

A close-up photograph of a person wearing a red quilted jacket, holding a black and yellow charging cable connected to a red electric vehicle. The car's body is highly reflective, showing the person and the sky. The background is a bright, slightly overcast sky. The overall scene conveys a sense of modern, sustainable transportation.

HILTI

2021 Sustainability Report

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HILTI

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Editorial

Dear Readers,

Building a better future, hand in hand with our team members, partners and stakeholders, has been Hilti's guiding principle for years. In 2020, we laid important foundations in this regard: We have organizationally anchored the topic of sustainability and developed a holistic sustainability strategy.

Just one year later I am pleased to share that we improved our externally assessed sustainability rating from Silver to Gold and now rank among the top 5 percent of all 85,000 companies evaluated by EcoVadis worldwide. I see this award as an acknowledgement that we are on the right track, and also as a mission to continue our efforts. Constantly guided by the question "How can we do even better?"

Sustainability is now widely anchored in all our activities around the globe and I would like to highlight a few of our initiatives that are further discussed in the 2021 report.

We have made great progress in our goal of being CO₂ neutral by 2023. We have implemented numerous energy efficiency measures which have reduced the amount of energy required in our operations by more

than two gigawatt-hours. Our operations are run on 100 percent green electricity worldwide – either through purchase or by using our own photovoltaic systems. We have accelerated the conversion of our global vehicle fleet from gasoline and diesel engines to electric drives and full hybrid vehicles. In 2021, we ordered more than 3000 cars, which represents more than 20 percent of our entire fleet.

We developed projects to expand our leading position in circularity. Within our value chain we increased the use of recycled materials and further reduced the usage of water and energy and the amount of production waste. We have expanded our reuse program and significantly increased the number of refurbished spare parts in repair from 10,000 to 100,000 in two years. We have also once again applied the CirCelligence method that measures our circularity progress.

As a socially responsible company, we support and encourage our team members' social commitment through our "Engaged Beyond Business" corporate volunteering program. In 2021, our teams supported more than 300 projects within this program. By working with Hilti, our customers also contribute to a



better world: We provide two percent of our profit to the Hilti Foundation, whose projects are focused on empowering people in the developing world to lead independent and self-determined lives.

While Hilti is on its way to recalibrating its company strategy in 2022, sustainability will be even more anchored as an integral part of the company's focus.

I am humbled by the overwhelming engagement of our team members, customers and partners to bring our vision of a better future to life, and I want to thank all parties involved for their help in making this progress possible.

Peter Rupp
Head of Corporate Sustainability

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Sustainability Management

“Building a better future” – this has been our guiding principle for almost two decades.

In view of the environmental and societal challenges we face, we will live up to this mission statement more than ever before. We want to secure long-term success through a business strategy that values ecological, people and social aspects equally with economic factors. In 2020, we laid important foundations by developing a holistic sustainability strategy and anchoring the topic of sustainability throughout the organization. In 2021, we focused our efforts on implementation: in our business processes and by integrating sustainability aspects into our decision-making. In doing so, we approach sustainability more systematically, more consistently and more comprehensively.

Our sustainability strategy

During the development of our sustainability strategy, we carried out a **materiality analysis** to identify the relevant topics for our organization. We have evaluated a large number of potentially relevant topics in terms of their relevance for business success and stakeholders as well as their impact on the environment and society. While the impact and relevance for stakeholders were assessed by external experts, we conducted interviews and an internal survey regarding business relevance. The results form the basis for the topics that are material for our company. We have grouped the topics according to their relevance into “**Global Priorities**”

and “**Global Topics**” (see illustration on page 6). As the engagement of our employees at local level plays a central role in the implementation of our sustainability strategy, these are supplemented by numerous **local initiatives**.

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Our Group Strategy

CHAMPION 2020



Our Understanding of Sustainability

Securing long-term success through a business strategy that values ecological, people and social aspects equally with economic factors.



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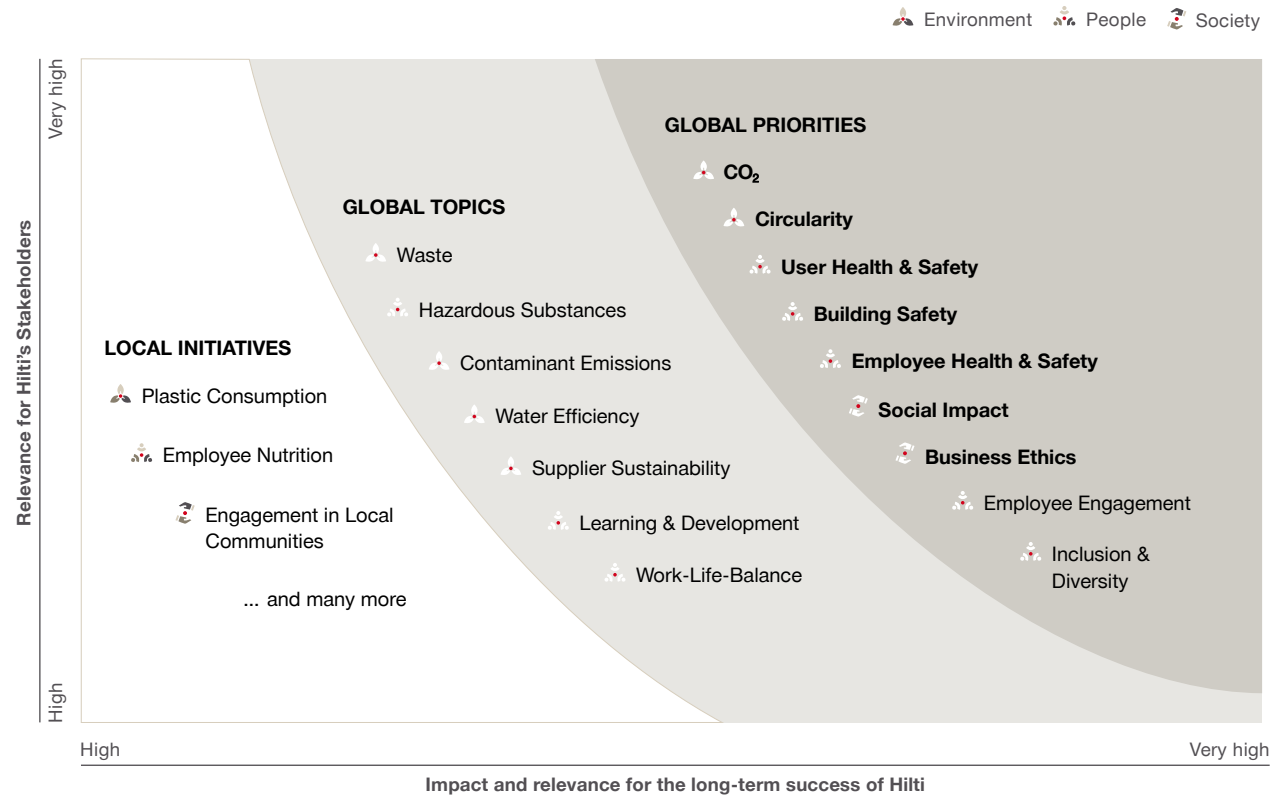
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Our Materiality Matrix



We have defined targets for all globally relevant topics. For our global priorities, the targets are illustrated on the right-hand side of this page. The topics of Employee Engagement and Diversity & Inclusion have been addressed from a strategic perspective for several years and therefore have an overarching position.

➤ Our Culture of Engagement: p. 37

We have assigned all our material topics to one of the three strategic sustainability pillars – **environment, people and society** – and evaluated our impact on achieving the UN Sustainable Development Goals (see box p. 7).

The Key Goals of Our Sustainability Strategy



We care for our environment

Become **CO₂ neutral** by 2023

Lead the industry in **circularity**



We care for people: customers, employees, and partners

Differentiate through **user health & safety** and **building safety**

Lead in **employee health & safety**



We contribute to a better society and high ethical standards

Create **social impact** at scale

Uphold ourselves and the industry to the highest standards in **business ethics**

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In 2021, we reviewed our impact on the UN Sustainable Development Goals (SDG) and added SDG 13 Climate Action to the list since we understand efforts to act against climate change not only as a political task, but also as the responsibility of all corporate entities worldwide.

We also looked at the **risks and opportunities associated with climate change** that have the potential to cause significant changes to the organization's business activities, revenues or expenses. Our exposure to climate-related physical risks, like floods or storms in our important locations, is very limited and the financial risk regarded as sufficiently covered. The transition risk, which deals with the necessary change in the business model due to regulatory requirements, is currently being evaluated in a strategic project that further aligns our sustainability strategy with our group strategy. Initial results from the project are expected in the course of 2022.

Our **sustainability performance** is assessed annually by the international, independent sustainability rating agency **EcoVadis**, which is becoming the standard to holistically assess suppliers' sustainability performance in the categories of Environment, Labor Practices, Fair Business Practices and Sustainable Procurement. In 2021, we improved our sustainability performance from a Silver to Gold rating and are now ranked among the top 5 percent of more than 85,000 companies assessed by EcoVadis worldwide.

Strategic action field

UN Sustainable Development Goals: our prioritization



Environment



People



Society



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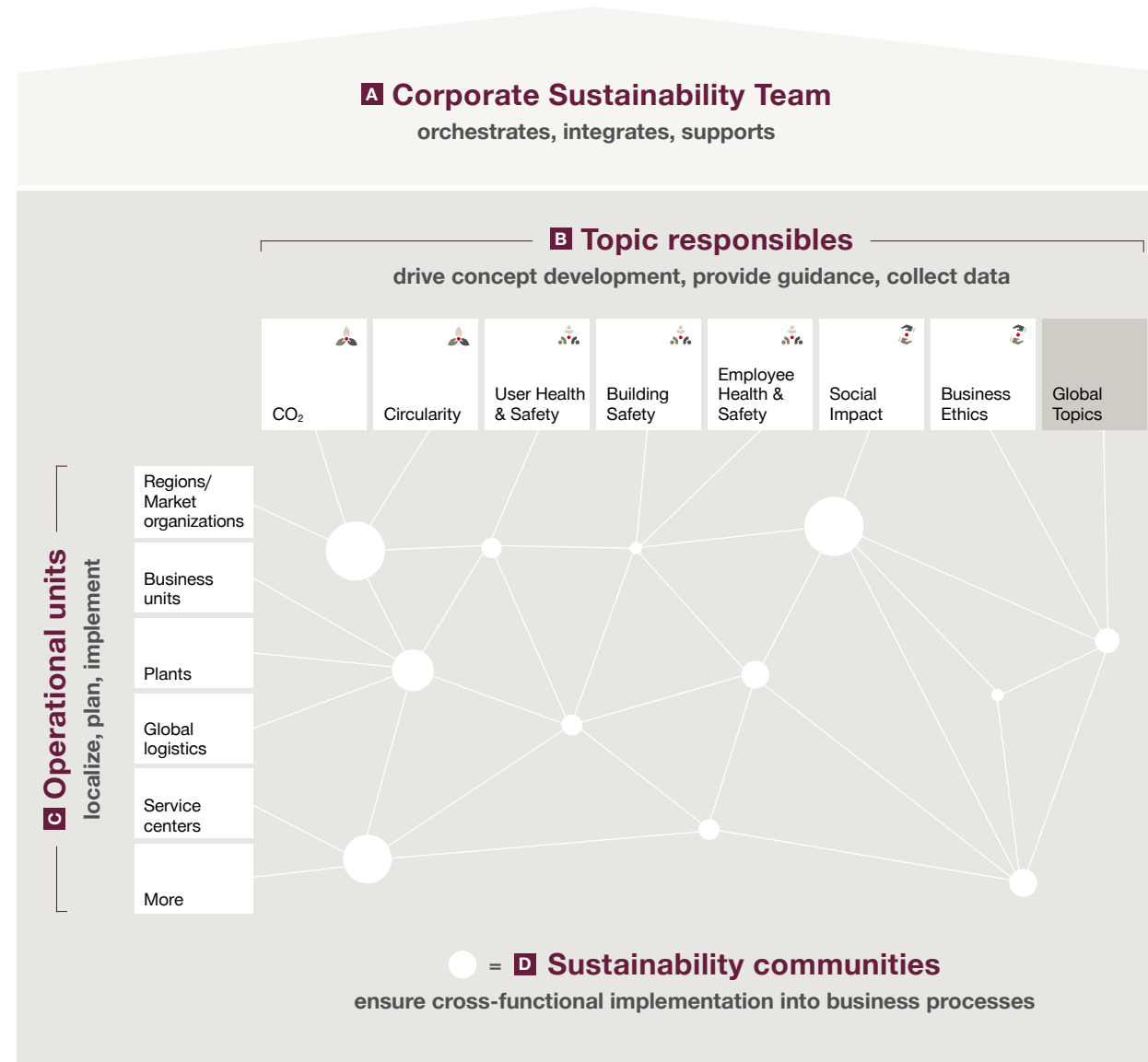
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Responsibilities for accountable action

To anchor sustainability organizationally, we established a **Corporate Sustainability Team (A)** that reports directly to the CEO in 2020. It oversees overarching strategic, steering and communication topics, acts as an interface for all relevant parties and supports the implementation of measures. We have defined strategic and operational **responsibilities** within the organization for all **16 global priorities and topics (B)** – see also “Our Materiality Matrix” on page 6. Furthermore, we established responsibilities in the different organizational units and corporate functions to promote stronger anchoring and exchange of information within the Group. In 2021, we staffed all **sustainability manager (C)** roles, in some of our regions with full-time positions.

In 2021, we also established **twelve sustainability communities (D)** to support the integration of sustainability into the various business processes within our value chain. Each community is led by an expert in the respective area. The expert involves team members from across the organization, for example, in regular community dialogs, workshops and by providing digital platforms or playbooks.

The advisory body for our activities is the **Sustainability Council**, which meets at least twice a year. It provides strategic advice and support on cross-functional issues but does not act as a decision-making body. It is chaired by the CEO and includes the heads of the two largest regions and business units, as well as managers from the legal, human resources, logistics, manufacturing and communications departments.



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In dialog with our stakeholders

We put great emphasis on regular communication with our internal and external stakeholders. It is important to us to maintain an open dialog and discuss different perspectives constructively. This feedback helps us to continuously advance.

Direct and regular on-site contact with our **customers** has always been one of the unique selling propositions of our Group. We also communicate with our customers via our customer service by phone and e-mail, in the Hilti Stores or digitally via our website and social media on a daily basis. We systematically ask for our customers' opinions once a year as part of customer surveys.

Alongside intensified exchange with some of our key accounts, we established a Global Sustainability Product Management team in 2021. The team coordinates all aspects connected to our offering that enables our customers to become more sustainable.

➤ Circularity: p. 17; Green Building: p. 22;
User Health and Safety: p. 31; Building Safety: p. 34

In addition to customers, **our employees** are an important stakeholder group. We promote regular exchanges within the workforce not only in the daily working environment, but also through various internal media and event formats. We survey our employees about their engagement with Hilti in the annual **Global Employee Opinion Survey (GEOS)**, in which employees are also asked about their perception of Hilti's sustainability efforts. In the reporting year, the positive perception by our employees to the statement "Hilti is a socially and environmentally responsible organization" increased by 4 percentage points to 84 percent. We managed to shrink the gap to the top quartile from 8 to 5 percentage points. Additionally, we involve our employees through events and dialog. For example, in 2021 Hilti's sustainability-focused employee resource group OWN IT! hosted a live sustainability event that was broadcast around the world and featured an external climate researcher, our Head of Corporate Sustainability as well as our CEO in a live panel discussion.

➤ Our Culture of Engagement: p. 37; Social Impact: p. 52

We work internationally with many **suppliers and business partners**. It is important for us to build partnerships on equal terms and engage in regular personal discussions. Furthermore, we work together with various **research institutes and universities**. We are also engaged in sustainability-related **associations and working groups**, like the Conference Board's Corporate Responsibility and Sustainability Council and are an actively committed member of the UN Global Compact Switzerland/Liechtenstein.

➤ Supplier Sustainability: p. 27; Building Safety: p. 34;
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For Our Environment

> 3000

low-emission vehicles ordered, representing > 20% of our global vehicle fleet

100%

green electricity usage in all our operations worldwide, including home-charged electricity of our company cars

10x

increased usage of refurbished spare parts in repair within two years



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For a Better Climate



CO₂

At Hilti, we take responsibility for actively managing the environmental impact of our activities. This helps us better address the challenges of climate change. For this reason, we have set ourselves the goal of being **CO₂ neutral by 2023**.

CO₂ emissions are generated by the operation of our plants, administrative buildings, repair centers, warehouses and our global vehicle fleet (Scopes 1 and 2)¹. Moreover, they are generated through our supply chain (Scope 3)¹. Our climate goal relates to emissions within our own sphere of influence: our own direct (Scope 1) and indirect emissions (Scope 2) as well as emissions from our business travel (part of Scope 3). This year we introduced additional measures to reduce our Scope 3 emissions.

¹ Operational control approach according to Greenhouse Gas (GHG) Protocol.

More details can be found in the Scope 3 section at the end of this chapter.

Organizational anchoring

The topic of CO₂ is managed by the Corporate Sustainability Team, which reports directly to the CEO. To involve all areas of our group in this relevant topic, we have centrally controlled, regular internal exchanges, which we expanded in a structured manner in 2021. In the reporting year, we created various communities, such as the sustainability in facilities, sustainability in transportation and the indirect procurement communities. These drive initiatives to reduce CO₂ emissions through projects like the ones to realign our vehicle fleet and to enhance energy efficiency. The purpose of these communities

At a Glance

- > 3000 electric or hybrid cars ordered for conversion of global vehicle fleet
- > 2 gigawatt-hours saved through energy efficiency measures
- Capacity from photovoltaic systems doubled to > 3 gigawatt-hours
- Various measures introduced to reduce emissions in transport

is to share best practices, exchange experiences, establish standardizable processes and support the development of common environmental guidelines, helping to decentralize and anchor environmental protection measures within Hilti's business processes.

➤ Sustainability Management: p. 4

Management systems and policies

We have a Group-wide environmental policy in place. The topic of CO₂ emission reductions, among others, is anchored in this policy, which sets the strategic approach to climate protection. All of our plants, our headquarters and nine of our market organizations are certified according to ISO 14001. Moreover, our plants in Kaufering and Nersingen, Germany, as well as in Kecskemét, Hungary, have a certified energy management system in accordance with ISO 50001.

