



Hammond Power
Solutions Inc.





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.

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22 Global Locations



1,500 Employees

Canada, United States, Mexico and India



\$558M Global Sales

Consistent decades of growth



~670,000 Units/year

Consistent decades of growth

Message from our CEO

HPS Corporate Sustainability

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.

Our 5 Pillars of Sustainability

1. Economics
2. People
3. Community
4. Environment
5. Continuous Improvement

Countries and jurisdictions globally are recognizing the long-term benefits of electrifying their economies and are continuing to adopt power sources with a lower carbon footprint.

The fundamentals of Hammond Power Solutions ("Hammond" or "HPS") are driven by demand from a broad range of end markets combined with a diversity of geography and sales channels. As countries around the world continue to electrify their economies to meet their climate commitments, our mission is to ensure Hammond plays a significant role in this global power transition. From our early days as a small family-run business, Hammond has emerged as a leading industry player in transformer design and manufacturing. With a century-long legacy of innovation and an unwavering focus on customer satisfaction, we have established ourselves as trusted, long-term partners, dedicated to modernizing and improving electrical applications to meet the evolving needs of our customers.

As we continue to grow and evolve, Hammond and our customers face a new, shared challenge: reducing our environmental impact, generating value for our stakeholders, and upholding the highest corporate governance standards. Over the years, we have remained committed to designing and manufacturing energy-efficient products that reduce industry's



environmental footprint, while supporting the development of renewables and alternative energy applications. In particular, Hammond has developed products for use in the development of wind and solar power, power storage systems, and electric vehicle charging stations.

As part of our commitment to sustainability, Hammond has established a comprehensive program to guide our business practices, ensuring that we operate in a responsible and sustainable manner. Our goal is to create a positive impact in the communities in which we operate, contribute to a more sustainable future, and provide our customers with the most sustainable products and services possible. We are committed to meeting this challenge head-on, and to working in partnership with our stakeholders to create a brighter more sustainable future for all.

Hammond Power Solutions is pleased to formalize our sustainability commitment with the completion of

our first Environmental, Social, Governance ("ESG") report. As we move forward, we remain dedicated to our ESG principles, which guide our decision making and ensure that we are accountable to our stakeholders. We are committed to transparency and regularly reporting on our progress toward our ESG goals. We believe that by focusing on ESG, we can create long-term value for our shareholders and make a positive impact on the world around us.

Thank you for your continued support, and we look forward to working together toward a more sustainable future.

A handwritten signature in black ink, appearing to read 'WGH' followed by a stylized flourish.

William G. Hammond
CHAIRMAN OF THE BOARD & CHIEF EXECUTIVE OFFICER

About Hammond Power Solutions

Our purpose

We are passionate people energizing a better world.

Our values

We value the **safety** and **well-being** of all

We expect **honesty, integrity** and **ethical behaviour**

We embrace **diversity** by nurturing an **inclusive** environment and treating everyone with **dignity** and **respect**

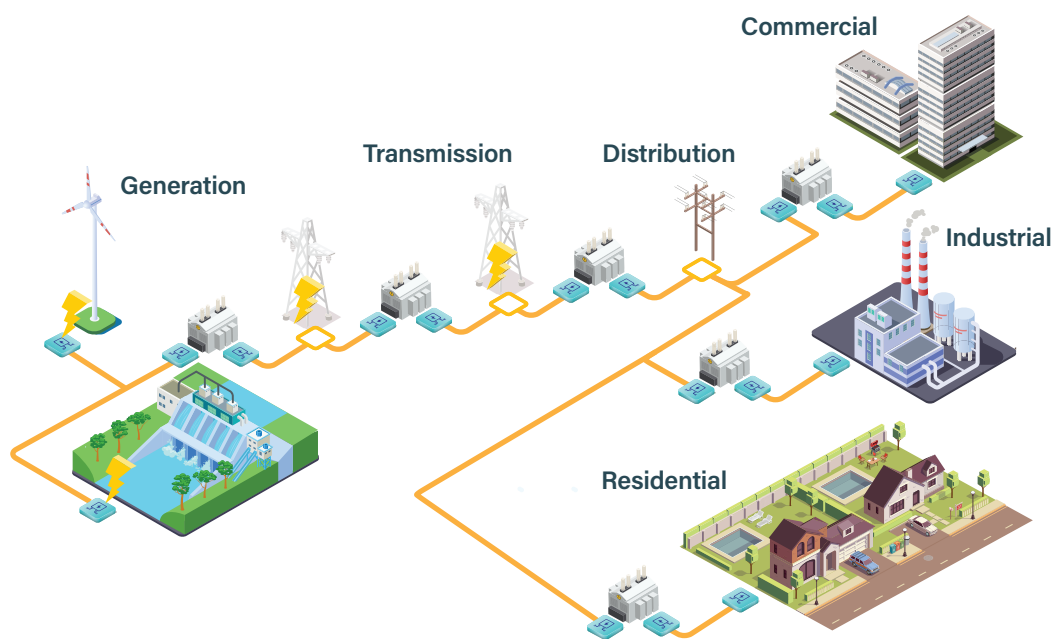
We promote **innovation** and a relentless pursuit of **continuous improvement** through **teamwork**

We believe in a **collaborative approach** to **social** and **environmental sustainability**

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.

