



2022 Sustainability Report



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Editorial

Dear Readers,

In the third year of implementation of our sustainability strategy, our efforts continue to gain traction in all parts of our company. Thanks to the support of the entire Hilti team, we have made significant progress along our three sustainability pillars of **environment**, **people** and **society**. Here are some highlights of what we achieved in 2022.

With our efforts to reduce, replace and offset carbon emissions, we are well on track to become CO₂ neutral within our own operations during 2023. Beyond this goal, we have raised our ambitions to reduce emissions along our entire value chain by committing to the Science Based Targets initiative, joining the race towards net zero by 2050. Equally important are our aspirations to lead the industry in circularity. We managed to significantly increase both tool reuse rates and the recycled content in packaging. And we also provide transparency to our customers: Our circularity reports, showing personalized details on short-term tool use, collection, reuse and recycling, are now available in several of our markets.

Our focus on occupational health and safety remains high. The rollout of our safety mindset road map, completed with workshops and training

sessions, helped to lower our lost time incident rate by 18 percent. At the same time, we accelerated the safety offering for our customers during the construction phase and throughout the life cycle of a building. Our innovative new battery platform, Nuron, includes enhanced safety features to make construction sites safer. We also intensified collaboration with our customers on designing and building with sustainability in mind, thereby enhancing occupational safety.

Our corporate volunteering program, Engaged Beyond Business, enables our employees to add value through environmental or social programs and enjoys increasing popularity. In the reporting year, more than 9000 team members invested more than 69,000 hours in social and environmental projects which benefited more than 65,000 beneficiaries. Additionally, by working with Hilti, our customers contribute to improving society worldwide as we donate two percent of our annual profits to the Hilti Foundation.

Our journey in the coming years will focus even more on building a better future by making construction better. To underscore our intentions, the topic of sustainability has been firmly anchored in our new



Group Strategy Lead 2030. We have expanded our sustainability ambitions beyond our own operations by making them part of our customer promise **to be our customers' best partner for productivity, safety and sustainability**. Explore these and other topics in greater detail in this report.

I am truly excited to see the commitment of Hilti team members, as well as that of our customers and partners, to bring our vision of a better future to life. I want to thank everyone who is helping us to master these important steps on our sustainability journey.

Peter Rupp
Head of Corporate Sustainability

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Sustainability Management

Our purpose “Making Construction Better” is linked with our customer promise to “be their best partner in productivity, safety, and sustainability.”

Construction is the largest industry globally, generating about 15 percent of global GDP and accounting for 10 percent of global employment. Construction covers one of the basic human needs and touches practically everyone living on our planet. However, the industry faces significant challenges. Amongst others, construction is one of the largest sources of carbon emissions worldwide and is the industry with one of the highest numbers of work-related health & safety issues. To overcome these challenges, the construction industry is transforming. Sustainability is becoming an important ingredient for our customers’ success whilst health & safety is moving up the agenda.

It is our aim to play a key role in driving this transformation. Differentiation, direct customer relationships and the trust that our customers put into our brand make us best positioned to drive this change. This defines our purpose, **“Making Construction Better”**. Better means improved productivity, safety and sustainability. Our strategic objective – value creation through leadership, built on differentiation and direct customer relationships – illustrates our aspiration to create value for all stakeholders and to make a positive contribution to society.

We want to secure long-term success by valuing ecological, people and social aspects equally with economic factors. In 2020, we laid an important foundation by developing a holistic sustainability strategy and anchoring sustainability throughout the organization. In 2021, we extended our sustainability governance and focused on the implementation of sustainability in our operations and business processes. In 2022, sustainability became a core element of our new Group Strategy Lead 2030.

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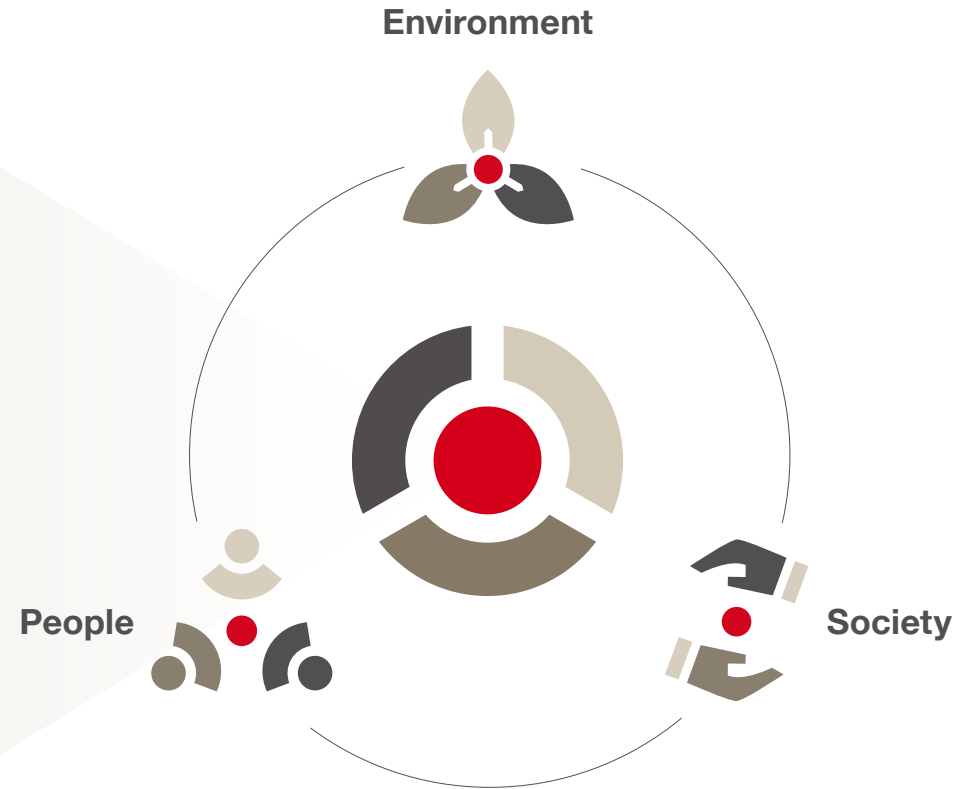
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Lead 2030



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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Our sustainability strategy

We strive to become the most sustainable player in the construction industry. We define this as our contribution to the environment, people and society. Besides accelerating our existing activities to make Hilti a more sustainable company, we will increase our focus on **making our customers' business more sustainable**, thereby becoming their **best partner for sustainability**.

We have a strong commitment to reduce carbon emissions in our operations and products and, as a result, provide more sustainable products to our customers. We have committed to set a near-term target to significantly reduce about 30 percent in our Scope 1, 2 and 3 emissions, in line with the Science Based Target initiative (SBTi), and we aim to reach net zero by 2050. We have also expanded our offering to support building methods with a lower carbon footprint. We continue to accelerate our investment in circular solutions that create lower amounts of waste and lower energy consumption. One additional way

we support our customers is through suitable services in the product life cycle, like Fleet Management and our repair services. Health and safety complement our sustainable offering and also help to create a safe working environment, an aspiration that extends to our own employees. In everything that we do, we aim to ensure the highest standards in business ethics, both in our own operations and in the product value chain. To contribute to a better society beyond our value chain, we aim to create social impact at scale together with the Hilti Foundation, our integrated partner for sustainability.

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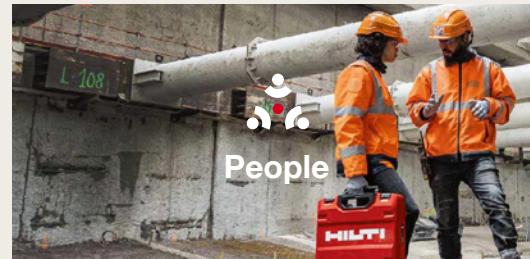
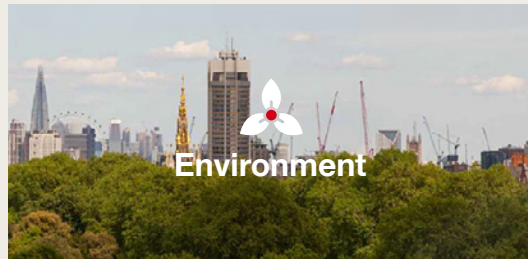
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Our Global Priorities



Customers
Best partner for:

Low carbon footprint solutions
Circular solutions

User health and safety and
building safety

Highest standards in
business ethics

Hilti:

Reduce **CO₂** emissions in line with Science Based Target initiative
Role model for **circularity** in our operations

Lead in **employee health** and **safety**

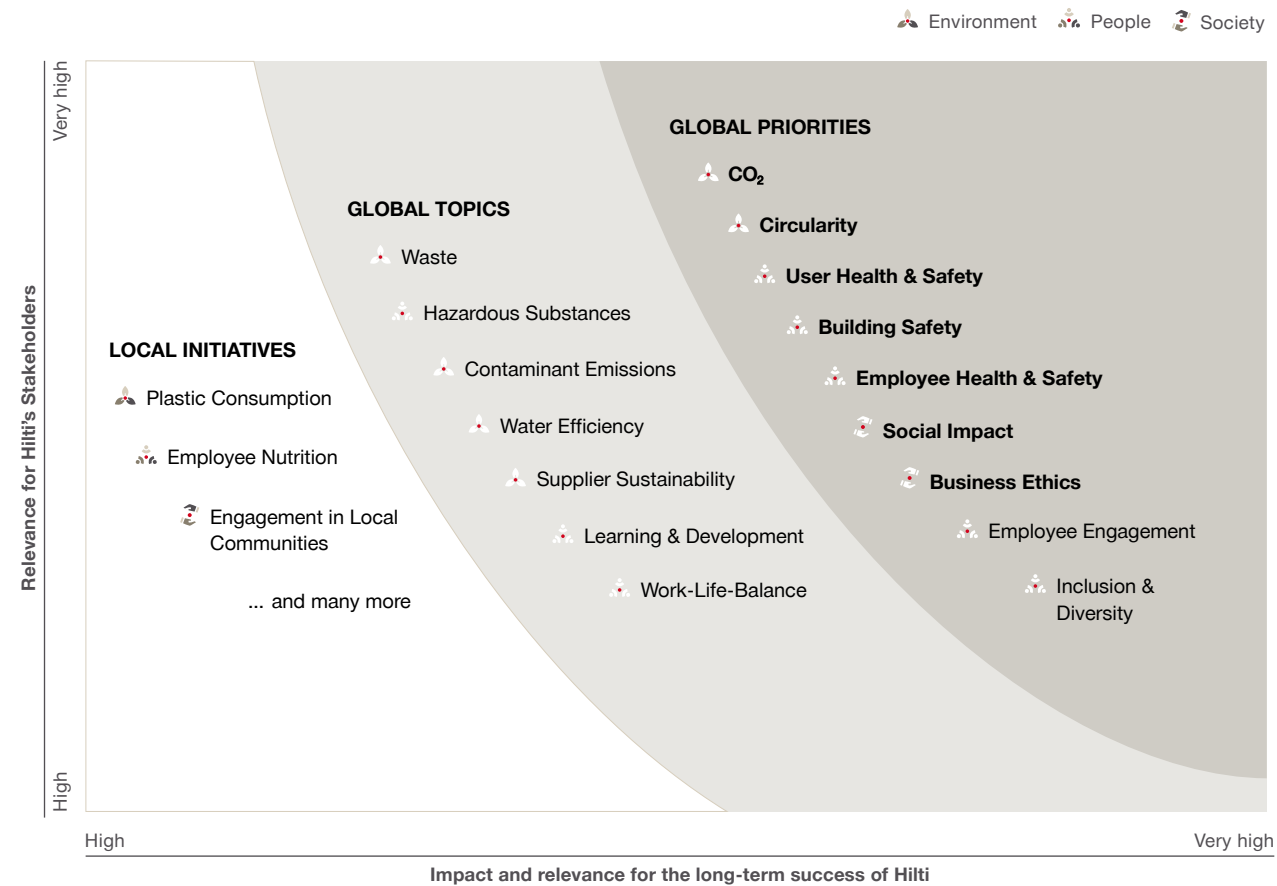
Create **social impact** at scale

Materiality assessment

During the development of our sustainability strategy, we carried out a **materiality analysis** to identify the relevant topics for our organization. These topics came from initiatives such as the UN Global Compact, the UN Sustainable Development Goals, various studies, and the survey and analysis of responses from both internal and external experts and stakeholders. We evaluated this large number of 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 are part of the foundation for the topics that are material to our company. We have grouped the topics according to their relevance into “**Global Priorities**” and “**Global Topics**” (see illustration on the right). The engagement of our employees at a local level plays a central role in the implementation of our sustainability strategy. Accordingly, the global priorities and global topics are supplemented by numerous **local initiatives**.

We have assigned all our material topics to one of three strategic sustainability pillars – **environment, people and society** – and have evaluated our impact on achieving the United Nations Sustainable Development Goals (see p. 8).

Our Materiality Matrix



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Our **sustainability results** are assessed annually by the international, independent sustainability rating agency **EcoVadis**, which is recognized as a globally accepted standard for holistically assessing the sustainability performance of companies in the categories of Environment, Labor Practices, Fair Business Practices and Sustainable Procurement. For the second year in a row, we achieved a gold rating and are thereby ranked among the top 5 percent of more than 90,000 companies evaluated by EcoVadis worldwide.

Responsibilities for accountable action

Our **Corporate Sustainability Team (A)** reports directly to the CEO. It drives and oversees the global sustainability program, acts as an interface for all relevant parties and supports the implementation of initiatives. In 2021, the **Customer Sustainability Management Team** was formed with a primary focus on making our customers' business more sustainable. The team coordinates all aspects connected to our sustainability offering. It is anchored in one of our global business units and acts in close collaboration with the corporate sustainability team.

[Sustainable Building: p. 38](#)

We have defined strategic and operational **responsibilities** within the organization for all **16 global priorities and topics (B)**. Furthermore, we have established responsibilities in the different **organizational units (C)** and in corporate functions, to promote a stronger anchoring and exchange of information within the Group. In all our regions and in

Strategic action field

UN Sustainable Development Goals: our prioritization



Environment



People



Society



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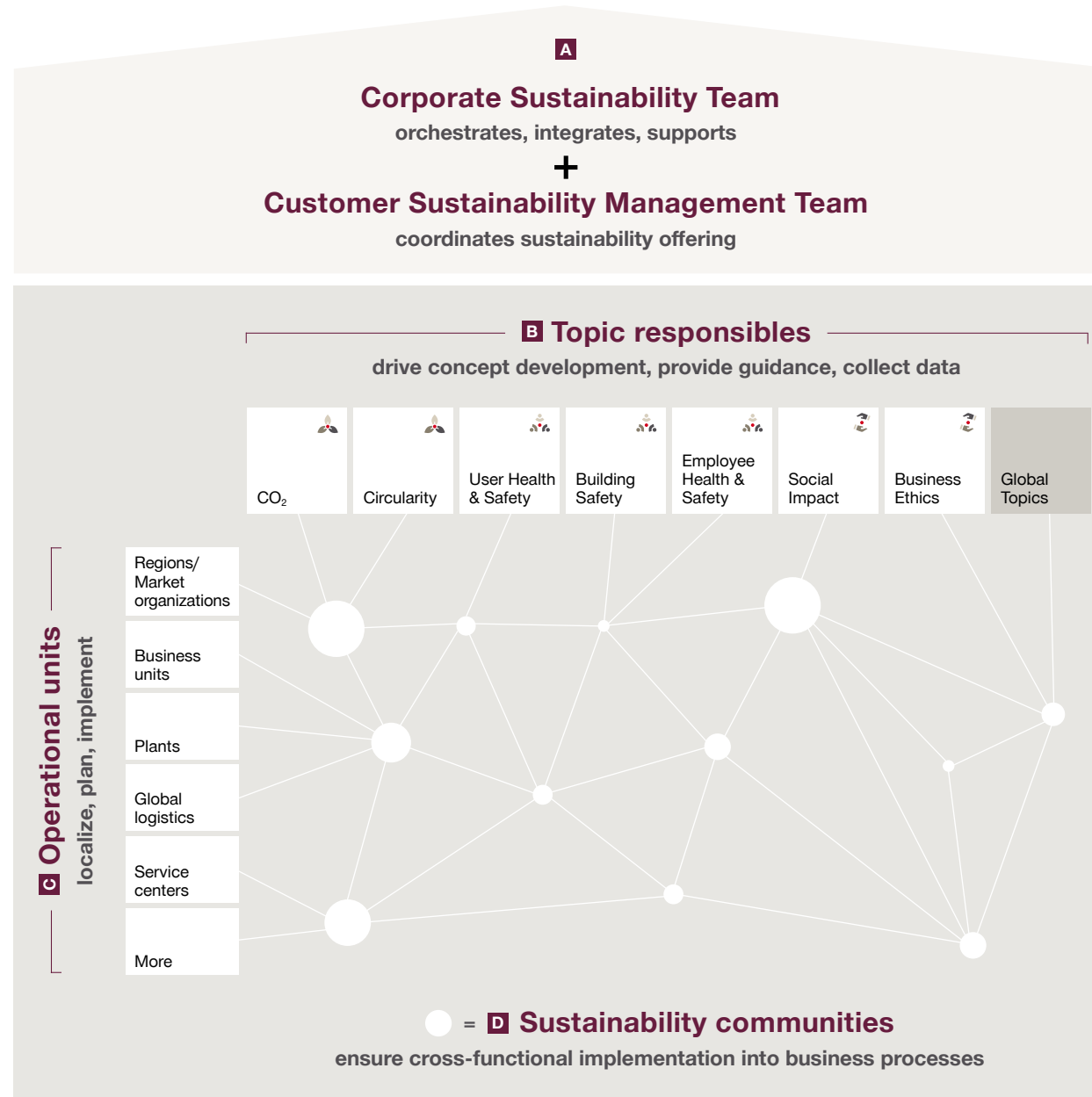
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some local organizations, **sustainability managers** implement our sustainability roadmap locally and act as the counterparts to the corporate sustainability team. Furthermore, they act as sustainability employee engagement managers and ensure continuous sustainability learning within the region. In 2022, we also added several regional **customer sustainability manager** positions. They collaborate with the global customer sustainability team to integrate the existing sustainability offering into the launch of new products and salesforce training. This helps to identify and consolidate sustainability trends and customer needs and to establish trustful, innovative partnerships for new sustainable solutions for the construction industry.

To support the integration of sustainability in the various business processes within our value chain, we have established **twelve sustainability communities (D)**. 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 and in workshops, and by providing digital platforms or playbooks.

The **Sustainability Council** is the advisory body for our activities. It meets three times a year and provides strategic advice and support on cross-functional challenges. It is chaired by the CEO and includes the heads of the two largest regions and business units, as well as the heads from legal, human resources, logistics, manufacturing and communications departments. Furthermore, **Customer Sustainability Steering** acts as a decision-making body for all customer-oriented sustainability topics, with a focus on low carbon footprint solutions, circular solutions, user health & safety and building safety.



