electricity: 0 District Heating: 0	Grid electricity: 2908 tCO2e Renewable electricity: 0 District heating: 0	GRI
Other relevant indirect (scope 3) emissions Upstream (all broken down categories) Downstream (all broken down categories)	Landfilled waste: 209 tCO2e Recycled waste: 32 tCO2e Water supply: 4.35 tCO2e	Landfilled waste: 224 tCO2e Recycled waste: 33 tCO2e Water supply: 2.6 tCO2e	GRI
Absolute GHG variation per base year	11.8% increase	Base year	GRI

GRI STANDARDS			
2. Environmental			
Stewardship & Circular Economy	2023	2022	Framework
Report the composition of waste diverted from disposal	Scrap metal (Al, Cu, Steel); plastic; cardboard; wood; paper; e-waste	Scrap metal (Al, Cu, Steel); plastic; cardboard; wood; paper; e-waste	GRI
Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Total: 18,151 m3 of water consumed 17,833 m3 of water consumed was withdrawn from groundwater % consumption in high baseline water stress areas: 63% % of water withdrawn in high baseline water stress areas: 62.3%		
3. Health, Safety & Wellbeing	2023	2022	Framework
Percentage of Hammond Power employees that have completed safety training	100%	100%	GRI
Total employee H & S training hours (Hours)	Measurement not tracked in hours		GRI
Percentage of compensation tied to safety goals (Percentage)	60% estimated		GRI
Alternatively, describe linkages between safety and employee / management compensation (describe)	Our production bonus incentive programs include Health & Safety as one of the key performance indicators.		GRI
Management Systems used to integrate a culture of safety throughout the value chain and project lifecycle	Included in narrative		GRI
Description of Emergency Preparedness and Response Plan (ERP)	Included in narrative		GRI
Number of medical incidents	21 globally		GRI
Number of lost time accidents	10 globally		GRI
Number of fatal accidents	0	0	

GRI STANDARDS (con't)

**4. Employee Wellness/
Composition**

2023

2022

Framework

<p>Number of employees during the reporting period and gender: Total (M,F,O) Canada U.S. Mexico India</p>	<p>Total- 1869 (1446/ 395/28) Canada- 631(457/170/4) U,S,- 124(87/37/0) Mexico- 827(631/173/23) India-287 (271/15/1)</p>	<p>1470</p>	<p>GRI 2-7</p>
<p>Organization of working time: Full time Part time</p>	<p>Full time-1851 Part Time- 18</p>		<p>GRI</p>
<p>Explain any significant fluctuations in number of employees during the reporting year</p>	<p>We have had immense growth over 2023, various facility expansions, and a large increase of product demand has contributed to a large increase in the number of employees at HPS in 2023</p>		<p>GRI</p>
<p>Turnover by gender: Total Female Male Other</p>	<p>Total: 29.45% Female: 28.92% Male: 28.74% Other: 33% versus 100%</p>	<p>Total: 237</p>	<p>GRI</p>
<p>Methodologies and assumptions used to compile employee metrics</p>	<p>Headcount information is reported as regular full-time employees and full-time equivalents where use of regular part-time or fractional staff. Turnover data is calculated by total number of departed employed divided the average of beginning headcount and ending headcount of the reporting period.</p>		<p>GRI</p>

GRI STANDARDS (con't)

4. Employee Wellness/ Composition (con't)	2023	2022	Framework
Breakdown of workforce by gender (male, female, other): Total Board of Directors Executive Committee All Management	Total- 1869 (1446/395/28) Board- 7 (5/2/0) Exec Committee- 7 (6/1/0) All Management*- 127(105/22/0) *Excludes Executive Committee and includes Managers, Directors, Vice- Presidents		GRI
Communication channels that Hammond uses to engage its employees (e.g., intranet, newsletter, townhall, surveys)	Global intranet; town halls; Annual Business Plan communication; Quarterly Financial and Operational Updates; monthly/ quarterly team updates; Microsoft collaboration channels (Teams; Viva Engage); surveys; newsletters; contests; internal promotional events		GRI
Type and scope of programs implemented, and assistance provided to upgrade employee skills	Tuition reimbursement program; employee-paid professional dues/ memberships; leadership development tracks; on the job skills training and skills upgrading, and project management certification for individuals that are accountable for capital and other projects.		GRI
Report the percentage of senior management at significant locations of operation that are hired from the local community	90% - estimated	90% - estimated	GRI