➤ Environmental Protection: p. 24

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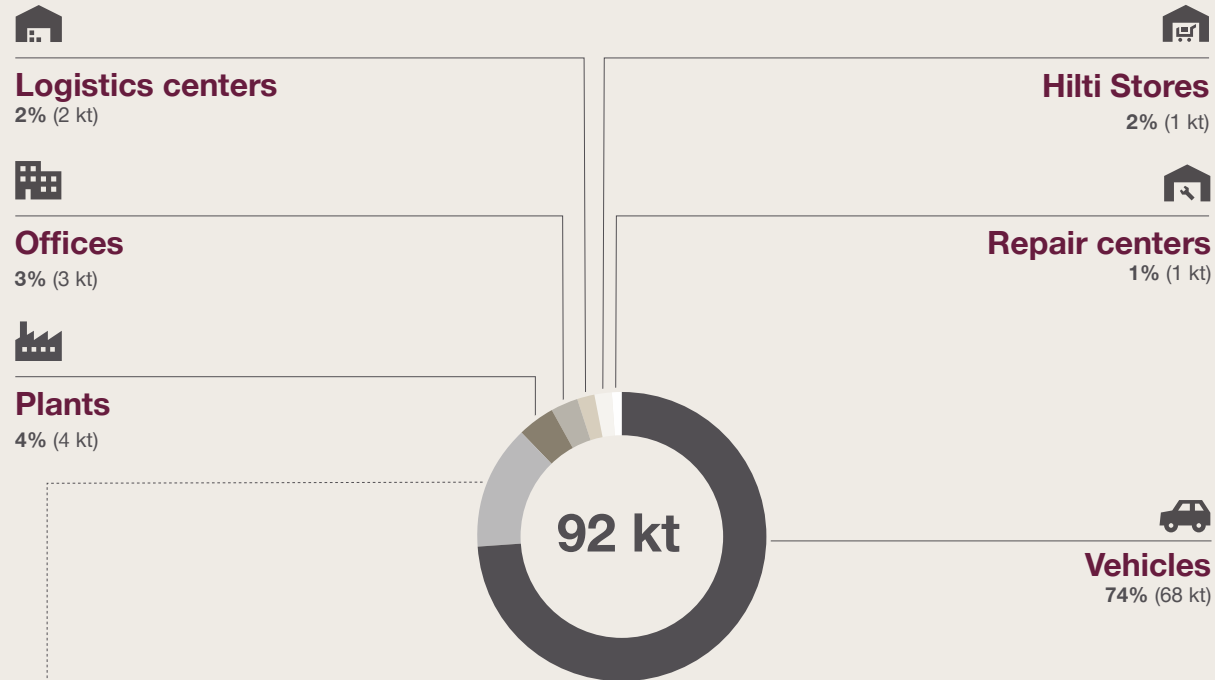
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Direct and indirect CO₂ emissions incl. business travel in 2021

Scopes 1 and 2



Business travel¹

14% (13 kt, of which approx. 10 kt flights)

Scope 3

These include emissions from purchased products and services as well as transport and logistics by third parties.

¹ Business travel is part of Scope 3 emissions, but is also considered in the climate neutrality target.

2021 implementation examples

To achieve our goal of being CO₂ neutral in 2023, we **reduce, replace** and **offset** emissions.

Reduce

Our first and foremost priority is to reduce energy consumption and, by extension, CO₂ emissions whenever possible, such as in our plants and administrative buildings. This is addressed by using new technologies, more efficient equipment, and behavior training and by increasingly holding meetings virtually instead of taking business trips.

- In the reporting year we **implemented numerous energy efficiency measures** and consequently reduced the amount of energy required in our operations. Some examples: At our site in Schaan, Liechtenstein, the cooling water from manufacturing machines is now fed into the local thermal network through heat pumps and contributes to heating the entire campus. As a result of this project, we now save 2,000,000 kilowatt-hours of gas per year, which corresponds to 2 percent of the energy consumption of all our plants worldwide, and 400 tons of CO₂ per year. We also installed sensors in our Oglænd plant, in Norway, to identify leaks of compressed air and monitor them, reducing the energy consumption by 34,500 kilowatt-hours per year. At multiple locations globally, we changed to more efficient LED lighting, resulting in a savings of approximately 300,000 kilowatt-hours per year.

- In 2021, several regions adopted proactive **travel demand management** and have set themselves travel reduction targets of as much as 50 percent below 2019 levels.

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Replace

In areas where reducing energy consumption is not feasible, we aim to replace currently used energy sources with greener alternatives. One major point of leverage is our electricity supply. Since 2020 we have relied on **green electricity worldwide** – either by purchase or using our own photovoltaic systems. We purchase high-quality green electricity certificates according to the highest standards by EKOenergy and Green-e. This allows us to promote the further expansion of renewable power plants. In addition, we are replacing our energy supply with climate-friendly alternatives where possible, such as district heating. Due to our direct sales model, which entails many customer visits, we have a relevant lever to reduce emissions in our global vehicle fleet by replacing gasoline and diesel engines with carbon-neutral or more efficient drive systems.




Our operations are run on 100 percent electricity generated from renewable resources worldwide, meaning sun, wind, water and certain forms of biomass.



Our team in Hong Kong celebrates the arrival of their first batch of low-emission vehicles. Worldwide we have accelerated the conversion of our global vehicle fleet from gasoline and diesel engines to electric drives and full hybrid vehicles.

- We are converting our **global vehicle fleet** from gasoline and diesel engines to **electric drives and full hybrid vehicles**. By the end of 2021, more than 40 markets had active car fleet shift projects either in assessment or in implementation. We have already ordered more than 3000 low-emission vehicles worldwide which represent more than 20 percent of

our global vehicle fleet. The sourcing of exclusively green electricity for all our locations worldwide also includes home-charged electricity for our company electric cars.

 Discover more on our global vehicle fleet project in our 2021 Company Report

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On our warehouse in Carpiano, Italy, we have installed solar panels with a yield of 250 MWh. We are growing the number of photovoltaic systems installed on our buildings worldwide.

- To further support the availability of green electricity globally, and to increase our electricity generation capacity, we are building **photovoltaic systems** on an increasing number of our facilities, for example, at our plants in Austria and Shanghai and our logistics center in Mumbai. Worldwide we now have photovoltaic systems with a yield of 3,000,000 kilowatt-hours in place, an amount that corresponds to the annual electricity consumption of around 1200 households. We thereby managed to double our previously existing capacity of solar power in 2021.

Offset

By saving energy and using alternative energy sources, we can significantly reduce CO₂ emissions. To close the gap to zero emissions, we will compensate for the remaining amount with CO₂ savings elsewhere. In cooperation with the Hilti Foundation and a renowned external partner, we have created an exclusive Hilti portfolio of compensation projects. We are meaningfully involved in the development of these projects to ensure that the objectives pursued are in line with our values and that they give back to the local communities. The implementation will be continued until the end of 2022, with the CO₂ compensation effective as of the end of 2023.

- The **Clean Cookstove Project** provides people in Kenya with modern, high-quality, clean cookstoves to replace the traditional three-stone cooking method prevalent in rural households. This significantly reduces energy consumption, the usage of fuel and, accordingly, CO₂ emissions. It also promotes the health of the people cooking with the stoves and thereby generates a positive social impact. In 2021, some 14,000 cookstoves were already delivered for use.
- The **Safe Drinking Water Project** in India is aimed at creating access to clean drinking water and to impart knowledge to people about the importance of hygiene and sanitary measures. The project will provide the population with water treatment disinfectants to purify the water from any biological contamination. By avoiding the use of firewood or charcoal to boil water, emissions are being reduced. In 2021, we did the baseline assessment for this project.
- In the **Biogas Project** in India, a family-sized biogas digester, together with a biogas-based cooking stove unit, is built and maintained in each household taking part in the project. The biogas digesters and biogas stoves replace the prevailing inefficient cooking facilities, saving firewood and other fuels for cooking and heating water, and replacing it with biogas from cow dung. In 2021, we did the baseline assessment for this project.

Our goal is to become CO₂ neutral by 2023.

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Data

The effects of the COVID-19 pandemic are visible in both the 2020 and 2021 reporting years. Compared to our base year of 2019, kilometers driven by our sales force and business travel were significantly lower in 2021. Compared to 2020, the CO₂ emissions in the reporting year have risen slightly due to a catch-up to pre-pandemic operations, but still remain at a low level.

In the coming years, the conversion of our global vehicle fleet will significantly support to reduce our Scope 1 emissions and will also help to decrease our total energy consumption due to the electric vehicles being much more efficient than combustion engines.

Business travel, specifically air travel, which came to a complete standstill in March 2020, has increased slightly in 2021 compared to 2020, but remains at a low level. To sustainably reduce our emissions, we will replace part of our travel activities compared to pre-COVID-19 levels. We will continue to use virtual and hybrid meetings to balance the need for traveling.

Energy consumption

in MWh

	2019	2020	2021	Change (vs. 2020)
Electricity	144,482	137,970	148,112	+7.4%
of which renewable electricity	8.6%	100%	100%	–
Combustibles and fuels	430,211	321,930	333,581	+3.6%
District heating	9,940	9,136	10,233	+12.0%
Sold energy (minus)	12	16	0	-100.0%
Total energy consumption within the organization	584,621	469,020	491,926	+4.9%
MWh / employee	19.5	15.9	15.8	-0.1pts.

CO₂ emissions¹ (basis of our climate goal)

in t

	2019	2020	2021	Change (vs. 2020)
Scope 1	104,314	75,439	78,965	+4.7%
Scope 2 (market-based approach) ²	47,819	204	234	+14.9%
Business travel	43,062	9,130	13,034	+42.8%
Total CO₂ emissions³	195,195	84,773	92,233	+8.8%
CO₂ emissions / employee	6.5	2.9	3.0	+0.1pts.

¹ Emissions from all greenhouse gases converted into CO₂ equivalents

² 2019 according to location-based approach

³ Scope 1, 2 and business travel

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Dealing with Scope 3 emissions

Scope 3 emissions are all other indirect emissions from our value chain. The Scope 3 standard according to the GHG Protocol covers 15 categories including upstream and downstream activities.

In 2021, we completed a Scope 3 analysis and evaluated our emissions in the upstream and downstream stages of our value chain. Through this, we identified which GHG Protocol categories are most relevant for Hilti and provide the greatest potential for taking meaningful actions to decrease our emissions. As our Scope 3 emissions are multiple

times higher than emissions from our own operations (Scope 1 and 2), we are working on measures to reduce them on top of our carbon neutrality goal.

We identified eleven categories which are applicable for Hilti (see table below). The category with by far the greatest potential for leverage in the upstream stage is “purchased goods and services”, followed by “upstream transportation and distribution” and “capital goods”. In the downstream stage, the category “use of sold products” is most relevant. The categories “processing of sold products”, “downstream leased assets” and “franchises” are not applicable to Hilti’s operations.

One of our important focus areas for reducing Scope 3 emissions in 2021 was the **transport within our global supply chain** in the category “upstream transportation and distribution”. For example, we are increasingly shifting transports to our warehouses from road to rail, which reduces emissions by approximately 90 percent. We have already been able to successfully convert the restocking of our warehouses in China. Goods have been transported by train on the 1500-kilometer transport route since October 2020. Furthermore, we completely switched the supply of our distribution center in Austria from our central warehouse in Liechtenstein during the reporting year. These two shifts in transport mode have allowed us to achieve total savings of more than 150 tons of CO₂ emissions in 2021. We converted the route between Europe and Asia from air freight to rail, thereby achieving a reduction of 2000 tons of CO₂ in 2021.

In 2022 we aim to switch from road to rail for other routes. We also introduced guidelines for the usage of airfreight in inbound and replenishment transports, limiting airfreight to be an exceptional mode of transport that requires approval and a convincing business case.

Scope 3 emissions¹

in t

	2021	% of total
Upstream		
Purchased goods and services	891,370	71.1%
Capital goods	85,664	6.8%
Fuel- and energy-related activities	19,294	1.5%
Upstream transportation and distribution	83,884	6.7%
Waste generated in operations	427	0.03%
Business travel	13,034	1.0%
Employee commuting	9,686	0.8%
Upstream leased assets	991	0.1%
Downstream		
Downstream transportation and distribution	18,633	1.5%
Use of sold products	123,365	9.8%
End-of-life treatment of sold products	7,047	0.6%
Total Scope 3 emissions	1,253,395	100%

¹ Categories relevant for Hilti (GHG Protocol)

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Doing More with Less



At a Glance

- >100,000 spare parts reused; refurbishment and reuse of spare parts established as standard global practice
- Packaging significantly reduced and recycled content increased, including Hilti toolboxes
- Quantitative and qualitative circularity scores already improved through ongoing initiatives

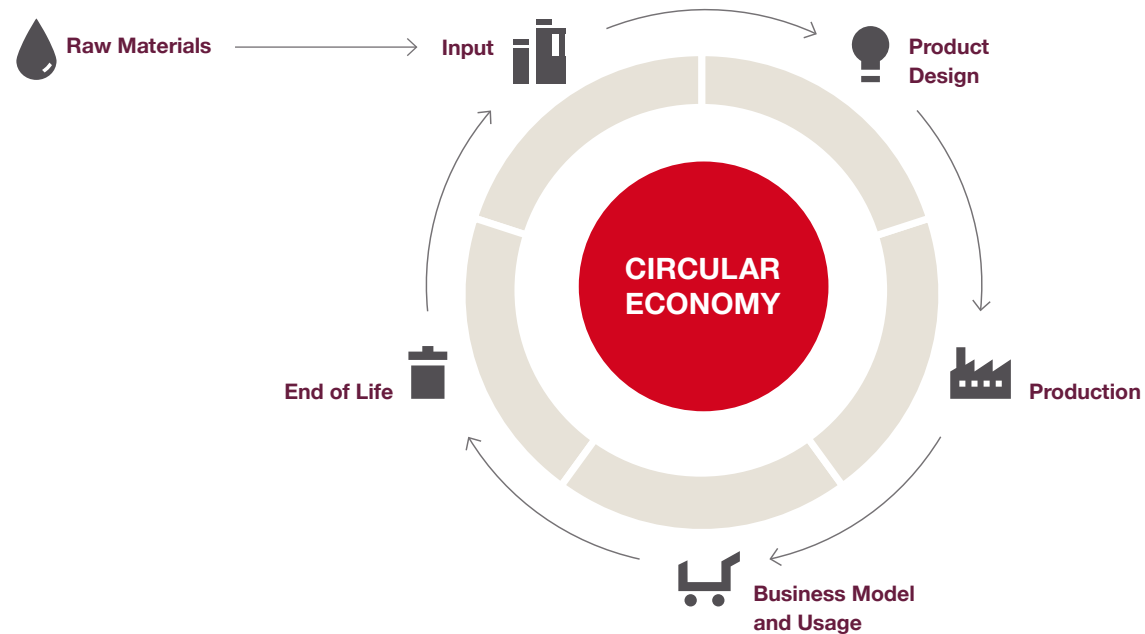
CIRCULARITY

Principles of the circular economy

The circular economy aims to detach economic success from the consumption of resources in a linear way and to use resources carefully so that no valuable materials are lost. This approach promises not only ecological benefits, but also provides new strategic impulses for business.

📖 Discover first-hand examples how we embed circularity across the value chain in our 2021 Company Report

We believe in circularity as generating maximum added value with a minimum use of virgin raw materials. The concept includes much more than just recycling.



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A circular company:

- Incorporates recycled materials into product design and sourcing, striving to ensure these materials will remain reusable in the future
- Minimizes the use of water, energy and the amount of production waste
- Relies on quality and repairability, as well as the idea of access to a product, rather than ownership, which aids in extending product life cycles
- Establishes business models that require products to be returned at the end of their life, for centralized reuse and recycling

Organizational anchoring

The topic of circularity is anchored in our business units, in production, logistics, our markets and our repair organization, all of which contribute initiatives for improvement. The central project team in our Tool Services Business Unit consolidates, challenges and advises on the activities of the operating units. Regular steering committees inform Hilti's Executive Board directly about the progress made in the program and can set steering priorities. In the reporting year, more positions were added in all key functions to work on the various initiatives. One example is the creation of a new global process manager position to coordinate our sustainability-related supply chain excellence activities.

➤ [Supplier Sustainability: p. 27](#)

Circular value proposition of Tool Park Management

• Hilti service models:

Customers' tool parks should be optimized based on individual needs, which is why we provide different service models.

Our **Lifetime Service model** allows customers to own their tools over an indefinite period of time, for example, for tools with relatively low usage intensity. These tools are backed by Hilti's long warranties, with two years of free repairs, a 20-year defect warranty and a ten-year repair guarantee for most models.

Our **Fleet Management model** allows customers to use the latest generation of tools with minimum hassle and with a full suite of services covering eventualities like repairs, theft and drops. The Fleet Management contract durations are optimized per trade and market matching the regular usage pattern of our customers, which makes it the perfect model for the majority of the tool park. If the tool park is dimensioned correctly, all tools should have reached their maximum service life at the end of the contract period. At that point, customers can choose to extend the contract and simply keep the tool for longer, or upgrade to try Hilti's latest innovations. Applying actionable data has also allowed us to increase the standard duration of many of our tools in the market, ensuring high performance for a longer time. We also offer our Fleet Management customers a flexible solution called **Tools on Demand**, which addresses short-term tool needs.

We recognize that unused tools are bad for the environment and bad for customers' bottom line.

Therefore, we offer a professional **Tool Park Optimization service** where we propose an optimally configured tool park based on individual needs of our customers.

• Collection:

Collection is a key step to enabling circularity. Our integrated business model and reverse logistics experience allow us to offer free and convenient tool collection globally. Every year, we collect more than 1 million tools, batteries and accessories globally that are part of Hilti Fleet Management, at no additional cost. We also provide free collection for purchased and competitor tools. In 2021, we collected 78 percent of all end-of-contract Fleet Management tools.

• Reuse:

This high collection rate lays the groundwork for our growing reuse programs. We assess returned tools in our repair centers and refurbish or recycle them based on condition and need. Individual high-quality spare parts, such as electronics and motor components, are refurbished and reused in our in-house repair facilities. Tools which are no longer fit for use in professional construction environments will, in many cases, be donated to humanitarian or educational institutions worldwide.

• Recycling:

If no reuse option is possible, we work with our authorized recycling partners to ensure that all materials enter proper recycling channels. Given the high percentage of metals in our tools, over 70 percent of our tools' mass can be recycled. In many markets our rates are even higher. We increasingly integrate our recycling partners into our design process to build products which allow for maximum recycling rates.

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How we measure circularity

To advance the measurability of circularity, we were the first company worldwide to use and develop the **CIRCelligence** method, together with Boston Consulting Group. We now evaluate the circularity of our entire product portfolio in terms of both quality and quantity on a yearly basis.

The **qualitative assessment** provides information about the current efforts and the maturity of the control system with regard to the latest findings in the field of circular economy. Grades range from “A” (circularity has been

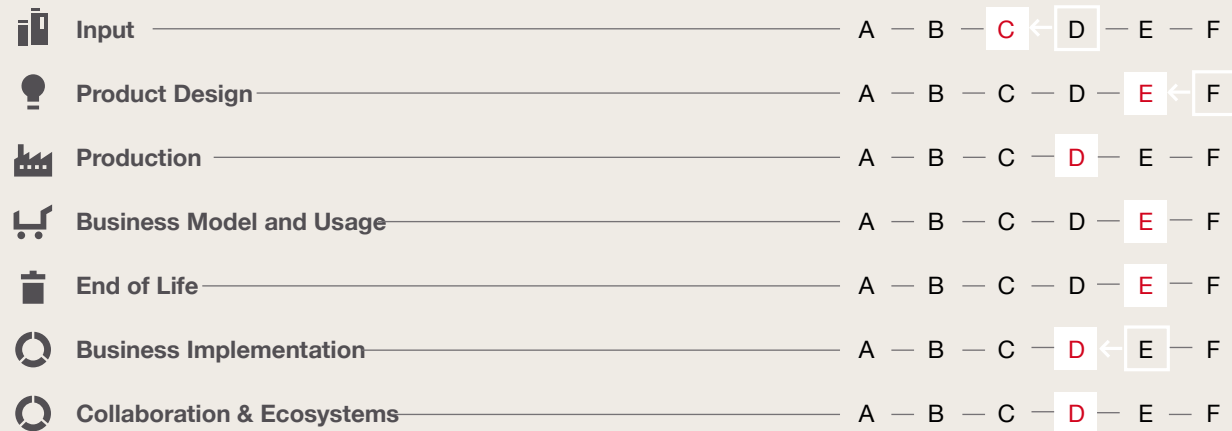
implemented in all business areas) to “F” (the activities and instruments for the implementation of circularity have yet to be developed). The qualitative evaluation helps to assess how intentional and structured the implementation of the circular economy is in a company.