Transformers are essential throughout the power grid. Starting at the point of generation, transformers step up power for long distance transmission. Depending on distance and voltage, several types of transformers can be used along the distribution line to step down delivery. Commercial, industrial and residential end usage require different voltage levels to supply electrical loads for use with specific equipment and consumption.



Hammond's Approach to ESG

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.

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

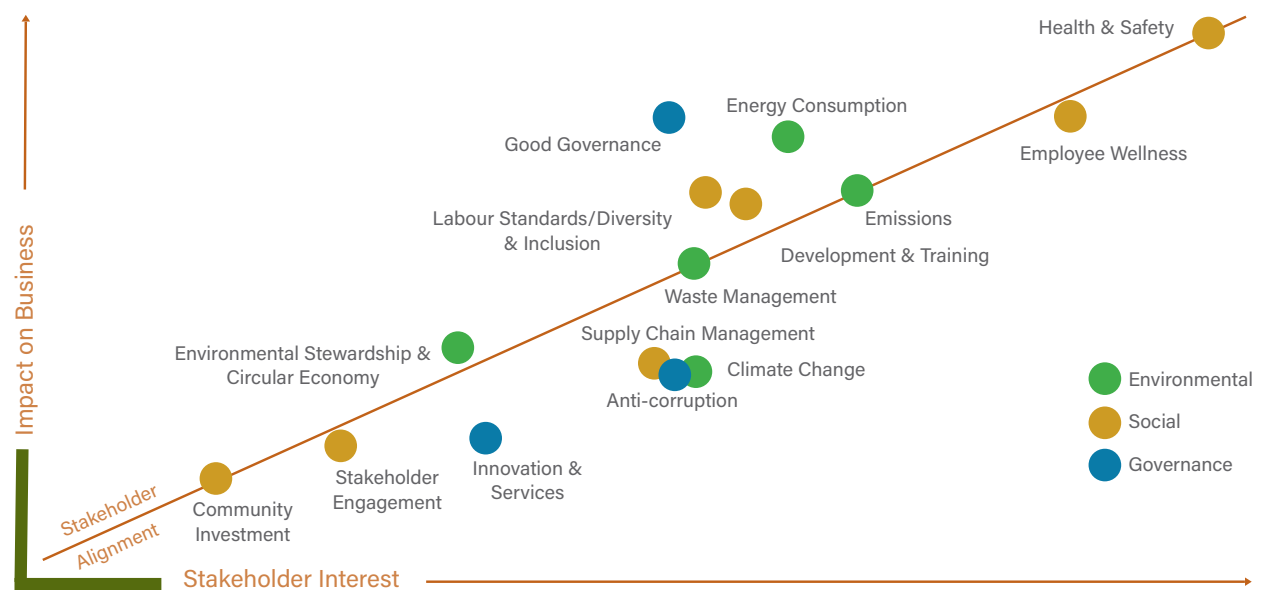


Fig 1. Hammond Power Solutions 2022 Materiality Assessment

ensure effective management of our ESG priorities. Hammond followed a content gathering and approval process to ensure this report accurately reflects our practices and performance.

In 2022, we took an essential step in this journey with the completion of our first formal materiality assessment to inform our future sustainability work and to shape and prioritize the content of this report. We enlisted ESG-focused third-party guidance and referenced both the Global Reporting Initiative ("GRI") and Sustainability Accounting

Standards Board ("SASB") standards to complete our assessment in three stages: topic identification, prioritization and validation.

Hammond has undertaken a comprehensive evaluation of its operations and has determined the nine ESG topics that are critical to its business. In alignment with the United Nations' Sustainable Development Goals ("SDGs"), Hammond recognizes the pivotal role that businesses play in realizing these objectives. Below is a synopsis of our essential ESG factors and the corresponding SDGs.



Environment

Environmental sustainability is a key focus area for Hammond. We recognize that our operations have an impact on the environment, and as such, we are focused on the development and adoption of sustainable practices in the work we do every day to minimize the impacts. The measures we have implemented are designed to reduce our energy consumption, emissions, minimize waste and to ensure our employees are stewards of a circular economy.