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In dialog with our stakeholders

We put great emphasis on regular communication and dialogue with our internal and external stakeholders.

Direct and regular on-site contact with our **customers** has always been one of the unique selling propositions of our Group. Our team members in the field interact with our customers in about 280,000 individual contacts each day. In our direct sales model, in most cases, there are no intermediaries between our customers and the end users of our products and solutions. Hilti supports construction professionals from the planning phase, through consulting and software engineering applications, to the construction and demolition of a building by supplying them with tools, fastening consumables, software and services. The trades that we serve are building & construction, mechanical & engineering, civil engineering, interior finishing, installation, energy & industry, fastening & protection, renovation and rental. We aim to have long-term relationships with our customers in more than 120 countries in which we operate.

Besides the direct contact through our account managers, we also communicate with our customers on a daily basis via customer service, by phone and e-mail, in Hilti Stores or digitally via our website and social media. We systematically ask for our customers' opinions once a year as part of customer surveys.

We have intensified the exchange with our key accounts on sustainability-related topics, which is facilitated by our Customer Sustainability Management Team as well as the regional or local customer sustainability managers.

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)**, which also asks employees 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 1 percentage point to 85 percent – the third increase in three years.

Additionally, we involve our employees through events and dialog. For example, in 2022 we hosted a live sustainability event that was broadcast to the world and informed our team members at headquarters about our sustainability activities via a large-scale informational event. To promote sustainability within the company, we have created a **learning platform** which will be rolled out and made available for all team members around the globe in 2023. Besides bringing sustainability knowledge to all employees, we want to help team members find out how they can

contribute to sustainability individually in their private and professional environment and to enable them to engage with our customers on the topic. An integrated part of our practical learning is our Engaged Beyond Business corporate volunteering program.

▶ Our Culture of Engagement: p. 42; Social Impact: p. 59

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. Our cooperation is based on the highest ethical standards, which are set out in our Code of Conduct for Suppliers. Before embarking on a business relationship with us, suppliers must contractually agree to follow our principles against bribery and corruption, the violation of human rights, and to be in favor of humane working conditions and minimum wages as well as environmental protection and the correct handling of hazardous substances. In terms of specific human rights, our suppliers commit, for example, to eschew slave labor, servitude, forced or compulsory labor and human trafficking, to pay minimum wages and not to make use of child labor. Furthermore, we work together with various **research institutes and universities**. We are also engaged in sustainability-related **associations and working groups**, such as the Conference Board's Corporate Responsibility and Sustainability Council, and we are an actively committed member of the UN Global Compact Switzerland/Liechtenstein.

▶ Supplier Sustainability: p. 30; Business Ethics: p. 54

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SBTi

Commitment to the Science Based Target initiative

> 6000

Megawatt-hours can be generated with our own systems due to doubling of photovoltaic capacity

2 to 18%

Increase in tool reuse of collected fleet tools while increasing collection volume by 30%



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For a Better Climate



CO₂

We have set ourselves the goal of being **CO₂ neutral by 2023**. This goal refers to CO₂ emissions that are generated by the operation of our manufacturing and administrative buildings as well as our global vehicle fleet (Scopes 1 and 2). Moreover, it includes emissions from our business travel (part of Scope 3).

In the reporting year, we raised our ambitions and responded to the **Science Based Target initiative's** (SBTi) urgent call for corporate climate action by committing to align with the 1.5°C pathway, and net zero by 2050, through the Business Ambition for 1.5°C campaign. The SBTi supports companies in

determining how quickly and to what extent they must reduce their greenhouse gas emissions to be in line with the goals of the 2015 Paris Agreement, according to the latest climate science. In addition to the measures we have already introduced, this involves us taking a more in-depth look at our Scope 3 emissions and the possibilities for reducing them.

Besides the SBTi, we also support the recommendations and the framework of the **Task Force on Climate-related Financial Disclosure** (TCFD) and therefore continuously analyze potential climate-related risks and opportunities for our business operations.

At a Glance

- > 4000 company vehicles with greener technology ordered
- Doubled photovoltaic capacity to systems generating > 6000 Megawatt-hours
- Implementation of our own offsetting projects finalized to reach CO₂ neutrality in 2023
- Commitment to reduce carbon emissions in line with the Science Based Target initiative (SBTi) and achieve net zero emissions by 2050

Management approach

The management of our CO₂ emissions is relevant to the operations, but also for decision-making and strategic actions throughout our company. Beyond our own operations, we assess and mitigate CO₂ in our entire value chain by both engaging with our suppliers and by aiming to be the best partner for our customers in providing low-emission construction solutions. We regularly engage with our relevant stakeholders to ensure that their feedback, needs and suggestions for improvement are given due consideration.



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Organizational anchoring

Our carbon emissions are monitored and managed by the Corporate Sustainability Team, which reports to the CEO. The accountable executive management representatives for CO₂ are the Head of Corporate Sustainability and the Head of Finance, who involve all areas of our group in a centrally held steering committee. Furthermore, there are regular internal exchanges in several communities, such as the sustainability in development, sustainability in facilities, sustainability in transportation and sustainability in procurement communities. These groups drive initiatives to reduce CO₂ emissions, for example, by changing our vehicle fleet from gasoline and diesel engines to electric drives and hybrid vehicles, enhancing the energy efficiency in our facilities or raising the focus on carbon reduction within our supply chain. The purpose of these communities is to share best practices, exchange experiences, establish standardized processes and support the development of common environmental guidelines, helping to decentralize and anchor environmental protection measures within Hilti's business processes. Furthermore, we are in the process of defining and anchoring responsibilities for climate risk management in different departments across the organization.

➤ Environmental Protection: p. 26

Management systems and policies

We have a Group-wide environmental policy in place. The topic of CO₂ emission reductions is anchored in this policy, which sets the strategic approach to climate protection. All our plants, our headquarters and nine of our market organizations are certified for environmental management 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. 26

We will reduce our CO₂ emissions in line with the Science Based Target initiative and aim to reach net zero by 2050.

2022 implementation examples

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

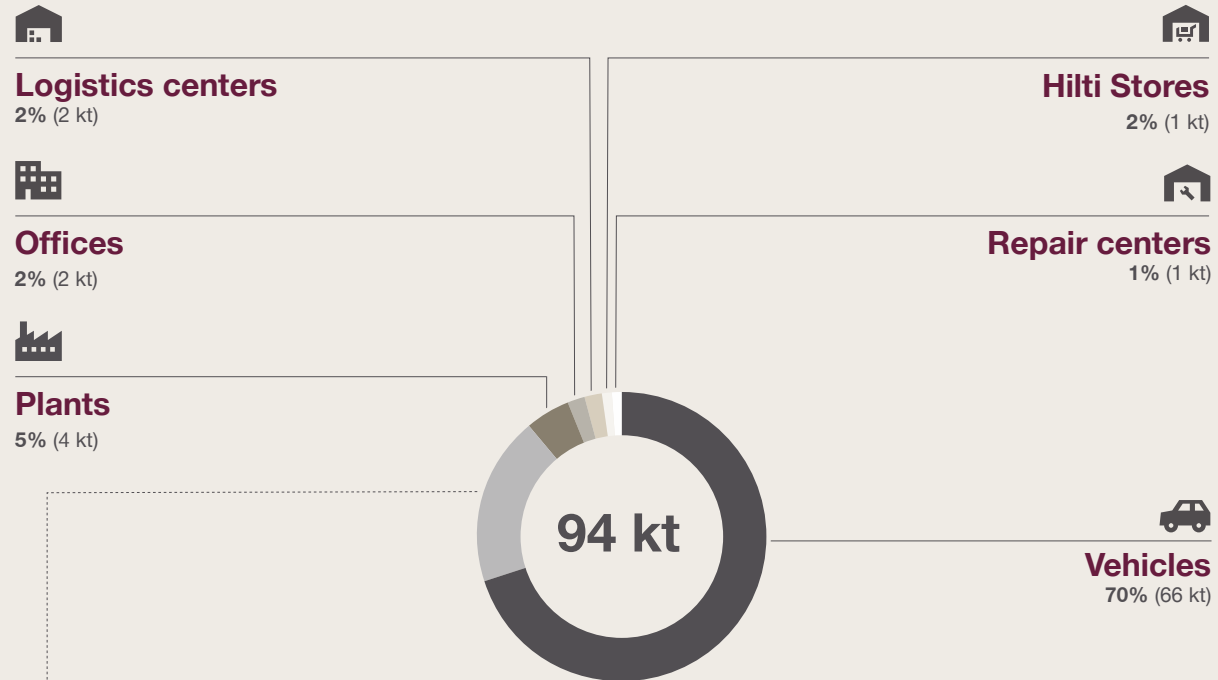
Reduce

Our first and foremost priority is to reduce energy consumption and CO₂ emissions whenever possible. This is addressed by using new technologies and more efficient equipment, but also by behavior training and changing business practices.

- In the reporting year, we implemented **numerous energy efficiency measures** and consequently reduced the amount of energy required. Some examples: We replaced ventilation systems in several locations, resulting in savings of more than 400 Megawatt-hours of thermal energy in the form of oil and gas, and more than 50 Megawatt-hours of electrical energy. Also, in our plant in Zhanjiang, China, we continued to reduce the energy demand for our lighting systems, replacing several of those with the latest energy-saving technology, saving more than 600 Megawatt-hours annually.
- We increasingly hold meetings virtually instead of taking **business trips**. In 2022, several regions adopted and anchored proactive travel demand management and set ambitious travel reduction targets. For example, our North Asia Region developed sustainable travel guidelines, and managed to maintain business travel at 50 percent of pre-Covid levels.

Direct and indirect CO₂ emissions incl. business travel in 2022

Scopes 1 and 2



Business travel¹

19% (18 kt, of which approx. 11 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.

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.

- In 2022 we doubled our **photovoltaic (PV) generation capacity** to more than 6000 Megawatt-hours through new installations in several locations. Our installed PV capacity now covers 4 percent of our total electricity consumption, an equivalent of supplying about 2400 households for one year. At our Corporate Headquarters, we installed the two largest PV systems in the country of Liechtenstein: 4600 solar panels which have an output of approximately 1800 Megawatt-hours. We are planning to further accelerate the construction of new photovoltaic installations at our premises around the world and aim to again double our existing capacity of solar power by 2024.
- We are converting our **global vehicle fleet** from gasoline and diesel engines to electric drives and full hybrid vehicles. While the global vehicle supply chain crisis is causing delays to our ambitious plans, by the end of 2022 we increased the number of ordered vehicles to more than 4000, which represents more than a quarter of our global fleet. Our market organizations in the Netherlands and in China have already fully converted their vehicle fleet to electric cars.



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- Replacing fossil fuels as a means for **heating our buildings** with more environmentally friendly solutions is another key element in the implementation of our strategy. Even before global gas prices increased, we started replacing 5000 Megawatt-hours of heating energy at our headquarters with district heating, thereby generating savings of more than 900 tons of CO₂ annually.

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 the remaining amount with CO₂ savings elsewhere. In cooperation with the Hilti Foundation and ClimatePartner, an experienced external agency, we have created compensation initiatives that will help reduce our CO₂ emissions. We have developed three exclusive compensation projects that ensure the highest effectiveness, credibility and social impact. All three were implemented in the reporting year. All projects are third-party verified, either by “Gold Standard” or the “Verra verified carbon standard” for offsetting projects.

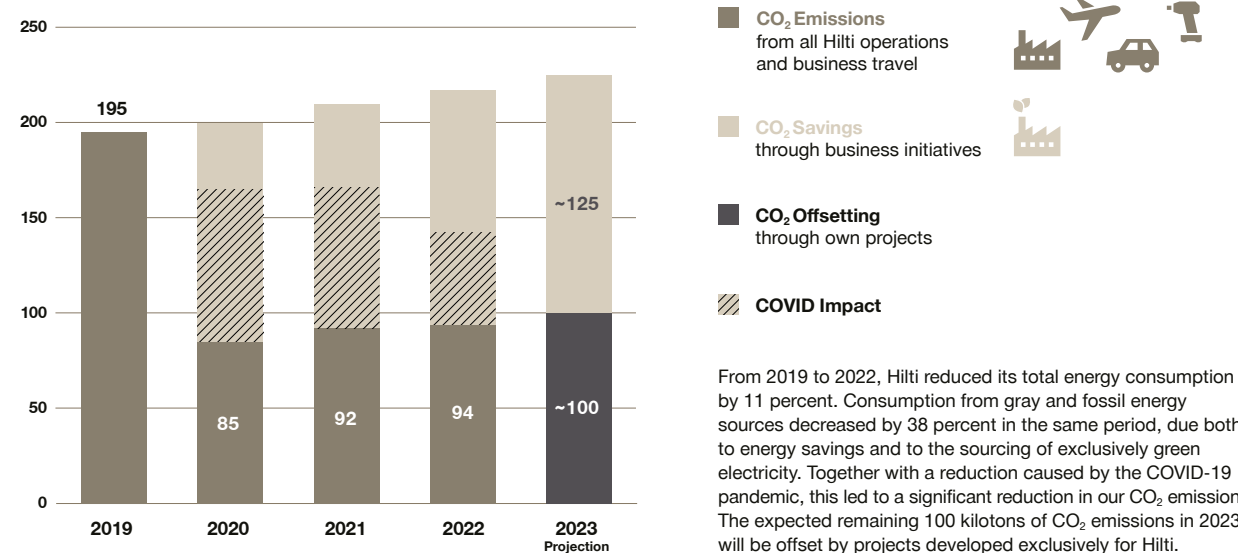
- The **Safe Drinking Water Project in Melghat, India**, aims to create access to clean drinking water and provide education on the importance of hygiene and sanitary measures. The project gives tens of thousands of people water-treating disinfectants, produced by a local NGO and distributed door-to-door among rural households, that purify the water against any biological contamination. By avoiding the use of firewood or charcoal to boil water for disinfection, the related emissions are eliminated. Project implementation began in 2022 and was fully implemented in early 2023, offsetting 30,000 tons of CO₂ emissions.

- The **Clean Cookstoves Project** provides rural households **in Kenya** with modern and clean cookstoves. It replaces the current practice of burning biomass in open fires and inefficient cooking stoves, which lead to indoor air pollution and contribute to climate change. Using modern and clean cookstoves, the project helps to significantly reduce energy consumption and CO₂ emissions as well as harmful indoor air pollution from smoke emissions. During the project, about 20,000 stoves were distributed. While they will offset 60,000 tons of CO₂ per year, the project also creates social impact by generating cost savings for the families, by creating jobs in the area and by helping people stay healthy.

- The **Biogas Project** supports families **in Madhya Pradesh, India**, in replacing the prevailing inefficient cooking facilities with a biogas digester and a biogas-based cookstove unit, saving firewood and other fuels used in cooking and heating water. Each biogas digester has its own pipeline to individual houses. We fully implemented the project in the reporting year, providing more than 8000 families with digesters, thereby offsetting 30,000 tons of CO₂ emissions. Besides the positive social impact of generating jobs, improving health conditions and livelihoods, the project also helps to reduce deforestation as firewood is no longer needed.

CO₂ equivalents

in kton



Commitment to the Science Based Targets initiative (SBTi)

While the achievement of being CO₂ neutral in 2023 is an important first milestone to combat climate change, we acknowledge the importance of addressing emissions beyond our own operations. To meet the ambitious goals of the 2015 Paris Agreement, emissions must be reduced across the entire value chain (Scopes 1, 2 and 3). We want to contribute to this ambition and have therefore committed to set targets in line with the SBTi. We aim for a **near-term significant reduction of about 30 percent** in our Scope 1, 2 and 3 emissions and aim to reach **net zero by 2050**.

To bring SBTi to life, we estimate a needed investment of a triple-digit million Swiss franc amount over the next decade to incorporate systematic changes into our own business processes and to further encourage our partners to develop in this regard. Decreasing emissions along the entire value chain will support our customers' sustainability initiatives and enables us to contribute to the much-needed transformation of our industry.

While we have been approaching emissions from our own operations (Scope 1 & 2) very thoroughly for many years, more than 90 percent of our emissions are generated by activities in our supply chain (Scope 3), which we are now also tackling on our path to net zero. As shown in the table on page 18, our largest share of CO₂ emissions stems from the **purchased goods and services** category, more precisely from the materials that are directly incorporated into our products. In the reporting year, we conducted a comprehensive analysis of carbon reduction potential in our material sourcing and product development. One major lever that was identified is changing the production method of the steel used in our products. Today, this is largely done by using coal to heat the steel furnaces. A switch to "greener" steel alternatives, with lower CO₂ emissions during production, holds the biggest CO₂ reduction potential and, as a result, a reduction in our products' carbon footprint. A variety of additional measures were identified, such as increasing the recycled content of our products, and we are currently working on their implementation.

In 2022, another important focus area for reducing Scope 3 emissions was **transport within our global supply chain**. For the first time, we included CO₂ as

a key decision criterion for the selection of service providers. For example, we began using fully electric trucks to deliver our customer orders in Shanghai and Guangzhou, China, in the reporting year. Delivery volume in the Shanghai and Guangzhou metro area equates to roughly 10 percent of the total transportation volume in China. The initiative will reduce CO₂ emissions by roughly 250 tons per year.



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Climate risk management

In the reporting year, we undertook an initial systematic risk assessment of the impact that climate change has on our business, looking at the climate-related risks and opportunities to which Hilti is exposed. In our risk management approach, we focus on the significant **physical** and **transitory risks** caused by climate change. Apart from this, there are many business opportunities that will drive our business in the future, for example in the development of products that contribute to mitigating climate change.

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Based on our materiality matrix, and in exchange with the people responsible for sustainability topics within the Group, we systematically identified and specified climate-related risks for Hilti. With the help of an external provider, initial risks were quantified. We looked at **physical risks** (acute risks, like extreme weather events, as well as the chronic risk of increasing temperatures) for our own operations and the **transitory risk** of an increasing carbon price. In terms of transitory risk, the global development of the carbon price, which will affect Hilti's operations as well as that of our suppliers, was assessed up to the year 2030. We aim to further quantify sustainability-related risks in order to estimate potential financial impact.

To manage the identified climate-related risks, they will be integrated into the existing enterprise-wide risk management structure, which categorizes material risks for the company in terms of strategy, market, operational, financial and compliance. These risks are managed by internal risk owners and our top management. The integration of climate-related risks ensures high-level management responsibility and underlines their materiality.

Measuring our progress

In spite of an increase in business activity and travel in the aftermath of the COVID-19 pandemic, CO₂ emissions related to our neutrality goal (Scope 1, 2 and business travel) increased only slightly versus the previous year, from 92 to 94 kilotons. While our fleet of company vehicles increased by about 5 percent, our emissions from fuel (diesel and gasoline) came down by about 3 percent, which was caused by the shift from combustion engines to electric and full hybrid vehicles.

Our Scope 3 emissions increased by 16 percent in the reporting year, which was largely caused by higher emissions in the purchased goods and services category. In response to global supply chain constraints and market conditions that led to raw material shortages, we built up our inventory, which resulted in increased purchases and, accordingly, higher emissions. Emissions in the upstream transportation and distribution category increased for the same reason. The business travel and employee commuting categories saw an expected increase due to a catch-up after the COVID-19-related travel restrictions. Despite the return to normal business activities, business travel remains about 60 percent below 2019 levels.