In the reporting year, we **improved in three out of seven categories**. In collaboration with our suppliers we increased transparency on both our input materials and on recycling rates at end of life. We launched pilots on increasing recycled content in our largest material groups and we systematically reviewed product packaging across our entire product portfolio.

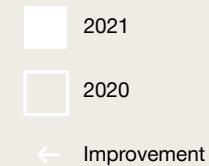
Furthermore, we increased the number of our products and facilities with environmental certifications.

The **quantitative assessment** provides information on the current status of circularity, measurable by the mass of resources used, ranging from zero percent (all materials and products are handled in a linear way at all stages of the value chain) to 100 percent (full implementation of circularity). We distinguish the calculation between tools and consumables, such as fasteners and other accessories, because the two areas differ fundamentally. For more details on the methodology please visit our [2020 Sustainability Report](#).

Qualitative Score



The rating is based on the British school grading system (A = very good / F = insufficient)



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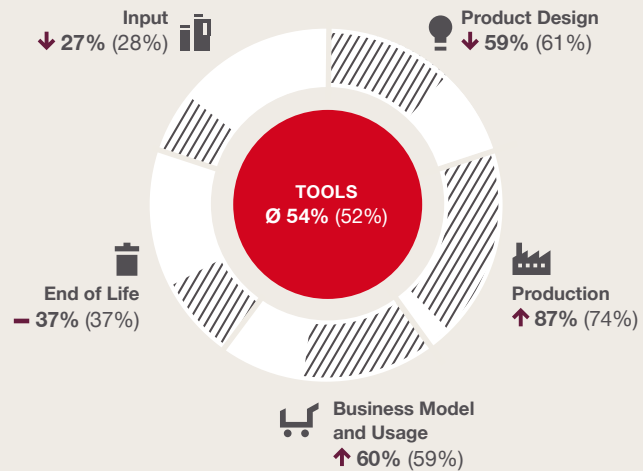
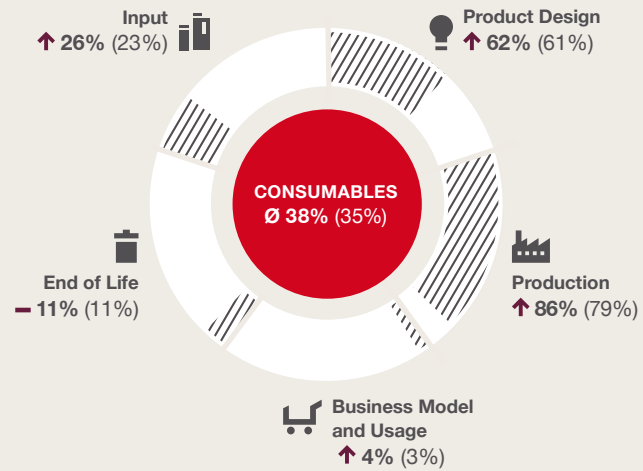
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Quantitative Score



Previous year figures in brackets

- ↑ Increase compared to 2020
- ↓ Decrease compared to 2020
- Stagnant compared to 2020

In the reporting year, the **quantitative score improved from 35 to 38 percent for consumables** and **from 52 to 54 percent for tools**. We increased recycled content in cardboard and paper due to initiatives implemented in product packaging. Moreover, we gathered more precise data, which increased the recycled content in the steel we use in our products. The production score increased due to the full effect of the use of 100 percent renewable electricity in all Hilti production facilities as well as a reduction in water consumption and an increasing shift away from ground water towards renewable surface water. The product design score decreased mainly due to a changing product mix.

Materials used in 2021

	By weight (in t) 2020	By weight (in t) 2021	Percentage of recycled raw materials (vs. 2020)
Renewable materials (paper, cardboard, wood)	32,177	31,611	
Non-renewable materials	224,126	244,736	
of which steel	135,700	152,622	35% (+3%pts.)
of which plastics	14,923	17,751	8% (-1%pts.)
of which chemicals	53,424	53,468	0% (-)
Products not yet analyzed	13,810	7,564	
Total materials used (products and packaging)	270,113	283,911	26% (+3%p.)

2021 implementation examples

- Increasing **institutionalization** of circular economy principles **into business processes and decisions**: In **product design** we launched technology projects focused on increasing the amount of recycled steel and plastic, our two largest material groups, across our product portfolio. We have created a new position to fully integrate sustainability aspects into the product design process and decisions. In **procurement** we launched a new sustainable sourcing policy and guidelines, including requirements for suppliers to provide more transparency on a product's recycled content and to increase the amount of recycled content used over time.

Supplier Sustainability: p. 27

- Reuse of returned Hilti fleet tools** after their initial service life: The **reuse of spare parts** is now a standard part of our operational processes in tool service centers and was rolled out in all our biggest tool service centers in 2021. We have increased spare part reuse over ten times compared to the previous year, reusing 100,000 spare parts, saving about 75 tons per year of valuable electronics, motors and rotors. We test each part individually to ensure it meets our high standards for professional repair and offer the identical guarantee as for a new spare part. We have also scaled and standardized our **donation program** of returned Fleet tools. In 2021, we donated tools for humanitarian and educational purposes in five countries. From assisting victims of flooding in Germany to supporting housing in underserved communities in the USA Hilti tools are being put to

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good use, well beyond what was anticipated to be their original lifetime. Through these measures we managed to increase the reuse rate of tools from two percent to 11 percent in two years. We aim to grow our reuse programs over the next few years.

- **Circularity Report:**

We provide transparency to help our customers understand their circular contribution. In 2021, we made information on collection, reuse and recycling available on a country level in 35 markets.

We significantly reduced the **packaging** used for our products and streamlined the supply chain. Some of the highlights are listed below.

- **Hilti's toolbox contains up to 30 percent recycled content:**

The black portions of our toolboxes – amounting to about one third of their total weight – produced in Europe are made with 100 percent recycled plastic. We are working with external partners to investigate closed loop recycling for the remaining red portions of the toolbox to fully close the material loop.

- **Tool bags produced with rPET:**

Our tool bags are now **produced with 100 percent recycled fabric** and a total average recycled content of 70 percent. This results in savings of over three tons of CO₂ and 9000 liters of water for every ton of recycled plastic fabrics used. In total, switching the fabrics of all Hilti bags to recycled plastic will save over 600 tons of virgin plastic, the equivalent of about 50 million PET bottles, 1700 tons of CO₂ and 5 million liters of water per year.

- **Reduce, reuse and recycle:**

We have implemented various initiatives in our **warehouses and plants to reduce the amount of packaging** material used. For example, we are reusing cardboard boxes that are in good condition, we increased the packaging utilization rate thanks to a new warehouse management system, and we are no longer packing our toolboxes in cardboard in certain markets. The latter initiative has resulted in 25,000 fewer cardboard boxes being used in our French market organization alone since April 2021, equivalent to a savings of roughly seven tons. We are continually increasing the **recycled content of our cardboard boxes**. This went up from 54 percent in 2020 to 60 percent in 2021, with boxes switched to 100 percent recycled content whenever technically feasible. We are deploying **reusable transport items**, instead of single-use packaging, to replenish some of our Hilti stores and tool service centers.

- **Instructions for use (IFUs):**

Our long-term goal is to reduce the total amount of paper used. While we continue to make headway in this area, we still face legal challenges in most of our markets. In the meantime, we have **optimized the layout** of many of our IFUs and manuals and are switching to **recycled paper**. In 2021, we did this in our plant in Kaufering, Germany, reducing paper usage by 215 tons per year and switching 515 tons per year to 100 percent recycled paper, corresponding to around a third of the total paper used for IFUs and manuals. The implemented initiatives correspond to a savings equivalent to around 10,000 trees.

- **Reduction of virgin plastic in packaging:**

We are reducing the use of plastics in our packaging to where its properties are essential while also maximizing the ease of recyclability and recycled content. In a pilot project, we removed the shrink-wrapping from the packaging on some of our anchors, saving around 250,000 pieces of plastic per year. More than 100,000 pieces of PVC blister packaging are being replaced with cardboard. Hilti is prioritizing plastics which are widely recyclable (PP, PE, PET, ABS) to ensure that packaging recycling rates are as high as possible. Further investigations for material changes are well advanced on pails, tubular packaging and insert clips.

Our goal is to lead the industry in circularity.

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A Pathway to Greener Living Environments

At a Glance

- Four main principles of Green Building applied at reference data center project
- Customers supported to obtain points towards Green Building Certification



GREEN BUILDING

The circular economy plays a major role at Hilti, and not only for our tools. We provide numerous products that remain permanently in a building and that are also sources of raw materials at the end of the building's life cycle. The construction industry has recognized that there is a growing need for more sustainable buildings. These **"green buildings"** are characterized by low emissions and high energy efficiency as well as the use of renewable and uncontaminated raw materials, for example.

Management approach

In 2021, we conducted customer surveys in various business segments to evaluate their understanding of green buildings. According to the surveys' findings, our customers describe green buildings as designing and constructing a building with four main principles in mind:

1. Resource efficiency to optimize material usage
2. Energy efficiency to reduce operational emissions

3. Improve the health and safety of the people living or working within the building
4. High adaptability to changing environments with minimum environmental impact

Hilti's solutions provide building owners an opportunity to decrease their carbon footprint in the construction phase and increase energy efficiency during the operational phase, while ensuring a healthier and safer environment for their buildings. Our products also support our customers in obtaining certificates

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Our Green Building solutions can help you to obtain up to:

13x

LEED points

for healthy and environmentally friendly products

14x

BREEAM points

for indoor air quality, environmental product declaration and responsible sourcing

7x

WELL points

and 3 WELL preconditions for material safety and transparency

11x

DGNB points

for safe chemicals and indoor quality

to achieve green building standards. For example, our Environmental Product Declarations (EPD) are issued by the Institut Bauen und Umwelt e.V. (IBU), and our Material Health Certificates (MHC) are issued by the Cradle to Cradle Products Innovation Institute.

▶ Building Safety: p. 34

2021 implementation examples

We offer end-to-end solutions from design to maintenance of data centers, which are energy-intensive buildings requiring high adaptability. In 2021, we worked on a reference data center project with one of our big tech customers, keeping the four main principles of green building in mind.

- **Resource efficiency:**

Our BIM software provides maximum resource efficiency by optimizing the design and ensuring that the material required is accurate and optimized as early as the design stage. With our solution, we were able to reduce the construction waste on the jobsite, related to the reduction of products installed to support M&E services, by up to 50 percent. By delivering lightweight modular systems with 100 percent recyclability, we also encourage our customers to use the materials in a more circular way. Furthermore, our firestop products can be reused, allowing for lower material usage and less rework.

- **Energy efficiency:**

Our Speed Sleeve for cable pathway fire protection delivers not only increased fire safety but also traps the air flow between two compartments, reducing the amount of energy needed to cool or heat the air inside the building. For our data center reference

project, we project up to 14 percent lower energy consumption within 20 years of operation with the help of this solution. We were also able to reduce energy consumption on the jobsite during the construction phase. Our data center project showed us that by increasing jobsite productivity and, accordingly, reducing the number of work-hours, our customers were able to decrease electricity consumption by up to 75 percent, resulting in both lower emissions and reduced energy costs.

- **Health and safety:**

Our fire protection products have been tested in 13 categories for lower volatile organic compounds (VOCs) which enables better indoor air quality for the people living and working in the buildings. The data center required fire protection products installed both chemically and mechanically. We therefore included minimizing the VOC requirement as part of the full solution.

- **Environmental impact and adaptability:**

Our modular systems are highly adaptable and provide flexibility for any adjustments during and after the construction phase. Additionally, our systems are up to 40 percent less CO₂-intensive compared to traditional welded systems. Our lightweight materials and environmentally friendly zinc-magnesium coating allows for long-lasting durability. Our reference project reduced CO₂ emissions by 42 percent during the construction phase.

We also provide documentation to support our customers in getting additional points toward their choice of **Green Building Certification**. In our reference project, our customer was able to receive an additional 6 points toward their LEED certification.

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For a Greener World



ENVIRONMENTAL PROTECTION

Environmental protection and resource efficiency play a major role for us as a manufacturing company. Within our plants, but also in logistics, repair and product testing, we aim to minimize our impact on the environment, and to continuously improve, by increasing both efficiency and trouble-free operations. That is why we focus on waste, water efficiency and contaminant emissions just as much as our CO₂ emissions and the potential of the circular economy. Besides the focus on our operative processes, we also assess building projects for our own assets with regard to their environmental performance along the entire cycle, from initial idea to the end of life.

CO₂: p. 11; Circularity: p. 17

Management approach

Most of the **waste** is generated in our plants during the production process of our products. This waste is disposed of by external service providers who have the appropriate certifications for the disposal of the respective types of waste. Waste of different material groups, especially concrete and metallic elements, is generated in production and product testing. A breakdown of the total waste by category is shown in the table on page 25. Materials with hazardous substances, such as cobalt, are used in the production process of cutting tools. We are aware of where these hazardous substances, which generate hazardous waste, are in use. In 2021, 1022 tons of hazardous

At a Glance

- Global screening in all production units on zero waste to landfill
- Machine heat recovery process at headquarters saves 4000 m³ of water annually
- Water consumption in Indian plant reduced by 30 percent

waste were produced in our production process (see table on page 25). Accordingly, we reduce their usage in a stepwise approach with the target to eliminate these substances entirely. First successes were achieved for products like diamond core bits, in which we no longer use materials containing hazardous substances.

We have committed ourselves to disposing of **zero waste to landfills**. To achieve this goal, we carried out a screening process in all our production units in 2021. We are already close to 100 percent of zero waste to landfills. Nevertheless, we aim to further optimize the landfill-free disposal of waste in two projects, that are currently in the set-up phase.

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Breakdown of total waste by category^{1,2,3}

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	2019	2020	2021	Change (vs. 2020)
Total waste	24,758	23,464	25,206	7%
Concrete	8,201	7,271	7,522	3%
Metal	5,903	5,582	6,433	15%
Chemical waste	1,078	1,307	1,244	-5%
of which is hazardous	887	1,089	1,022	-6%
of which is non-hazardous	191	219	222	2%
Paper	2,260	2,684	2,951	10%
Plastic	371	929	884	-5%
Wood	1,023	1,318	1,373	4%
Electronic waste	2,465	2,451	2,651	8%
Other	3,484	1,922	2,149	12%

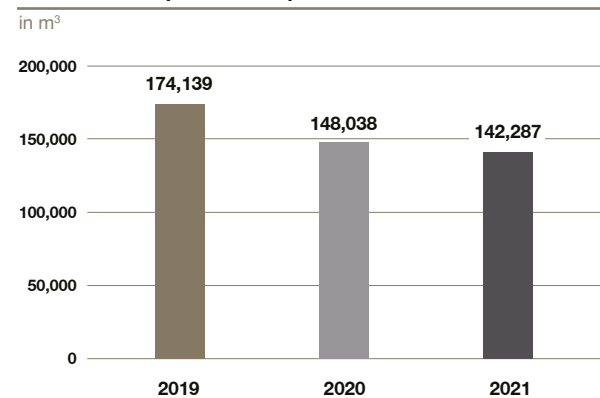
¹ incl. returned Fleet Management tools

² Due to increasing transparency of waste listed in the "Other" category, additional amounts have been added to the remaining categories.

³ Paper, metal and other waste have increased in 2021 due to the demolition of an office building at headquarters.

We mainly use **water** in our operations for specific production steps, for example, in the surface treatment of our consumables, such as fasteners. The water we use is drawn from ground and surface water. We were able to reduce our water consumption significantly over the last three years. Almost two-thirds of our Group-wide water consumption is attributable to four plants, which remain the focus of our activities to achieve further improvements. According to the Aqueduct Water Risk Atlas tool, none of our plants is located in a water-stressed region. We are considering the topic of water scarcity in our future plant operations and in the planning of new buildings.

Water consumption in our plants



The data includes the water consumption in our own plants and in all of our joint venture plants.

Where needed, our **wastewater** is treated in in-house wastewater treatment plants and then fed to the municipal wastewater systems. For the quality of effluent discharge, there are standards which are legal in nature and which we fully comply with. We comply with all legal wastewater limits and even overachieve the wastewater limits in many places.

Some production processes produce **contaminant emissions** that may enter the air or water in the factory environment. We measure the essential substances produced at all locations and comply with local statutory emission requirements. In 2021 we went a step further and are now in the process of carrying out a comprehensive, structured identification of all the existing pollutants in every plant. This will provide us with a complete overview of the relevant emissions.

Organizational anchoring

The topic of environmental protection is handled in our Health, Safety and Environment (HSE) department under the direction of the Chief Compliance Officer. In addition, approximately 200 HSE representatives are appointed at our plants and logistics and repair centers throughout the company. Furthermore, the topic of environmental protection is anchored in the company's sustainability in facilities community.

➤ Sustainability Management: p. 4; CO₂: p. 11

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Management systems and policies

In addition to complying with local environmental protection laws, we have a standardized and optimized environmental management system and a **Group-wide environmental policy** in place. We encourage all employees to measure their daily actions against the standards described in the policy and to demonstrate potential for improvement. We also raise our employees' awareness for environmental protection at Hilti and their individual responsibility with internal **training**. For example, we provide training sessions on hazardous substances and on the proper disposal and recycling of waste. 100 percent of our plants and all our business areas are subject to ISO 14001 certification. In addition, nine of our Market Organizations have a dedicated ISO 14001 certification.

2021 implementation examples

- In 2021 we introduced a **machine heat recovery** process to the thermal system at our corporate headquarters. The excessive heat from the plant's machines is used to heat the office buildings on site. Water evaporation is no longer necessary to remove the excess heat. Hence, no additional water is used for this process, saving 4000 cubic meters of water annually. This represents a reduction of more than 18 percent from the facility's total water consumption in 2020.

- At our Navsari plant in India, we were able to reduce **water consumption by 37 percent** in 2021, which amounts to total water savings of almost 7000 cubic meters in 2021. We achieved this reduction through activities such as the reuse of filtered water, a water saving awareness campaign, the installation of water meters, identification and fixing of leakages, daily monitoring of water consumption and through the water reuse of ammonia cracker plants.
- We changed the technology **from wet painting to powder coating** at our Navsari plant in India. Through this technology change, we no longer produce volatile organic compounds (VOCs) at this plant, ensuring a healthier environment for our operators. Furthermore, the measure results in savings of 30 cubic meters of water annually.
- At our Oglænd plant in Malaysia we have launched a **"reduce, reuse and recycle"** campaign in order to minimize our waste generation. Products are either reused or recycled with no loss of quality in closed-loop recycling. Examples are the recycling of fuel oil, a treatment process for used gloves, rags and filters, and a metal extraction process for the recovery of precious and base metals.