GRI STANDARDS (con't)

**4. Employee Wellness/
Composition (con't)**

2023

2022

Framework

Describe your employee benefit plan(s) and other retirement plan(s).

In keeping with our culture and our philosophy, HPS provides total rewards opportunities which compare favourably with the community, the industry and the markets we serve and which are administered under a sound and business like administration structure.

- It is the company's objective to pay each individual employee at a compensation level which reflects performance of assigned responsibility.
- To ensure sustainability of our plan and affordability with projected inflationary benefit costs we regularly monitor affordability of our plans without sacrificing benefit value.
- Aligned with our values ensuring the safety and well-being of our employees we have a minimum standard of benefit offering and care that ensures employees maintain an adequate level of financial support for both the employee or their family in times where they are not able to do so.

GRI

GRI STANDARDS

**4. Employee Wellness/
Composition (con't)**

2023

2022

Framework

Describe your employee benefit plan(s) and other retirement plan(s).
(con't)

- At minimum, we will ensure all employees have the following benefits available at all locations/sites:
- Life Insurance at a rate of 1x their base annual wages
- Short Term Disability at a rate no less than 66 2/3% of regular wages/salary
- Long Term Disability at a rate no less than 50% of regular wages/salary
- Hospitalization at minimum ward coverage.
- A retirement vehicle that provides for a pension above established poverty levels.
- An EAP program that provides for counselling support in times of crisis.
- All other benefit coverages are aligned with local market practices (health, dental, vision).
- Pension employee contributions matched by the company.

GRI

GRI STANDARDS (con't)

**4. Employee Wellness/
Composition (con't)**

2023

2022

Framework

Describe the employee contribution program	Pension contributions <ul style="list-style-type: none"> • Offering a Tax-free savings account through our pension partners (TFSA) • Offering our employees to take part in the employee stock ownership plan (ESOP) • 401K contributions • Provident fund contributions 		GRI
Describe HR benefits and membership subsidies	HPS paid for designations that are required or enhance the credentials of an employee including professional memberships		GRI
Describe the proactive mental health benefits	Plans for additional facilities to have psychological safety assessments completed <ul style="list-style-type: none"> • EFAP (Employee & Family Assistance Program) through Workplace Options • Certain wellness and mental health expenses through personal spending account 	Several facilities had a psychological safety assessments completed	GRI

GRI STANDARDS			
4. Employee Wellness/ Composition (con't)	2023	2022	Framework
Describe the key elements of your approach to training and development of your workforce	<p>In 2023 we advanced deployment of our “HPS Learning Centre”. The Learning Centre provides a framework for learning at all levels in the company, through on-boarding, building functional capabilities and technical skills, or offering professional and personal development through a variety of learning methods. Our human capital system offers on-demand and customized e-learning courses for HPS employees at all levels including compliance, health & safety, technical skills training, soft skills development and diversity and inclusion awareness. Our commitment to employee well-being is supported with training programs designed to mitigate workplace hazards, prevent accidents, and promote a culture of safety. The same e-learning courses are offered in classroom (in-person) sessions for production workers who do not regularly use a desktop/ laptop.</p>		GRIq

GRI STANDARDS (con't)