Energy consumption

in MWh

	2019	2020	2021	2022	Change (vs. 2021)
Electricity	114,482	137,970	148,112	156,175	5.4%
of which renewable electricity	8.60%	100%	100%	100%	0.0%
Combustibles and fuels	430,211	321,930	333,581	329,355	-1.3%
District heating	9,940	9,136	10,233	7,959	-22.2%
Sold energy (subtracted)	12	16	0	240	-
Total energy consumption within the organization	554,621	469,020	491,926	493,249	0.3%
Number of employees (headcount)	30,006	29,546	31,115	32,487	4.4%
MWh/employee	18.5	15.9	15.8	15.2	-4.0%



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CO₂ emissions¹

in t

	2019	2020	2021	2022	Change (vs. 2021)
Scope 1	104,314	75,439	78,965	75,877	-4%
Scope 2 (market-based approach) ²	47,819	204	234	181	-22%
Total CO₂ emissions Scope 1 and 2	152,133	75,643	79,199	76,059	-4%
Scope 3					
Upstream					
Purchased goods and services	-	-	891,370	1,063,049	19%
Capital goods	-	-	85,664	100,597	17%
Fuel- and energy-related activities	-	-	19,294	18,871	-2%
Upstream transportation and distribution ³	-	-	103,041	109,235	6%
Waste generated in operations	-	-	427	805	89%
Business travel	43,062	9,130	13,034	18,226	40%
Employee commuting ³	-	-	12,218	18,098	48%
Upstream leased assets	-	-	991	327	-67%
Downstream					
Downstream transportation and distribution	-	-	18,633	17,611	-5%
Use of sold products	-	-	123,365	130,125	5%
End-of-life treatment of sold products	-	-	7,047	6,884	-2%
Total CO₂ emissions Scope 3	-	-	1,275,084	1,483,829	16%
Total CO₂ emissions all scopes	-	-	1,354,283	1,559,887	15%
Total CO₂ emissions corresponding to our CO₂ neutrality goal⁴	195,195	84,773	92,233	94,285	2%
Number of employees (headcount)	30,006	29,546	31,115	32,487	4%
CO₂ emissions⁴/employee	6.5	2.9	3.0	2.9	-2%

¹ Emissions from all greenhouse gases converted into CO₂ equivalents

² 2019 according to location-based approach; location-based emissions from 2020 are available in the GRI Content Index (p. 68)

³ The 2021 values of the "upstream transportation and distribution" and "employee commuting" categories were restated due to the inclusion of well to tank (WTT) emissions. The inclusion of WTT emissions results in a more meaningful disclosure of Scope 3 emissions and ensures the comparability between the current 2022 reporting period and the 2021 comparative period.

The emissions before the restatement 2021 amounted to:

- Upstream transportation and distribution: 83,884 tCO₂
- Employee commuting: 9686 tCO₂

⁴ Scope 1, 2 and business travel

Doing More with Less



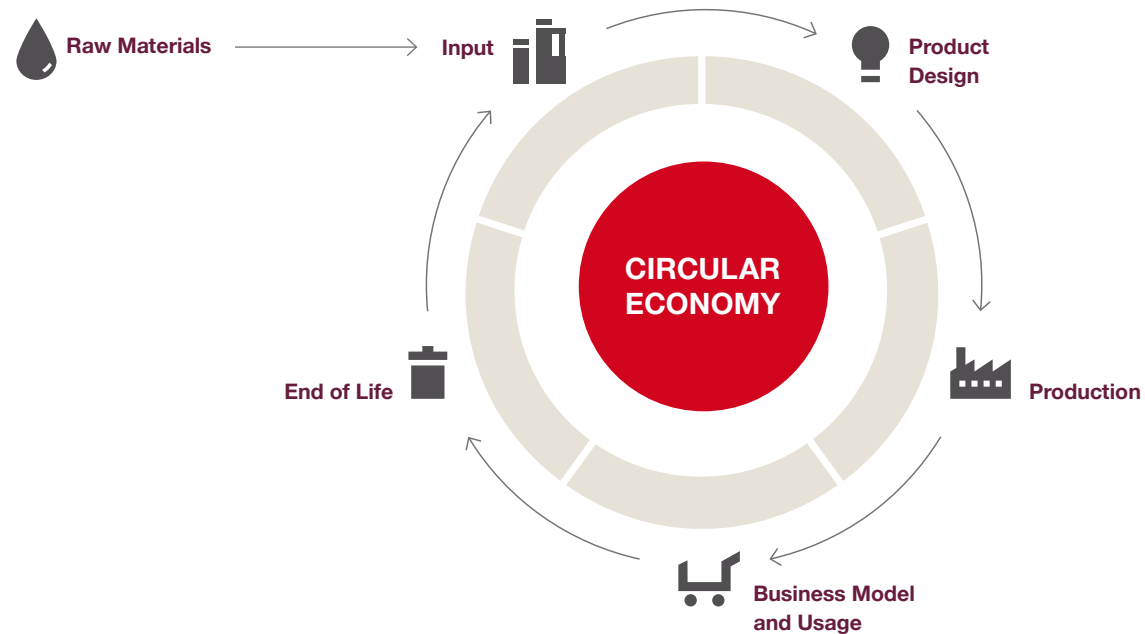
At a Glance

- Increased recycled content in packaging: from 5 to 10 percent in single use plastic and from 60 to 72 percent in cardboard
- Personalized circularity reporting provided to customers, detailing individual collection, reuse & recycling rates
- Increased tool reuse from 2 to 18 percent of collected Fleet Management tools while increasing collection volume by more than 30 percent

CIRCULARITY

The circular economy aims to detach economic success from the consumption of resources and to ensure that resources remain in circulation for as long as possible, preventing the loss of valuable materials. This approach not only promises ecological benefits, but also provides new strategic impulses for business.

📖 Discover first-hand examples of how we embed circularity across the value chain in our 2022 Company Report



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Our goal is to lead the industry in circularity.

Management approach

We understand circularity as generating maximum added value with a minimum use of virgin raw materials, a concept that includes much more than mere recycling. Our circularity strategy, completed in 2020, made us one of the first companies to use a specific methodology to quantify and track our circular progress. The strategy forms the basis for clear priorities that give circularity even more significance:

- Institutionalize circularity in supply and design decisions, from material selection to designing for reparability and interchangeability
- Improve, reduce and reuse packaging of products and in the supply chain
- Further enhance our circular business model of Fleet Management with tool park optimization and lifetime extension options

- Ensure reuse options for tools and components which meet our high-quality standards
- Increase material recovery in end-of-life recycling through close collaboration with recycling partners
- Provide our customers with full transparency on their circular contribution.

➤ [Supplier Sustainability: p. 30](#)

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. A central project team in our Tool Services Business Unit consolidates, challenges and advises operating units on their activities. Regular steering committees inform Hilti's Executive Board directly on the program's progress and help to set steering priorities. Next to a dedicated Circularity Program Manager, a new position was added to the circularity project team in 2022. A Circularity Operations Manager now takes responsibility for projects that have reached operational maturity and focuses on their integration into development and supply processes and on ensuring the projects meet operational excellence standards.

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 (BCG). We now evaluate the circularity of our entire product portfolio on a yearly basis in terms of both quality and quantity. For details on the methodology used, please visit our [2020 Sustainability Report](#). We continue to focus on advancing the measurability of circularity for businesses. In 2022, we joined BCG and SAP in a pilot project that aims to create solutions enabling the automatic calculation of circularity data.



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Qualitative Score

	2022	2021
Input	A — B — C — D — E — F	C
Product Design	A — B — C — D — E — F	E
Production	A — B — C — D — E — F	D
Business Model and Usage	A — B — C — D — E — F	E
End of Life	A — B — C — D — E — F	E
Business Implementation	A — B — C — D — E — F	D
Collaboration & Ecosystems	A — B — C — D — E — F	D

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

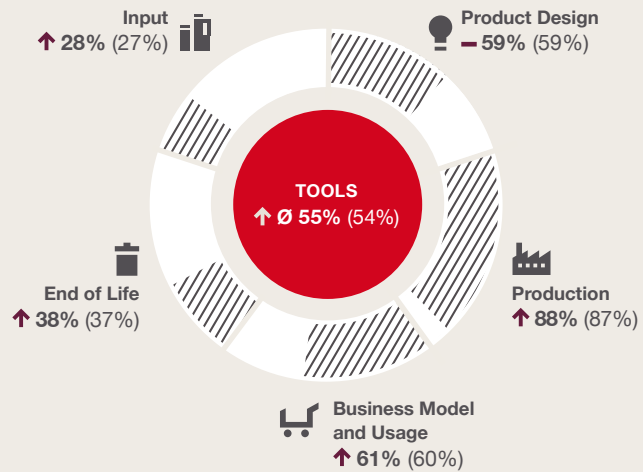
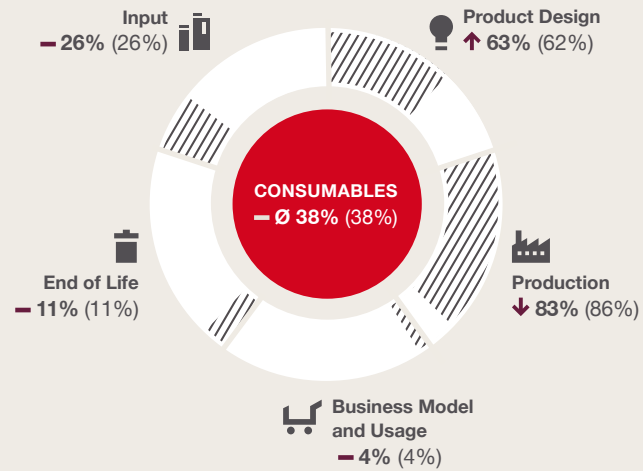
The **qualitative assessment** shows the maturity of the control system regarding the latest findings in the field of circular economy. Grades range from “A” (circularity has been implemented in all business areas) to “F” (the activities and instruments for the implementation of circularity have yet to be developed). The qualitative evaluation helps assess details of circular economy implementation within

a company. Drawing on what has been learned in measuring aspects of circularity, BCG adjusted various questions used in determining a company’s qualitative score in 2022.

Although we progressed on several topics, we were unable to improve in any of the categories in the reporting year compared to 2021. These qualitative

scores have given us improvement levers across the business. We will now increasingly translate these levers into targets, for example in input and product design.

Quantitative Score



Previous year figures in brackets

- ↑ Increase compared to 2021
- ↓ Decrease compared to 2021
- Stagnant compared to 2021

The **quantitative assessment** provides information on circularity's implementation status based on the weight of resources used and ranges from 0 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 between calculations for tools and consumables, such as fasteners and other accessories, as the two areas differ fundamentally.

In the reporting year, the quantitative score for **tools increased from 54 to 55 percent**.

Improvements can be seen in four out of five categories:

- **Input:** We increased the ratio of recycled content in paper (from 26% to 66%) and cardboard (from 60% to 72%).

- **Production:** The recycling of waste improved, particularly packaging waste (from 67% to 79%).

- **Business model:** There was a higher use of our circular models Fleet Management and Tools on Demand.

- **End of life:** We achieved higher collection and recycling rates for tools, batteries and chargers. Together with our customers, we now collect 8000 tons of material which are assessed for reuse or recycling.

At the same time, the score for consumables has not changed compared to the 2021 reporting year.

Materials used in 2022

By weight (in t)

	2020	2021	2022	Percentage of recycled raw materials (vs. 2021)
Renewable materials (paper, cardboard, wood)	32,177	31,611	32,200	48% (+5%pts.)
Non-renewable materials	224,126	244,736	255,839	24% (+0%pts.)
of which steel	135,700	152,622	158,197	35% (+0%pts.)
of which plastics	14,923	17,751	19,779	8% (+0%pts.)
of which chemicals	53,424	53,468	56,210	0% (0%pts.)
Products not yet analyzed	13,810	7,564	6,552	
Total materials used (products and packaging)	270,113	283,911	294,611	26% (+0%pts.)



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2022 implementation examples

Input

- **Raw material usage:**

We strive to minimize the use of virgin materials. Our products and packaging contain significant amounts of recycled metal and plastic content, on average 26 percent globally.

- **Packaging:**

We continue to work on reducing the amount of packaging throughout our supply chain, while still ensuring that everything arrives safely. Higher fill rates, bulk packaging and reuse of packaging contribute to this effort. Currently, there are more than 20 packaging improvement initiatives ongoing. Some of the highlights are listed below.

- We have set ourselves internal targets on recycled content per packaging material type and strive towards 100 percent recyclable, reusable or compostable secondary packaging by 2025. We have already made good progress on increasing the amount of recycled content from 2020 to 2022:

- Cardboard: from 54 to 72 percent
- Paper: from 17 to 66 percent

- Plastic has certain unique properties, such as corrosion protection and chemical barrier functions. Nevertheless, we want to limit its use in single-use packaging, while ensuring that when it is used, it is recyclable, reusable or compostable and has a high recycled content, thus supporting the market for recycling plastics.

- Our iconic red Hilti toolboxes are produced with 33 percent recycled content, which we are planning to increase to 50 percent within the next 12 months. Nearly half of this content will come from closed-loop recycling, using old Hilti toolboxes as material for new ones.

- We shifted the packaging of most of our diamond discs from PVC blister plastics to recyclable cardboard sleeves, saving ten tons of virgin plastics per year, and we are scaling this change to other flat inserts currently placed in blister packaging.

- We are switching the clips on our inserts packaging to a paper-based solution, saving 32 tons of plastic per year (~4,000,000 pieces), and the transparent part of the tubes from PVC (~55 tons per year), a “problematic” plastic, to widely recyclable PP.

- We switched our main fire protection pail to 100 percent recycled plastic, which saves 70 tons of virgin plastic per year. This is 9 percent of all Hilti single-use plastic.

- Throughout 2022, we continued to reduce the amount of paper and improve the recycled content of our IFUs. In the reporting year, we reduced the size of several classes of operating instructions, saving 150 tons of paper per year, the equivalent of 3000 trees. We are preparing for significant reductions to the size of other high-volume manuals once legislation allows for this. In the meantime, we are increasing the recycled content of the paper used for our IFUs, and have gone from 17 percent in 2021 to 36 percent in 2022.

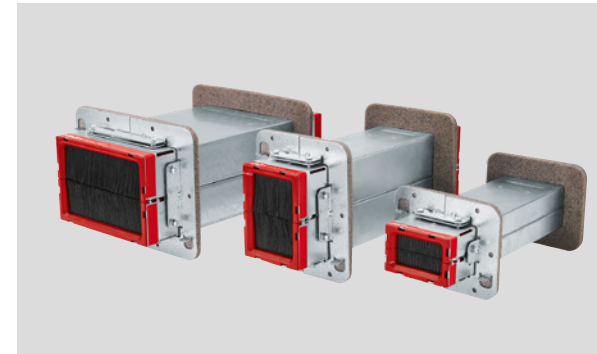
Product Design

- **Technology and design projects:**

Initial results received from technology projects in 2022 indicate that there are opportunities for changing the supply and production method for steel and aluminum to use more recycled content. We also concluded a mapping of all the plastics used in our products, defining various approaches to increase recycled content per category.

- Our development teams continue to look for ways to include circularity aspects in their design projects. One specific example is our firestop speed sleeve, which was designed to be modular and fully disassembled for multiple use cycles. More than 90 percent of the components can be recycled, and some component materials were changed from plastics to organic materials.

[▶ Sustainable Building: p. 38](#)



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Production

- Green electricity:**
 Since 2020, we have used 100 percent green electricity, either generated via photovoltaic systems or purchased, in all our operations, including production.
- Water consumption:**
 We are reducing water consumption and increasingly moving away from using groundwater in favor of renewable surface water and runoff.
- Waste production:**
 We have committed ourselves to disposing of zero waste to landfills. In the reporting year, we went one step further and are close to being landfill-free in all our production plants.

➤ CO₂: p. 12; Environmental Protection: p. 26

Business Model & Usage

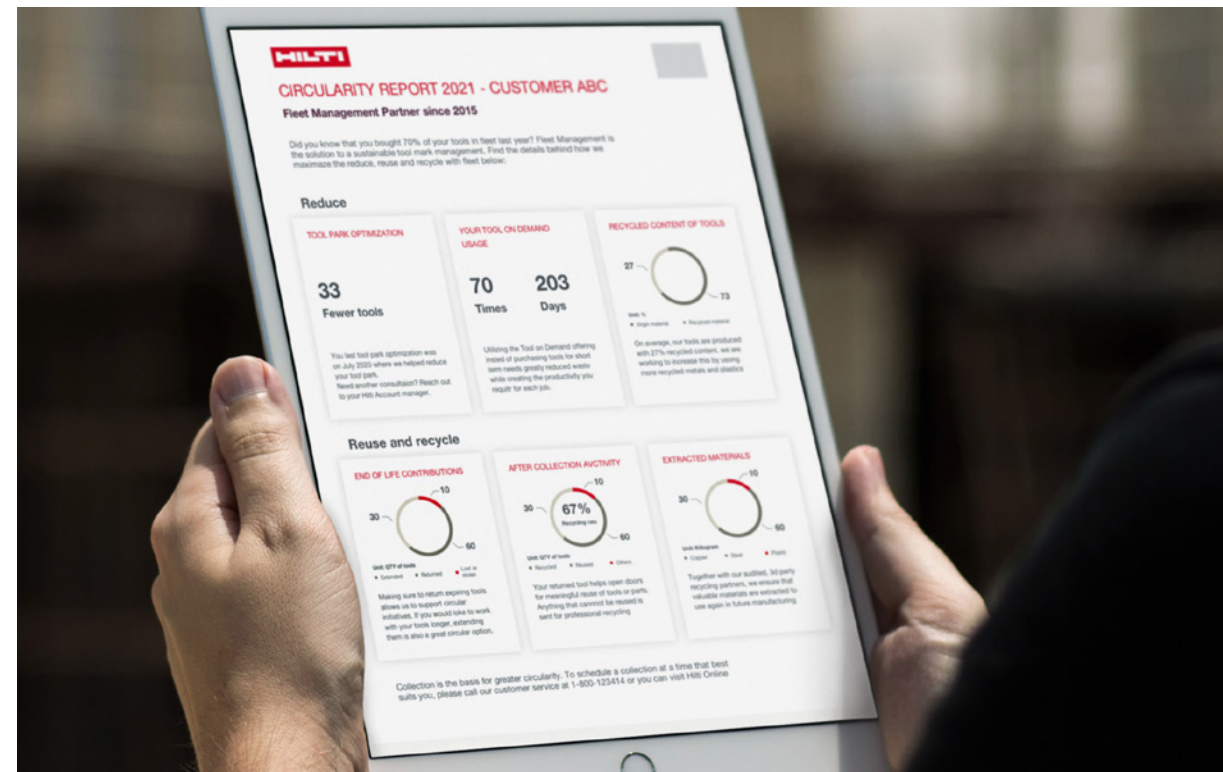
- Circular value proposition of Fleet Management:**
 An important prerequisite for supporting our customers in circularity is our Fleet Management model. This service model offers customers a long-term usage agreement for our tools while giving us full control over our products throughout their life cycle.