- At our plant in Thüringen, Austria, we carried out several activities to **reduce waste**. For example, reclaimed wood is no longer thermally recycled. Now, at least 90 percent is sent to material recycling plants and can thus be used as chipboard base material. The remaining 10 percent is fed into a combustion process for energy generation. Furthermore, plastic Hilti housing parts, made of polyamide, are sorted internally. Approximately 50 percent can now be granulated and recycled.

We aim to minimize our impact on the environment, and to continuously improve, by increasing both efficiency and trouble-free operations.

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Responsible Partner



SUPPLIER SUSTAINABILITY

Our global supplier network contributes significantly to the added value, quality, and innovative strength of our company as well as to the overall sustainability performance along the complete value chain. Consequently, our suppliers have a vast influence on whether we achieve our sustainability goals. They remain strong partners who make a positive contribution to both the ecological and social aspects of our business activities.

We work with roughly 900 core suppliers to purchase the material that goes directly into our products. Approximately 65 percent of these suppliers are based in Europe, 30 percent in the Asia/Pacific region and five percent in the western hemisphere outside Europe. We procure more than 42 percent of our direct purchase volume locally in the sales regions where the product will eventually be sold.

Management systems and policies

The principles of collaboration with our direct suppliers is regulated in our [Code of Conduct for Suppliers](#), which must be contractually agreed to by all suppliers before we embark on a business relationship with them. Alternatively, they may have their own codes in place that meet our requirements. These include principles that fight against corruption, support human rights, humane working conditions and minimum wages as well as the correct handling of hazardous substances and environmental protection. In terms of specific human rights, our suppliers commit, for example, to eschew slave labor, servitude, forced or compulsory labor and human trafficking, and not to make use of child labor. In the reporting year we issued a revised Code of Conduct for Suppliers which demands a more risk-based

At a Glance

- Revision of Supplier Code of Conduct
- Launch of Sustainable Sourcing Policy
- Roll out of extensive system of supplier compliance due diligence process via the IntegrityNext tool as an integral part of our SAP Ariba supplier platform
- Introduction of bonus-malus system in supplier awarding assessments

approach from our suppliers, and which is in line with the German Act on Corporate Due Diligence in Supply Chains.

[Business Ethics](#): p. 48

In 2021 we launched a [Sustainable Sourcing Policy](#) which provides internal guidance. The policy helps us to set targets and define measures in all sustainable sourcing initiatives. To ensure the correct application of this policy, we are **training** our internal supply community on the topic of sustainable sourcing. In addition, we have systematically introduced mandatory e-trainings to educate the supply community on (product) compliance topics related to procurement.

Within the context of regular, standardized and announced **on-site audits**, we verify compliance with,

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and implementation of these agreements. This is done by our internal experts or the external auditors of Bureau Veritas. Potential direct suppliers undergo an evaluation audit before we enter a business relationship with them, which also includes ecological and social criteria. If we enter a business relationship with a supplier, a process audit with a focus on product quality takes place before the start of series delivery. These audits are repeated every three to five years. Working conditions and safety standards are also assessed. If a business partner violates the standards they have agreed to and there is no sufficient improvement in this situation, we terminate the business relationship. A total of 70 audits were carried out with our suppliers in 2021. The results of the audits show that all of them performed on an overall good basis and none of the business partners had to be reassessed due to negative aspects. If there is suspicion or indication of a violation of our values, non-compliance with local country regulations, of human rights, of child labor or another suspicion related to our supplier code of conduct, we will follow up with the supplier either internally through our accountable or through Bureau Veritas for on-site verification.

Organizational anchoring

Our Sourcing Excellence team is responsible for the topic of supplier sustainability. In the reporting year, the Sourcing Excellence department has been incorporated into a new central area in order to widen its area of responsibility and to assure sustainable product design in the entire company. Moreover, the position of a global process manager to coordinate our supply chain and product design sustainability initiatives was created and staffed. With these changes we can ensure an effective and aligned global approach for sustainable sourcing and development activities.

➤ Circularity: p. 17

2021 implementation examples

We have developed a five-step strategy that gradually raises our activities to a higher sustainability level. With the help of this strategy, we were able to improve our supply chain sub-score in the EcoVadis rating by 80 percent in 2021 to a top one percent level among industrial peers.

➤ Sustainability Management: p. 4

Step 1

In a first step, we focus on **creating a high degree of transparency** with respect to our business partners. The goal is to transparently track and manage all product-related compliance certificates and declarations (e.g., RoHS and REACH), all company-related environmental certificates, the signed Code of Conduct for Suppliers, the results of our supplier audits as well as external ratings and validated supplier data from, among others, Dun & Bradstreet, EcoVadis and IntegrityNext on one platform.

- The **SAP Ariba** supplier relation management system is the basis for handling all supplier-related information digitally on one platform. We are already connected with almost all our roughly 900 core suppliers via this system. The 900 suppliers handle more than 80 percent of our total purchasing volume of components and raw materials. Our goal is to have the contract documentation and communication of all suppliers on the one platform, including those from whom we purchase our indirect supplies, like office supplies and services. This enables us to document standards, product compliance statements, agreements and audit results, helping to support us in systematically cultivating our supplier relationships.

Step 2

The second step considers the **sustainability assessments** and the related key figures **of our suppliers** in all procurement processes. For this purpose, we consult sustainability assessments such as those of EcoVadis or IntegrityNext. In the reporting year we considerably progressed in rolling out IT systems and governance.

- **IntegrityNext** is a platform for gathering sustainability and compliance data. It specializes in achieving broad supplier coverage with intuitive and succinct questionnaires, which are free of charge for the suppliers. In 2021, we rolled out an extensive **supplier compliance due diligence process** via the IntegrityNext tool, covering all aspects of our new sustainable sourcing policy and our revised Code of Conduct for Suppliers. More than 90 percent of our direct suppliers completed the assessment in 2021. As of 2021, IntegrityNext has become a part of our supplier onboarding process.

➤ Business Ethics: p. 48

- The sustainability assessments of EcoVadis and IntegrityNext are part of a newly introduced **bonus-malus system**, which gives advantages to suppliers in the awarding process if they are more sustainable. Factors such as the IntegrityNext rating are considered in a structured and uniform manner to compare suppliers more transparently and comprehensively. Sustainability is the most heavily weighted of all the criteria in the bonus-malus system. After a pilot phase taking place in 2021, this incentive system will be used for all our direct material suppliers. We have already begun structural implementation, for example in our largest

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business unit Power Tools & Accessories, where the incorporation of the sustainability criteria into the bonus-malus matrix has been mandatory for all supply committee decisions exceeding a spend of CHF 100,000 since November 2021.

Step 3

After evaluating our entire supplier portfolio, we have planned a third step that will focus on **sustainability initiatives for individual material groups**. In this phase, we also want to confer a Best Practice Award for outstanding sustainability initiatives generated by suppliers.

- In 2021, we launched the digital HSE training “Sustify” together with an external partner for suppliers on the topics of fire, safety and hazards, occupational health and hygiene, and labor standards and grievances. We successfully piloted a six-week training program with one of our suppliers based in China. The next step in this project is to define criteria to select suppliers for which the training is most suitable und impactful.

Steps 4 and 5

In the fourth step, we intend to systematically expand our sustainable sourcing practices to our **sub-suppliers**, including their respective performance in our sustainability scores and awarding practices.

Finally, the fifth step will use sustainability model-driven engineering practices to influence our **product design and development process**, further promoting the integration of “EcoSourcing” and the circular economy. The new global sustainability process manager mentioned above will support the smooth global implementation of these practices in our development processes.

▶ Circularity: p. 17

Responsible handling of minerals from conflict-affected and high-risk areas

We currently process various metals in our products which may originate from minerals sourced from conflict-affected and high-risk areas (CAHRAs). At present, there is no equivalent substitute for these minerals, the extraction of which may help finance armed conflicts or may lead to political instability, insecurity, widespread violence, and widespread human rights violations in CAHRAs. We ask our suppliers about the origins of their materials, and we require them to critically assess their own supply chains to ensure that no metals derived from regulated conflict minerals are present in our products. By using the Conflict Minerals Reporting Template (CMRT) from the Responsible Minerals Initiative (RMI), we gather information through the supply chain regarding the countries of origin and the smelters and refiners utilized for processing tungsten, tantalum, tin and gold. In addition, by using the Cobalt Reporting Template from RMI, we also gain clarity on our cobalt supply chain.

- In 2021, we rolled out an extensive system of supplier compliance via the IntegrityNext tool, which allows us to clearly track supplier compliance regarding regulated conflict minerals (tungsten, tantalum, tin and gold) and also cobalt. We have successfully obtained replies from almost all of our suppliers, the majority of whom have either declared that conflict minerals are not contained in the products they supply to us or declared that any conflict minerals contained are properly sourced, as evidenced by an attached CMRT.

We also established a clear process flow in which a supplier is contacted directly through the compliance team if they do not respond or clarify why the supplier has not completed the CMRT correctly or fully.

Our long-term objective remains to replace all materials potentially linked to CAHRAs with less problematic materials as much as possible in the course of the efforts to make our product design more sustainable. For example, we are currently conducting internal research projects to replace cobalt in our diamond segments with nickel or iron.

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CHF
13.6 million

COVID-19 solidarity fund paid out to Hilti team members and their families

EXO-01 **98%**

Exoskeleton EXO-01 increasingly and enthusiastically adopted by users

equal pay with regard to gender in Hilti Group companies



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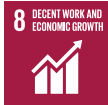
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Safety at Construction Sites



USER HEALTH AND SAFETY

Construction sites remain dangerous workplaces despite the numerous safety regulations that apply in the markets and the measures and strategies already taken by companies that aim to help prevent accidents. We have been working for more than 80 years with our products and services to make work on construction sites safer. Our technological innovations support the protection of users against dust, mechanical recoil, excessive machine vibrations and cutting injuries. This begins in the development process of our products and continues all the way to consulting and user training to raise awareness in the area of user health and safety.

Our goal is to meet the highest demands of users in terms of health and safety.

At a Glance

- Exoskeleton EXO-O1 increasingly and enthusiastically adopted by users
- New AIC 1000 & 2000 air cleaners introduced in dust management portfolio
- Further expansion of digital user trainings

Organizational anchoring

The topic of user health and safety is incorporated into the strategy processes of all our business units. We constantly evaluate how we can improve existing products regarding user safety, whether we can extend existing safety solutions to new product groups and which new solutions are conceivable for greater health and safety in construction.

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In addition to the business areas, our Corporate Research & Technology central research area in Schaan, Liechtenstein and our Competence Center for Health & Safety Technologies in Kaufering, Germany, drive user health and safety. For 25 years we have continuously examined how to implement innovations in this context as part of our exploratory technology development.

Our sales structure of direct customer contact and feedback from our worldwide repair centers, enables us to quickly and comprehensively collect user experiences regarding the handling of our products in a structured manner. If a complaint indicates that an injury has occurred, or could potentially occur, during the use of one of our products, the Executive Board is informed of these findings. If a product defect is detected, we communicate this to the relevant contact persons and take all necessary steps to remedy the defect.

Management systems and policies

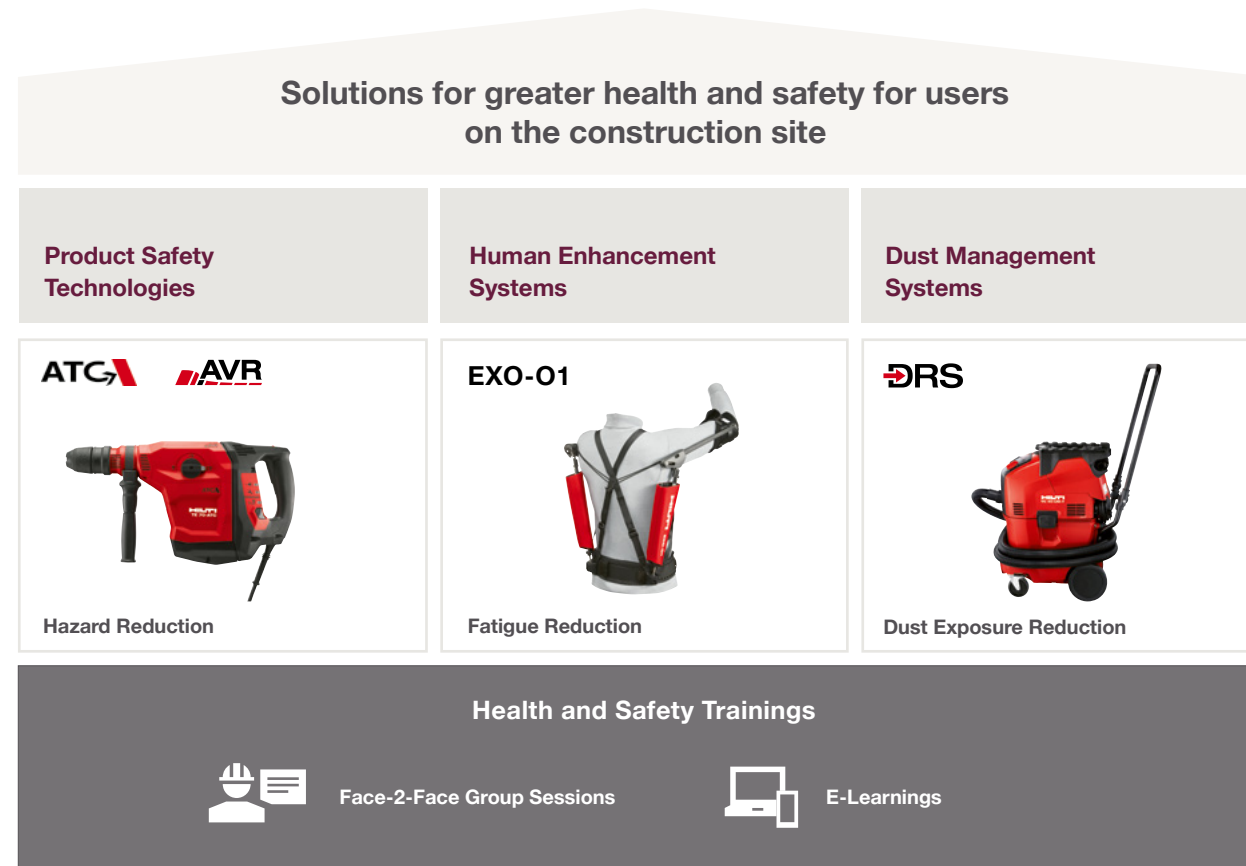
In the product development process, which incorporates standards such as the European Machinery Directive, we assess the ecological and health properties of a future product at an early stage. This assessment includes a variety of criteria, including vibration and dust generation. In addition, dedicated, internal consultation with the development team takes place in this phase, so that safety-relevant findings can also be incorporated from other areas of the Group. Product development only enters the next phase if all safety-related points have been met. This structured development approach enables products that exceed legal safety requirements.

How we specifically promote user safety

Our goal is to provide solutions for greater health and safety for users on the construction site. We intend to do so with a comprehensive and state-of-the-art hardware, software and service offering.

- **Product Safety Technologies:**

Our **Active Torque Control (ATC)** is an electronic solution based on the airbag system. We originally developed this for our combihammers and integrated it into a product for the first time in 2000. State-of-the-art sensors and a motor brake reduce the recoil risk by helping to prevent a tool from



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rotating uncontrollably when jammed. With ATC, we go significantly beyond the requirements of the Machinery Directive, which only provides for a mechanical slip clutch.

- **Human Enhancement Systems:**

While carrying out overhead or above shoulder work, preventive relief can help reduce work-related musculoskeletal disorders in the shoulder area, one of the most common reasons for disability in the construction industry. We presented two possible solutions to this problem in 2020 and rolled them out in our markets during the reporting year.

- Our **Exoskeleton EXO-O1** can reduce the strain on the user, is easy to put on and maintains the natural range of motion in the upper body. Reduced muscle fatigue may enable an increase in safety, productivity and quality of work. The adoption of this technology in construction, especially in the mechanical, electrical and interior finishing trades, is increasing globally and  users are enthusiastic about it.

- **Jaibot**, Hilti's semi-autonomous construction robot, is designed to assist tradespeople in physically demanding, repetitive installation tasks such as drilling numerous holes overhead for many mechanical, electrical or plumbing installations.

 Discover how Jaibot supports our customers on the jobsite in our 2021 Company Report

- **Dust Management Systems:**

Dust is omnipresent at construction sites. Dust particles may stay in the air for a long time, due to their small size, and penetrate deep into the lungs. Our focus in developing solutions is to minimize user dust exposure while enabling maximum productivity. As early as 1995, we launched the first tool on the market having an integrated **dust extraction system**. Today, up to 95 percent of our power tools can be used virtually dust-free. Our Health & Safety Competence Center has had its own dedicated  Dust Lab since 2008. This is where our experts investigate and evaluate solutions to effectively minimize dust. We design power tools, accessories and inserts, such as drills, grinding wheels, cutting discs and chisels, as sophisticated systems containing a dust extraction component, called Dust Removal Systems (DRS). DRS helps to remove dust at the source and efficiently collect it with the help of powerful vacuum cleaners such as the **VC 20-/40-X**.

- In addition to DRS systems and vacuum cleaners, we have introduced a new product category. The **AIC 1000 & 2000 air cleaners** further expand our portfolio for jobsite and worker safety. They help to reduce a worker's dust exposure by filtering very fine dust particles, which are the most harmful to our lungs and otherwise can remain in the air for several days. Air cleaners are mostly found on renovation jobsites where large amounts of dust are created.

We are dedicated to raising awareness on construction sites. Hence, our comprehensive hardware offering to enhance user health and safety is complemented by a wide range of **interactive training sessions** specifically for users. The focus of all our training modules is on risk and accident reduction according to the STOP method, the risk reduction through substitution as well as **technical, organizational and personal protection measures**. We currently offer more than ten different training modules, for example, in the field of dust, working with angle grinders that can generate flying sparks, and are constantly developing our portfolio further. Our wide range of training courses includes on-site training at a customer's premises and virtual formats with our experts. Approximately 8650 users were trained in 2021.

In addition, we expanded our **e-learning courses**. These flexible and fully digital formats are available in a wide variety of languages. After piloting some of our courses in selected markets in the reporting year, we will continue to roll out our digital training portfolio in 2022.

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Helping to Protect People and Assets

At a Glance

- Training, consulting and engineering services to support high-quality installations
- Enhanced features in our application software suite implemented to calculate seismic and fire resistance
- Sponsorship of ETH Zurich's InCube Challenge and partnerships with University of Texas



BUILDING SAFETY

Sustainability has become an essential element of construction. New construction projects aim to reduce negative effects on the environment and, at the same time, create a positive atmosphere for the people who live and work in these buildings. At Hilti we have been developing and selling products to make buildings safer for more than 40 years – and we have helped to establish high standards in this area. Our cooperation with universities, research institutes, code officials and approval bodies have made a significant contribution to raising building safety to a higher level.

➤ Green Building: p. 22

Management approach

Our strategy for the better protection of people and their property rests on two strong pillars standing on the foundation of safer building design – better protection against critical events, such as fire or earthquakes, and lifetime performance, ensuring the long-term durability of our solutions

In the field of **earthquake protection**, we offer solutions that are designed to help fasteners, rebar connections, fire-protected penetrations and joints

better withstand the impact of an earthquake. We carry out comprehensive testing that simulates the magnitude and frequency of an actual earthquake. This allows us to gauge how well our products and solutions perform during and after a seismic event in all dimensions of performance.