4. Employee Wellness/ Composition (con't)

	2023	2022	Framework
Percent of employees covered by collective bargaining agreements	50.1% (932 employees)		GRI
Number of employee training hours per year	In 2023, we began data collection on all elements of training. Reported training in Code of Conduct completion was 1780.70 hours of training provided to employees. Leadership Development training of 1,188 hours completed.		GRI
Describe the types of employee training (e.g., health and safety training)	HPS mission, vision, values; Corporate Policies/ Standard Practice Instructions; Orientation & On boarding; DEI Training; Ethics & Compliance Training; H&S training; Leadership Development; Tuition Reimbursement; Quality training; Technical training; soft skills training		GRI
Hammond's budget for annual training per employee	1.5% of base salary globally 1,149,003.13 CAD	1.5% of base salary globally	GRI

5. Stakeholder Engagement

	2023	2022	Framework
Number of communities in which HPS has operations (Number)	11	11	GRI
Percentage of communities in which HPS has provided financial support and / or volunteering time	100%	85%	GRI
Number of hours allocated by HPS to employees for volunteering	Volunteer Hours provided by employee participation only		GRI

GRI STANDARDS (con't)			
5. Stakeholder Engagement	2023	2022	Framework
\$ Value of monetary donations to the communities operated in	\$108,137 CAD; in addition to 300 meals, 132 pounds of food, 168 toys		GRI 2-29
\$ Value and number of scholarships donated by HPS	66 Awards; \$31,436 CAD	85%	GRI
Categories of stakeholders we engage with and how they are identified	Identified during Strategic and Business Planning Processes PESTEL Analysis Model Internal vs External Stakeholders: <ul style="list-style-type: none"> • Customers & Market/ Industry Groups • People & Community Partners • Investors, Business Analysts & Shareholders • External auditors- KPMG, customer audits • Global Standards Boards- UL, ISO, SASB, GSSB etc. Other stakeholders as identified		GRI 2-29
Purpose of stakeholder engagement	Helps to identify and prioritize issues most relevant and significant to the organization and its stakeholders. Enhances transparency and accountability, Improves data quality and completeness, Builds trust and credibility, Supports strategic decision-making, Helps align ESG goals with stakeholder expectations, Facilitates compliance and risk management, Fosters innovation and improvement; Enhances reporting standards and frameworks and drives sustainable performance. Reporting mechanisms such as our HPS Annual & Quarterly Reports; Management Information Circulars and Investor Relations; along with Annual ESG Reports.		GRI 2-29
Discussion of process to manage risks and opportunities associated with community rights and interests	Strategic Planning Process includes PESTEL and SWOT analysis of risks. UN Sustainable Development Goals Framework as well as EcoVadis survey participation and analysis		GRI
Percentage of HPS' projects that include Indigenous partnerships	none	none	GRI
Percentage of HPS' employees that have completed Indigenous training	none	none	GRI

GRI STANDARDS

6. Diversity	2023	2022	Framework
Provide breakdown of workforce composition data by gender	Female: 395 / 21.5% Male: 1346 / 77.0% Other: 28 / 1.5%	Female: 337 / 22.9% Male: 1123 / 76.39% Other: 13 / 0.01%	GRI
Describe any Diversity & Inclusion policies and support	Diversity, Equity, Inclusion & Belonging Training completed for Executive and Senior Leadership and deployed to all salaried staff. No change from 2022 in policies and practices.	Zero tolerance discrimination policy, diversity, equity and inclusion policy that outlines: <ul style="list-style-type: none"> • Promotion of diversity and inclusion within our teams • The principle to seek, respect, value and leverage diversity of thought and ideas • Hold ourselves accountable to share in the responsibility for inclusiveness • Visibility of inclusiveness in management decisions and behaviour • That all of our relationships are based on mutual respect and growth • Respectful communication and cooperation among all employees. • Teamwork and employee participation, permitting the representation of all groups and employee perspectives. • Employer and employee contributions to the communities we serve to promote a greater understanding and respect for diversity. Accommodation statement on external job postings; and women in leadership positions are reported within our Management Information Circular.	GRI