Fleet Management allows customers to use the latest generation of tools along with a full suite of services covering eventualities like repairs and theft. All tools should have reached their maximum service life at the end of their contract period. At that point, customers can choose to extend the contract, and simply keep the tool for longer, or upgrade to Hilti's latest innovations.

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 the individual needs of our customers. Our new modular platform of Nuron cordless tools integrates a whole suite of data collection capabilities, which will enhance our ability to provide insights for customers' tool needs based on personalized usage data.

Applying actionable data has also allowed us to increase the standard duration of many of our Fleet Management tools in 14 markets, ensuring high performance for a longer time. We also offer our Fleet Management customers a flexible solution, **Tools on Demand**, which addresses short- and medium-term tool needs. This service has been expanded and is now available in 27 markets.

- Repair:**
 Hilti tools are built to last and repaired to last longer. Our global network of more than 70 centers, staffed by more than 800 specialized and trained repair technicians, carry out tool repairs locally, where our customers work.
- Circularity Report:**
 We are pioneers in providing transparency to showcase our customers' circular contribution at a country-specific and a customer-specific level. We now have information on collection, reuse and recycling at the country level in 40 markets. In 2022, we also began offering customer-specific circularity reports in 20 markets. These show personalized details on short-term tool use, collection, reuse and recycling and aim to support customers in their sustainability journey.



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End of Life

- **Collection:**

Collection is a key step in circularity. Our integrated business model and reverse logistics experience allow us to offer free and convenient tool collection globally. Every year, we collect about one million tools, batteries and accessories from around the world, that are part of Hilti's Fleet Management service, at no additional cost. We also provide free collection for purchased and competitor tools. In 2022, we collected 74 percent of all end-of-contract Fleet Management tools. We also offer free recycling for tools not under our Fleet program, including those from other providers.

- **Reuse program:**

Our high collection rates allow us to find options for giving Hilti tools a second life after their initial contract. We do this at many different levels: Some tools that are the functional equivalents of a new tool join our inventory of loaner tools, ensuring the tool is used for longer, and meeting our customers' short-term needs.

The **reuse of spare parts** from returned tools is now a standard operational process in our tool service centers. Within **three years**, we have increased the number of spare parts being reused **from 10,000 to 120,000 per year**. This initiative saves about 90 tons of valuable electronics, motors and rotors per year. We test each part to ensure it meets our high standards for professional repair and offer the same guarantee as we would for a new spare part. Based on the high quality achieved in this reuse initiative, we are now looking into expanding our efforts to include further components, including batteries.

We have also scaled and standardized our **donation program** of returned fleet tools. In 2022, we donated tools for humanitarian and educational purposes in six countries, for example to assist victims of flooding in Germany and to support housing in underserved communities in the USA.

Through this set of measures, we managed to increase the **reuse rate of tools from 2 to 18 percent in three years, despite more than 30 percent greater volume of collected materials** in the same period. We aim to further develop our reuse programs over the next few years.

- **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 ratios are even higher. This year, we upgraded our external recycling infrastructure to allow for more data automation and better technical processes globally. This improves our data transparency, which allows us to offer personalized circularity reports to our customers and ensures that our tools and batteries are recycled at the highest standards of industry.

Greater Resource Efficiency



ENVIRONMENTAL PROTECTION

Within our plants, but also in logistics, repair, and product testing, we aim to minimize our impact on the environment and to continuously improve resource efficiency. Our focus areas are waste reduction, water efficiency and contaminant emissions reduction, as well as our CO₂ emissions and exploring the full potential of the circular economy. Besides focusing on our operative processes, we also assess building projects in terms of our own assets regarding their environmental performance along the entire life cycle.

➤ CO₂: p. 12; Circularity: p. 19

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 in our various plants, warehouses and repair centers throughout the company. Furthermore, the topic of environmental protection is anchored in the company's "sustainability in facilities" community. Our program manager for the topic of CO₂ supports with expertise and coordinates actions across the entire organization.

➤ Sustainability Management: p. 4; CO₂: p. 12

At a Glance

- Successful recertification for ISO 14001
- Zero waste to landfill in all plants
- Significantly reduced water consumption in plants by 18 percent

Management approach

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. The policy comprises, for example, continuous improvements, data measuring and target setting. We encourage all employees to measure their daily actions against the standards described in the policy and to demonstrate a potential for improvement. We also raise our employees' awareness of environmental protection at Hilti and



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their individual responsibility by means of internal **training**. For example, we provide training sessions on hazardous substances and on the proper disposal and recycling of waste. Our entire product manufacturing is subject to **ISO 14001** certification. In addition, nine of our market organizations have a dedicated ISO 14001 certification, while developing and engineering services, marketing and distribution of equipment, tools and fastening solutions for the construction industry are covered as well. Every few years, the ISO certification is reassessed externally. In the reporting year, we successfully passed the recertification without deviations. We are working on the recommendations which were provided and will implement them step by step.

To reduce waste and increase water and energy efficiency, we understand the importance of internal regulations, whether in the form of our environmental policy, corresponding data management or waste reduction targets. We constantly work on increasing the measurability and accuracy of data on energy, waste, water and contaminant emissions to better track our progress and to derive targeted measures that will further optimize our resource use. We engage with all relevant stakeholders, such as our employees and suppliers, to reduce water consumption and waste and to optimize the use of resources, which we will further improve going forward.

We manage the **waste** generated in our own operations by working with external service providers who have the appropriate certifications for the disposal of the respective waste types. We have committed to contributing **zero waste to landfills** in all our operations long term. In the reporting year, we managed to be landfill-free at all our production plants¹. An overview of our waste by category, as

well as a breakdown of our total waste by waste treatment method, can be found in the tables on page 29.

Some of our production processes produce **contaminant emissions**. We measure these emissions at all locations and comply with local statutory emission requirements and have received necessary permits for our operations. Based on our plant-specific environmental matrixes, we identify which emissions we want to focus on for reduction in the first place. In each of our plants, we have a dedicated **person** to continuously monitor the emissions and support our agenda to reduce emissions. We are working to further reduce contaminant emissions but are also aware that, in the future, we will need to find ways and new technologies to holistically move away from these pollutants completely.

We mainly use **water** in our plant operations for several production steps and we constantly work to reduce water consumption through new technologies and various activities. Almost two thirds of group-wide water consumption is allocated to four plants, which remain the focus of our activities to achieve further improvements. According to the “Aqueduct Water Risk Atlas” tool, three of our plants and joint ventures are in areas subject to “extremely high” water stress; four sites are in areas subject to “high” water stress. We are working on the respective risk assessment and are defining and implementing actions to mitigate the associated risks. We also take the topic of water scarcity into consideration when defining future plant operations and planning new buildings. Designing sites and operations to achieve minimal water usage as well as implementing rainwater harvesting measures are an integral part of this process. Where needed, our water used in our industrial processes is treated in in-house wastewater treatment facilities

before it is returned into the respective wastewater systems. There are legal standards regarding the quality of effluent discharge which we fully comply with. Also, we comply with all legal wastewater limits and strive to go beyond those in the future.

2022 implementation examples

- In 2022, we integrated sustainability metrics in shopfloor meetings in our plant in **Schaan, Liechtenstein**, helping to contribute to sustainability gains and cost savings. Our digital shopfloor helps us to track energy and water consumption and savings on an ongoing basis. We were able to reduce water consumption in the plant by 6000 cubic meters (> 20%) in the reporting year. The largest share of this reduction was achieved in the south cooling system, which cools the water of the thermo-pulling and inductive hardening machines. Through the installation and calibration of new sensors, we reduced our water consumption by 4000 cubic meters. Furthermore, through the installation of five additional water meters, we gained a more granular overview of water consumption in the different production processes and building sites. To further enhance transparency, our next step will be to implement energy and compressed-air meters on all new and relevant existing machines.
- In our plant in **Zhanjiang, China**, we implemented various measures to drastically reduce our water consumption. We achieved this, for example, through cooling water equipment optimization and through a zero-discharge project for wastewater treatment. Compared to water consumption of 53,000 cubic meters in 2021, the water consumption was reduced by 23 percent to 41,000 cubic meters in 2022.

¹ Landfill-free is being defined as sending no more than 1 percent of waste to landfills and less than 10 percent of waste to Waste-to-energy (incineration).



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- At our **Navsari** plant in **India**, we conducted several minor projects to reduce the water consumption in the reporting year. For example, we implemented additional water recirculation in the wet testing area as well as in the wastewater treatment area. As another example, we installed additional provisions to avoid leaks and new water-efficient taps. Also, recalibration and maintenance work were conducted in different areas. After a remarkable 37 percent reduction in 2021, all these improvements helped us to achieve an additional reduction of water consumption by 5 percent. Daily water monitoring and a monthly inspection of all water outlets, through a third-party service provider, is currently being introduced.
- In our warehouses in **Japan** and **Switzerland**, we started to reuse the packing material we receive from inbound deliveries to the production and global warehouses in the reporting year. All undamaged packaging material from inbound shipments is collected, sorted and reused for outbound shipments to our customers. By reusing the packaging material, we were able to reduce the consumption of virgin cardboard in the Switzerland warehouse by roughly 110 tons per year, and the amount of wood for pallets by roughly 8 tons per year.
- In our plant in **Thüringen, Austria**, we developed an integrated solution for reducing packaging and repackaging in the reporting year. We substituted disposable cardboard boxes from suppliers and, together with a partner company, developed a stackable reusable cardboard box. This enables us to avoid packaging waste, achieve a higher filling degree and reduce the number of deliveries required.

With the introduction of the reusable cardboard box, we can save approximately 300 tons of cardboard and 366,000 repacking movements per year. The saved cardboard boxes alone result in a reduction of approximately 28 tons of CO₂ and 320,000 liters of water, and the additional introduction of reusable pallets allows for a reduction of 50 tons of CO₂.

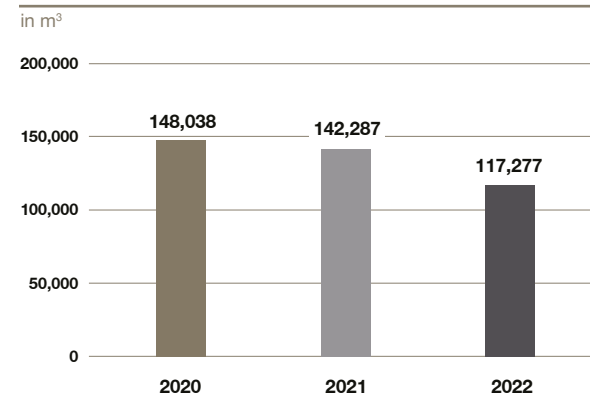
Measuring our progress

Waste from different material groups, especially concrete and metallic elements, is generated in production and product testing. The breakdown of total waste by category shows us which type of **waste** is generated.

Materials containing **hazardous substances**, such as cobalt, are used in the production process of cutting tools. In 2022, 1434 tons of hazardous waste were produced in our production processes (see table on page 29). Accordingly, we are gradually reducing their usage and have a target of eliminating these substances entirely. We managed to eliminate hazardous substances from products such as diamond core bits as one of our first steps.

An overview of water consumption in our plants can be found in the table below. The water we use is drawn from ground and surface water sources. We were able to reduce water consumption in our plants significantly over the last three years through different activities and measures. In the reporting year, water consumption was reduced again by 18 percent compared to the year before.

Water consumption in our plants



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

We aim to minimize our impact on the environment, and to continuously improve resource efficiency.



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

in t

	2020	2021	2022	Change (vs. 2021)
Total Waste	23,505	25,224	26,462	5%
Concrete	7,271	7,522	6,583	-12%
Metal	5,582	6,433	6,268	-3%
Chemical waste	1,322	1,252	1,549	24%
of which hazardous	1,194	1,152	1,434	25%
of which non-hazardous	128	101	115	14%
Paper	2,684	2,951	3,654	24%
Plastic	941	889	1,180	33%
Wood	1,326	1,385	1,227	-11%
Electronic waste incl. batteries	2,525	2,715	2,803	3%
Other	1,854	2,077	3,197	54%

¹ incl. returned Fleet Management tools

² Increased reporting scope in 2022 compared to the previous year; total waste decreased by 2% excluding this effect

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 value chain. Consequently, our suppliers have a vast influence on whether we achieve our sustainability goals.

Management approach

We work with roughly 900 core direct suppliers to purchase the material that goes directly into our products. Approximately 65 percent of these suppliers are based in Europe, 28 percent in the Asia/Pacific region and 7 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.

The principles of collaboration with our direct suppliers are regulated in our [Code of Conduct for Suppliers](#), which must be contractually agreed to by all suppliers before we embark on a business relationship. Alternatively, suppliers may have their own established principles or codes that meet our requirements. These include principles against bribery, corruption and the violation of human rights, and in favor of 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, to pay minimum wages and not to make use of child labor.

At a Glance

- Supply chain transparency enhanced through supplier compliance assessment
- Quantitative and qualitative KPIs enhanced and set as basis of decision-making framework
- Structured supplier interaction model implemented

The Hilti Code of Conduct, specifically the sections on human rights and the environment, as well as the **Anti-Corruption Policy**, must be obeyed when sourcing decisions are taken. All Hilti employees in sourcing and in purchasing-related functions are responsible for complying with the policy, the Code of Conduct and any supplementing policies, instructions and guidelines. 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-training to educate the supply community on (product) compliance topics related to procurement.



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After the launch of the revised Code of Conduct for Suppliers in 2021, which demands a more risk-based approach from our suppliers and is in line with the German Act on Corporate Due Diligence in Supply Chains, sustainable sourcing principles are now an integrated part of our standard supplier assessment process. Our direct procurement material sourcing ensures compliance through the third-party supplier assessment of Integrity Next. Since 2019, all indirect materials suppliers have been assessed on a multi-factor, risk-based approach. Agreement with the Code of Conduct for Suppliers is a prerequisite for doing business with all suppliers not classified as low risk. The implementation and application will be further supported by our Indirect Procurement Sustainability Policy, which was launched in 2022.

[Business Ethics: p. 54](#)

Our [Sustainable Sourcing Policy](#) provides internal guidance on how to verify the compliance of supplier contracts, managed by internal experts. Additionally, we collaborate with Bureau Veritas to check compliance with (domestic) regulations and good standards of treating employees, including working conditions and safety standards. Before starting a new serial supply, we perform special audits which focus on product quality. If a business partner violates the standards they have agreed to, and there is not sufficient improvement in this situation, we terminate the business relationship. If there is a suspicion or indication of a violation of our values, non-compliance with local country regulations, violation of human rights, use of child labor or other suspicion related to our Code of Conduct for Suppliers, we will follow up with the supplier, either internally or

through Bureau Veritas for on-site verification. During the reporting year, a total of 23 **audits** were carried out with our suppliers to see if they are compliant with our Code of Conduct for Suppliers. The results of the audits show that all of them performed on a good basis overall, and none of the business partners had to be reassessed.

[Business Ethics: p. 54](#)

The **SAP Ariba** supplier relationship management system is the basis for handling all supplier-related information digitally on one platform. We are already connected with almost all of our roughly 900 core suppliers via this system. These core suppliers handle 99 percent of our total purchasing volume of direct materials. Our goal is to have the contract documentation and communication of all suppliers on this one platform, including those from whom we purchase our indirect supplies, such as office supplies and services. This enables us to document standards, product compliance statements, agreements and audit results, helping us in systematically cultivating our supplier relationships.

The close collaboration with our suppliers makes it possible to directly incorporate feedback and common insights. During the reporting year, we intensified the exchange with selected major suppliers, conducting workshops to identify potential for product improvements. We started with an exchange exploring our common sustainability strategy, our values and goals, proceeded with deep dives into the sourcing strategy, elaborating our expectations towards our suppliers, and finally conducted a workshop resulting in concrete actions and initiatives at a product level.

Organizational anchoring

Our Sourcing Excellence Team is responsible for the topic of supplier sustainability for direct materials. A dedicated global process manager is in place to coordinate sustainability in our supply chain and product design. This enables an effective and aligned global approach for sustainable sourcing and development activities.

The Global Procurement Indirect Materials function leads the topic of supplier sustainability for indirect materials. The function is responsible for ensuring that processes for supplier selection and supplier relationship management exist and are adhered to. Procurement Indirect Materials drives, or is closely involved in, successful projects that are at the top of the sustainability agenda for Hilti, such as global renewable energy sourcing, travel demand management, offsetting projects for CO₂ compensation, shifting to lower emission vehicles and many more.

[Circularity: p. 19](#)

2022 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 keep our sustainable procurement sub-score in the EcoVadis rating of 70 out of 100 points in 2022 despite stricter rating requirements.

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Step 1

As a first step, we focus on **creating a high degree of transparency** concerning our business partners. The goal is to track and manage all product-related compliance certificates and declarations transparently (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.

• Conflict Minerals

We are intensifying our supplier assessments on the sustainable sourcing of the regulated “conflict minerals” tin, tantalum, tungsten, and gold via IntegrityNext. The obtained results are, in turn, reflected on SAP Ariba. For more details, see the section below on Raw Materials Due Diligence.

• Chemical Compliance

We are collecting information from all our core suppliers on a broad range of chemical compliance regulations via SAP Ariba. Our goal is not only to ensure product compliance with all relevant global regulations, but also to gain more clarity and transparency on any substances of very high concern contained in components that we are supplied with. This increased transparency will be a key enabler for proactive initiatives on the reduction of hazardous substances beyond regulatory requirements.

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Step 2

The second step considers the **sustainability assessments** and the related key figures **of our suppliers** in all procurement processes. Sustainability assessments like those from EcoVadis and IntegrityNext are part of a **bonus-malus system**, which gives advantages to suppliers in the awarding process if they are more sustainable. The assessments are considered, in a structured and uniform manner, to compare suppliers more transparently and comprehensively. Sustainability is a central criterion in the bonus-malus system.

➤ Business Ethics: p. 54

• We leveraged our supplier assessments through the IntegrityNext platform as well as SAP Ariba during the reporting year. We request that our suppliers disclose information on their sustainable actions and compliance regarding human rights and conflict minerals. We made progress in the transparency of contained recycled content in our purchased materials.

• We collaborated with the Fraunhofer Institute for Material Flow and Logistics in Germany to enhance our quantitative and qualitative KPI set, which serves as a basis for our decision-making frameworks. The new KPI framework aims to include sustainability as an additional dimension, along with existing dimensions like quality and cost in the supplier selection and evaluation process. The framework has a broad coverage of sustainability-related dimensions and is tailored to our needs. In 2023, we will begin filling the framework with data and implementing it into our supplier assessment processes.

Step 3

After evaluating our entire supplier portfolio, the third step focuses on **sustainability initiatives for individual material groups**.