In the area of **fire protection**, we offer passive firestop solutions that better enable fire containment, thereby reducing the impact on both occupants and structure. In addition to fire protection devices, we also research how our fasteners, rebar connections and mechanical

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and electrical services (M&E) installation supports can better withstand critical temperature conditions that occur during fires.

The foundation of long-lasting buildings is created in part by the durable **hardware** elements placed in those buildings. We strive to offer hardware that outlasts the life of a structure. We help to ensure the performance of our fasteners by running long-term testing in corrosive environments, for example, in coastal locations that have fluctuating temperatures and high humidity levels.

Leading product features and lifetime performance can only be realized if products are installed correctly. Therefore, we have developed systems and services that allow for **high-quality installation**. To help construction workers make the best use of our products, we offer professionally delivered trainings: We consult the installers on the construction site through a combination of technical knowledge and hands-on modules. In addition, we support long-lasting construction with systems that help to prevent errors during the installation of our products and that generate **reports** on the installation.

The foundation is a **safer building design**. We partner closely with specifiers and architects so that the consideration of building and occupant safety takes place at an early planning stage. This is the prerequisite for being able to provide long-term structural resilience.

Our **field-based engineering force** consults on critical safety problems, provides technical assessments and engineering services as well as on-site testing during the design and construction phase. This support function is further enabled by providing **software solutions** like PROFIS Engineering. This helps various construction communities to find and design safer and more cost-effective solutions.



Furthermore, we support general contractors in planning their projects more effectively, modeling and calculating their safety-critical solutions directly within the Building Information Modeling (BIM) methodology.

Organizational anchoring

The topic of building safety is on the agenda of our individual business units: We follow a structured development process to integrate security features into our products at a very early stage. In addition to the tests anchored in the guidelines, we check for a wide

Our target is to meet the highest standards in building safety with our products.

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variety of contingencies, such as incorrect product storage and varying installation conditions. We only launch a product on the market when all these risk assessments have been completed. After product launch, in addition to the product monitoring obligation, the **feedback from our customers** plays a key role in the continuous improvement of our offering. Experts in our development teams carry out structured reviews of customer inputs, including additional tests and site visits, if necessary.

To illustrate our commitment to our customers' journey towards a sustainable future, we established a **Global Sustainability Product Management Team** in the reporting year. The mission of the team is to bring our customers' awareness and transparency on sustainability topics as well as to support them in consistently responding to the increasing needs of becoming more sustainable. The team consults on the topics of green building, eco-products, circularity, building safety and user health and safety.

Management systems and policies

We partner closely with **standardization organizations** helping to ensure compliance with regulations and the effective safety performance of our solutions. As an active member of standardization organizations, such as the European Committee for Standardization (CEN), the European Organization of Technical Assessment (EOTA) and the International Code Council (ICC), we always strive to help develop standards and regulations that create a foundation for both safer and more practical solution design. We promote these standards and regulations in the markets in which we operate, and we participate in public consultations of the respective national committees.

2021 implementation examples

- **Software integration of sustainability information:** In 2021, we invested CHF 1.2 million in the seismic and fire resistance testing of our installation products. We look for ways to integrate the information gained into our design software, which allows for building safety to be considered right from the design phase of buildings. Additionally, our BIM Competence Center is working on integrating the product carbon footprint into our design software, which would provide further transparency for our customers within their BIM model and enable them to make informed decisions.

- **Sponsorship of InCube Challenge:**

The InCube Challenge is a competition for students organized by the ETH Zurich's Entrepreneur Club. Five students with diverse backgrounds, ranging from engineering to business, solve the challenge of creating a positive impact on the jobsite using advanced digital ecosystems. In 2019 we sponsored our first cube in Singapore. In the reporting year, we partnered with ETH Zurich again, serving as a flagship sponsor for the 2021 InCube Challenge.

- **Partnership with the University of Texas:**

In July 2021, we started our journey together with members of the Construction Institute of the University of Texas to understand the implications of sustainability criteria on capital projects. We participated in the research group to understand the future trends, not only for our business but also for our customers, and to contribute to a transparent and environmentally responsible network in the construction sector.

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Care and Perform



OUR CULTURE OF ENGAGEMENT

Management approach

We strongly believe that the foundation for our business success is a people-oriented corporate culture. While **Commitment, Courage, Teamwork, and Integrity** represent our core corporate values for business interactions and beyond, we aim every day to create a **caring and performance-oriented work environment** which paves the way for the success of our teams globally. These values become even more important during times like the COVID-19 pandemic of the past two years. During the last decade our company has been constantly growing. Along with it we increased our diversity to achieve broader representation. To leverage the potential of that diversity, we added the focus on **inclusiveness** and continued to further evolve our current people approach, known as MOMENT.

It is based on the four principles: focus on strengths, frequent conversations, ownership and taking action now. All our activities are aimed at engaging our team members.

Organizational anchoring

The strategic Group-wide people orientation is developed by the Global Human Resources department which reports to the Executive Board. Our centers of excellence address talent acquisition and development, diversity and inclusion, learning and development as well as reward and benefits. Human resources teams support the organization, team members and team leaders, in their personal and professional development. Our team members are engaged and empowered people. We aim to provide fair and equitable work opportunities,

At a Glance

- COVID-19 solidarity fund of CHF 13.6 million paid out to Hilti team members and their families
- Analysis revealed 98 percent equal pay with regard to gender in Hilti Group companies
- Achieved best-ever result by ranking #11 among the “World’s Best Workplaces™”

ensuring a strong and diverse succession pipeline, which is predominantly filled with internal candidates. To improve, we continuously collect and implement ideas received from our team members.

Management systems and policies

Fair relations, respect for human rights, freedom of association and equal opportunities: These are the basis of the core labor standards of the International Labor Organization (ILO). Our own ambitions exceed these by far. Our Code of Conduct for Employees and our Anti-Discrimination Policy are among our key internal regulations. The revision of our Anti-Discrimination and Anti-Harassment Policy includes information about observer interventions to help our team members to handle upcoming situations.

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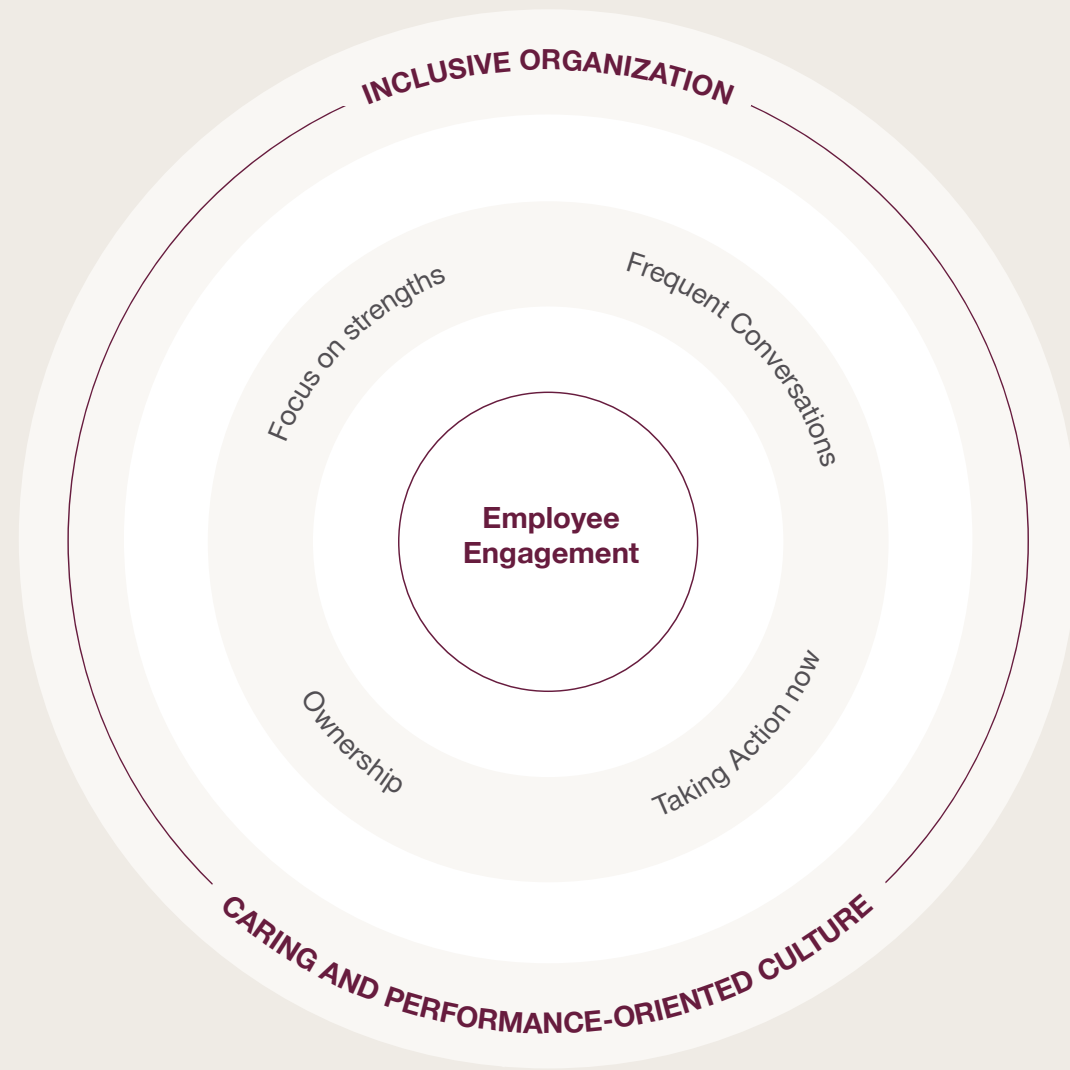
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Our People Approach



We regularly monitor our processes and compliance with the guidelines through internal audits. In addition, we also have external reviews carried out according to recognized standards. A large number of our organizations worldwide have ISO 9001 certification, which covers more than 90 percent of our team members. Violations of internal or external regulations are not tolerated. In addition to the respective team leaders and members' representatives, contact persons are available in our global and local compliance organizations.

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2021 implementation examples

1. Caring and performance-oriented culture

2021 was challenging for all of us, both professionally and personally. The changes brought by COVID-19 spanned most parts of the world and increased our programs regarding working environment, giving us a long-term perspective. Focus of our activities was our **employees' wellbeing**, that is the combination of their physical, mental, social, and financial health.

- We took care of each other: In 2020, colleagues in various Group divisions voluntarily waived part of their salary and reduced their working hours, to support Hilti team members during the unprecedented emergencies generated by COVID-19 both at work and in their personal lives. Together with a contribution by the company, CHF 13.6 million was raised in 2020. Two-thirds of this **solidarity fund** that provides financial support to team members and their families who find themselves in an emergency were distributed in the reporting year. In addition to initiatives benefiting the majority of our colleagues, such as COVID testing, helplines and sanitizing material, the support provided

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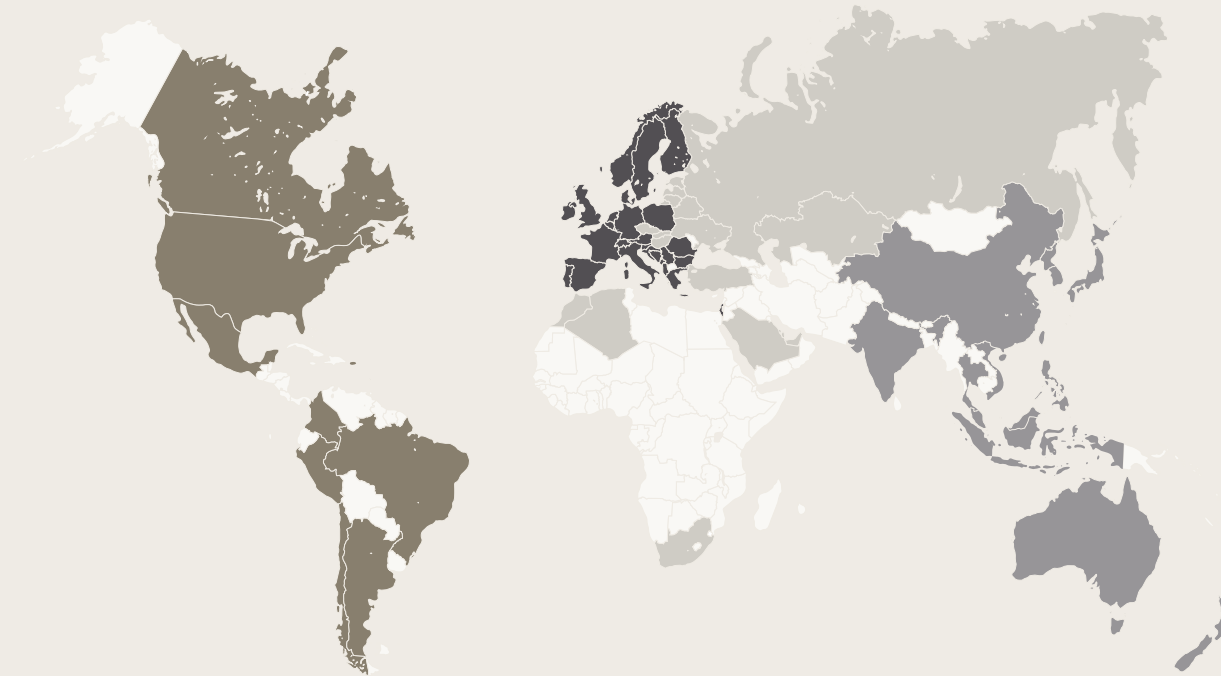
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in 2021 expanded to cover more of an individual level, with colleagues and their families receiving support for costs associated with lengthy hospitalization, sick leave salary gap, childcare and home care among other topics.

- We continued to offer **virtual trainings** for the benefit of all team members' mental health, with dedicated programs for team leaders ("Leadership during Challenging Times") as well as team members ("Care and Perform during Challenging Times"). The goal of the half-day trainings is to become more aware of the challenges and burdens of remote working, positive and negative workload, individual performance curves, conscious breaks, virtual team leadership and more.
- In North America, we offer fully paid annual **wellness screenings**. When team members and their partners complete their wellness screenings and follow through on their wellness incentive action bar steps, they earn a company-sponsored discount on medical insurance premiums. In addition, Hilti North America has organized a health fair which touches on a variety of wellbeing topics. In the reporting year, over 2000 team members participated in the online sessions and more than 800 team members took part in the "Couch to 5k" running challenge.
- We conducted a **health survey** at our headquarters to receive additional input and ideas from our team members on how to further improve our health-promoting environment. The results of the survey were analyzed by an external partner and anonymously made available to us. The challenges of healthy ergonomics in home office was addressed by offering special conditions to employees to buy ergonomic furniture for their home office. Medium- and long-term aspects were related to the workload and the various office setups and are being followed through with updates.

Our Global Team in 2021



Total employees by region 2021

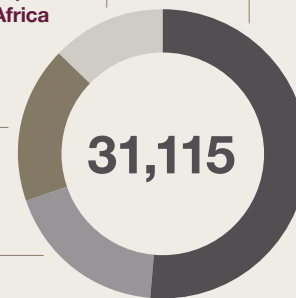
Number

Eastern Europe /
Middle East / Africa
3,958

Europe
16,068

Americas
5,433

Asia / Pacific
5,656



New employees by region 2021

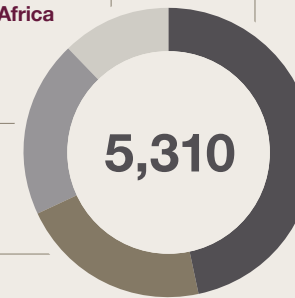
Number

Eastern Europe /
Middle East / Africa
646

Europe
2,485

Asia / Pacific
1,049

Americas
1,130



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2. People-centric mindset and processes

Our Group-wide **MOMENT people approach** is designed to engage team members through a valuable and captivating employee experience. Our employee-centric mindset and processes are based on four principles: focus on strengths, frequent conversations, ownership and taking action now.

- After the successful launch of MOMENT in 2020, we continued to focus on **change management activities** to anchor the new approach in the organization during the year under review. We also added new elements around compensation transparency and total rewards, mentoring, exit questionnaires and management of leave and working hours in 2021.
- **Frequent conversations** and direct feedback to reflect on the progress of goals and one's own further development are central elements of this concept. In 2021, again more than 100,000 goals were documented on our digital platform. At the end of the reporting year, 72 percent of team members had documented their development discussion in the system.

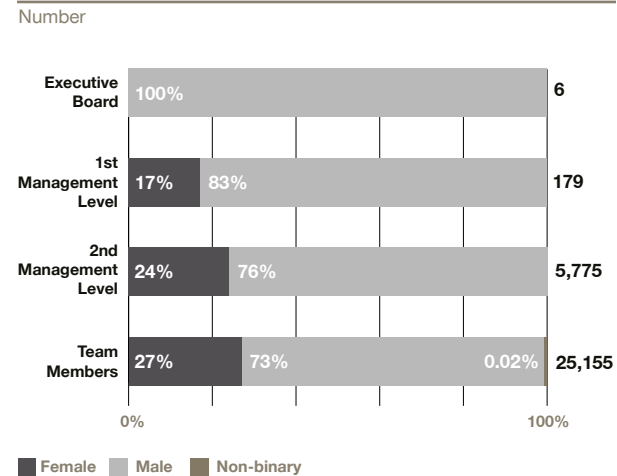
Number of employees with

	Female	Male	Non-binary	Total
Target agreements	6,095	17,589	3	23,687
Documented development discussions	5,674	16,639	1	22,314

3. Diversity and Inclusion (D&I)

One strong contributor to our team members' engagement is the creation of an **inclusive work environment**, in which people can contribute their strengths, feel comfortable and have the courage to forge new paths. At the same time, we have high expectations for the behavior of our team members. Inclusion is not a project for us, but an attitude that we address within the entire Group. We understand **diversity** as the sum of the diverse attitudes, ideas, experiences and strengths of our people.

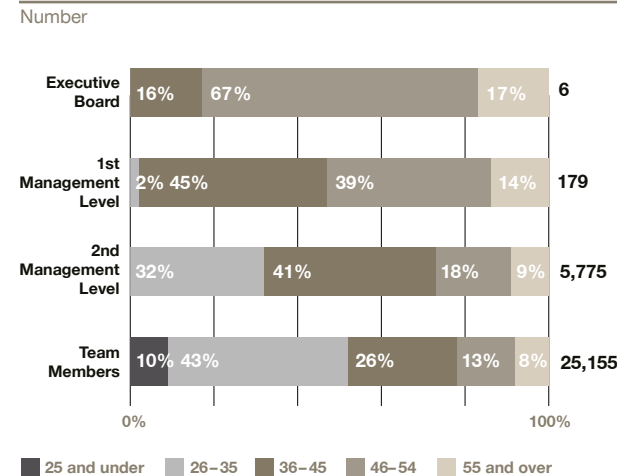
Employees by gender and management level



Proportion of women in Board of Directors: 25%

- We monitor our progress with regard to inclusion via our yearly employee engagement survey. This year we reached the top quartile for the first time with an **inclusion index** of 76 percent.
- We aim to increase the diversity within our workforce. Here we have deliberately set growth ambition targets instead of rigid quotas. In 2021, for example, the **proportion of women** in the workforce increased by 1.1 percentage point to 26.6% and in our leadership positions by 2.2 percentage points to 23.7% since last year. This even exceeds our ambition of growing ~1-2% per year.