GRI STANDARDS

6. Diversity (con't)	2023	2022	Framework
Describe your strategies programmes and procedures aimed at providing employment opportunities to residents or nationals of host countries	We welcome and encourage applicants from our local communities through local recruitment and job posting practices	We welcome and encourage applicants from our local communities through local recruitment and job posting practices	GRI
Describe how you promote workforce diversity and inclusion and non-discrimination	Workplace rules and disciplinary measures; workplace violence and harassment prevention program and compliance training; annual workforce demographics report	Workplace rules and disciplinary measures; workplace violence and harassment prevention program and compliance training; annual workforce demographics report	GRI

7. Good Governance	2023	2022	Framework
Describe the processes and frequency by which the Board and/or board committees (e.g., audit, risk, or other committees) are informed about ESG related issues.)	The Board is informed of certain ESG elements on a quarterly or ad-hoc basis. The development of an ESG report helps to formalize communication to the Board on a broader range of material ESG components	The Board is informed of certain ESG elements on a quarterly or ad-hoc basis. The development of an ESG report will help to formalize communication to the Board of a broader range of material ESG components.	GRI
Describe the Board structure including Committees, meeting frequency and independence	All board members are independent with the exception of William G. Hammond and Christopher Huether. The Board meets six times per year. The Board committees consist of a Compensation and Human Resources Committee, an Audit Committee and a Governance Committee. All chairs are independent. The audit committee meets quarterly, the Compensation and HR committee meets quarterly and the Governance committee meets three times per year	All board members are independent with the exception of William G.Hammond. The Board meets six times per year. The Board committees consist of a Compensation and Human Resources Committee, an Audit Committee and a Governance Committee. All chairs and vice-chairs are independent. The audit committee meets quarterly, the Compensation and HR committee meets annually, and the Governance committee meets three times per year.	GRI

GRI STANDARDS

7. Good Governance (con't)	2023	2022	Framework
Describe how your employees acknowledge governance policies (e.g., do employees have to sign off annually)?	Employees review the Code of Conduct annually via the eLearning platform	Employees read and sign the Code of Conduct during their orientation	GRI
Description of the management system for prevention of corruption and bribery throughout the value chain	<ul style="list-style-type: none"> • Signed contracts with the right to audit manufacturing locations • The management system in place includes monitoring questionable or improper payments, and prohibiting of any corruptive or behaviour of accepting or participating in bribery 	<ul style="list-style-type: none"> • Signed contracts with the right to audit manufacturing locations • The management system in place includes monitoring questionable or improper payments, and prohibiting of any corruptive or behaviour of accepting or participating in bribery 	GRI
Percentage of employees that acknowledged: • Code of Conduct (Percentage) Health & Safety Policy (Percentage)	74% Code of Conduct Completion 100% Health & Safety Policies	100	GRI

GRI STANDARDS

7. Good Governance (con't)

2023

2022

Framework

Acknowledgement of governance policies & procedures:

Employees review course material through facilitated in person classroom training, e-learning modules and through SPI documentation with regular monitoring of compliance training completion.

The company Code of Conduct includes a required quiz and attached full code of conduct reference material with mandatory 80% pass rate. Less than 80% requires employees to review the material and repeat the course.

Whistleblower, Anti-Human Trafficking & Forced Labour, Anti-bribery & Corruption, Code of Conduct mandatory completion for all new and existing employees.

GRI

GRI STANDARDS

7. Good Governance (con't)	2023	2022	Framework
<p>Description of ESG oversight (ESG/HS&E Committee)</p>	<p>Executive Team Oversees the corporate sustainability committee, approves budgets for necessary projects.</p> <p>Sustainability Working Committee This is a committee of senior level representatives from each business function to address needed sustainability measures and communication on each function’s sustainability goals.</p> <p>Green Team Responsible for data entry and facilitating projects for increasing sustainability performance at each facility at local level based on trends seen in collected data.</p> <p>Joint Health and Safety Committee Comprised of worker and employer representatives committed to ensuring health and safety regulations upheld and improving health and safety conditions</p>		<p>GRI</p>