Energy Management & Emissions

Hammond shares global concerns about climate change, recognizing that it is a complex challenge of increasing importance to our company and our stakeholders. As such, we are focused on reducing the climate impact of our operations and integrating climate risk considerations into our business decisions. Our climate strategy has been activated within our operations through investments in energy-efficient technologies, the adoption of energy-savings practices and procedures and

promoting employee awareness on the importance of conserving energy. Through these efforts, we have reduced our energy consumption and greenhouse gas emissions while also saving money on energy costs. We will continue to undertake activities that help minimize, lower, or offset emissions, while being careful to avoid sacrificing the economic viability of our development activities.

Reducing emissions is important not only for minimizing Hammond's environmental footprint, but

The following table outlines the total tonnes of carbon dioxide equivalent produced by Scope 1, 2 and 3 GHG emissions currently reported on. In addition, the table below demonstrates the percentage of scope GHG emissions reported.

Source of Emission	Total (tCO ₂ e)	Percentage
Scope 1	2,788	47%
Scope 2	2,908	49%
Scope 3*	262	4.5%
Total	5,958	100%

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.

also for reducing our costs. Across our business, we have identified numerous opportunities for emissions reduction initiatives. We will continue to drive emissions intensity improvements across all parts of our business, seeking greater efficiency and lower-carbon alternatives for our business operations.

A Green House 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. Below is a table that outlines the emissions that were captured for HPS's 2022 reporting year.

Within our internal operations, energy consumption is tracked, and opportunities identified

to increase our use of clean power and adopt strategies to reduce consumption. When we work externally with our customers, we strongly believe that through our innovative products, our customers are able to take meaningful steps toward the achievement of their own sustainability goals.

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.

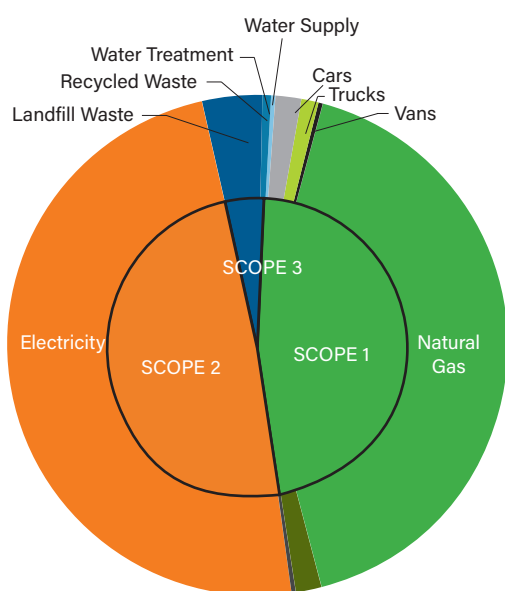


Fig 3. Stacked pie chart showing consumption by scope and category for total HPS emissions.

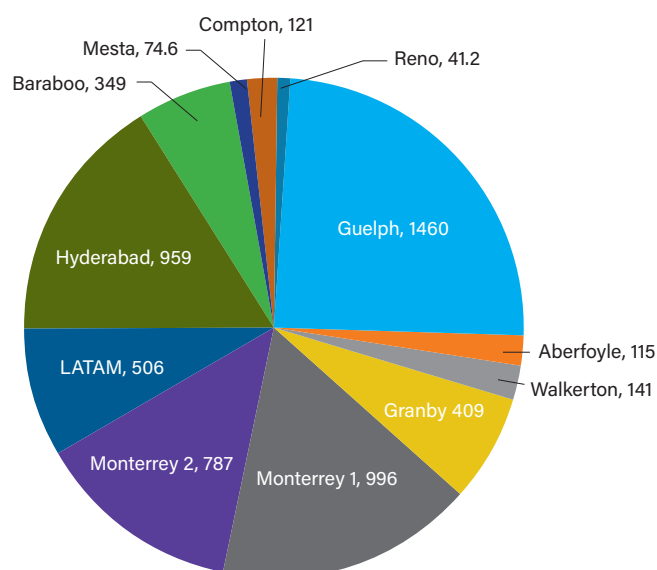


Fig 4. Facility breakdown of HPS total consumption by tCO2e.

Environment (con't)

Environmental Stewardship & Circular Economy

As a responsible manufacturer, we recognize the importance of balancing economic growth with environmental stewardship and social responsibility. We have taken a comprehensive approach to activating ESG principles throughout our business, and this includes implementing best practices to minimize our impact on the environment.

While water is not used in our manufacturing process, it is still a resource that we consume for amenities, drinking and landscaping and is a resource we monitor where possible. In 2022, we consumed a total of 16,957 m3 globally.