Employees by age and management level



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Employees by working time model and employment relationship in 2021

	Female	Male	Non-binary	Total
Full-time	7,517	22,357	5	29,879
of which permanent	7,013	21,288	5	28,306
of which temporary	504	1,069		1,573
Part-time	766	470		1,236
of which permanent	689	401		1,090
of which temporary	77	69		146

- **Awareness initiatives** centered around different aspects of diversity and inclusion among all team members played an important role again. In 2021, our employee resource groups, independent networks of team members centered around specific diversity and inclusion topics, around the globe played a crucial role in enriching our campaigns and expanding the conversation. In total we had over 20 global and local events organized by our employee resource groups and our D&I ambassadors, with internal and external speakers covering topics of women’s career development, sexual orientation, race and ethnicity, mental health, the environment, and sustainability in general. To name a few: our “Ladies OwnIt!” group at headquarters organized discussions around women’s careers and “Women in Tech”, our US and UK based OwnIt! Groups held multiple events and communications around “black history month”, “LatinX” and “LGTBQ+” engaging in conversations around topics relevant to the communities such as career paths as well as existing challenges along the way.

4. Equal pay

It has always been our ambition to ensure that we deliver fair and equal compensation. While accepting differences based on objective criteria, differences due to discrimination of any type, including gender, are not tolerated.

- To continue our leading efforts in terms of gender pay equality, we expanded our yearly ongoing **equal pay analysis** for the first time, moving from the local to the global level in 2021. The analysis was completed with an independent external consultant, covering about 30 countries, and around two-thirds of our team members worldwide. This scope was selected to ensure a statistically relevant size of the investigated population in each country. The results showed we are delivering equal pay, in respect to gender, for 98 percent of the reviewed team member population. We have implemented plans to address the remaining 2 percent over the course of 12 months. Our Executive Board is committed to regularly update and expand this analysis.

5. Bias mitigation

A key aspect of providing equitable work opportunities is learning about and mitigating the influence of our biases in our selection and hiring processes, people evaluation and in our daily work in general. Efforts in this area in 2021 were:

- **Bias mitigation aided by technology:** Our holistic approach towards providing equitable work opportunities begins with the selection and recruitment process. We have started an **inclusive language approach** in our job advertisements that aims to appeal to candidates from diverse backgrounds and experiences. We are already beginning to see an increase in applications and

hires of diverse candidates, specifically from the campaigns targeted at female applicants. Furthermore, we introduced a new element in our **interview process** for specific roles that enables us to better explore candidates’ strengths and ability to fit in these roles. The “Strengths Discovery Platform” is based on gamification, providing fair footing for all candidates, and minimizing personal biases.

- **Bias mitigation through advocacy:** In all our people assessment processes, we introduced a diversity and inclusion (D&I) advocate, a business leader who actively monitors potential biases, micro-inequalities and dominant opinions, raising awareness and addressing them if any of these appear during the assessment sessions.
- **Bias mitigation through awareness:** We use learning to sensitize our team leaders to the topics of inclusion and diversity. Since 2015, we have trained 80 percent of our team leaders on the issue of unconscious bias with our rewarded “Beyond Bias” workshop and “Leading Inclusively” case scenario training, and the learning solution is integrated into the curriculum for new team leaders.

We are confident that we are delivering equal work opportunities, which is reflected in both our hires and retention rates. At 90.3 percent, the retention rate continued to be high in 2021 and met our goal of 90 to 92 percent.

Employee retention rate

	2019	2020	2021
in %			
Female	89.7	93.3	90.1
Male	91.1	93.7	90.4
Non-binary	no data available	no data available	100
Total	90.7	93.6	90.3

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6. Development

Developing our people is a primary focus and one of our core competencies. We have a broad learning portfolio which includes both user-generated content and formal learning journeys to convey performance-based knowledge and application, and we utilize a learning model that predominantly focuses on learning on the job. The content on our internal learning platform, which has an average of 70,000 views per day, is written to a large extent by more than 2500 team members across all functions. More than 600 team members act as community managers to engage with learners and ensure the transfer of knowledge.

- By supporting our team members in their development, we also live up to our ambition to **promote more than 80 percent of our team leaders from within**. This was demonstrated once more in 2021, where major leadership changes within the Board of Directors, the Executive Board and the Executive Management over the next two years were completed entirely with excellent internal candidates. Over the decades, the Hilti Group's success is strongly connected to our long-term stability in key leadership roles and consequent succession planning. We utilize our HR system to create transparency on the status of our succession plans, to ensure we develop a diverse pool of future leaders and keep track of progress. By doing so, we ensure the necessary continuity and reliability which are as important for the successful development of the Hilti Group as they are for the trust of our team members, customers, and business partners.
- Developing our future leaders at Hilti can start at a young age. We have been providing vocational training programs at our locations in Liechtenstein, Austria, Germany, France and Hungary for many years. In 2021, another 145 trainees started their **apprenticeships** around the Hilti globe.

Number of all apprentices

	Total	of which new
Female	110	53
Male	273	92
Total	383	145

7. Giving and receiving feedback

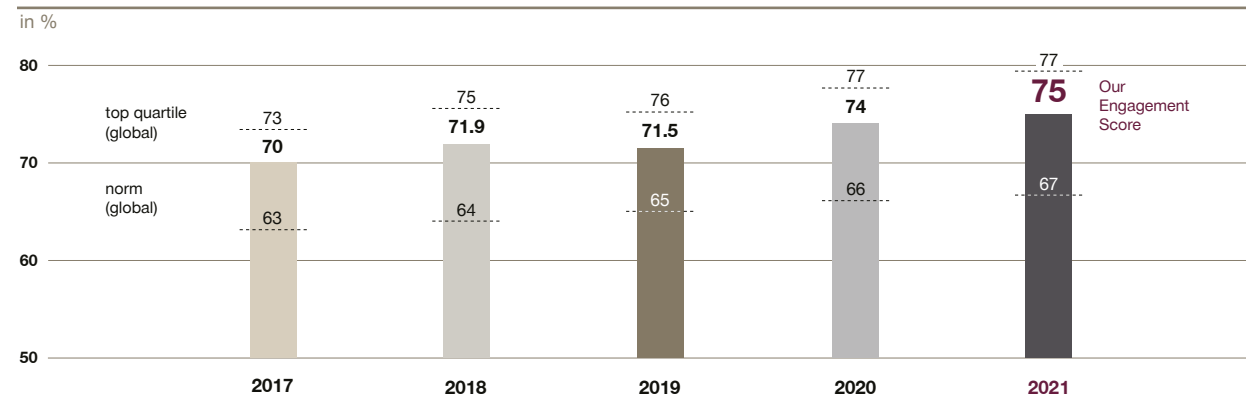
Sharing feedback is one of the key aspects of our culture and is encouraged and elaborated through our people approach. We regularly seek feedback from our team members and benchmark ourselves against other leading companies.

- Our annual **Global Employee Opinion Survey (GEOS)** provides us with valuable information in the areas of leadership, team, organization, strategy, development, inclusion and more. We have set ourselves the goal of being in the top quartile with

respect to the **“Employee Engagement Score”**. In 2021, 90 percent of our team members participated in the GEOS survey and wrote close to 19,000 comments. The proportion of employee engagement has increased from 74 to **75 percent**, our best result so far. The feedback has improved across all focus actions from last year, in all dimensions addressed by MOMENT and in focus areas such as Diversity and Inclusion and sustainability. At the same time, we still have some dimensions with room for improvement. The true value of GEOS lies in a deep analysis of what our team members have conveyed to us and then defining action plans to address the feedback.

- Every two years, we participate in the **Great Place to Work® award** in multiple countries around the world, where the final score is largely based on the direct feedback from our team members. In 2021, we ranked **#11** among the “World’s Best Workplaces™” and were recognized as one of the best employers in several countries.

GEOS Employee Engagement Score



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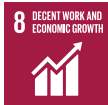
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The Team Counts



EMPLOYEE HEALTH AND SAFETY

We want to provide our approximately 31,000 employees worldwide with the safest possible working conditions in all areas of activity – in our plants, in logistics, in repair centers, in direct sales, at offices and, to the extent possible, on the jobsites we visit. Consequently, we create a virtually harm-free workplace. We focus not only on the specific risk of injury to our employees, but also on their long-term health. We want to counteract the various stresses in everyday working life and thus promote the basis of our successful existence as a company: the health, job satisfaction and performance of a highly motivated team.

Management approach

In addition to our preventive health and safety (H&S) campaigns and trainings, our **“STOP in case of danger” principle** applies at all locations worldwide. No Hilti employee should be exposed to dangerous situations, but instead distance themselves from these situations immediately. We expressly accept interruptions in our work processes in this context. In addition, all hazards are recorded and maintained by the local HSE team in the plants and supplemented by in-depth risk analyses.

If a dangerous situation or an accident occurs despite all precautionary measures, a structured investigation is carried out to determine which factors led to the accident and which immediate measures and

At a Glance

- Comprehensive safety mindset assessment and first pilot implementation project carried out
- Employee safety communities and focus groups established to intensify knowledge exchange
- Occupational safety reporting tool rolled out

longer-term improvement potentials are necessary, including within the occupational safety management system. In the production-related areas, there are daily exchanges between local H&S experts and employees across all hierarchy levels, where occupational safety is managed as a permanent agenda item.

We are aware that safety in all areas of activity cannot be increased by rules and training alone. Instead, we address all employees to take our safety mindset to heart and to think and act in a safety-conscious manner in their daily work. Our team leaders have a special responsibility to foster this mentality. The overarching goal is that all team leaders have internalized the mindset and show all team members the way to an even better handling of safety issues, reaching their hearts and minds at the same time.

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Our goal is to be a leader in the health and safety of our employees.

Organizational anchoring

We steer our organizations worldwide with our Occupational Health and Safety Management. Processes within our operations-related areas, where the individual safety risk is comparatively high, have been in place for several years. In the reporting year we also started to roll out these management systems in our sales organizations in a structured way. Responsibility for the topic lies with the Global H&S Process Manager who reports directly to the Chief Compliance Officer (CCO).

Management systems and policies

Different occupational health and safety (OHS) management systems are prevalent in different regions. These include ISO 45001 in Europe and OHSAS in the USA, but also national and industry-wide systems. The management systems throughout the Group are therefore similar, but not identical. Our internal safety procedures are based on these recognized standards. To ensure that the standards are implemented

in compliance with the law, internal and external occupational safety specialists conduct on-site visits with safety inspections at plants and repair centers and for logistics operations. They exchange information and experiences in regular H&S online groups to promote learning from others and the sharing of good practices.

We do not aim for a Group-wide ISO 45001 or OHSAS certification. We do hold a certification in at least one location which is subject to our global standards. 100 percent of our operations are covered by our Health and Safety Management system. In 2022 we will roll out a revised internal health and safety policy that applies to all our group operations. The policy provides guidance on how Hilti entities, depending on their focus areas, will be able to offer harm-free working conditions to all their employees and continuously improve in this area.

Our path to greater safety – 2021 implementation examples

With the implementation of our sustainability strategy, we agreed on a “**Safety Mindset Road Map**”, with which we want to anchor a safety mentality within the Group. It includes three dimensions: the responsibility of our team leaders (leadership), the processes and habits of daily work (behavior) as well as the transfer of knowledge and the creation of risk awareness (engagement). The result aims at fewer occupational accidents.

- **Starting point – Safety mindset assessment:** In 2021, we worked with an external consultant to review our current occupational safety setup and mindset contributing to our caring company culture.

The assessment contained six fields of action. Firstly, we conducted the **DSS Safety Perception Survey™** with more than 1700 participants worldwide to understand where our colleagues see our safety mindset. Based on the results of this survey, we measure our maturity according to the DSS scale of Relative Culture Strength (RCS). We benchmark ourselves against the results of the RCS survey, assuming that a higher RCS relates to a lower injury rate. In 2021, our overall RCS was assessed at a “reactive” level. We strive to take one additional step in the degree of maturity, moving to a “dependent” level within the next two years. This is intended to contribute to a lower Lost Time Incident Rate (LTIR). Secondly, the consultant analyzed our safety **processes and routines** and the appropriate documentation. Thirdly, different sites in our local entities were visited to **understand our safety footprint** across the organization. To include our team leaders’ perspective, 15 of our **executive management team members were interviewed** in a fourth step to give feedback on the current leadership role in our safety setup. This effort was concluded with five **workshops** for the different focus areas of manufacturing, after market services, logistics and sales as well as a corporate workshop. As a result, **specific safety mindset roadmaps** for the focus areas were created and are now brought to life with operationalization workshops and ongoing support by external consultants to use best-practice expertise.

- **Community build up:** With the ambition to intensify exchanges of knowledge in order to establish a vibrant safety mentality throughout the Group, we created **communities** for the four main functional areas of

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Building a strong safety mentality begins with reflection



our company (manufacturing, logistics, repair, and sales). These communities are established to trigger **tangible implementations**, for example, by organizing trainings in the form of gamification (e.g. searching for safety errors in pictures) or train-the-trainer concepts, by conducting in-depth analyses of certain accident types. This is followed by concrete prevention actions (e.g. cutting injuries in logistics centers which can be avoided by using the correctly classified knives and gloves) and by organizing safety walks (e.g. “mini audits” in tool service centers that yield checklists for safety issues). Some of the communities are working **cross-functionally** to avoid operational blindness, for example, in Moscow or Italy, in the form of a collaboration of logistics and repair

centers. To further involve the employees in our market organizations, where health and safety has been discussed less structurally in the past, we introduced the concept of **focus groups**. Sales colleagues are involved via an online workshop in the form of interactive group meetings to share best practices and talk about safety issues.

- **Implementing and strengthening the safety mindset – pilot project:**

In our plant in Kaufering, Germany, we carried out a pilot project to strengthen our safety mindset together with the managers of the site. The target was to convince them of the value of an enhanced safety mindset, allowing them to motivate their team members by involving them in safety tasks, getting

them to see themselves, and to act as coaches and to develop a team culture of mutual caring, addressing mistakes and promoting responsibility, trust, and appreciation. The **six fields of action – leadership, values, team, training, learning, and integration** – were highlighted and will continue to be highlighted in an annually reoccurring self-examination. Identified gaps were methodically analyzed and corrective measures were derived. Methods used in the pilot project were joint risk assessments within the team, short safety discussions, event analyses, including determination of causes in the team, and making occupational safety a topic in all communication. The final aim of the project is to involve all hierarchy levels to define an accepted strategic path to greater safety. Hence,

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in the next year, all team members will be involved and become part of this journey.

- With the **roll-out of a new reporting tool**, we are creating Group-wide transparency on occupational safety. From 2021, accidents at work as well as near misses and safety observations are reported uniformly via a central platform that was rolled out in a customized way to all Hilti organizations. This includes the monitoring of accidents affecting external people, including service workers or guests at our locations. In addition, we have already introduced a legal management system which lists all legal occupational health and safety obligations in our organizations and monitors compliance with these obligations at locations in Austria, Italy and Canada, in our plants in Germany, Hungary and Mexico and at our headquarters in Liechtenstein.
- The health and safety of our employees continued to be in the spotlight during the ongoing **COVID-19 pandemic** in 2021. All Hilti organizations share the common guiding principle that the health and safety of employees is always clearly the top priority. Measures taken by Hilti to protect the wellbeing of our team members are elaborated on in the chapter [▶ Our Culture of Engagement: p. 37](#)

Measuring our safety progress

Our main indicator for measuring our performance with regard to safety, which would reflect our ambition to be a leader in the field, is the Lost Time Incident Rate (LTIR), measured in number of accidents per one million working hours. In the reporting year we increased transparency by collecting reliable data from about two-thirds of our employees. Especially the insights from our sales organizations helped us to understand that we overestimated the accident rates in the years 2019 and 2020. This is one reason why the LTIR came down by 37 percent to 4.7. Our goal is to further reduce the LTIR.

Besides lagging indicators like LTIR and number of accidents, we will also increasingly focus on leading indicators that depict the progress in establishing a safety mindset. These include topics related to operational safety practices, strengthening our safety ownership and a beneficial cross-company exchange of information. For example: the number of safety walkways (in production-related areas) and rides (in direct sales), the number of H&S-related continuous improvement measures and their implementation, or the number of hours spent on H&S training per employee. A structured reporting is currently under development.

Employee¹ accidents during work

	2019	2020	2021
Total²	422	348	261
of which with severe consequences ³	41	35	11
of which fatal ⁴	1	0	0
Total accident rate² (based on 1,000,000 hours worked)	8.3	7.5	4.7
Accident rate with severe consequences (based on 1,000,000 hours worked)	0.8	0.8	0.2
Fatality rate (based on 1,000,000 hours worked)	0.02	0.00	0.00

¹ Internal employees incl. contingent workers (2021) / excl. contingent workers (2019, 2020)

² Employees off work for at least one day

³ Accidents with subsequent work loss >60 days

⁴ Fatal traffic accidents

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CHF
31.9 million

spent to continue impactful work of the Hilti Foundation

> 300

projects supported within our corporate volunteering program Engaged Beyond Business



Revised Codes of Conduct for Employees and Suppliers



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Create Trust



BUSINESS ETHICS

Ethical business conduct is based on integrity, one of our core values, and forms the sustainable basis for responsible business activities. It is part of the trusting collaboration enjoyed within our teams as well as with our customers and partners at all our locations worldwide.

We not only aim to meet existing legal requirements, but also want to make a visible statement for responsible corporate governance. We have set this ambitious goal realizing that corporate attitudes and behavior cannot be changed in the short term. This involves constantly improving our internal organization, regularly questioning existing systems and making changes and optimizations as required.

Organizational anchoring

Our group has a compliance department headed by the Chief Compliance Officer (CCO). The CCO has overall responsibility for compliance and reports to the General Counsel, who reports to the CEO. In addition, the CCO may directly contact the Board of Directors' Audit Committee.

The CCO's responsibilities include monitoring and assessing compliance risks in the context of Group-wide risk management, which is updated annually together with the internal Group audit.

At a Glance

- Code of Conduct for Employees revised and training for all employees rolled out
- Code of Conduct for Suppliers revised
- Sustainable Sourcing Policy introduced

Management systems and policies

The CCO is responsible for our Group-wide Compliance Management System (CMS), which is based on ISO 37301, ISO 37001 as well as the IDW PS 980 audit standard as well as, for health and safety topics, related to ISO 14001 and 45001. The CMS applies to all Group companies and addresses all formal compliance objectives and resolutions of both the Board of Directors and the Executive Board. It includes guidelines, regulations, processes, organizational structures, roles and responsibilities as well as information on planning and implementing compliance measures.

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We uphold ourselves and the industry to the highest standards in business ethics.

Topics covered in our CMS:

- Antitrust Law
- Corruption Prevention
- Conflict of Interest Management
- Anti-Money Laundering
- Anti-Discrimination and Anti-Harassment
- Product Regulations
- Human Rights / Prevention of Forced and Child Labor
- Export Control and Sanctions Law

The CMS also applies to:

- Health & Safety and Environmental Protection (HSE)
- Data Privacy

The CMS's internal policies are built upon the Hilti [Code of Conduct for Employees](#) and the [Code of Conduct for Suppliers](#), which were both revised in the reporting year (see 2021 implementation examples). The latter is a mandatory part of all direct supplier contracts and indirect supplier relationships based on a risk matrix. 45 percent of our employees completed an e-learning

training on the first part of the Code of Conduct in the reporting year. A new format for non-office employees was created. Its rollout started at the end of the reporting year.