• During the reporting year, we further developed our structured supplier interaction model with the aim of establishing transparent interaction with our suppliers, fostering long-term relationships and incentivizing sustainable business practices. We rely on the support of our supplier network to meet our raised ambitions, which include our supply chain. Our Power Tools and Accessories Business Unit piloted the next level of their continuous structured supplier recognition model by honoring the outstanding performances of our highest valued suppliers during the reporting year. For the first time, suppliers were recognized in four categories: 1) Outperformer of the Year 2) Sustainability Excellence 3) Innovation Excellence 4) Distinguished Honors (special project).

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 sustainable sourcing and the circular economy. Global implementation of these practices in our development is in progress and is driven by a dedicated process manager.

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Raw materials due diligence

We are aware that we currently process various materials 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 lead to political instability, insecurity, widespread violence and prevalent human rights violations in CAHRAs.

To mitigate associated risks, we ask our suppliers about the origins of their materials, and we require them to critically assess their own supply chains ensuring that no materials derived from regulated conflict minerals are present in our products. By using the Conflict Minerals Reporting Template (CMRT), developed and maintained by the Responsible Minerals Initiative (RMI), we gather information throughout the supply chain regarding the countries of origin and the smelters and refiners utilized for processing tin, tantalum, tungsten and gold (commonly abbreviated as “3TG”). In addition, by using the Extended Minerals Reporting Template (EMRT) from the RMI, we also gain clarity on our cobalt supply chain. Both the CMRT and EMRT standards are designed to be aligned with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

We have successfully obtained replies from almost all our relevant suppliers, the vast majority of whom either declared that 3TG minerals and cobalt are not contained in the products they supply to us or that any 3TG minerals and cobalt contained have been properly sourced, as evidenced by an attached CMRT and/or EMRT. Furthermore, we have established a clear process flow in which a supplier is contacted directly through the Corporate Compliance Team if they do not respond to our CMRT and EMRT requests or if the requested CMRT and EMRT have not been completed correctly and fully.

Our long-term objective remains to replace all materials potentially linked to CAHRAs as part of larger-scale efforts to make our product design more sustainable. Within this scope, we would like to highlight three key initiatives aimed at reducing the amount of 3TG minerals and cobalt contained in our products. First, we are conducting extensive internal R&D projects to replace the cobalt- and nickel-based binders in our diamond segments with iron-based solutions. Second, we are currently replacing some of the hard materials used for saw blade applications, from traditional tungsten carbide/cobalt (WC-Co) hard metals to titanium carbonitride-based (TiCN) cermets. These cermets contain significantly lower levels of tungsten, cobalt and tantalum, by between 50 and

90 percent. Third, we are actively researching the potential of novel material solutions for percussion drilling applications as part of a sponsored PhD project in partnership with the Technical University of Vienna as well as bilaterally with other academic institutions and through our involvement in industry consortia and trade associations. This research work is investigating several more sustainable alternatives to traditional tungsten carbide/cobalt (WC-Co) hard metals, such as high entropy carbides (instead of tungsten carbide), nickel- and/or iron-based binders (instead of cobalt), and alternative manufacturing routes that enable lower cobalt contents.

For the People



NURON

New technology enhances user health & safety

#8

Achieved best-ever result among the “World’s best Workplaces™”

-17%

Reduced lost time incident rate in own operations



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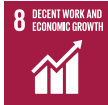
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Safety at Construction Sites



USER HEALTH AND SAFETY

Construction sites remain dangerous workplaces despite the numerous applicable safety regulations and the measures and strategies already taken by companies that aim to help prevent accidents. We want to be our customers' best partner for user health and safety. For more than 80 years, our products and services have been making work on construction sites safer. Our technological innovations support the protection of users from injuries, accidents and diseases, such as cuts and silicosis. 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 promise is to be our customers' best partner for user health and safety.

At a Glance

- Introduced new safety features to battery powered angle grinders
- Drove conversion from fossil fuels to battery power with new battery platform
- Launched our most powerful cordless dust extractor ever

Organizational anchoring

User health and safety is incorporated into the strategy processes of all our business units. We continuously evaluate how we can improve existing products, whether we can extend existing safety solutions to new product groups and which new solutions are feasible for increasing health and safety in construction. Improved safety does not detract from ease of use. We place a great amount of emphasis on ensuring that all safety features are seamlessly integrated and complement a tool's performance.



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In addition to the business units, the central Corporate Research & Technology area in Schaan, Liechtenstein, and our Competence Center for Health & Safety Technologies in Kaufering, Germany, drive innovation in user health and safety. For many 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 enable us to collect user experiences quickly and comprehensively, effectively looping this back to product managers at a regional and global level. Hence, if complaints indicate injuries or product defects, this is swiftly noted and brought to the attention of relevant persons who take all the necessary steps to identify and solve the issue.

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, such as vibration or noise and dust generation. Product development only enters the next phase if all safety-related points have been addressed. This structured development approach enables products to surpass regulatory safety requirements.

How we promote user health and 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:**

The launch of our new Nuron battery platform in 2022 not only represents the development of new products and solutions but has also allowed us to extend current safety solutions to further increase user health and safety on the construction site, and thereby live up to our customer promise to be their best partner in safety. These solutions include, but are not limited to:



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- **Sens Tech:** a new feature that recognizes if the user loses control of the tool and automatically shuts it down.
- **3D ATC:** our Active Torque Control system (ATC) has now been further developed to also recognize when the tool in question moves away from the workpiece and shuts off the tool.
- **Nuron AG 6D-22:** Angle grinders have a particularly high risk for injuries. Therefore, in 2022 we launched our new angle grinder, featuring both **Sens Tech** and **3D ATC technologies**.
- **Nuron DSH 600-22:** In the reporting year, we launched our new Nuron battery platform, which allowed us to accelerate the transition from gas powered and corded tools to our cordless platform. By doing so, we can offer customers solutions that eliminate any toxic fumes generated by gas-powered tools when working in confined spaces. Additionally, a transition towards an entirely cordless construction site helps to eliminate unnecessary hazards associated with electrical cords, such as slips, trips and falls.

• **Dust Management Systems:**
Dust is omnipresent at construction sites. Due to their small size, dust particles may stay in the air for a long time and penetrate deep into a worker's lungs. Our focus in developing solutions is to minimize user dust exposure while enabling maximum productivity.

In 1995 we launched the first tool on the market to have 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. In the development, we focus on optimizing the entire system, from dust extractor to dust shroud and power tool. Our **Dust Removal Systems (DRS)** help 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 2022 we upgraded our DRS portfolio with the new **TE 4-22** and **TE 6-22** and an onboard DRS that now fits both tools.
- In the reporting year, we introduced a new battery-powered vacuum cleaner, the **VC10-22**, which, for the first time, enables all our DRS and **SAFEset** solutions to become fully cordless.
- In addition to DRS systems and vacuum cleaners, Air Cleaners, the **AIC 1000 and 2000** 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.

• **Human Enhancement Systems:**
We work on solutions that automate the workplace, and that enhance ergonomics to ease repetitive and uncomfortable tasks that stress the user's body.

- In 2021 we launched our semi-autonomous construction robot, **Jaibot**, designed to assist tradespeople in physically demanding, repetitive installation work, such as overhead drilling, in many

mechanical, electrical or plumbing tasks. The robot is also equipped with a dust extraction solution, which was upgraded in 2022 to increase vacuuming power.

Company Report

- In the reporting year, we further rolled out the Exoskeleton **EXO-O1** for overhead applications to additional markets globally.

• **Training and advice:**
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: 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 or 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 8000 users were trained in 2022.

In addition, we have expanded our e-learning course offering. These flexible and fully digital formats are available in a wide variety of languages. After piloting nine of our courses in eight of our selected markets in the reporting year, we will continue to roll out our digital training portfolio in 2023.

Safer and Greener Construction



SUSTAINABLE BUILDING

New construction projects aim to reduce negative effects on the environment while also creating a positive atmosphere for the people who live and work in these buildings. We want to be our customers' best partner for building safety. Our cooperation with customers, universities, research institutes, code officials and approval bodies has helped to establish high construction standards and allowed us to make significant contributions to increasing building safety.

Furthermore, we support more sustainable "green buildings" that are characterized by lower carbon emissions with higher resource and energy efficiency, along with the use of renewable and uncontaminated raw materials. Our aim is to help customers achieve these high standards.

At a Glance

- Significantly reduced costs and CO₂ emissions for customers by designing for sustainability
- Increased data transparency with customers
- Updated Environmental Product Declarations and Cradle2Cradle certificates for installation and fastening systems

Our promise is to be our customers' best partner for building safety.



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Management approach

In 2022, we carried out various customer surveys and meetings to discuss prevailing sustainability trends and requirements in the construction industry. Based on these collaborative efforts, we defined five trends that are important for sustainable building at Hilti:

1. Resource efficiency to optimize material usage
2. Energy efficiency to reduce operational emissions
3. Improvements to the health and safety of the people living or working within the building
4. High adaptability to changing environments with minimum environmental impact
5. Data transparency / collaboration with customers on data transparency

Hilti's solutions provide building owners with an opportunity to decrease their carbon footprint in the construction phase and increase energy efficiency during the operational phase, while giving their buildings a healthier and safer environment. Our products also support our customers in achieving green building standards. For example, our Environmental Product Declarations (EPD) are issued by the Institut Bauen und Umwelt e.V., and our Material Health Certificates are issued by the Cradle-to-Cradle Products Innovation Institute.

Building safety

Our strategy to improve the health and safety of the people living or working in buildings rests on two strong pillars which stand on a 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 **seismic protection**, we offer solutions that are designed to help fasteners, rebar connections, fire-protected penetrations and joints better withstand the impact of an earthquake. 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.

The foundation of long-lasting buildings is created in part by the durable **hardware** elements placed in those buildings. We help to ensure the performance of our fasteners by running long-term testing in corrosive environments, such as in coastal areas that have fluctuating temperatures and high humidity levels. But a product's features, and lifetime performance, can only be guaranteed if a product is correctly installed. Therefore, we have developed systems and services that allow for **high-quality installation, maintenance and corresponding documentation**.



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In support of **safer building design**, our **field-based engineering force** consults on critical safety problems and provides technical assessments, engineering services and on-site testing during the design and construction phase. We also support general contractors in planning their projects more effectively, modeling and calculating safety-critical solutions directly within the Building Information Modeling (BIM) methodology.

Organizational anchoring

Improving both the environmental footprint and safety of a building is a task for our business units. We follow a structured development process that integrates security features into our products at a very early stage. In addition to tests anchored in the guidelines, we check for a wide variety of contingencies, such as incorrect product storage and varying installation conditions. We only market a product once these risk assessments have been completed. In addition to our obligation to monitor a product after its launch, **feedback from our customers** also plays a key role in the continuous improvement of our product offering. Experts in our development teams carry out structured reviews of customer input, conducting additional tests and site visits if necessary.

To illustrate our commitment to helping our customers on their journey towards a sustainable future, we established a **Customer Sustainability Management Team** in 2021. The team's mission is to collaborate with customers, raise awareness and provide transparency on sustainability within the construction industry while helping Hilti customers achieve, among other things, low carbon footprint solutions, circularity, building safety and user health & safety. Furthermore, the team

supports the organizational transformation towards a mindset for sustainability from design to production and aftermarket service processes.

Sustainability Management: p. 4

Management systems and policies

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

2022 implementation examples

Explore how we help our customers to reach their sustainability goals in our 2022 Company Report

- **Designing for sustainability – Merck partnership:** In 2022, we partnered with **Merck**, a European pharmaceutical company, on its efforts to decarbonize their research laboratories. Sustainability starts by thinking and designing for it. Therefore, our design services focus on optimizing overengineered solutions to make them simpler and more flexible without compromising the high performance our customers demand. Together with Merck, we optimized the design of their research laboratories

to successfully reduce the material needed, such as steel channels and anchors, by 50 percent. We also managed to reduce labor and engineering efforts by 75 percent and 30 percent, respectively. Our optimized design solution also allows for less energy consumption in installation processes and less unnecessary construction waste due to imprecise adjustments. As a result, our customer was able to reduce emissions by 25 percent and its costs by 35 percent.

- **Doing more with less – Schindler partnership:** Wherever possible, we encourage our customers to choose solutions providing the same level of safety but having less impact on the environment. With Schindler Germany, we shifted the application from anchor channels to mechanical anchors, which required less steel while still ensuring the highest level of building safety. By doing so, we also managed to reduce the overall CO₂ emissions linked to the application by 490 tons, a 70 percent reduction compared to the original application. We also support our customers in reducing the shipping waste linked to our products, which is why we delivered our solutions to Schindler Germany's warehouse in bulk packaging.
- **Increased data transparency with customers – Eiffage:** We work closely with our customers to prioritize the calculation of products' CO₂ data and find the most effective methodology to share it. This year, we kicked off a project with construction player Eiffage in France to understand the sustainability-related data requirements for the industry and how to enable standardization of calculating that embodied carbon of a building. Together with our partners, we aim to bring transparency along our entire value chain and share our learnings.



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- Updated **Environmental Product Declarations (EPDs)** and **Cradle2Cradle certificates** for installation and fastening systems:
We are continuously working on providing more transparency about our products. We have updated our online library, which shows the necessary sustainability documents for our customers, along with updated product pages that show Total Product Carbon Footprint and Recycled content. Our customers can find documents such as Volatile Organic Compounds (VOC), Environmental Product Declaration (EPD), Health Product Declaration (HPD) and Cradle2Cradle Material Health (C2C) online. Our business units continue to invest in their portfolio products to ensure that they have most required sustainability documents, such as EPDs and Cradle2Cradle certifications.

Responsible handling of hazardous substances

Health and safety play a central role in our business. Accordingly, we strive to better protect users of our products, building occupants and our employees from hazardous substances that may be present in some of our products. Part of our sustainability strategy is thus based on intensifying our efforts to avoid using hazardous substances, both to minimize their environmental impact and to lessen any possible adverse health effects. We want to reduce their share in our products across our entire portfolio, for example, in chemical anchors, fire protection products and tools, as much as is technically possible. Our commitment to high performance and quality remains our top priority.

We act in accordance with the safety, product and substance compliance regulations that apply in our markets, including the EU Regulation on Registration, Evaluation, Authorization and Restriction of Chemicals and the EU Directive on Restriction of Hazardous Substances. We monitor regulatory developments and adapt to new or revised regulations at an early stage. We already go beyond the legal requirements regarding the use of hazardous substances in many of our products and we also require all our suppliers to disclose their handling of hazardous substances and to comply with our standards. Every supplier must complete a chemical checklist, which includes questions on key product and substance compliance regulations. In addition, our Fastening & Protection Business Area requests more extensive information from its suppliers when it comes to chemical products.

Our product development process focuses intensely on eliminating or finding alternatives for hazardous substances. At an early stage in the process, we systematically examine alternatives for such substances and their suitability in the product. We place emphasis on preformed products in fire protection, for example, reducing the risk that a user may come into contact with reactive chemicals.

In 2022, we took another step forward to reduce the amount of **cobalt in our diamond inserts** portfolio by switching from materials containing cobalt to alternative, less hazardous materials. Our aim remains to remove cobalt entirely from our top line of diamond inserts by 2030. Also, to reduce the amount of lead, we switched to alternative, **lead-free steel and copper**

alloys for a number of our components. We will continue with further actions towards the reduction of the amount of lead in Hilti components.

Furthermore, we are introducing additional **preformed fire protection solutions**. This is the latest addition to our range of preformed joint solutions, complementing options for interior finishing contractors, covering both the top and bottom of walls in flat and metal deck construction. This approach allows for the further reduction in the amount of chemicals used in wet application processes, increasing productivity and safety on the jobsite and allowing for an easy installation system. Even where certain fire protection applications cannot be replaced with preformed solutions, such as our range of cable coating products, our ethos of protecting environmental and human health from hazardous substances continues. We continue to work on replacing hazardous substances contained in our **cable coating materials** and, in doing so, we not only progress toward safer products, but also eliminate the need for Dangerous Goods labelling and the costly, special handling, usage and transportation that were previously required.

To reduce hazardous substances in our **chemical mortars**, we continuously work to identify and qualify less harmful alternatives and recently revised the composition of two of our HIT-HY products. Moreover, we reached a major milestone in 2022 by introducing our first inorganic chemical mortar: FP 700 R. This new technology has the same fire rating as concrete and is an example of our efforts to provide additional safer and more sustainable solutions to our customers.

Care and Perform



OUR CULTURE OF ENGAGEMENT

Management approach

The foundation of our business success is our people-oriented corporate culture. Our shared values of **commitment, courage, teamwork and integrity** form the basis for our **caring and performance-oriented environment** which, in turn, paves the way for the success of our worldwide team. All our activities are aimed at engaging our team members, making **employee engagement** a keystone of our people strategy. Engagement allows us to find greater meaning in our work and to experience professional growth while creating an impact and developing deeper connections. A focus on **diversity, equity and inclusion** helps us to leverage the potential of our growing global team. These overarching ambitions are supported by continuous **learning and development** and ensuring the **well-being** of all Hilti

team members. The company's corresponding people approach, "MOMENT," is based on four principles that help us put our strategy into practice: focusing on strengths, having frequent conversations, people taking ownership for their development, and taking action now.

Organizational anchoring

The strategic Group-wide people approach is developed by Global Human Resources, which reports to the Executive Board. Our centers of excellence address talent acquisition and management, diversity, equity 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.