Waste reduction and management across all operations is an integral part of our business. We continuously strive to minimize the overall amount of waste we generate and to reduce the amount we send to landfill. Our waste strategy begins with avoiding the generation of waste where possible. Where this is not possible, we work to reduce, reuse,

and recycle waste. Hammond has implemented a program to recycle materials such as copper, steel, and aluminum, and we have established partnerships with suppliers that share our commitment to sustainability to ensure our recycling efforts are effective. We have also implemented several waste reduction measures focused on reducing packaging waste, reusing materials, and implementing recycling programs for both office waste as well as waste materials created during our manufacturing processes. In 2022, our landfill waste was 480 tonnes and our recycled waste was 1,570 tonnes. This creates a diversion ratio of 77% for total 2022 waste when including landfill, recycling, and scrap metal. When scrap metal is not included in the ratio the diversion ratio drops to 62%. Both are shown since scrap metal can largely skew the data because of its weight.

2022 Annual Waste Management (t)

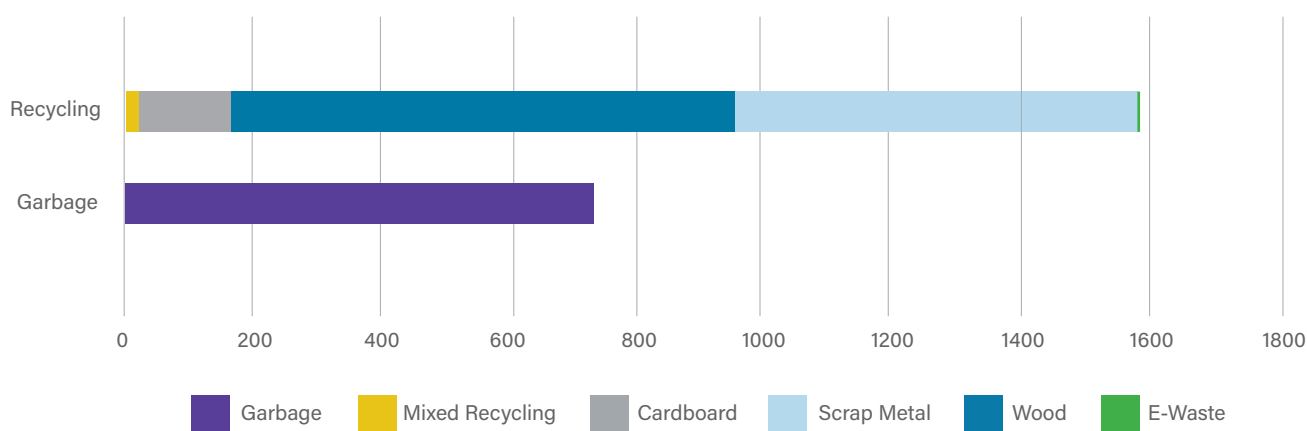


Fig 5. Annual Waste Management for 2022 showing the amount and types of recycled material and landfill waste.

Hammond Power Solutions is constantly seeking out new ways to reduce our environmental footprint. And while we use new clean technologies and processes, our design and manufacturing of product solutions for our customers is inherently aligned with our commitment to reduce the environmental impact of our operations. As we meet the needs of our customers through the design of high efficiency transformers with limited no-load losses, this has the beneficial effects of reduced energy consumption and lower carbon emissions. One key factor of our products is that they have a greater than 86% recyclability, which helps encourage our partners to properly recycle our products at end of life. To help promote recycling, we provide our customers with information on how to dispose and recycle our products at the nearest facility to them.

Hammond is proud to have instituted a "Green

Team" globally to implement operational changes and projects at the local level to improve the efficiency of resource use (gas, electricity, water) while identifying and implementing community impact initiatives, including but not limited to environmental campaigns such as tree planting and river walk clean-ups. There have also been local Green Committees initiated at our facilities similar to the team at our Granby plant to oversee the successful execution of our environmental programs, including our Outdoor Garden. Utilizing reclaimed materials from our production process, we have developed a sustainable approach to growing vegetables which are distributed amongst our team members. Any surplus harvest is thoughtfully donated to local shelters to support the broader community. We are committed to promoting and contributing to the betterment of the communities we serve.



Fig 6a. Recycled garden beds created at the Granby facility.



Fig 6b. Tree planting, India

Social

Social responsibility is another important focus area for us. We believe in creating a healthy and safe workspace where all employees are treated well and given the opportunity to succeed. We support our local communities through charitable donations, volunteering and partnerships with local organizations.

Health & Safety

The health and safety of our people and partners are core elements of our culture at Hammond Power Solutions. Electrical manufacturers are governed by stringent health and safety protections, subject to active monitoring with regular and transparent reporting. As part of this, Hammond has implemented extensive policies, proactive procedures, and an Emergency Response Plan ("ERP") designed to protect our people and local communities, along with the environment. Hammond's ERP is designed to provide a rapid and effective response to any level of potential emergency.