[Supplier Sustainability: p. 27](#)

We carry out comprehensive **due diligence** in the form of background checks and screening of third parties. We started screening our direct suppliers via the IntegrityNext platform. This screening includes topics such as ethical behavior, health and safety management and compliance with human rights. The self-assessment on IntegrityNext has become a required condition to take up or maintain a business relationship with Hilti, as described in our [Sustainable Sourcing Policy](#). We added this policy on top of our long-lasting approach of supplier screening to exclude, for example, sanctioned parties, smelters that are not whitelisted or suppliers with human rights violations. A similar screening process is applied to our customers in order to comply with export regulations and sanctions laws. The process is fully automated as it includes, for example, automated shipping restrictions in our logistics operations, in particular in our warehouses. We monitor, evaluate and solve incoming alerts on a daily basis. We maintain a specific stringent policy for business partner onboarding in China. With regard to our own employees, our human resources department carries out personal background checks, in countries with a high risk exposure, when hiring an external candidate for critical management positions.

[Supplier Sustainability: p. 27](#)

We are committed to the ten principles of the **UN Global Compact** and to respecting internationally recognized human rights as set out in the **Universal Declaration of Human Rights** and the **Declaration**

of the International Labor Organization (ILO) on fundamental principles and rights at work; and we are committed to protecting these rights. They are reflected in our Code of Conduct for Employees, our internal policies and our Code of Conduct for Suppliers.

[Our Culture of Engagement: p. 37](#)

How we embed business ethics in our processes

Comprehensive and target-group oriented **compliance training concepts** ensure that we inform our employees about our compliance requirements. On-site training and case studies are an essential part of this strategy. The training courses serve the general introduction to compliance issues and more in-depth handling of individual aspects. They are attended by approximately 1500 employees annually (pre-COVID-19). A monthly topic-specific communication of the compliance department in our internal communication platforms, with concise, easy-to-remember content for the entire workforce, increases awareness of current and relevant compliance topics and serves as a reminder for completed or optional e-learning courses. Furthermore, all new general managers of our local organizations are trained on compliance issues in their area of responsibility as part of the comprehensive training for general managers immediately after taking the position.

In the context of our compliance management, we undertake great effort to **make any conflicts of interest transparent**. New employees must disclose all relevant conflicts during the recruitment process and existing employees must participate in a conflict of interest survey at least every three years, or more frequently if local regulations require it.

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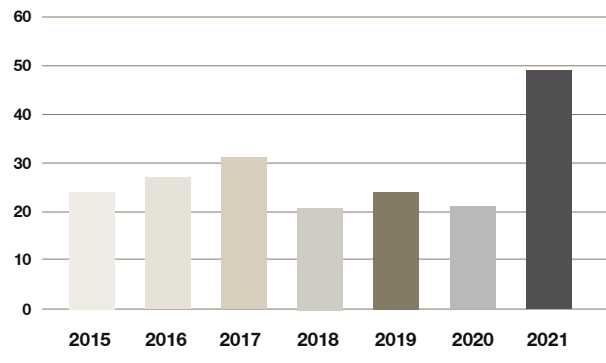
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All employees are encouraged to **prevent and report violations of legal regulations or internal guidelines**. We have numerous options and contacts for trustworthy and, if necessary, anonymous contact channels. Our employees can contact the local and regional compliance officers, the corporate compliance department, the CCO and the anonymous **compliance hotline, “SpeakUp”**. In the reporting year, 49 incidents were reported through our whistleblower procedure (see graphic below). We diligently review any reported incident to ensure that facts are clarified, and systemic problems are identified. We ensure that the rights of both the whistleblower and the involved person are not compromised (non-retaliation policy).

Incoming Messages



The increase in 2021 is due to a special effect in one region. We also saw an increase in reports after the communication of the revised Code of Conduct – which correlates with the last peak in 2017 during the last Code of Conduct revision campaign. Including other incoming reports, we handled 75 cases in 2021, of which 53 are completed, 18 are still pending and four

are on hold. Of those completed, 26 led to disciplinary measures while 27 have been closed without findings.

Cyber Security is supported by various technical and organizational measures. The cyber security policy framework is applicable to the whole IT operations of the Hilti Group. The cyber security management system is geared towards an information security management system (ISMS) equal to the ISO 27000 standard and that also covers elements the NIST (National Institute of Standards and Technology) cyber security framework. An external information security certification is under evaluation for 2022. The data breach reporting process was automated in the reporting year to ensure all relevant stakeholders are involved. Employees also receive data protection-related training focusing on their work profile and work location (country specific). In the reporting year, Hilti finalized binding corporate rules for both customer and employee data. This demonstrates the high level of Hilti’s IT and data protection standards around the globe and our commitment to protect the data of both our customers and employees.

We see ourselves as an innovation and premium provider in our industry, fostering fair competition and driving technical progress and digitalization. The **Product Regulatory Compliance** function, reporting to the CCO, acts independently of the business units and supports and monitors the fulfillment of product regulatory requirements across the BUs. In this role, the Compliance Office also provides legal databases, in addition to those of the technical departments, to ensure timely access to information on regulatory developments. In 2021, we enhanced this function by further professionalizing processes and adding one full-time position.

2021 implementation examples

- Revision of Code of Conduct for Employees:**
 We revised our Code of Conduct in the reporting year. We included new chapters like “protecting our passion” to highlight our commitment to protect our intellectual property and company assets, and political neutrality, as well as product regulatory compliance. We also strengthened the areas of human rights, environment, and data protection. Furthermore, the wording and layout of the Code was changed, making it more appealing to readers, while also reflecting regional and cultural differences and aspects like diversity. The rollout included various communication channels in the Hilti organizations around the world. We established an interactive Code of Conduct platform in our intranet, including links to all relevant policies and a comment function for employees.
- Rollout of online training for our Code of Conduct for Employees:**
 We rolled out the first part of our interactive training on the revised Code of Conduct, including content on the sections of bribery and other improper payments, conflicts of interest, competition law, data protection and privacy, environment, health and safety and modern slavery. Part two of the training will be rolled out in 2022, covering the remaining topics.
- Revision of Code of Conduct for Suppliers:**
 We also revised our Code of Conduct for Suppliers, adapting it to the raised ambitions of our sustainability strategy and to include recent developments in supply chain regulations. Besides the general commitments to responsible behavior, our partners now need to have effective risk management in place and participate in Hilti’s

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IT-supported monitoring process to verify compliance with the applicable sections of our Code of Conduct for Suppliers. Our suppliers need to commit to environmental standards (e.g., minimizing waste and air, soil and water emissions, contributing to recycling and reuse of materials and products). We require them to take a risk-based approach on other compliance aspects as described in our Sustainable Sourcing Policy. Moreover, we extended the reach of our “SpeakUp” compliance hotline for suppliers, displayed on each company website and communicated in the Code of Conduct for Suppliers.

➔ Supplier Sustainability: p. 27

- **Global Modern Slavery Statement:**

Being obliged in a few jurisdictions to submit a Modern Slavery Statement, we took the opportunity to look holistically at the matter and to come up with a comprehensive statement that covers the requirements of all disclosure regulations. Our related strategic impact assessment covered all our operations globally.

📄 Modern Slavery Statement of Hilti (Gt. Britain) Limited

- **Trainings completed:**

In the reporting year, we again carried out several trainings on compliance-relevant topics. Due to the ongoing COVID-19 situation, face-to-face training was limited to video conferences and a few in-person classroom trainings.

E-learning and workshops

	2019	2020	2021
E-learning antitrust law ¹	15,442	3,213	11,802
Face-to-face ² workshops on compliance, incl. antitrust law and anti-corruption	604	229	247
Percentage of employees trained in anti-corruption policies	-	-	46%
Percentage of employees trained in business ethics topics	-	-	54%
Cumulated number of supplier audit training participants	-	-	312

¹ 2019 and 2020 include number of participants in EU countries, based upon the antitrust initiative 2019, plus participants in antitrust e-learning in non-EU countries (CN, BR, IN, JP, AU, ZA)

2021 includes number of participants who completed general compliance e-learning (incl. antitrust) as well as e-learning focusing on antitrust law

² Number of participants in general compliance workshops (incl. antitrust law and anti-corruption) as well as workshops with focus on antitrust law for specific user groups

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Helping Sustainably



SOCIAL IMPACT

Wherever our employees work and live, societal challenges exist. As a group, we want to have a sustainable positive social impact.

Our social engagement is based on two pillars:



At a Glance

- More than 300 social projects supported by 6000 Hilti team members within the Engaged Beyond Business corporate volunteering program
- Digital Engaged Beyond Business Community Platform launched in two pilot markets
- 19,000 farmers trained and more than 26,000 new jobs created in East Africa
- Online music lessons enabled for over 2800 children and teenagers in South America
- Inauguration of the BASE Innovation Center (BIC) in Manila, a comprehensive research & testing facility for safe, affordable and sustainable housing technologies

Projects of the Hilti Foundation

We believe that every individual should have the ability to grow and take control of their own lives. To unlock the potential that lies within every human being, the Hilti Foundation strives to empower people in need to become economically independent through their own efforts, allowing them to lead better and more self-determined lives. Together with a network of long-standing partners, the Hilti Foundation develops and implements programs in clearly defined focus areas, pursuing sustainable social change for the beneficiaries and the communities they live in. The foundation's work focuses primarily on people living below or just above the poverty line. Investments in charitable projects amounted to CHF 31.9 million in the year under review. By working with Hilti, our customers also contribute to a better world: The Hilti Group donates two percent of the annual profit to the Hilti Foundation.

Corporate Volunteering Program "Engaged Beyond Business"

For decades, Hilti team members have shown great compassion by contributing to the communities they live and work in. As a socially responsible company, Hilti wants to support and encourage team members' social commitment through the Engaged Beyond Business corporate volunteering program. The program was founded in 2020 together with the Hilti Foundation. The goal is clear: to provide every single Hilti team member worldwide with opportunities to participate in social initiatives beyond business. There is already substantial engagement in many Hilti organizations today and we want to pool the energy and readiness of our 31,000 employees. We are convinced that every one of us can make a difference, according to the maxim **"Your engagement is our most powerful tool."**

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The Hilti Group and the Hilti Foundation share a common understanding of values – Commitment, Courage, Teamwork, and Integrity – with the goal to achieve social impact at scale.

Organizational anchoring

The Hilti Group is responsible for the Engaged Beyond Business corporate volunteering program on the direct behalf of the Executive Board. The Corporate Sustainability Team coordinates the social engagement of employees worldwide at the Group level. It makes general recommendations to Hilti organizations and steers local implementation of the targets.

The Hilti Foundation’s Board of Trustees is the governing body, whose members comprise representatives of the Martin Hilti Family Trust and the Hilti Group. However, responsibility for the operational business lies with the foundation’s management team, which also performs an advisory function for the Corporate Sustainability Team of the Hilti Group.

Our social engagement in numbers

We want to ensure that our employees’ engagement positively impacts society and our non-profit engagement thrives sustainable systemic change. Therefore, defining the right tools to track and measure any social initiative is an important element.

Engaged Beyond Business

	2019	2020	2021
Number of employee projects	>100	>120	>300
Estimated spending ¹ on corporate volunteering programs in CHF million	-1.2	-1.5	~3.2

¹ in time, donations or Hilti products

Non-profit engagement of the Hilti Foundation

	2019	2020	2021
Number of projects supported	79	80	76
Monetary value of investments in support projects in CHF million	26.5	28.7	31.9

For our Engaged Beyond Business corporate volunteering program, we have set the goal of spending an average of one working day a year for each employee on social engagement by 2023. Overall, this would correspond to an annual engagement of roughly 150 full-time working years.

In the reporting year, we developed a digital reporting tool for Engaged Beyond Business. The reporting tool is an integrated part of the community platform project we introduced this year. The tool allows us to track and create transparency on the social projects our team members participate in. In 2022, we will focus on rolling out the community platform and the reporting tool on a global scale.

In 2021 we introduced the following statement in our GEOS employee survey: “Hilti actively supports me to engage in social initiatives beyond business”. With a positive perception of 68 percent at the Group level, we recognize it as a good starting point but also understand that there is room for improvement in most of our regions to scale and promote the Engaged Beyond Business program.

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Engaged Beyond Business – A chance to volunteer for everyone

Volunteering at Hilti can be as diverse as our teams are. Different programs are in place to appeal to every type of engagement. We encourage hands-on involvement, supporting projects on-site through technical or hands-on activities. We encourage skills-based involvement, where team members support projects with their professional know-how and competencies. And we encourage team-led donation and fundraising activities. Many of our programs are run locally and focus on social commitment for causes right where our team members live and work. Hilti team members get paid time off to volunteer for their causes of interest, or they can join one of Hilti's organized social impact events. To round it off, the Hilti Foundation, with its long-standing experience in the sector, has selected partnerships with organizations and offers international projects that our team members may join. And, in certain emergencies or natural disasters, we run global fundraising campaigns across the entire Hilti Group.

Launch of digital community platform

We launched a digital Engaged Beyond Business Community Platform in two pilot markets, Germany and North America. The platform aims to provide simple access to volunteering opportunities, inspiration through global exchange on social projects, information on social impact at Hilti, and allows tracking and reporting of social activities.



A growing community

In 2021, our teams supported more than 300 projects within the Engaged Beyond Business program. While the pandemic constrained us from going into the field in some regions, our teams found novel ways to be engaged and do good via digital means. We established a vivid community across Hilti that is responsible for creating and promoting volunteering opportunities globally.

[Join us on our "Engaged Beyond Business" journey and discover a selection of first-hand stories of our team members' engagement here](#)



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HILTI **The Foundation.** **Hilti Foundation**

Together with highly competent partners, the Hilti Foundation develops and executes projects while focusing on three main strategic areas.

 Learn more about the Hilti Foundation in our 2021 Company Report

Economic Empowerment

Enabling people in need to become economically independent is what “**Economic Empowerment**” is all about. An effective way to fight extreme poverty in rural East Africa, is through a powerful education program, teaching members of self-help groups how to start a micro-business and generate a sustainable income.

 Economic Empowerment

- Since 2017 the program’s **Basic Entrepreneur Training (BET)** has enabled more than 19,000 farmers to escape extreme poverty, creating more than 26,000 new jobs in Kenya and Tanzania. The pandemic has shown that the program’s solid business model also helps to create resilience: Even if their businesses suffered from lockdowns, the beneficiaries could easily ramp them back up by applying the same mechanisms they once initially

started with. Based on BET’s success, the Hilti Foundation has decided to expand the outreach together with Hand in Hand International. The project’s goal is to establish 40,000 farming enterprises and lead 300,000 people out of poverty by 2024.



Music for Social Change

The work in the focus area “**Music for Social Change**” is based on the conviction that every young person has the right to quality education. By making music collectively, the students develop skills and mindsets that will empower them on their way towards adulthood. Strong self-confidence enables them to reach their full potential and assume responsibility for themselves and the community.

 Music for Social Change

- Virtual education has played an important role during the pandemic over the past two years. One of the Hilti Foundation’s partners, **Iberacademy Medellín**, developed an online teaching program that was able to reach more than 6,000 children and young people in different countries across South America in 2021.



- The Hilti Foundation’s initiative **Academy for Impact through Music (AIM)** is at the forefront of innovative music education, focusing on teacher training, leadership, and impact measurement. In summer 2021, a cohort of 30 young teachers from nine international social music projects successfully completed the pilot year of AIM’s first teacher training program. They have now returned to their projects, implementing and multiplying what they’ve learned.

Affordable Housing & Technology

An estimated 1.6 billion people worldwide – that’s one in four – live in substandard housing. This has a significant impact not only on their safety and health, but on their economic and social opportunities. By developing innovative technologies and sustainable building concepts, “**Affordable Housing & Technology**” contributes to create safer and affordable living spaces for people in need.

 Affordable Housing & Technology



- The **BASE Bahay Foundation** is a nonprofit organization established by the Hilti Foundation in 2014 to provide families in need with alternative building technologies. Together with other partners, BASE has built over 1000 homes in the Philippines and 80 homes in Nepal using the unique **Cement Bamboo Frame Technology (CBFT)** they developed. In January 2021, BASE inaugurated the **BASE Innovation Center (BIC)**, a comprehensive research and testing facility for safe, affordable and sustainable housing technologies. Since then, significant partnerships have been established, e.g., with ETH Zurich, Switzerland, University of Pittsburgh, USA, De La Salle University, Philippines and ARUP Ltd., United Kingdom.

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Basis of reporting

The 2021 Sustainability Report is the second sustainability report of the Hilti Group. The report also contains information provided by the Hilti Foundation. The reporting period is the 2021 financial year from January 1 to December 31, 2021. Deviating reporting periods of data or content are shown separately. The editorial deadline was February 25, 2022. We are reporting annually on our progress. The next Sustainability Report will therefore be published in 2023.

The report is based on the internationally recognized reporting framework of the Global Reporting Initiative (GRI). This report has been prepared in accordance with the GRI standards: Core option.

➤ GRI Content Index: p. 59

The forward-looking statements made in the report are based on internal assessments of future developments that are subject to uncertainties and are not under the control of Hilti. The report is published in English only.

Material topics and their delimitation

The material topics for Hilti were identified using a materiality analysis based on the principles of sustainability context, materiality, completeness and stakeholder engagement formulated by the GRI. In addition, general reporting principles were observed: accuracy, balance, comprehensibility, comparability, reliability, and up-to-datedness.

➤ Sustainability Management: p. 4

The table on page 58 shows the scope of the material topics according to GRI 103-1 and the associated GRI standards. There are no associated GRI standards for the “Employee Engagement” and “Hazardous Substances” topics. We have therefore referred directly to the corresponding pages in the report to find the management approach. The management approaches to the topics “Waste”, “Water Efficiency” and “Contaminant Emissions” have been combined and are reported jointly in the “Environmental Protection” chapter.

Data and content

Quantitative sustainability reporting at Hilti is still under development. Therefore, we are not yet able to report standardized Group data but have different data bases depending on the topic. The content and data were determined using content and data surveys in the respective departments. The data published in this Sustainability Report was collected and processed with the highest degree of accuracy. Nevertheless, we cannot completely exclude the possibility of transmission errors.

For calculation reasons, rounding differences of ± one unit (CHF, %, etc.) may occur in the tables.

Environmental data

This Sustainability Report contains data on Scope 1, Scope 2, and Scope 3 CO₂ emissions. These emissions are accounted for according to the GHG Protocol and reported as CO₂ equivalents.

We have determined Scope 1 emissions for the Group using energy consumption and local emission factors. We use real information on gas, oil, district heating and solar energy consumption in our buildings as well as vehicle fuel consumption in our market organizations. In the organizations where we did not have consumption data, we estimated it using average consumption (e.g., per employee or per m²).

Scope 2 emissions are determined using a market-based approach, i.e., we calculate them using the specific emission factors provided by the electricity suppliers.

We analyzed and evaluated our Scope 3 emissions in the upstream and downstream stages of our value chain and identified eleven categories which are applicable for Hilti. For the calculation of the Scope 3 emissions in every category, different methods are used.