At a Glance

- Employee engagement score increased by 2 percentage points to 77 percent
- Achieved best-ever result by ranking #8 among the "World's best Workplaces™"
- Won prestigious Brandon Hall Award for "Leading Engagement" learning experience

Management systems and policies

Fair labor relations, respect for human rights, freedom of association and equal opportunities form the core labor standards of the **International Labor Organization (ILO)**. Our own ambitions exceed these by far. Our **Code of Conduct** and our **Anti-discrimination Policy** are among our key internal regulations. Our Anti-discrimination and Anti-harassment Policies include information about how one should intervene when team members observe any type of situation involving discrimination or harassment. We regularly monitor our processes and guideline compliance through internal audits and 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. This ISO standard was successfully recertified by the Swiss Association



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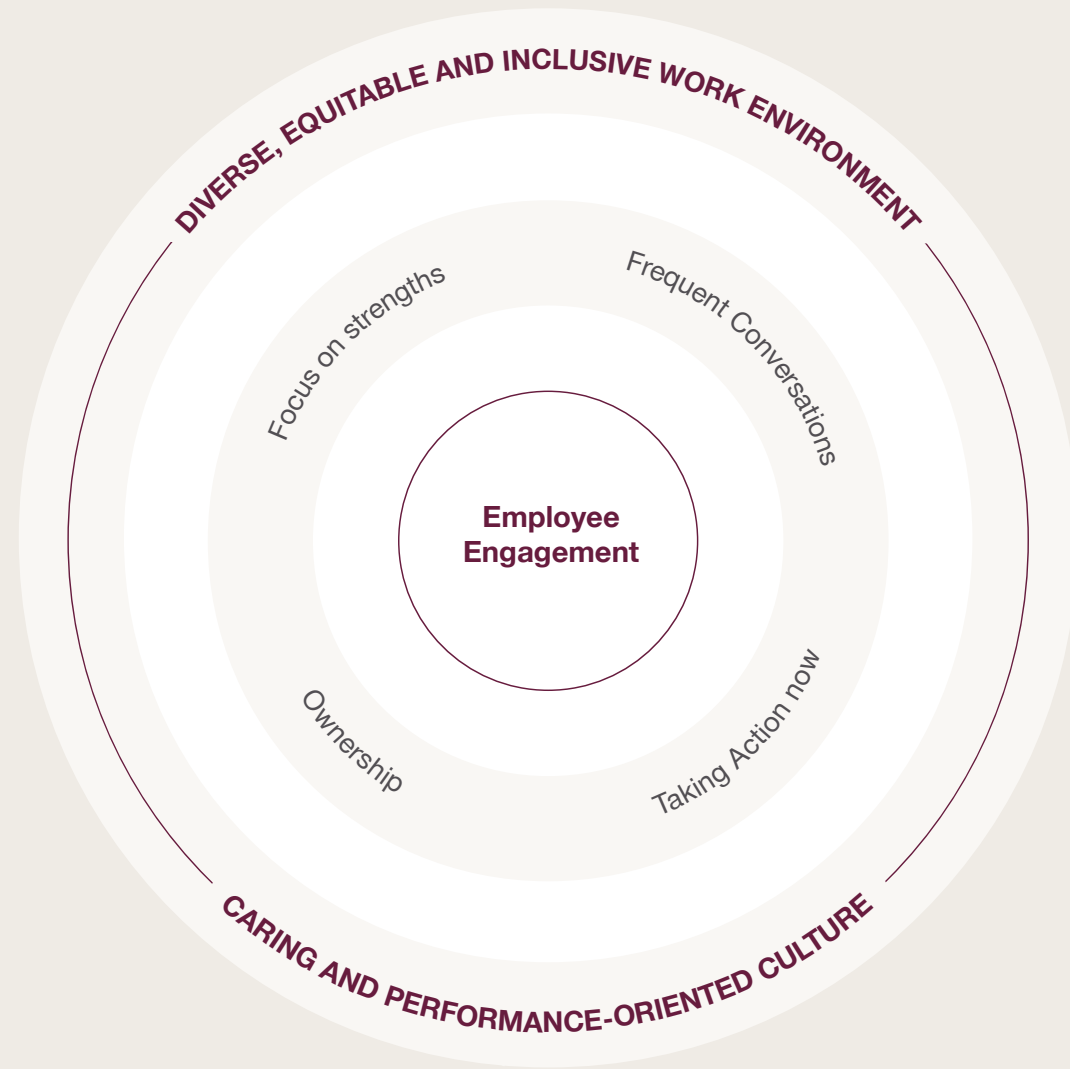
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Our People Approach



for Quality and Management Systems (SQS) this year. 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.

[Business Ethics: p. 54](#)

2022 implementation examples

Employee Engagement

Employee engagement is at the heart of our people strategy. We seek feedback from our team members regarding engagement and benchmark ourselves against other leading companies. To improve, we regularly collect and implement ideas received from our team members. Our annual **Global Employee Opinion Survey (GEOS)** provides us with valuable information in the areas of engagement, leadership, team, organization, strategy, development and inclusion, to name a few. We aim to be in the top quartile of all companies in the comprehensive database of our external provider with respect to the GEOS **Employee Engagement Score**.

- In 2022, 91 percent of our team members participated in the GEOS survey and submitted almost 20,500 comments while employee engagement increased from **75 to 77 percent**, our best result so far. Hence, we were able to narrow the gap to the top quartile from 2 to 1 percentage points. The feedback has improved across nearly all dimensions, with the biggest improvements in celebrating success, career opportunities for high performing team members and feeling supported to engage in social initiatives. 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 tell us and then defining action plans to address the feedback.



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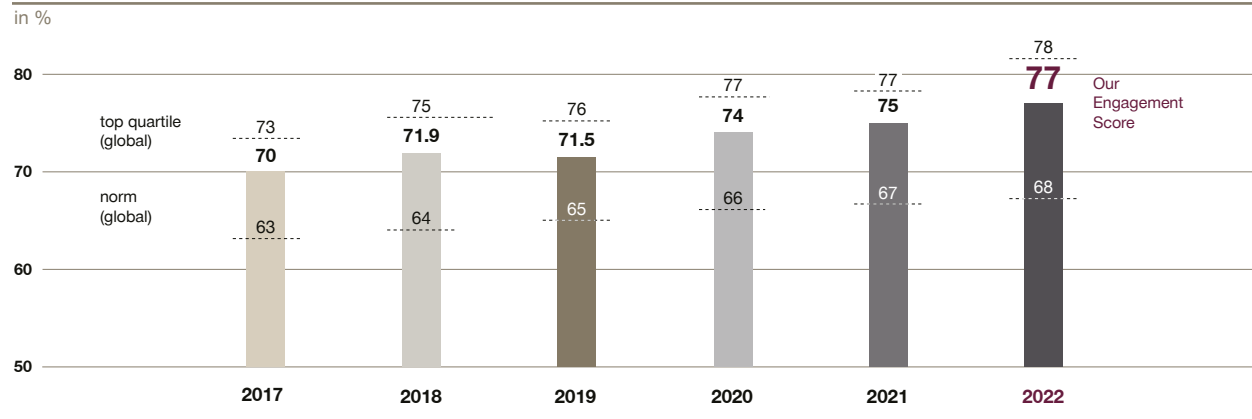
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GEOS Employee Engagement Score



- We participate in the **Great Place to Work® Institute's** assessment in multiple countries around the world. The final score to rank a company is largely based on feedback received directly from team members. In 2022, we ranked 8th among the "World's Best Workplaces™" and 4th on Great Place to Work's Best Workplaces in Europe™'s list. We were also recognized as one of the best employers in several countries.

Diversity, Equity & Inclusion (DE&I)

We strongly believe that a **diverse, equitable and inclusive** work environment is critical for our team members' engagement and business success. At Hilti, we are proud of our caring culture and strong values. As an employer of a highly competent, motivated and international team, we continuously focus on diversity, equity and inclusion to facilitate our team members' personal and professional growth. We welcome diversity by seeking and welcoming people with various identities and experiences, reflecting the customers we serve and the communities we live in.

We foster inclusion as an enabler of diversity – the bridge that allows our diverse teams to connect, collaborate, and outperform. It is our ambition to be a great employer, equitable and inclusive.

- We monitor our inclusion progress via our yearly employee engagement survey. In the reporting year, we remain in the top quartile with an **inclusion index** of 78 percent.
- We aim to increase the diversity within our workforce and have deliberately set growth targets instead of rigid quotas. In 2022, for example, the **proportion of women** in the workforce increased from 26.6 percent to 27.7 percent. In our leadership positions, the increase was from 23.7 percent to 25.1 percent. This meets our ambition of growing by about 1 to 2 percentage points per year.
- We care about creating a diverse and inclusive workplace that welcomes, includes and inspires everyone, irrespective of gender, background, heritage, identity, orientation or disability. Having better female

representation in our workforce across all levels is one of our top DE&I priorities. We made headway in 2022 in terms of creating gender balance in the workplace. Our market organization in the **USA** partnered with Linkage Inc. to launch a research-based program that helps women gain more skills, confidence and recognition in the workplace, the "**Hilti Advancing Women Leaders Academy Experience**". 19 women were selected to participate in the pilot year of the program. In the **Central Europe region**, the team organized several activities aimed at attracting and retaining women in the organization. This included regional female networks for female team leaders and team members to discuss focus topics in local meetings, regular breakfast events for female leaders with top management, online coaching and career events to attract women into the organization.

- We want 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. In 2021, we conducted a global **equal pay** analysis for more than half of our workforce. This will be repeated every two years. The results showed we are delivering equal pay for equal work to 98 percent of the reviewed team members.

Learning & 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 65,000 views per week, is largely written by more than 1450 team

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members across all functions. More than 1300 team members act as community managers to engage with learners and ensure the transfer of knowledge.

- We used our **innovative learning approach** to prepare our sales force for the launch of Nuron, a new cordless platform that radically simplifies work on construction sites, enhances tool park management, drives performance to much higher levels and improves operator health protection.
- By supporting our team members in their development, we live up to our ambition to **promote more than 80 percent of our team leaders from within**. This was clearly demonstrated again in 2022 when major leadership changes within the Board of Directors, the Executive Board and Executive Management were completed with internal candidates. Over decades, the Hilti Group's success is strongly connected to our long-term stability in key leadership roles and succession planning.
- During the reporting year, we developed a **sustainability learning platform** for all Hilti team members. This platform aims to actively engage all team members on the sustainability journey and provide them with the knowledge required to respond to any questions customers may have on the subject.
- Our global L&D team developed an engaging learning experience for our sales leaders called "Leading Engagement". This gamification approach simplifies understanding of the Sales Management Process and

fosters entrepreneurial thinking, peer-to-peer sharing and self-reflection. In 2022 Hilti won **prestigious Brandon Hall Awards**: gold in the category Best Sales Leadership Development Program, and silver in the category Best Use of Games or Simulations for Learning.

- In 2022 we introduced **WIN** – a formal learning journey for all market reach team members that replaced our Basic Training Seminar. The new program is designed to support new team members throughout their first year, creating deeper bonds to Hilti, each other and customers. The WIN model focuses on prioritizing bonding our people to Hilti, helping them to become engaged, confident and customer-focused account managers.
- We have provided **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 world. In 2022, two Hilti Group apprentices won first prize in the 2021/2022 Liechtenstein Energy and Climate Workshop educational project. This competition focuses on developing or optimizing a product or process that is intended to drive CO₂ reduction while encouraging employees to include measures against climate change in their everyday lives. The winning team of apprentices came up with the idea to install an additional button to control toilet flushing, which could save more than 300,000 liters of potable water per year.

Well-being

We understand our team members' well-being, that is the combination of their **physical, mental, social and financial health**, as vital to delivering outperformance. In 2022, the changes brought by COVID-19 spanned most parts of the world and focused our programs on the working environment.

- To improve and promote well-being, we carried out a **survey on health management** at headquarters during the reporting year. The survey asked team members about their mental stress levels and was designed to identify work-related mental stress triggers. The data from the survey allowed for the development of preventive measures and would also serve to identify stress at an early stage. Almost 900 team members took part in the survey, with many of them also providing feedback. This resulted in the introduction of new initiatives. As mental health has become one of the most common causes of work-related absences, we also want to cover this aspect of health management in our program. Together with our provider, we offer confidential, 1:1 online counseling sessions for our headquarters-based team members, and their family members, in more than 20 languages.



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- After the **invasion of Ukraine by Russian forces** in February 2022, we launched a series of initiatives to help our team members and the Ukrainian people. Our market organizations in Poland, Slovakia, Czech Republic, Hungary, Romania, Turkey and Austria supported the evacuation of Ukrainian colleagues by arranging for transportation, accommodation and food. Hilti team members opened their homes to host evacuated colleagues and families. Hilti Ukraine provided advance payment of salaries to all team members in February and March. A significant portion of the **Hilti Solidarity Fund** has been used both for emergency support of our team members in Hilti Ukraine in May 2022 and as continuous financial housing aid to all our people and their families who were displaced within or outside of Ukraine. Additional financial support and a mental health support program were also launched.

 2021 Sustainability Report, p. 38

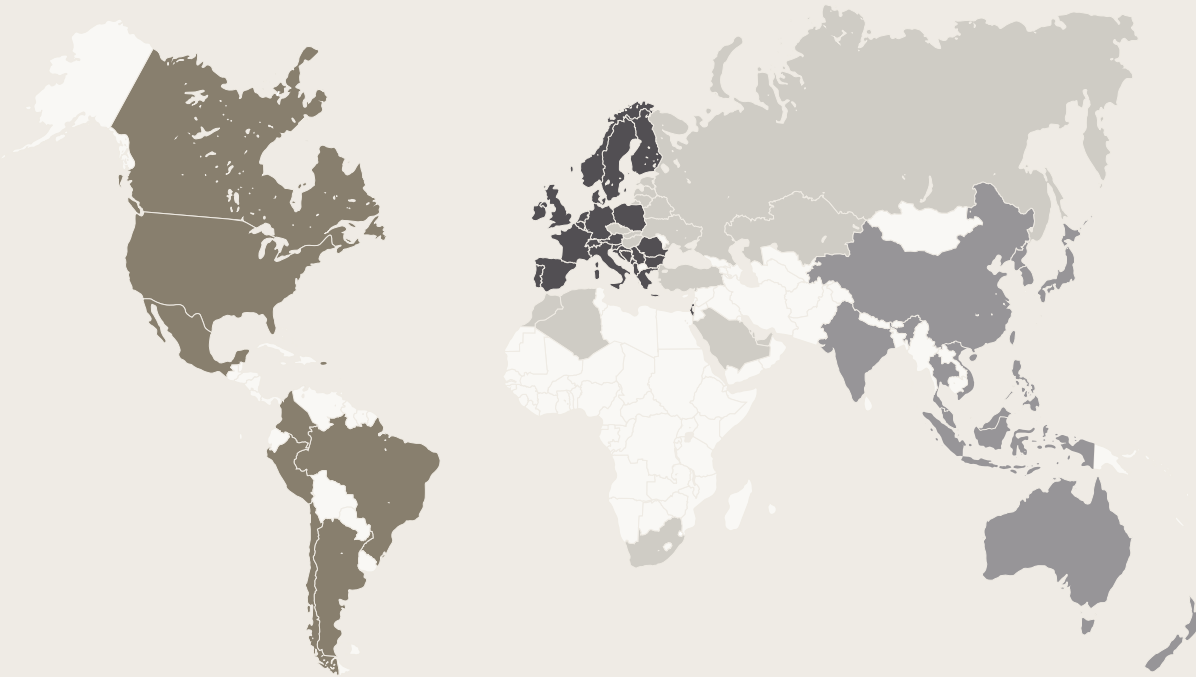
- During **Mental well-being week** in May 2022, we organized a series of events around the world, such as mindfulness sessions, “lunch and learn” sessions and on-site counseling in the U.S., sessions on stress management in Italy, mental health talks

at headquarters in Schaan and coffee mornings in our Great Britain market organization. This marked the first time a majority of the events were made available to our team members globally. We continue providing one-day “Care and Perform” session around resilience and mindfulness to our team members around the world.

- At Hilti, we believe in teamwork and collaboration. Working together in a physical setting is considered an anchor of our caring and performance-oriented culture. At the same time, we recognize that team members want more flexibility to work remotely. Lessons from the pandemic have proven the opportunities flexibility can bring to our company. With our strong company culture as the foundation, we sustain our team members’ engagement and continue to connect and collaborate even when not together physically. In 2022, several Hilti organizations started measures designed to facilitate the **future of work**. For example, in several of our market organizations around the world, team members now have the opportunity to work at least half of their weekly working hours from home, provided their tasks allow for this.

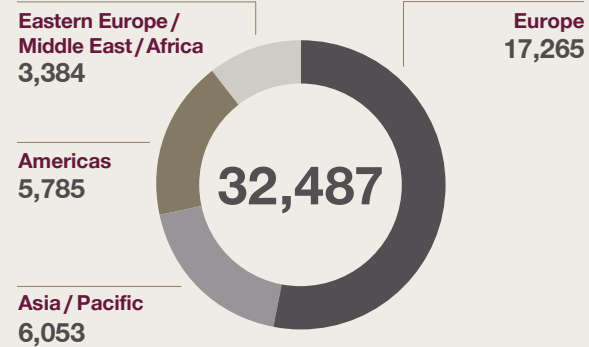
- **Healthy employee nutrition** reflects the local implementation of our sustainability initiatives. For example, our new staff restaurant at corporate headquarters features a permanent vegan buffet. To ensure maximum use and sourcing of seasonal and local products, we work with various local suppliers, such as the Heilpädagogisches Zentrum in Mauren, Liechtenstein. To help combat food waste, we have created an offering of dishes made from ingredients which have an extended shelf life. The remaining organic waste is used in the production of biogas. Hilti’s “Rote Haube” personnel restaurant in Schaan is certified according to ISO22.

Our Global Team in 2022



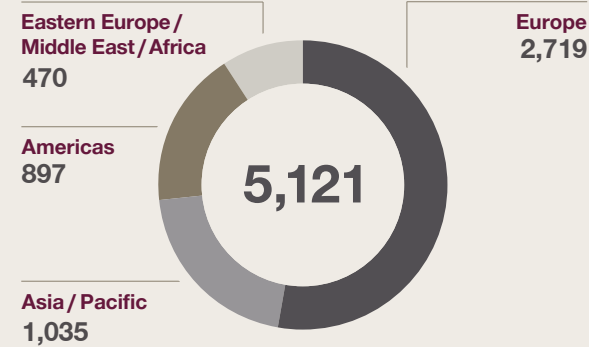
Total employees by region 2022

Number



New employees by region 2022

Number



Employees by gender and management level

	2020	2021	2022	Change (% vs. 2021)
Executive Board	6	6	6	0%
Female	0	0	0	-
Male	6	6	6	0%
1st management level	177	179	177	-1%
Female	28	30	26	-13%
Male	149	149	151	1%
2nd management level	5,243	5,775	6,373	10%
Female	1,133	1,380	1,621	17%
Male	4,100	4,395	4,751	8%
Non-binary	0	0	1	-
Team members	24,120	25,155	25,931	3%
Female	6,417	6,873	7,346	7%
Male	17,702	18,277	18,582	2%
Non-binary	1	5	3	-40%
Total employees by gender and management level	29,546	31,115	32,487	4.4%



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Employee by age and management level

	2020	2021	2022	Change (% vs. 2021)
Executive Board	7	6	6	0.0%
25 and under	0	0	0	-
26-35	0	0	0	-
36-45	1	1	1	0.0%
46-54	4	4	3	-25.0%
55 and above	2	1	2	100.0%
1st management level	177	179	177	-1.1%
25 and under	0	0	0	-
26-35	7	4	4	0.0%
36-45	76	80	68	-15.0%
46-54	72	70	78	11.4%
55 and above	22	25	27	8.0%
2nd management level	5,243	5,775	6,373	10.4%
25 and under	13	14	11	-21.4%
26-35	1,594	1,824	1,973	8.2%
36-45	2,227	2,387	2,673	12.0%
46-54	958	1,041	1,163	11.7%
55 and above	451	509	553	8.6%
Team members	24,120	25,155	25,931	3.1%
25 and under	2,137	2,039	2,408	18.1%
26-35	10,637	10,790	11,033	2.3%
36-45	6,119	6,568	6,762	3.0%
46-54	3,257	3,377	3,473	2.8%
55 and above	1,970	2,111	2,255	6.8%
Total employee by age and management level	29,546	31,115	32,487	4.4%

Total full-time

	2020	2021	2022	Change (% vs. 2021)
of which permanent	27,198	28,306	29,313	3.6%
Female	6,471	7,013	7,539	7.5%
Male	20,726	21,288	21,770	2.3%
Non-binary	1	5	4	-20.0%
of which temporary	1,169	1,573	1,848	17.5%
Female	361	504	643	27.6%
Male	808	1,069	1,205	12.7%
Non-binary	0	0	0	-
Total full-time	28,367	29,879	31,161	4.4%

Total part-time

	2020	2021	2022	Change (% vs. 2021)
of which permanent	1,099	1,090	1,177	8.0%
Female	704	689	749	8.7%
Male	395	401	428	6.7%
Non-binary	0	0	0	-
of which temporary	80	146	149	2.1%
Female	42	77	62	-19.5%
Male	38	69	87	26.1%
Non-binary	0	0	0	-
Total part-time	1,179	1,236	1,326	7.3%

Total employee retention rate in %

	2020	2021	2022	Change (% vs. 2021)
Female	93.3	90.1	90.3	0.2%
Male	93.7	90.4	91.1	0.8%
Non-binary		100	100	0.0%
Total employee retention rate in %	93.6	90.3	90.9	0.7%

Number of employees with

	2020	2021	2022	Change (% vs. 2021)
Total target agreements	-	23,687	25,145	6.2%
Female	-	6,095	6,686	9.7%
Male	-	17,589	18,454	4.9%
Non-binary	-	3	1	-66.7%
Total documented development discussions	22,824	22,314	21,335	-4.4%
Female	5,629	5,674	5,684	0.2%
Male	17,194	16,639	15,648	-6.0%
Non-binary	1	1	3	200.0%
Total number of employees	29,546	31,115	32,487	4.4%

Number of apprentices

	2020	2021	2022	Change (% vs. 2021)
Total	359	383	401	4.7%
Female	97	110	104	-5.5%
Male	262	273	297	8.8%
New in respective year	111	145	128	-11.7%
Female	32	53	35	-34.0%
Male	79	92	93	1.1%
Total number of apprentices	359	383	401	4.7%

The Team Counts



EMPLOYEE HEALTH AND SAFETY

The foundation of our successful existence as a company is the health, job satisfaction and performance of a highly motivated team. We want to provide our approx. 32,000 employees worldwide with the safest possible working conditions in all areas of activity. We focus not only on the risk of injury to our employees, but also on their long-term health, counteracting the various stresses of everyday working life.