Hammond Power Solutions provides an education-based safety program that tracks, investigates, and strives for constant improvement across all facets of our operations. All operational employees must be trained on emergency response protocols, and we have established incident command structures to ensure that our emergency management process is effective. In addition, all employees are required to participate in emergency response drills on an annual basis.

Employee Wellness

The people at Hammond Power Solutions represent one of our key success factors. Our team is comprised of qualified and highly technical professionals who not only comply with Hammond's internal code of conduct and policies but are also held to a high standard of ethics and self-regulation. As such, we strive to create an empowered culture where our people can thrive as individuals and collectively contribute to the long-term success of our business.

A few of our employee-centric initiatives include:

- Professional development support, including ongoing training, networking and assisting in

the pursuit and maintenance of professional designations (we invest on average 1.5% of salary to the HPS Learning Centre and have set the goal that by 2026, 50% of our open positions will be filled by internal people).

- Adoption of advanced software and technologies designed to help employees perform their work efficiently.
- Providing employees with flex days, flexible remote working options, volunteering hours and in some facilities, flexible personal and health care spending accounts.

- Enabling employees to participate in Hammond's stock option plan which strengthens the team engagement while further aligning their interests with shareholders.
- Hammond-sponsored and organized social events.
- Annual and Bi-annual employee engagement surveys, which has allowed Hammond to create employee specific programs, action plans and performance tracking; and
- Collaborating with local colleges and universities to promote the hiring of summer students and the next generation of innovative employees.

Succession planning is another key part of ensuring leadership continuity and growth throughout the organization. As Hammond has continued to evolve, our Board has been increasingly focused on our internal human capital planning and leadership development practices. Our corporate leadership including our Board, strongly believes that these are essential components that can ultimately support our long-term sustainability.

Family has always been important to Hammond which is why we provide scholarships to employee's

children. Providing educational opportunities for our employees' children helps alleviate the financial burden of higher education and contributes to the success of future generations. We have found this benefit has helped us to attract top talent and has improved employee morale and loyalty.

Bringing our people together with social events allows for collaboration and developing lifelong relationships. We have several social events throughout the year that focus on getting people together for some good old-fashioned fun! At these events, we take the opportunity also to remember those vulnerable in the community that need our help whether it is our financial contributions to organizations such as Habitat for Humanity, addressing food insecurity through significant fund raising and donations to Food banks or Toys for Tots and Giving Tree to provide a meaningful holiday for children. In 2022, Hammond held a "Staff Appreciation Day" publicly acknowledging the contribution and dedication of our people across all Hammond facilities.



Fig 7. Giving tree donations at the Guelph location.

Social (con't)

Stakeholder Engagement

Hammond Power Solutions is proud to be an active and trusted member within the communities where we live and operate. We prioritize ongoing engagement with a wide range of stakeholders including our customers, employees, suppliers, investors, regulators and local communities. We seek to hear their concerns and promote collaborative working relationships. Throughout our operational lifecycle, we strive to engage stakeholders and interested parties in open dialogue, sharing information transparently, and ensuring that we achieve consensus around solutions. Hammond is committed to working with internal and external stakeholders to resolve concerns or answer questions that may arise through our continued interactions.

We have implemented several initiatives to promote stakeholder engagement. This includes regular communication through a variety of channels such as customer surveys, employee surveys, townhalls, supplier meetings and community outreach programs.

Hammond Power Solutions aims to provide meaningful economic contributions to its local communities. It actively recruits employees and external contractors from the local community and relies on local businesses for services, with the goal of uplifting local economies. Our team believes that we represent the community, and the community represents us.

Diversity Equity & 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 DEI events throughout the year including celebrating women on International Women's Day.



Fig 8, 9 and 10. 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 are 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. And we take meaningful steps to ensure that we source our materials and components from 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 Power Solutions with a framework that allows us to pursue our business objectives while respecting the interests of our stakeholders.

Our Board of Directors provide oversight and assessment of our ethics and compliance programs as part of our governance frameworks. HPS Management report its progress to the board on a regular basis. Management and the board of directors clearly communicate and promote ethics and value through 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 Policies and Standard Procedures and Instructions "SPI's" 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.

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.

Hammond Power Solutions knows that risk management, including emergency response programs, is critical for our business. It supports our efforts to ensure compliance with regulations and, most importantly, helps to protect our employees and the environment against possible hazards.

Supply Chain Management

We believe that we must be mindful of not just our own actions, but also the actions of those we choose to partner with. To promote alignment between Hammond and our business partners, we have integrated sustainability considerations directly into our contractor selection and procurement management practices. Not only are we increasing the value to our business and generating

mutual efficiencies with competitive businesses and suppliers, but we are also addressing the environmental and social effects of our procurement decisions. The sustainability focus within our supply chain processes and partnerships supports Hammond's purpose and demonstrates leadership in environmental and social governance.