GRI STANDARDS

7. Good Governance (con't)

2023

2022

Framework

<p>Description of Board Committees</p>	<p>Audit Committee</p> <ul style="list-style-type: none"> • Internal control assurance • Oversee external audits and financial disclosures • Review quarterly business and financial reports • Monitor Whistleblower reporting <p>Compensation and HR Committee</p> <ul style="list-style-type: none"> • Development of compensation philosophy and policies • Oversight of Board and Executive Compensation • HR Metrics and Risks • Reviews Health and Safety Reporting <p>Governance Committee</p> <ul style="list-style-type: none"> • Corporate Governance procedures • Development of Work Plan • Board recruitment, renewal, and diversity • Board and Director evaluation • Board education 		<p>GRI</p>
<p>Description of governance policies</p>	<p>Our Code of Conduct Policy and required training outlines the way we do business in which all employees must abide by local laws and treat all stakeholders with respect. Regular monitoring of compliance through our Whistleblower Policy, 24-hour code of conduct compliance hotline as well as reporting on Ethics and Compliance through Board Audit Committee.</p>		<p>GRI</p>

GRI STANDARDS			
7. Good Governance (con't)	2023	2022	Framework
Description of Board procedures	The Board develops an Annual Work Plan and schedules meetings to accomplish the goals laid out for the year. Board meetings are conducted using formal procedures to ensure information is provided in timely way, relevant decisions made are recorded in the minutes, and that the Board's time and skills are used as productively as possible.		GRI
Number of Independent Directors/Committee chairs	7	8	GRI

8. Supply Chain Management	2023	2022	Framework
How we ensure suppliers comply with legal standards and uphold ethical social and environmental standards	Through CMRT data collection from applicable material suppliers ISO compliance or equivalent quality management system in place On-site supplier visits/tours Signed supplier agreements with the right to audit vendor manufacturing locations	CMRT data collection from applicable material suppliers ISO compliance or equivalent quality management system in place. On-site supplier visits/tours. Signed supplier agreements with the right to audit vendor manufacturing locations	GRI
Percentage of new suppliers that were screened using ESG criteria	25% estimated New production facility in Monterrey had supplier site visits for employee conditions	15% estimate: tracking through Conflict Minerals Reporting ("CMRT")	GRI
How HPS communicates expectations to suppliers	Directly in agreed terms and conditions on each Supply Agreement, Purchase Order and Supplier Code of Conduct. All New Supplier Agreements have ESG compliance requirements	Directly in agreed terms and conditions on each Supply Agreement, purchase order and Supplier code of conduct New contracts have ESG wording added to the content	GRI

SASB STANDARDS

	2023	2022	Framework
Gross global Scope 1 emissions, percentage covered under 1. Total energy consumed 2. Percentage grid electricity 3. Percentage renewables	1. 42% 2. 0 3. 0	1. 55% 2. 0 3. 0	RT-EE-130a.1
Number of customers served in markets subject to renewable portfolio standards (“RPS”)	2717	2678	IF-EU-110a.4
Number and aggregate quantity of reportable spills, quantity recovered	1 spill, 1000L of varnish, 0L recovered	1 spill, 30 gal	RT-EE-150a.2
Description of the management of risks associated with the use of critical materials	<p>Suppliers of high-risk materials require multi-department sign off before proceeding.</p> <p>Purchase orders are audited to ensure purchases are from an approved supplier.</p> <p>Suppliers sign off on SPI documents before supplying any material.</p> <p>Where applicable, sample runs are completed with a quality/ engineer audit before production runs.</p>		RT-EE-440a.1
Number of recalls issued; total units recalled	0	0	RT-EE-250a.1
Total amount of monetary losses as a result of legal proceedings associated with product safety	0	0	RT-EE-250a.2
Total recordable incident rate (“TRIR”) and (2) fatality rate for (a) direct employees and (b) contract employees	<p>Employees: TRIR Frequency rate: 1.6 Severity rate: 6.8 Fatality Rate: 0</p> <p>Contract: TRIR and severity rate: 0 Fatality Rate: 0</p>	<p>Employees: TRIR Frequency Rate: 2.9 Direct severity rate average: 30.9</p> <p>Contract: TRIR and severity rate: 0 Fatality Rate: 0</p>	IF-EU-320a.1