➤ Our Culture of Engagement: p. 42

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 should immediately distance themselves from these situations. We expressly accept interruptions to our work processes in this context.

If a dangerous situation or an accident occurs despite all precautionary measures, a defined accident reporting process is in place and a structured investigation is carried out to determine which factors led to the accident and which immediate measures and longer-term improvement potentials are necessary. This is part of our occupational safety management system. There are daily exchanges between local Health & Safety (H&S) experts and employees across all hierarchy levels in our production and operations-related facilities. Across

At a Glance

- Employee Health & Safety Policy revised
- Safety leadership training and safety engagement workshops rolled out
- Safety routines implemented in repair operations
- Lost Time Incident Rate improved by 17 percent

the company, we strive to make occupational safety a permanent agenda item – we do this with a safety contact concept. We are on track with the structured rollout of our Safety Mindset roadmap embedded in a Health and Safety management system.

We are aware that safety levels in all areas cannot be increased by rules and training alone. Instead, we ask all employees to take our safety mindset to heart and to think and act in a safety-conscious manner – according to the common understanding that “safety is caring.” 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 their team members a better way to handle safety issues.



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Our goal is to become an industry leader in employee health and safety.

Organizational anchoring

We steer our activities through safety steering committees with leadership members acting as safety ambassadors. While the safety steering meetings take place on a quarterly basis, the committees meet every month. The **Global H&S Process Manager** coordinates the overarching interplay between the different steering committees.

On top of their responsibility to meet local legal requirements for workplace health and safety, the main task of local H&S teams is to prevent occupational accidents and work-related illnesses. The teams ensure that our internal policies, standards and guidelines, that go far beyond legal requirements, are implemented. As in other areas, we work with a community approach to connect colleagues globally and steer a knowledge exchange.

➤ Sustainability Management: p. 4

Management systems and policies

The six occupational health and safety principles in our revised **Health & Safety Policy** apply to the Hilti Group worldwide. The policy discusses the Hilti Code of Conduct section regarding health and safety and reflects on the **Occupational Health and Safety Management Systems (OHSMS)** we use to steer our organizations worldwide. Different OHSMS 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.

We work with industry leading providers to gain a comprehensive picture of the applicable legal requirements and then provide them in an IT-based management system to our local organizations. The management system is used centrally to list tasks and assign and delegate responsibilities to local colleagues. To ensure that the standards are implemented in compliance with applicable laws, regulations and licenses, internal and external occupational safety specialists conduct on-site visits and safety inspections at our plants, repair centers and in logistics operations. They exchange information and experiences in regular H&S online groups to promote learning from others and the sharing of best practices.

2022 implementation examples

Three dimensions are decisive for anchoring the **“Safety is Caring”** mentality as an integrated part of our caring and performing culture within the Group: The responsibility of our team leaders (leadership), the processes and habits of daily work (behavior) and the transfer of knowledge and creation of risk awareness (engagement). The result aims at fewer occupational accidents and, with that, continuing our journey towards an accident- and injury-free workplace.

• Safety mindset road map in implementation phase

In 2022, we implemented and operationalized our safety mindset road maps, which we developed with an external consultant and executive management team members in 2021. The implementation phase, which was successfully initiated this year, consists of the implementation and follow-up of activities, progress reporting, coaching sessions and local support from the global team to ensure continuity and consistency across the company. For operationalization, we set up different workstreams, defined core topics and developed actions. One example of a defined core topic is the ENGAGE workshop (**e**valuate, **n**ame, **g**ather, **a**ssess, **g**enerate, **e**xecute), which focuses on the development and improvement of the safety culture at Hilti. We conducted the first pilot workshops in the reporting year and developed corresponding standards and guidelines. The workshop will be conducted in local languages throughout the whole organization. The goal of the workshop is to anchor the safety commitment in the minds and hearts of all Hilti colleagues, to sensitize them towards occupational safety and to work out an action plan at the end of each workshop.



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Building a strong safety mentality begins with reflection



• Revision of Health & Safety Policy:

In the reporting year, we updated and improved our internal Health and Safety Policy, which applies to all Group operations. The policy provides guidance on how Hilti entities, depending on their operations, will be able to offer harm-free working conditions to all their employees and continuously improve in this area. Our internal health and safety policy applies to all employees, including directors, officers and managers, interns and temporary workers, as well as to operations by third parties in our facilities. The policy includes six basic occupational health and safety rules and demands consistent management attention.

• Further rollout of reporting tool:

In the reporting year, we enhanced our accident reporting tool. Newly created reporting dashboards provide an in-time automated calculation of the lost time incident rate (LTIR) per entity, as well as an overview of the changes in the number and type of accidents and a comparison versus the previous year. All leaders can use the tool to understand details from each incident for coaching and performance reviews. The integration of additional data and figures, such as working hours per functional area and the additional layer of details per functional area, enables us to better track and monitor data, helping us to understand if measures are successful or whether action needs to be taken.

• Development of leading key performance indicators (KPIs):

Besides lagging indicators like LTIR and number of accidents, we also focus on leading indicators that show the progress made in establishing a safety mindset. In the reporting year, we began developing and defining leading indicators for each of the workstreams in the respective Hilti organizations. One example is our tool service center (TSC) in Paris, France, which is already very advanced in this regard and actively records dangerous situations and any subsequently targeted measures. In 2022, we saw a significant change at TSC Paris. It was obvious that the safety levels had increased and accidents decreased, which clearly speaks to the effectiveness of the indicators that were introduced.

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• **Anchoring of safety roles and responsibilities**

In the reporting year, we established several new H&S standards, including uniform guidance on H&S roles and responsibilities, and continued with their rollout. For example, in our repair center operations, we made the “Service Area Head” position responsible for the implementation of the safety mindset, in line with decisions by the central H&S steering committee, and for achieving all leading H&S KPIs within the region. We also anchored the learning from incidents and safety observations as standard items in leadership meetings. In leadership meetings in our repair operations, regional managers must explain the root cause of every LTIR-relevant accident, so that concrete measures can be taken to avoid them going forward, and that the experiences are shared within the community.

• **Implementation of safety routines**

In 2022, we defined specific initiatives and routines based on safety standards and successfully implemented some of them. For example, regular integrated safety walks in our repair operations show leadership commitment while also helping to identify unsafe situations. Another example of a safety routine is the introduction of a “safety contact” at the start of each shop floor meeting, where a person shares the details of a recent safety incident. This keeps safety as a topic in the conversation, creates awareness and encourages everyone to share and learn.

Measuring our safety progress

Our main indicator for measuring our safety performance is the LTIR, measured in the number of accidents that result in more than one day of absence from work per one million working hours. In the reporting year, we further increased the transparency in our data as described above. In 2022, the overall health and safety performance at Hilti improved. The total number of accidents decreased from 261 in 2021 to 227 in 2022. The LTIR came down by 17 percent to 3.9. In 2022,

13 accidents with severe consequences occurred. The main types of work-related injuries and hazards in 2022 were cuts, especially to hands and fingers – we are working hard to reduce these further.

Structured reporting is an integral part of measuring safety progress. For the reporting of work-related hazards and hazardous situations, we have a process with clear steps and responsibilities in place. Incidents or observations must be reported immediately through our online reporting tool by the incident observer or the employee involved.

Employee¹ accidents during work

	2020	2021	2022	Change (% vs. 2021)
Total²	348	261	227	-13%
of which with severe consequences ³	35	11	13	18%
of which fatal ⁴	0	0	0	-
Lost time incident rate² (based on 1,000,000 hours worked)	7.5	4.7	3.9	-17%
Accident rate with severe consequences (based on 1,000,000 hours worked)	0.8	0.2	0.2	-
Fatality rate (based on 1,000,000 hours worked)	0.0	0.0	0.0	-

¹ Internal employees incl. contingent workers (2021, 2022) / excl. contingent workers (2020)

² Employees absent from work for at least one day

³ Accidents with subsequent work loss > 60 days

⁴ Fatal traffic accidents

For Our Society



Anti-corruption campaign rolled out and anti-corruption screening conducted

> 8500

days spent within our corporate volunteering program Engaged Beyond Business

CHF 47.1 million

used to continue the impactful work of the Hilti Foundation



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Create Trust



BUSINESS ETHICS

Our approach to business ethics is driven by integrity, a core company value of our caring and performance-driven culture. 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 is in direct contact with 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.

Information on our Corporate Governance can be found in our 2022 Financial Report.

 Financial Report: p. 81

At a Glance

- Second part of Code of Conduct training rolled out
- Anti-corruption campaign rolled out and anti-corruption screening conducted
- "Rating of Legality" awarded to Hilti Italy

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. It also encompasses our health, safety and environment topics related to ISO 14001 and 45001. The CMS applies to all Group companies addressing all formal compliance objectives as well as the resolutions of both the Board of Directors and the Executive Board. It includes policies, 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](#). The latter is a mandatory part of all direct

supplier contracts and indirect supplier relationships based on a risk matrix. During the reporting year, the second part of the mandatory training on the content of the Code of Conduct was rolled out globally (see 2022 implementation examples).

[Supplier Sustainability: p. 30](#)

We carry out comprehensive **due diligence** in the form of background checks and screening of third parties. We screen our direct suppliers with the support of three different IT-supported mechanisms. These screenings include topics such as ethical behavior, health and safety management and compliance with human rights. The related supplier self-assessment 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 to our longstanding approach of supplier screening to exclude, for example, sanctioned parties, smelters that are not whitelisted and suppliers with human rights violations. A similar screening process is applied to our customers 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, particularly 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. Regarding our own employees, our human resources department carries out personal background checks, in countries which have a high risk exposure, when hiring an external candidate for critical management positions.

[Supplier Sustainability: p. 30](#)

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 that are relevant for them. Beside the online component, our on-site training and case studies are an essential part of our compliance training strategy. The training courses provide a general introduction to compliance issues and more in-depth handling of individual aspects. A monthly topic-specific communication by the compliance department in our internal communication platforms, with concise, easy-to-remember content, intends to increase awareness of current and relevant compliance topics. It also serves as a reminder for completed or optional e-learning courses. Furthermore, all new general managers of our local organizations are trained in compliance issues in their area of responsibility as part of their comprehensive training 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 required by local regulations. In 2022, we conducted a global conflict-of-interest survey campaign according to our policy routine. Group-wide participation was at almost 100 percent. In total, 645 disclosures were made.



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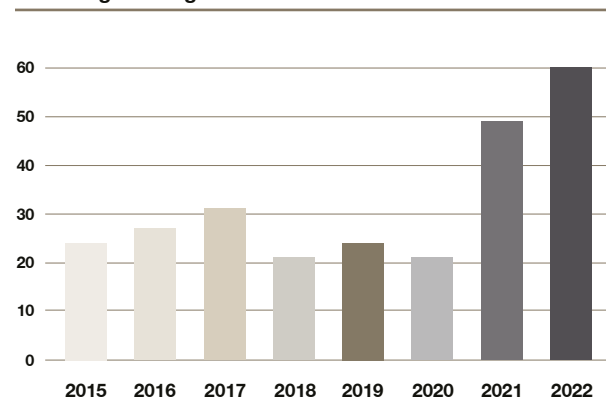
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All employees are encouraged to **prevent and report violations of legal regulations or internal guidelines**. We have numerous options and contact channels for trustworthy and anonymous reporting. Our employees can contact the local and regional compliance officers, the corporate compliance department, the CCO and the anonymous **compliance hotline, "SpeakUp"**. In the reporting year, 60 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



We have seen another year with a special effect in reporting due to the activities in one region. We also saw an increase in reports after the communication and rollout of the second learning package 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 119 cases in 2022, of which 91 are completed, 22 are still pending and six are on hold. Of those completed, 48 led to disciplinary measures while 43 have been closed without findings. Compared to 2015, the case ratio per employee has doubled. More than 70 percent of our case reviews are related to minor intercompany matters.

Regulatory compliance is critical to managing risk

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 (PRC) function, reporting to the CCO, acts independently of the business units and supports and monitors the fulfillment of product regulatory requirements across the various areas of the company. In this role, the Compliance Officer also provides legal databases, in addition to those of the technical departments, to ensure timely access to information on regulatory developments. In 2022, we aligned and documented all our PRC processes in a new process management tool.

In the reporting year, we achieved another milestone of our **data protection** program: We received approval of our Binding Corporate Rules by the Liechtenstein Data Protection Authority in accordance with the European Data Protection Board's opinion, after the involvement of all competent EU supervisory authorities. All our Hilti Group enterprises are committed to the general data protection principles and enforceable data subject

rights to ensure appropriate safeguards for the transfer of personal data outside the EU within the Group. Employees receive data protection-related training focusing on their work profile and country-specific work location (e.g., training in South Africa on the Protection of Personal Information Act).

Cybersecurity is supported by various technical and organizational measures. A completely overhauled cybersecurity policy, based on the latest ISO 27000 standard, has been approved by our Executive Board, including a comprehensive management system, appropriate applicable controls and an industry-standard end user computing policy. In 2022, Hilti obtained an ISAE3000 attestation for selected Group-wide IT systems which store or process customer data. Beyond this, significant capability improvements have been achieved in the areas of e-mail security, cloud security and identity and access management. This means that more than 60,000 internal accounts are now protected by multi-factor authentication and leveraging the latest technologies, such as passwordless authentication. Our Security Operations Center increased their detection use cases by over 40 percent, ensuring transparency across the company against attacks. Moreover, to further strengthen cybersecurity awareness globally within the company, all team members must pass mandatory cybersecurity training when starting a position at Hilti. This training is repeated at least every two years. This is further supported by ongoing awareness raising and phishing campaigns. In 2022, Hilti was not confronted with any major cybersecurity incident. The impact of continuing the active management of our external attack surface is also reflected in our external ratings. In November 2022, we received a BitSight rating of 750, which places Hilti in the advanced sector.



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Human rights due diligence

As a globally active company with complex value chains, Hilti is exposed to human rights-related impacts. We strive to avoid adverse human rights impacts throughout our business operations and in the communities in which we engage. 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** 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. 42

During the reporting year, we set up an internal dashboard, creating transparency within our direct supplier network, on the suppliers and their sustainability performance. This allows us to ensure that our business partners respect human rights, which we screen with the support of different IT tools and the stipulations of our Supplier Code of Conduct. We closely monitor supply chain acts around the globe, such as the German Due Diligence in the Supply Chain Act and the Norwegian Supply Chain Transparency Act, preparing for the EU Supply Chain Directive. Moreover, we publish our statement of compliance with modern slavery reporting requirements in Hong Kong, Australia, the United Kingdom and California.

➤ Supplier Sustainability: p. 30

2022 implementation examples

- **Second part of Code of Conduct (CoC) training rolled out**

After the successful rollout of the first part of our Code of Conduct training, we rolled out the second interactive training part for our revised CoC in the reporting year. The training is available in 29 languages and includes sections on harassment & discrimination, diversity & inclusion, protecting passion and resources, export compliance, anti-money laundering and our compliance hotline "SpeakUp". 87 percent of our employees have completed the company-wide Code of Conduct eLearning.

- **Rollout of Anti-corruption Campaign**

During the reporting year, a new anti-corruption policy was approved by the Executive Board and rolled out in 29 languages. The policy includes the specific rules and corresponding training courses for the U.S., United Kingdom, Brazil and France. In the reporting year, we conducted an anti-corruption screening with external consultants across all our available business data. Our statutory auditor performs anti-fraud testing annually as part of the year-end audits.

Training on anti-corruption and anti-bribery measures supports our employees in detecting and reacting to situations in which our company's value of integrity is challenged. Our revised, mandatory anti-corruption training therefore includes key definitions, applicable regulations, best practices and scenarios for combating bribery and corruption. It also reflects our zero-tolerance approach towards bribery and corruption. For this purpose, the policy outlines the basic rules and standard which we have adopted regarding offering, giving or receiving anything of value (e.g., gifts, cash), hospitality and events, donations and sponsorships. In addition, it covers prohibited practices: corruption, bribery, fraud, coercion, collusion, obstruction, abusive practices, money laundering and financing of terrorism.

We used International Anti-Corruption Day, on December 9, to highlight the rights and responsibilities of everyone when it comes to tackling and preventing corruption. An internal process to register and report is in place for Hilti employees to get feedback and approval for benefits.

- **Country-specific training**

To ensure compliance with local policies and regulations, we have rolled out country-specific training in selected countries. This includes training on the U.S. Foreign Corrupt Practices Act, the UK Bribery Act, the Anticorruption Law in Spain, the Clean Company Act in Brazil and the POPIA in South Africa.



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• **Recognition of antitrust program by the Italian authorities**

In August 2022, the Italian Antitrust Authority, AGCM, awarded our organization in Italy the “Rating of Legality” with the maximum score of three stars. This public certification qualifies the excellence of organizations that have solid compliance and legal management and that actively promote the upstanding behavior of their employees. It is measured through high-level attribution criteria that emphasize attention to proper business management.