Innovation & Service

Hammond Power Solutions 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.

HPS has 90% of our low voltage and medium voltage units that comply with the Department of Energy ("DOE") and Natural Resources Canada ("NRCAN") efficiency standards. Approximately 70% 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 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.

ESG Performance Data Table


Environment		
1. Emissions & Energy Management	2022	Framework
All Energy Scope 1 and Scope 2 emissions measured in 2022	1. 91% (electricity + natural gas); 2. 53% electricity; 3. 0% renewable	RT-EE-130a.1
Gross global Scope 1 emissions, percentage covered under 1. Total energy consumed 2. Percentage grid electricity 3. Percentage renewables	1. 55% 2. 0% 3. 0%	RT-EE-130a.1
Discuss your approach to supply of lower-carbon and/or alternative energy	Currently, we are researching the impact and feasibility of using renewable energy sources at each facility. We are tracking current consumption and identifying areas where consumption can be reduced to produce less carbon emissions. LED lighting, motion sensor lights, as well as holding managers accountable for monthly consumption tracking.	GRI
Discuss your initiatives and progress toward improving energy efficiency and consuming less energy	LED lighting, holding managers accountable for monthly consumption tracking.	GRI
Number of customers served in markets subject to renewable portfolio standards (RPS)	2678	IF-EU-110a.4
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	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 global for all facilities.	IF-EU-120a.1

Environment

2. Environmental Stewardship & Circular Economy

	2022	Framework
Report the composition of waste diverted from disposal	Scrap metal (Al, Cu, Steel); plastic; cardboard; wood; paper; e-waste	GRI
Disclose the actions, including circulatory measures taken to prevent waste generation within your organization	Removed single use coffee cups for free coffee and provided employees with reusable tumblers, e-waste separated and donated to ERA (Electronic Recycling Association) to be repaired and reused for those needing electric equipment. Recycling of office paper products and other recyclable material.	GRI
Number and aggregate quantity of reportable spills, quantity recovered	1 spill	GRI
Describe the inputs, activities and outputs that lead or could lead to waste related impacts	<p>A significant amount of raw material comes from a virgin source. Though scrap is recycled, and our products are 87+% recyclable, we could improve using materials whose source could be re-processed or recycled.</p> <p>Efforts to reduce waste material are underway such as the reuse of excess nomex material in our production process where feasible.</p>	GRI

ESG Performance Data Table (con't)

Social		
3. Health & Safety	2022	Framework
Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	Contract TRIR and severity rate: 0 Direct TRIR site average: 2.9 Direct severity rate average: 30.9	RT-EE-130a.1
Percentage of HPS employees that have completed safety training	100%	GRI
Describe management systems used to integrate a culture of safety throughout the value chain and project lifecycle	<p>OHS programs focus on compliance while safety systems focus on managing hazards throughout all levels of the organization.</p> <p>Our HPS Safety Policy reflects our serious commitment to Health and Safety and shows that safety performance is compatible with sustained business performance.</p>	GRI
<div style="display: flex; align-items: center;">  <div style="margin-left: 20px;"> <p>Policy - OSH policy, worker participation.</p> <p>Organizing - Responsibility & accountability, competence & training, OSH documentation, communication.</p> <p>Planning & Implementation - Initial review, system planning, development & implementation, OSH objectives, hazard prevention.</p> <p>Evaluation - Performance monitoring & measurement, investigation, audit, management review.</p> <p>Action for Improvement - Preventative and corrective action, continual improvement.</p> </div> </div>		

Social

3. Health & Safety (con't)	2022	Framework
	<p>Plan Do Check Act (PDCA) is the cornerstone of our H&S Culture: Every step and system is planned, checked for compatibility, refined, and then implemented.</p> <p>Our Metrics measured are:</p> <ol style="list-style-type: none"> 1. Frequency of incident 2. Severity of incident 3. First Aids and indicated trends 4. WSIB statistics as measured against local and industry standards 5. H&S Training compliance <p>Policies in place:</p> <ul style="list-style-type: none"> ▪ Workplace & Safety Rules of Conduct ▪ Contractor Health & Safety Policy ▪ Health & Safety Communication Procedures ▪ Electrical Safety ▪ Health & Safety Enforcement & Discipline ▪ Health & Safety Policy Statement ▪ Health & Safety Responsibilities ▪ Business Continuity Response Plan ▪ Pandemic and viral Pandemic risk mitigating cleaning and disinfecting plan 	RT-EE-130a.1
Description of Emergency Preparedness and Response Plan (ERP)	<p>As an ISO certified employer, we have a quality management system that provides clearly documented Standard Practice Instructions (SPI's) that all our employees are aware of, acknowledge and are trained in procedures on a regular basis. Our SPI on emergency preparedness and response was created to establish, maintain and communicate an Emergency Response Plan. This plan is to provide guidance and information to employees and emergency responders during an emergency situation. The objective is to avoid or minimize the effect on employees, the environment and the business. This plan provides general procedures to be followed during any emergency. Separate procedures are written for the following specific emergencies:</p> <ul style="list-style-type: none"> ▪ Evacuation ▪ Fire/Explosion ▪ Medical ▪ Spills ▪ Bomb Threats ▪ Electrical Power Failure ▪ Natural Disasters (weather related) ▪ Suspicious Packages 	GRI