SASB STANDARDS (con't)			
	2023	2022	Framework
Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption	0	0	RT-EE-510a.2
Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behaviour regulations	0	0	RT-EE-510a.3
Description of policies and practices for prevention of: 1. bribery and corruption in the project bidding processes anti-competitive behaviour in the project bidding processes	<p>Our company Code of Conduct directs a no tolerance for bribery of public officials or private organizations of any kind. Competitive information collected must be done legally and within our established ethical framework.</p> <p>Suppliers must abide by our Supplier Code of Conduct with all anti-corruption laws that prohibit corrupt acts to retain or obtain business.</p>		RT-EE-510a.1

HPS Offices, Manufacturing Facilities and Warehouse Locations

Canada

Hammond Power Solutions Inc.

Corporate Head Office
595 Southgate Drive
Guelph, Ontario N1G 3W6

15 Industrial Road
Walkerton, Ontario NOG 2V0

10 Tawse Place
Guelph, Ontario N1H 6H9

Delta Transformers Inc.

795 Industriel Boul.
Granby, Quebec J2G 9A1

3850 place de Java
Suite 200
Brossard, Québec J4Y 0C4

India

Hammond Power Solutions

Private Limited

Plot No.6A, Phase-1, IDA Pashamylaram,
Patancheru Mandal, Sangreddy District,
Telangana, India 502307

Italy

Hammond Power Solutions S.p.A.

Via Amedeo Avogadro 26
10121 Torino, Italy
at R & P Legal

Mexico

Hammond Power Solutions S.A. de C.V.

Ave. Avante #810
Parque Industrial Guadalupe
Guadalupe, Nuevo Leon, C.P. 67190
Monterrey, Mexico

Ave. Avante #900
Parque Industrial Guadalupe
Guadalupe, Nuevo Leon, C.P. 67190
Monterrey, Mexico

Mexico

Hammond Power Solutions Latin

America S. de R.L. de C.V.

Ave. Avante #840
Parque Industrial Guadalupe
Guadalupe, Nuevo León, México
C.P. 67190

United States

Hammond Power Solutions, Inc.

1100 Lake Street
Baraboo, Wisconsin 53913

17715 Susana Road
Compton, California 90224

6550 Longley Lane, Suite 135
Reno, Nevada 89511

Mesta Electronics LLC

11020 Parker Drive,
North Huntingdon, Pennsylvania 15642

Corporate Information

Corporate Officers and Directors

Officers

John Bailey

Chief Operations Officer

Paul Gaynor

Chief Information Officer

David Kinsella

Chief Commercial Officer

Catherine McKeown

Chief People Officer

Adrian Thomas

Chief Executive Officer & Director

Richard C. Vollerling

Chief Financial Officer & Corporate Secretary

Directors

Dahra Granovsky

Human Resources and
Compensation Member

William G. Hammond

Chair of the Board

Christopher R. Huether

Governance Member

Frederick M. Jaques

Governance Chair

Grant C. Robinson

Lead Director
Audit Member

Anne Marie Turnbull

Human Resources and
Compensation Chair

David Wood

Audit Chair

Stock Exchange Listing

Toronto Stock Exchange (TSX)

Trading Symbol: HPS.A

Registrar and Transfer Agent

Computershare Investor Share

Services Inc.

100 University Avenue

Toronto, Ontario

Canada M5J 2Y1

Auditors

KPMG LLP

120 Victoria Street South,

Kitchener, ON N2G 0E1

Legal Representation

Dentons Canada LLP

77 King Street West, Suite 400

Toronto Dominion Centre

Toronto, Ontario M5K 0A1

Banking Institution

JP Morgan Chase

Bank N.A. 66 Wellington Street West,
Suite 4500

Toronto, Ontario M5K 1E7

Investor Relations

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