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- For Category 1 (Purchased Goods and Services) the average-data method is used where possible. Cradle-to-gate greenhouse gas (GHG) emission factors were combined with their respective material weights to generate their Scope 3 GHG emissions. For weight categories with no associated emission factor, line items with no associated weight and for the indirect procurement spend, a spend-based method is used.
- For Category 2 (Capital Goods), a spend-based method is used to calculate the Scope 3 GHG emissions.
- For Category 3 (Fuel and Energy Related Activities), an average-data method is used to calculate the Scope 3 emissions.
- For Category 4 (Upstream Transportation and Distribution), a distance-based method is used. The weight-distance values are combined with the appropriate weight-distance emission factors to calculate the Scope 3 emissions.
- For Category 5 (Waste Generated in Operations), a waste-type-specific method is used to calculate the Scope 3 emissions.
- For Category 6 (Business Travel), Scope 3 GHG emissions are calculated from the distance traveled by transport method for business related activities. For Hilti organizations with spend in business travel but no data for distance traveled, a spend-based method is used. Spend on passenger transport and hotels is excluded from the indirect procurement spend ledger in Category 1 to prevent double counting.
- For Category 7 (Employee Commuting), a distance-based method is used for headquarters locations and an average-data method is used for other locations to calculate the Scope 3 emissions.
- For Category 8 (Upstream Leased Assets), an asset-specific method is used to calculate the Scope 3 emissions.
- For Category 9 (Downstream Transportation and Distribution), the analysis is calculated from the downstream transport (in ton kilometers) of products and the revenue of retailers attributed to Hilti products. A distance-based method is used for downstream transport and a spend-based method for downstream retailers to calculate the Scope 3 emissions.
- For Category 11 (Use of Sold Products), an average-data method is used to calculate the Scope 3 emissions.
- For Category 12 (End-of-Life Treatments of Sold Products), a waste-type-specific method is used to calculate the Scope 3 emissions.

Waste data is collected at the various sites in all plants and approximately 60 percent of the logistics and repair centers. The offices, Hilti Stores and distribution centers are not yet included.

Water data is collected at our plants by the respective employees responsible for reading the meters. We have not included water consumption in our office buildings due to the comparatively negligible amount.

Data on circularity

The calculation basis of the quantitative circularity score covers various periods from 2020 and 2021. Purchasing and sales volumes were included in the period from 08/20 to 07/21, production data from 07/20 to 06/21 and transport packaging from 01/20 to 12/20.

The calculation for savings in water consumption and CO₂ emissions is based on life cycle assessment modeling carried out using the GaBi 10 software package and associated databases. They are calculated according to ISO 14044:2006 + A1:2018 and with secondary average data (e.g. averages of production processes, raw material emissions, etc.).

Green building calculations

CO₂ reduction calculations are based on Life Cycle Assessment modeling carried out using the GaBi 10 software package and associated databases. They are calculated according to ISO 14044:2006 + A1:2018 and with secondary average data (e.g. averages of production processes, raw material emissions). Health and safety data is based on product VOC certification for Hilti products; occupational risk linked to welding processes are assumed according to <https://www.osha.gov/welding-cutting-brazing/hazards-solutions>.

Employees

We record data on our employees throughout the Group. Except for employee retention numbers, all data relate to the reporting date of December 31. All data are headcount figures. Apprentices, trainees and interns are included in the total number of employees.

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Material topic	Relevance		Related GRI standard(s)
	within Hilti	externally	
Environment			
CO ₂	x	x	305 Emissions 2016 302 Energy 2016
Circularity	x	x	301 Materials 2016 306 Effluents and Waste 2016
Waste	x	x	303 Water and Effluents 2018
Water Efficiency	x	x	303 Water and Effluents 2018
Contaminant Emissions	x	x	303 Water and Effluents 2018
Supplier Sustainability		x	204 Procurement Practices 2016 308 Supplier Environmental Assessment 2016 414 Supplier Social Assessment 2016
People			
User Health & Safety		x	416 Customer Health and Safety 2016
Building Safety		x	416 Customer Health and Safety 2016
Hazardous Substances		x	Page 24–26
Employee Health & Safety	x		403 Occupational Health and Safety 2018
Employee Engagement	x		Page 37–38
Inclusion & Diversity	x		405 Diversity and Equal Opportunity 2016
Learning & Development	x		404 Training and Education 2016
Work-life-balance	x		401 Employment 2016
Society			
Social Impact	x	x	203 Indirect Economic Impacts 2016 413 Local Communities 2016
Business Ethics	x	x	202 Market Presence 2016 205 Anti-corruption 2016 206 Anti-competitive Behavior 2016 307 Environmental Compliance 2016 402 Labor/Management Relations 2016 406 Non-discrimination 2016 407 Freedom of Association and Collective Bargaining 2016 408 Child Labor 2016 409 Forced or Compulsory Labor 2016 412 Human Rights Assessment 2016 415 Public Policy 2016 417 Marketing and Labeling 2016 418 Customer Privacy 2016 419 Socioeconomic Compliance 2016

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GRI 101: Foundation 2016

General Disclosures

Disclosure	Page	Comment	UNGC ¹
GRI 102	General Disclosures 2016		
Organizational profile			
GRI 102-1	Name of the organization	Hilti Group	
GRI 102-2	Activities, brands, products, and services	www.hilti.group See Company Report 2021 "Get to know Hilti"	
GRI 102-3	Location of headquarters	Schaan, Liechtenstein	
GRI 102-4	Location of operations	See Company Report 2021 "Get to know Hilti" See Financial Report 2021: "Group at a glance"; "8.6 Other information"	
GRI 102-5	Ownership and legal form	See Financial Report 2021: "1 General information"; "5.6 Equity"	
GRI 102-6	Markets served	See Company Report 2021 "Get to know Hilti"	
GRI 102-7	Scale of the organization	40 See Financial Report 2021: "Key financial information"; "8.6 Other information" www.hilti.group	
GRI 102-8	Information on employees and other workers	39-42, 57 Our headcount is not subject to seasonal fluctuations. We only employ temporary workers to a limited extent.	
GRI 102-9	Supply chain	28-30	
GRI 102-10	Significant changes to the organization and its supply chain	See Financial Report 2021: "1.6 Method of consolidation"	
GRI 102-11	Precautionary Principle or approach	7, 11, 17-20, 24-29	
GRI 102-12	External initiatives	7, 9, 49	1-10
GRI 102-13	Membership of associations	Swissmem EPTA - European Power Tool Association ZVEI - Zentralverband Elektrotechnik- und Elektronikindustrie e. V.	
Strategy			
GRI 102-14	Statement from senior decision-maker	3	1-10
Ethics and integrity			
GRI 102-16	Values, principles, standards, and norms of behavior	4, 27-29, 48-51, 52	1, 2, 10

¹ The numbers are referring to the relevant 10 principles of UN Global Compact.

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General Disclosures

Disclosure		Page	Comment	UNGC ¹
Governance				
GRI 102-18	Governance structure		See Company Report 2021: "Executive Board" and "Board of Directors"	
Stakeholder engagement				
GRI 102-40	List of stakeholder groups	9		
GRI 102-41	Collective bargaining agreements		We have collective agreements in all countries where it is legally required. We ensure that all employees are paid in line with the market.	3
GRI 102-42	Identifying and selecting stakeholders	4-9		
GRI 102-43	Approach to stakeholder engagement	4-9		
GRI 102-44	Key topics and concerns raised	4-9		
Reporting practice				
GRI 102-45	Entities included in the consolidated financial statements		See Financial Report 2021: "8.6 Other information"	
GRI 102-46	Defining report content and topic boundaries	4-6, 56-58		
GRI 102-47	List of material topics	58		
GRI 102-48	Restatements of information	56-57		
GRI 102-49	Changes in reporting	56-57		
GRI 102-50	Reporting period	56		
GRI 102-51	Date of most recent report		Our second sustainability report was published on March 18, 2022.	
GRI 102-52	Reporting cycle		Annually	
GRI 102-53	Contact point for questions regarding the report	Publication Details		
GRI 102-54	Claims of reporting in accordance with the GRI Standards	56		
GRI 102-55	GRI content index	59-64		
GRI 102-56	External assurance		The report has not been externally audited.	

¹ The numbers are referring to the relevant 10 principles of UN Global Compact.

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Disclosure		Page	Comment	UNGC ¹
GRI 201	Economic Performance 2016			
GRI 103	Management approach 2016 (including GRI 103-1, 103-2, 103-3)	4-6, 11-16, 58		
GRI 201-1	Financial implications and other risks and opportunities due to climate change	7		
GRI 202	Market Presence 2016			
GRI 103	Management approach 2016 (including GRI 103-1, 103-2, 103-3)	4-6, 37-42, 48-51, 58		
GRI 202-1	Ratios of standard entry level wage by gender compared to local minimum wage		Hilti uses standardized salary group structures for all functions and in all countries and regularly reviews them. That includes a reasonable compensation range for each position, to ensure compensation is set based on the position free from any discriminatory factors, as well as in compliance with local minimum wage regulations. Gender pay equity review is performed every two years.	
GRI 203	Indirect Economic Impacts 2016			
GRI 103	Management approach 2016 (including GRI 103-1, 103-2, 103-3)	4-6, 52-55, 58		
GRI 203-1	Infrastructure investments and services supported	52-55		
GRI 204	Procurement Practices 2016			
GRI 103	Management approach 2016 (including GRI 103-1, 103-2, 103-3)	4-6, 27-29, 58		
GRI 204-1	Proportion of spending on local suppliers	27		
GRI 205	Anti-corruption 2016			
GRI 103	Management approach 2016 (including GRI 103-1, 103-2, 103-3)	4-6, 48-51, 58		10
GRI 205-1	Operations assessed for risks related to corruption		Corruption risk assessment conducted for all entities globally	10
GRI 205-2	Communication and training about anti-corruption policies and procedures	49-51		10
GRI 205-3	Confirmed incidents of corruption and actions taken		We are not aware of any confirmed cases of corruption in the Group.	10
GRI 206	Anti-competitive Behavior 2016			
GRI 103	Management approach 2016 (including GRI 103-1, 103-2, 103-3)	4-6, 48-51, 58		
GRI 206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices		There are no legal proceedings pending due to anti-competitive behavior or the formation of anti-trust or monopolies.	

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Disclosure		Page	Comment	UNGC ¹
GRI 301	Materials 2016			
GRI 103	Management approach 2016 (including GRI 103-1, 103-2, 103-3)	4-6, 17-20, 58		7, 8
GRI 301-1	Materials used by weight or volume	20		8
GRI 301-2	Recycled input materials used	20		8, 9
GRI 301-3	Reclaimed products and their packaging materials	18-20		8, 9
GRI 302	Energy 2016			
GRI 103	Management approach 2016 (including GRI 103-1, 103-2, 103-3)	4-6, 11-12, 58		7, 8
GRI 302-1	Energy consumption within the organization	15		8
GRI 302-3	Energy intensity	14-15		
GRI 302-4	Reduction of energy consumption	11		8, 9
GRI 303	Water & Effluents 2018			
GRI 103	Management approach 2016 (including GRI 103-1, 103-2, 103-3)	4-6, 24-26, 58		7, 8
GRI 303-1	Interactions with water as a shared resource	24-26		7, 8
GRI 303-2	Management of water discharge-related impacts	24-26		7, 8
GRI 303-5	Water consumption	25		8
GRI 305	Emissions 2016			
GRI 103	Management approach 2016 (including GRI 103-1, 103-2, 103-3)	4-6, 11-12, 58		7, 8
GRI 305-1	Direct (Scope 1) GHG emissions	12, 15		8
GRI 305-2	Energy indirect (Scope 2) GHG emissions		In the report, we show the market-based method. According to the location-based method, the following values were determined. 2019: 47,819 t 2020: 42,767 t 2021: 50,104 t	8
GRI 305-3	Other indirect (Scope 3) GHG emissions	16		8
GRI 305-4	GHG emissions intensity	15		8
GRI 305-5	Reduction of GHG emissions	12, 16		8, 9

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Disclosure		Page	Comment	UNGC ¹
GRI 306	Waste 2020			
GRI 103	Management approach 2016 (including GRI 103-1, 103-2, 103-3)	4-6, 24-26, 58		7, 8
GRI 306-1	Waste generation and significant waste-related impacts	24-26		
GRI 306-2	Management of significant waste-related impacts	24-26		
GRI 306-3	Waste generated	24-26		8
GRI 306-4	Waste diverted from disposal	24-26		
GRI 307	Environmental Compliance 2016			
GRI 103	Management approach 2016 (including GRI 103-1, 103-2, 103-3)	4-6, 25, 48-51, 58		
GRI 307-1	Non-compliance with environmental laws and regulations		There were no known violations in the reporting year.	
GRI 308	Supplier Environmental Assessment 2016			
GRI 103	Management approach 2016 (including GRI 103-1, 103-2, 103-3)	4-6, 27-29, 58		
GRI 308-1	New suppliers that were screened using environmental criteria	27-29		
GRI 401	Employment 2016			
GRI 103	Management approach 2016 (including GRI 103-1, 103-2, 103-3)	4-6, 43-46		
GRI 401-1	New employee hires and employee turnover	39, 41	Instead of the turnover rate we publish the retention rate.	
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		Our full-time and part-time employees receive the same company benefits. Temporary employees are excluded from this.	
GRI 402	Labor/Management Relations 2016			
GRI 103	Management approach 2016 (including GRI 103-1, 103-2, 103-3)			
GRI 402-1	Minimum notice periods regarding operational changes		All employees are informed of operational changes as quickly as possible.	

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Disclosure		Page	Comment	UNGC ¹
GRI 403	Occupational Health and Safety 2018			
GRI 103	Management approach 2016 (including GRI 103-1, 103-2, 103-3)	4-6, 43-46, 58		
GRI 403-1	Occupational health and safety management system	44		
GRI 403-2	Hazard identification, risk assessment, and incident investigation	43-44		
GRI 403-3	Occupational health services	44-46		
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	44-46		
GRI 403-5	Worker training on occupational health and safety	45-46		
GRI 403-6	Promotion of worker health	43, 44-46		
GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	27-28		
GRI 403-8	Workers covered by an occupational health and safety management system		In essence, all employees are covered under the process management.	
GRI 403-9	Work-related injuries	46		
GRI 404	Training and Education 2016			
GRI 103	Management approach 2016 (including GRI 103-1, 103-2, 103-3)	4-6, 37-42, 58		
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	42		
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	42		
GRI 405	Diversity and Equal Opportunity 2016			
GRI 103	Management approach 2016 (including GRI 103-1, 103-2, 103-3)	4-6, 37-42, 58		6
GRI 405-1	Diversity of governance bodies and employees	40-41		6
GRI 405-2	Ratio of basic salary and remuneration of women to men	41		6

¹ The numbers are referring to the relevant 10 principles of UN Global Compact.

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Disclosure		Page	Comment	UNGC ¹
GRI 406	Non-discrimination 2016			
GRI 103	Management approach 2016 (including GRI 103-1, 103-2, 103-3)	4-6, 48-51, 58		
GRI 406-1	Incidents of discrimination and corrective actions taken		We have implemented an anti-discrimination policy. Violations can be reported via our various compliance tools. No cases were known during the reporting year.	
GRI 407	Freedom of Association and Collective Bargaining 2016			
GRI 103	Management approach 2016 (including GRI 103-1, 103-2, 103-3)	4-6, 48-51, 58		3
GRI 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk		All suppliers are committed to maintaining the highest ethical standards. In cases of suspicion, external audits are carried out.	3
GRI 408	Child Labor 2016			
GRI 103	Management approach 2016 (including GRI 103-1, 103-2, 103-3)	4-6, 48-51, 58		5
GRI 408-1	Operations and suppliers at significant risk for incidents of child labor		All suppliers are committed to maintaining the highest ethical standards. In cases of suspicion, external audits are carried out.	5
GRI 409	Forced or Compulsory Labor 2016			
GRI 103	Management approach 2016 (including GRI 103-1, 103-2, 103-3)	4-6, 48-51, 58		4
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor		All suppliers are committed to maintaining the highest ethical standards. In cases of suspicion, external audits are carried out.	4
GRI 412	Human Rights Assessment 2016			
GRI 103	Management approach 2016 (including GRI 103-1, 103-2, 103-3)	4-6, 48-51, 58		1, 2
GRI 412-1	Operations that have been subject to human rights reviews or impact assessments	48-51		
GRI 413	Local Communities 2016			
GRI 103	Management approach 2016 (including GRI 103-1, 103-2, 103-3)	4-6, 52-55, 58		
GRI 413-1	Operations with local community engagement, impact assessments, and development programs	52-55		
GRI 413-2	Operations with significant actual and potential negative impacts on local communities		We do not engage in business activities with significant or potential negative impacts on local communities.	

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Disclosure		Page	Comment	UNGC ¹
GRI 414	Supplier Social Assessment 2016			
GRI 103	Management approach 2016 (including GRI 103-1, 103-2, 103-3)	4-6, 27-29, 58		
GRI 414-1	New suppliers that were screened using social criteria	27-29		
GRI 415	Public Policy 2016			
GRI 103	Management approach 2016 (including GRI 103-1, 103-2, 103-3)	4-6, 48-51, 58		
GRI 415-1	Political contributions		As a matter of principle, Hilti does not support any political parties.	
GRI 416	Customer Health and Safety 2016			
GRI 103	Management approach 2016 (including GRI 103-1, 103-2, 103-3)	4-6, 31-33, 58		
GRI 416-1	Assessment of the health and safety impacts of product and service categories		Hilti examines all products with regard to their impact on the health and safety of users and building occupants.	
GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services		There were no known violations in the reporting year.	
GRI 417	Marketing and Labeling 2016			
GRI 103	Management approach 2016 (including GRI 103-1, 103-2, 103-3)	4-6, 48-51, 58		
GRI 417-2	Incidents of non-compliance concerning product and service information and labeling		There were no known incidents in the reporting year.	
GRI 417-3	Incidents of non-compliance concerning marketing communications		There were no known incidents in the reporting year.	
GRI 418	Customer Privacy 2016			
GRI 103	Management approach 2016 (including GRI 103-1, 103-2, 103-3)	4-6, 48-51, 58		
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data		To our knowledge, there were no substantiated complaints in the reporting year.	
GRI 419	Socioeconomic Compliance 2016			
GRI 103	Management approach 2016 (including GRI 103-1, 103-2, 103-3)	4-6, 48-51, 58		10
GRI 419-1	Non-compliance with laws and regulations in the social and economic area		There were no major incidents reported in accounting or tax fraud, corruption, bribery, competition, the provision of products and services, or labor issues.	

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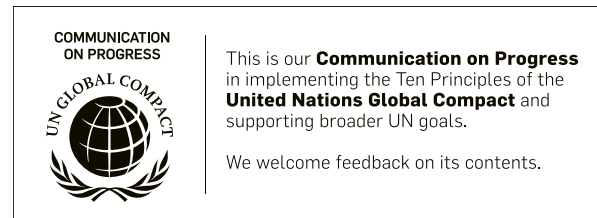
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We would like to thank our customers, employees and partners for their support. The sustainability report is published in English. Duplication, even in part, only with permission of the publisher.

The complete sustainability report, the principles of corporate governance, the Group organizational chart, a list of consolidated companies and information on the Martin Hilti Family Trust can be found on the Internet at www.hilti.group.

Our Communication on Progress (CoP) 2021 for the UN Global Compact is fully integrated into this sustainability report.



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