ESG Performance Data Table (con't)

Social		
34. Employee Wellness	2022	Framework
Number of employees during the reporting period	1500	GRI
Number of employee turnover during the reporting period	237	GRI
What is HPS's budget for annual training per employee	Average of 1.5% of base salary globally	GRI
Describe the communication channels that HPS use to engage its employees (e.g., intranet, newsletter, townhall, surveys)	Global intranet; town halls; monthly/quarterly team updates; Microsoft Teams channels; surveys; newsletters; contests; internal promotional events	GRI
Describe the 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 large scale projects.	GRI
Report the percentage of senior management at significant locations of operation that are hired from the local community	90% - estimation, no reporting at this time	GRI

Social

4. Employee Wellness (con't)	2022	Framework
Describe your employee benefit plan(s) and other retirement plan(s).	<p>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.</p> <ul style="list-style-type: none"> ▪ Further, it is the company's objective to pay each individual employee at a compensation level which reflects performance of their assigned responsibility. ▪ To ensure ongoing sustainability, we regularly monitor our benefit plans ensuring we continue to provide relevant and valued benefit offering for our people that is market competitive and fiscally responsible. ▪ Aligned with our values, ensuring the safety and well-being of our employees, we ensure 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. ▪ At minimum, we will ensure all employees have the following benefits available at all locations / sites: <ul style="list-style-type: none"> ◦ Life Insurance at a rate of 1 x their base annual wages ◦ Short Term Disability at a rate no less than 66⅔% 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 Employee & Family Assistance Program (EFAP) that provides for counselling support in times of crisis. ◦ All other benefit coverages will be aligned with local market practices (health, dental, vision). 	RT-EE-130a.1

ESG Performance Data Table (con't)

Social		
4. Employee Wellness (con't)	2022	Framework
Describe the employee contribution program	<ul style="list-style-type: none"> ▪ Pension contributions ▪ Offering a Tax free savings account through our pension partners (TFSA – Canada) ▪ Offering our employees to take part in the employee stock ownership plan (ESOP – Canada) ▪ 401K contributions (U.S.) ▪ Provident fund contribution (India) ▪ Retirement Funds Administration (Mexico) 	GRI
Describe HR benefits and membership subsidies	HPS paid for designations that are required or enhance industry and role specific credentials of an employee including professional memberships	GRI
Describe the proactive mental health benefits	<p>In 2022 two of our facilities had a psychological safety assessment done, in 2023 our remaining facilities will be completed.</p> <ul style="list-style-type: none"> ▪ Employee & Family Assistance Program (EFAP) through Workplace Options ▪ Certain wellness and mental health expenses reimbursed through personal spending and health reimbursement accounts 	GRI

Social
4. Employee Wellness
(con't)
2022
Framework

Describe the key elements of your approach to training and development of your workforce	<p>Leadership development; skills training; compliance training (forklift, first aid, confined spaces, etc.); competency training.</p> <p>We believe in continuous learning and have established an HPS Learning Centre for Professional and Personal Development for our employees as well as a Technical HPS Academy for our employees and customers.</p> <p>The HPS Learning Centre provides leadership development tracks along with opportunities to enhance skills; ensuring compliance in topics such as forklift training, health and safety, first aid, confined spaces, etc. In addition, training in competency and proficiency is provided to all employees. For individuals pursuing professional certification, we provide reimbursement of professional dues and memberships as well as required courses to maintain professional accreditation. For those interested in pursuing higher education, we also have a tuition reimbursement program.</p>	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; Ethics & Compliance Training; H&S training; Leadership Development; Tuition Reimbursement; Quality training; Technical training; soft skills training	GRI

ESG Performance Data Table (con't)

Social		
5. Stakeholder Engagement	2022	Framework
Number of communities in which HPS has operations (Number)	11	GRI
Percentage of communities in which HPS has provided financial support and / or volunteering time	85%	GRI
Number of employees that have volunteered	81 volunteers, 491 volunteer hours	GRI

Social		
6. Diversity	2022	Framework
Provide breakdown of workforce composition data by gender	Female: 22.9% Male: 76.39% Other: 0.01%	GRI
Describe any Diversity and Inclusion policies and support	<p>Zero tolerance discrimination policy, diversity, equity and inclusion policy that outlines:</p> <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. <p>Accommodation statement on external job postings; and women in leadership positions are reported within our Management Information Circular.</p>	GRI
Describe your strategies program 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.	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.	

ESG Performance Data Table (con't)

Governance		
7. Good Governance	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 minimum quarterly or on an ad-hoc basis as required. 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 Bill 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
Describe how your employees acknowledge governance policies (e.g., do employees have to sign off annually)?	Employees read and sign during their orientation (Code of Conduct)	GRI
Description of the management system for prevention of corruption and bribery throughout the value chain	<ul style="list-style-type: none"> ▪ The management system in place includes monitoring questionable or improper payments, and prohibiting of any corruptive or behaviour of accepting or participating in bribery ▪ Signed contracts with internal audit of manufacturing locations 	

Governance

7. Good Governance (con't)			2022	Framework
Percentage of employees that acknowledged:	100%			GRI
<ul style="list-style-type: none"> Code of Conduct (Percentage) Health & Safety Policy (Percentage) 				
Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption	\$0			RT-EE-510a.2
Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behaviour regulations	\$0			RT-EE-510a.2
Describe how this acknowledgement is done: (describe)	<ul style="list-style-type: none"> Employees are required to read and acknowledge applicable SPI's related to their job (standard practice instruction). Employees read and acknowledge policies in multiple formats that is appropriate for the nature of their work upon onboarding or when a policy is amended or a new policy is introduced. 			GRI
<ul style="list-style-type: none"> Do employees have to read the policies, or just sign off? 				
Description of policies and practices for prevention of:	<ul style="list-style-type: none"> In our company Code of Conduct there is no tolerance for bribery public or private of any kind. Any competitive information collected must be done legally. In our supplier code of conduct suppliers must abide by all anti-corruption laws that prohibit all corrupt acts to retain or obtain business. 			RT-EE-510a.1
<ol style="list-style-type: none"> bribery and corruption in the project bidding processes anti-competitive behaviour in the project bidding processes 				

ESG Performance Data Table (con't)

Governance		
7. Good Governance (con't)	2022	Framework
Description of ESG oversight (ESG/HS&E Committee)	<p>Executive Team – oversees the corporate sustainability committee, approves budgets for necessary projects.</p> <p>Corporate Sustainability Committee – this is a corporate based initiative with members 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 (JHSC) – Many of our facilities have JHSC's in place comprised of worker and employer representatives that are committed to improving health and safety conditions.</p>	GRI
Description of Board Committees	<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"> ▪ Develop compensation philosophy and policies ▪ Oversight of Board and Executive Compensation <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 ▪ Review health and safety reporting ▪ Board education 	GRI
Description of governance policies	Our Code of Conduct outlines that the way we do business must abide by the law, treat all stakeholders with respect	GRI

Governance

7. Good Governance (con't)		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	6		GRI

8. Supply Chain Management		2022	Framework
Describe how you ensure suppliers comply with legal standards and uphold ethical social and environmental standards	<ul style="list-style-type: none"> ▪ CMRT data collection from applicable material suppliers ▪ ISO compliance or equal ▪ On-site supplier visits/tours ▪ Signed contracts with the right to audit manufacturing locations 		GRI
Report the percentage of new suppliers that were screened using ESG criteria	Estimate: 15% - tracking through CMRT		GRI
Describe how you communicate your expectations to your suppliers	<ul style="list-style-type: none"> ▪ Directly in the terms and conditions on each purchase order and supplier code of conduct ▪ New contracts have ESG wording added to the content 		GRI

8. Supply Chain Management		2022	Framework
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		RT-EE-250a.2

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 N0G 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

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Patancheru Mandal, Sangreddy District,
Telangana, India 502307

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Hammond Power Solutions S.p.A.

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10121 Torino, Italy
at R & P Legal

Mexico

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

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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
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Guadalupe, Nuevo León, México
C.P. 67190

United States

Hammond Power Solutions, Inc.

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Baraboo, Wisconsin 53913

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Compton, California 90224

6550 Longley Lane, Suite 135
Reno, Nevada 89511

Mesta Electronics, Inc.

11020 Parker Drive,
North Huntingdon, Pennsylvania 15642

Corporate Information

Corporate Officers and Directors

William G. Hammond *

Chairman of the Board and
Chief Executive Officer

Richard C. Vollerling

Corporate Secretary and
Chief Financial Officer

Grant C. Robinson **

Director

David J. FitzGibbon **

Director

Dahra Granovsky **

Director

Fred M. Jaques **

Director

Anne Marie Turnbull **

Director

David M. Wood **

Director

* Corporate Governance Committee

+ Audit and Compensation Committee

Stock Exchange Listing

Toronto Stock Exchange (TSX)
Trading Symbol: HPS.A

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