• **Association screening and training**

We aim to advance the process of standard setting within our industry, and we want to make sure that this is done with adequate safeguards, not posing any antitrust risk for our company. Therefore, we introduced training in 29 languages for our employees worldwide to provide guidance on how they can participate in legitimate trade associations or standard-setting organizations. The training is mandatory for the relevant learners and provides important information on legal and regulatory matters, provides for advocacy and lobbying on important industry issues and helps develop and drive technical standards in a compliant manner. Practical guides show how to deal with antitrust issues regarding any involvements in trade associations and standardization committees.

Training sessions completed

E-learning and workshops

	2020	2021	2022
E-learnings of antitrust law ¹	3,213	11,802	13,591
Face-to-face ² workshops on compliance, incl. antitrust law and anti-corruption	229	247	1,159
Percentage of employees trained in anti-corruption policies	–	46%	96%
Percentage of board members (EB and BoD) trained in anti-corruption policies			100%
Percentage of employees trained in business ethics topics	–	54%	77%
Cumulated number of supplier audit training participants	–	312	286

¹ 2020 includes numbers of participants in EU countries, based upon the antitrust initiative 2019, plus participants in antitrust e-learnings in non-EU countries (CN, BR, IN, JP, AU, ZA)

2021 and 2020 include numbers of participants who completed general compliance e-learnings (incl. antitrust) as well as e-learnings 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



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Management approach

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

- > 600 corporate volunteering projects supported by 9145 Hilti team members spending > 8500 days in 2022
- Digital Engaged Beyond Business Community Platform rolled out in all regions
- Hilti Foundation launched “Enterprise Scale-Up” project for microentrepreneurs
- Second edition of the “Firebird Fellowship” teacher training program, part of the Academy for Impact through Music, completed by 40 teachers from 12 international social music programs
- Started to move towards an industry approach in affordable housing for better and safer construction in informal settlements

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 47.1 million, supporting around 80 projects in the year under review. By working with Hilti, our customers also contribute to a better future: The Hilti Group donates a substantial amount of its 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 and environmental 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 or environmental initiatives beyond business. There is already substantial engagement in many Hilti organizations today and we want to pool the energy and readiness of our about 32,000 employees. We are convinced that every one of us can make a difference, according to our maxim **“Your engagement is our most powerful tool.”**



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By working with Hilti, our customers contribute to a better future: The Hilti Group donates a substantial amount of its annual profit to the Hilti Foundation.

Organizational anchoring

The Hilti Group is responsible for the Engaged Beyond Business corporate volunteering program on 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, steers local implementation of the targets and facilitates a structured experience exchange within the Engaged Beyond Business community.

The Hilti Foundation is jointly funded by the Hilti Group and the Hilti Family. The Hilti Foundation Board acts as its governing body and its members comprises of 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 drives sustainable systemic change. Therefore, defining the right tools to track and measure any social initiative is an important element.

Engaged Beyond Business¹

	2020	2021	2022
Number of employee projects	> 120	> 300	637
Number of employees participating	n/a	6,000	9,145
Number of volunteer hours registered in our system	n/a	26,000	69,000
Donations raised through our projects in CHF million	n/a	1.3	1.5

¹ More accurate numbers are displayed in 2022 due to improved data quality

Non-profit engagement of the Hilti Foundation

	2020	2021	2022
Number of projects supported	80	76	88
Monetary value of investments in support projects in CHF million	28.7	31.9	47.1

For our Engaged Beyond Business corporate volunteering program, we have set the goal of devoting an average of **one working day a year for each employee** to social or environmental engagement. Overall, this would correspond to an annual engagement of roughly 160 full-time working years.

We have developed a digital reporting tool that allows us to provide transparency and track the progress of our corporate volunteering program Engaged Beyond Business. The reporting tool is integrated in the community platform project we introduced in the previous year. In 2022, we focused on the global rollout of the community platform and the reporting tool.

In 2021, we introduced the following statement in our global employee opinion survey GEOS: "Hilti actively supports me to engage in social initiatives beyond business." In the reporting year, we increased the positive perception by 9 percentage points from 68 to 77 percent at a Group level. We see this positive improvement as an indication that we are moving in the right direction but acknowledge that there is additional room for improvement in most of our units in terms of scaling and promoting the Engaged Beyond Business program.

Our Culture of Engagement: p. 42



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 direct 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 charitable and fundraising activities. Many of our programs are run locally and focus on social commitment for causes directly 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.



A growing community

In 2022, our teams supported more than 600 projects within the Engaged Beyond Business program. 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](#)



Global rollout of digital community platform

We have launched a digital Engaged Beyond Business Community Platform which aims to provide easy access to volunteering opportunities, inspiration through global exchange on social projects, and which allows tracking and reporting of social or environmental activities. In the reporting year, we focused on the global rollout of this platform, which is now available in 19 market organizations in all regions.



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The Hilti Foundation Focus areas of the Hilti Foundation

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

Learn more about the Hilti Foundation in our 2022 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

- Based on the success of the Basic Entrepreneur Training program, the Hilti Foundation has launched the Enterprise Scale-Up project, a small user-focused MBA program for microentrepreneurs who have finished the basic program with ambitions to invest and profitably develop their enterprises. The Enterprise Scale-Up project uses training, business planning and coaching to enable small businesses in rural East Africa to grow into thriving enterprises whose net income will lift their owners above USD 8.50 a day. The project will reach 20,000 farmers by 2025, helping to build a rural middle class and create economic and social development for entire regions in Kenya and Tanzania.



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 a 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

- International concert tours are among the most valuable experiences for young musicians. The performances of the **Sinfonía por el Perú** Youth Orchestra in Salzburg, Gstaad and Lucerne, in Summer 2022, as well as the long-term exchange project between the **Iberacademy** program in Colombia and the Mozarteum Foundation Salzburg, form important bridges between the social music programs and the established music world.
- The Hilti Foundation has created the **Academy for Impact through Music** as an independent legal entity and non-profit foundation. At the forefront of innovative music education, focusing on teacher training, leadership and impact, 40 teachers from 12 international social music programs are about to complete the second edition of the Firebird Fellowship teacher training program.



Affordable Housing & Technology

Currently, an estimated 1.6 billion people worldwide live in substandard housing, a figure expected to rise to 3 billion by 2030. This has a significant impact not only on their safety and health, but on economic and social opportunities. By developing innovative technologies and sustainable building concepts, “Affordable Housing & Technology” contributes to creating safer and affordable living spaces for people in need.

Affordable Housing & Technology



- Improving low-cost construction will only be possible if all aspects are addressed: Access to finance, quality materials and innovation, as well as better regulation, a skilled workforce and awareness. That’s why, in 2021, the Hilti Foundation brought together ten of the most substantive housing organizations in Latin America to discuss and draft a comprehensive approach to how low-income families can build for themselves and improve their living standards. By connecting their programs and driving change through collaboration, the idea is to massively improve the housing stock in the pilot areas and to allow for local control when it comes to upgrading housing on a sustainable level.



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Basis of reporting

The 2022 Sustainability Report is the third sustainability report of the Hilti Group. The report also contains information provided by the Hilti Foundation. The reporting period is the 2022 financial year from January 1 to December 31, 2022. Deviating reporting periods of data or content are shown separately. The editorial deadline was March 6, 2023. We are reporting annually on our progress. The next Sustainability Report will therefore be published in 2024.

The report is based on the internationally recognized reporting framework of the Global Reporting Initiative (GRI). This report has been prepared with reference to the GRI Standards.

➤ GRI Content Index: p. 68

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 formulated by the GRI, such as stakeholder engagement, considering impacts in the context of business activities and relationships, materiality and completeness. In addition, general reporting principles were observed: accuracy, balance, comprehensibility, comparability, reliability, and up-to-dateness.

➤ Sustainability Management: p. 4

The table on page 65 shows the scope of the material topics according to GRI 3-1 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.

CO₂ calculations

This Sustainability Report contains data on Scope 1, Scope 2 and Scope 3 CO₂ emissions. These emissions are accounted for according to the Greenhouse Gas (GHG) Protocol and reported as CO₂ equivalents. Besides CO₂, this includes also other greenhouse gases defined by the Kyoto protocol.

We have determined Scope 1 emissions for the Group using energy consumption and local emission factors. We use real information on gas and oil consumption in our buildings as well as vehicle fuel consumption in our market organizations. For locations or organizations that did not report any consumption data, we included estimates using average consumption per car (vehicles), per square meter (warehouses), per repair output hour (repair centers), per employee (office buildings) or per building (Hilti stores).

Scope 2 emissions from purchased electricity and district heating are determined using a market-based approach. Electricity factors are only applicable for the location-based method. For the market-based method, we assume that there are zero Scope 2 emissions for green electricity. We source green electricity in the form of certificates (RECs or GOOs). Additionally, we generate our own photovoltaic electricity in some of our locations. For locations or organizations that did not report any consumption data, we included estimates using average consumption per car (vehicles), per square meter (warehouses), per repair output hour (repair centers), per employee (office buildings) or per building (Hilti stores).

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 Scope 3 emissions in every category, different methods are used.

- 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



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weights to generate their Scope 3 GHG emissions. For weight categories with no associated emission factor, line items with no associated weight and for indirect procurement spending, a spend-based method is used.

- For Category 2 (Capital Goods), a spend-based method is used to calculate the Scope 3 GHG emissions. The total capital expenditure is used as input for using the spent-based method. The country of the supplier is assumed to be the same as the country of the purchasing Hilti organization.
- For Category 3 (Fuel and Energy Related Activities), an average-data method is used to calculate the Scope 3 emissions. Well-to-Tank (WTT) emissions factors are combined with fuel usage and electricity consumption of our own operations to calculate Scope 3 emissions. Electricity consumption emission factors include both generation and transmission & distribution. Emissions from transport are included in the life cycle 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. The basis for weights used are statements from the deliveries from SAP (inbound, replenishment and last mile).
- For Category 5 (Waste Generated in Operations), a waste-type-specific method is used to calculate the Scope 3 emissions. Emission factors for specific waste types and waste treatment methods are combined with the relevant waste weights 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. This primary emissions data is provided by travel agencies. For Hilti organizations with spending for business travel but no data for distance traveled, a spend-based method is used. Spending on passenger transport and hotels is excluded from the indirect procurement spending 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. The analysis of employee commuting is calculated from detailed commuting distance data and the Hilti Mobility Management online survey for headquarters locations, and from headcount by country for the other locations.
- 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 tons of 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. Specifically for the retailer "Motek", the downstream transport Scope 3 emissions are calculated from Motek's Carbon Accounting Report as a proportion of Motek's downstream transport emissions equal to the proportion of revenue attributed to Hilti products. For the rest of the retailers, a spend-based estimate is used.

- 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. Emission factors for specific waste types and waste treatment methods are combined with the relevant waste weights to calculate the Scope 3 emissions.

Waste data

Waste data is collected at our operational sites: in all plants and approximately 67 percent of the logistics and repair centers. Waste from offices buildings and Hilti Stores is not included, but also considered insignificant compared to the operational sites.

Water data

Water data is collected at our plants. We have not included water consumption in our logistics and repair centers, office buildings and Hilti stores.

Data on circularity

The calculation basis of the quantitative circularity score covers various periods from 2021 and 2022. Purchasing and sales volumes were included in the period from 08/21 to 07/22, production data from 07/21 to 06/22 and transport packaging from 07/21 to 06/22.

Employees

We record data on our employees throughout the Group. Except for employee retention numbers, all data relates 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 Waste 2020
Waste	x	x	306 Water 2020
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 26–29
Employee Health & Safety	x		403 Occupational Health and Safety 2018
Employee Engagement	x		Page 42–44
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 2–27 Compliance with Laws and Regulations 2021 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



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INDEPENDENT PRACTITIONER'S LIMITED ASSURANCE REPORT

on selected indicators 2022 in the Sustainability Report (including the GHG statement) as per 31 December 2022 to the Board of Directors of Hilti Aktiengesellschaft, Schaan

We have been engaged by Board of Directors to perform assurance procedures to provide limited assurance on selected indicators 2022 in the 2022 Sustainability Report (including the GHG statement) of Hilti Aktiengesellschaft as per 31 December 2022:

- Environment (pages 17 and 18 of the 2022 Sustainability Report):
 - Table 'Energy consumption'
 - Total Scope 1 and Scope 2 GHG emissions and total Scope 3 GHG emissions in table 'CO₂ emissions'
- People (page 52 of the 2022 Sustainability Report):
 - Employee Health and Safety – table 'Employee accidents during work'

We do not comment on, nor conclude on any prospective information nor did we perform any assurance procedures on the information other than those stated above for the reporting period 2022.

The 2022 Sustainability Report was prepared by the Management of Hilti Aktiengesellschaft (the 'Company') based on the guidelines for sustainability reporting of the Global Reporting Initiative, the "GRI Standards" (latest versions) and the Greenhouse Gas (GHG) Protocol Corporate Standard. The Company presents its Basis of reporting in the "About this Report" section in the 2022 Sustainability Report, from page 63 to 65 (the "suitable Criteria").

Inherent limitations

The accuracy and completeness of the 2022 Sustainability Report (including the GHG statement) are subject to inherent limitations given their nature and methods for determining, calculating and estimating such data. In addition, the quantification of the 2022 Sustainability Report (including the GHG statement) is subject to inherent uncertainty because of incomplete scientific knowledge used to determine the aspects and the values needed to combine e.g. emissions of different gases. Our assurance report will therefore have to be read in connection with the suitable Criteria used by Hilti Aktiengesellschaft, its definitions and procedures in the document "About This Report" on pages 63 to 65 in the 2022 Sustainability Report.

Board of Directors' responsibility

The Board of Directors of Hilti Aktiengesellschaft is responsible for the 2022 Sustainability Report (including the GHG statement) in accordance with the chosen Criteria. This responsibility includes the design, implementation and maintenance of the internal control system related to the preparation and presentation of the 2022 Sustainability Report (including the GHG statement) that are free from material misstatement, whether due to fraud or error. Furthermore, the Board of Directors is responsible for the selection and application of the chosen Criteria.

Independence and quality management

We are independent of the Hilti Aktiengesellschaft in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

PricewaterhouseCoopers AG applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's responsibility

Our responsibility is to perform an assurance limited engagement and to express a conclusion on selected indicators 2022 in the 2022 Sustainability Report (including the GHG statement). We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) 'Assurance engagements other than audits or reviews of historical financial information'



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and the International Standard on Assurance Engagements 3410, Assurance Engagements on Greenhouse Gas Statements ('ISAE 3410'), issued by the International Auditing and Assurance Standards Board. Those standards require that we plan and perform our procedures to obtain limited assurance whether anything has come to our attention that causes us to believe that on selected indicators in the 2022 Sustainability Report (including the GHG statement) was not, in all material aspects, prepared in accordance with the suitable Criteria as per 31 December 2022.

Based on risk and materiality considerations, we performed our procedures to obtain sufficient and appropriate assurance evidence. The procedures selected depend on the assurance practitioner's judgement. A limited assurance engagement under ISAE 3000 (Revised) and ISAE 3410 is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement and therefore less assurance is obtained with a limited assurance engagement than for a reasonable assurance engagement.

We performed the following procedures, among others:

- Assessing the suitability in the circumstances of the Company's use of the suitable Criteria, applied as explained in Basis of reporting in the "About this Report" section in the 2022 Sustainability Report, from page 63 to 65;

- Inquiries and detailed walkthroughs with relevant stakeholders for the selected indicators 2022 in the 2022 Sustainability Report (including the GHG statement);
- Inspection of process and control descriptions and other internal guidelines and relevant documents;
- Analytical procedures;
- Reperformance of relevant calculations (including the GHG statement);
- Additional assurance procedures as deemed necessary (e.g. sample based source tracing);
- Local level procedures (site visits to inspect local processes and reconcile source evidence);

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Conclusion

Based on the work we performed, nothing has come to our attention that causes us to believe that the selected indicators 2022 in the 2022 Sustainability Report (including the GHG statement) of Hilti Aktiengesellschaft as per 31 December 2022 is not, in all material respects, prepared in accordance with the Basis of reporting in the section "About this Report" on the pages 63 to 65 in the 2022 Sustainability Report.

Intended users and purpose of the report

This report is prepared for, and only for, the Board of Directors of Hilti Aktiengesellschaft, and solely for the purpose of reporting to them on the selected

indicators 2022 in the 2022 Sustainability Report (including the GHG statement) and no other purpose. We do not, in giving our conclusion, accept or assume responsibility (legal or otherwise) or accept liability for, or in connection with, any other purpose for which our report including the conclusion may be used, or to any other person to whom our report is shown or into whose hands it may come, and no other persons shall be entitled to rely on our conclusion.

We permit the disclosure of our report, in full only and in combination with the suitable Criteria, to enable the Board of Directors to demonstrate that they have discharged their governance responsibilities by commissioning an independent assurance report over selected indicators 2022 in the 2022 Sustainability Report (including the GHG statement), without assuming or accepting any responsibility or liability to any third parties on our part. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors of Hilti Aktiengesellschaft for our work or this report.

PricewaterhouseCoopers AG

Stefan Räbsamen Petar Lesic

Zürich, March 15, 2023

"The maintenance and integrity of Hilti Aktiengesellschaft's website and its content are the responsibility of the Management; the work carried out by the assurance provider does not involve consideration of the maintenance and integrity of the Hilti Aktiengesellschaft's website, accordingly, the assurance providers accept no responsibility for any changes that may have occurred to the reported selected indicators in the 2022 Sustainability Report (including the GHG statement) or in the Basis of reporting in the "About this Report" section in the 2022 Sustainability Report, on pages 63 to 65 since they were initially presented on the website.



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GRI 1: Foundation 2021

No GRI Sector Standards are applicable

Hilti Group has reported with reference to the GRI Standards for the period January 1, 2022 and December 31, 2022.

General Disclosures

Disclosure		Page	Comment/Reason for Omission	UNGC ¹
GRI 2	General Disclosures 2021			
The organization and its reporting practices				
GRI 2-1	Organizational details		Hilti Group, Schaan, Liechtenstein For "Locations of operations" see Company Report 2022: table "Sales growth" and Financial Report 2022: chapter "Group companies and joint arrangements"	
GRI 2-2	Entities included in the organization's sustainability reporting		See Financial Report 2022: p. 55-60	
GRI 2-3	Reporting period, frequency and contact point	63ff		
GRI 2-4	Restatements of information	18, 71	Restatement of CO ₂ emissions.	
GRI 2-5	External assurance		PwC conducted an audit with limited assurance of the Greenhouse Gas Emissions (Scope 1, 2 and 3) and the Lost Time Incident Rate.	
Activities and workers				
GRI 2-6	Activities, value chain and other business relationships		www.hilti.group See Company Report 2022: "Get to Know Hilti"	
GRI 2-7	Employees	4-10, 49		
GRI 2-8	Workers who are not employees		We only employ temporary workers to a limited extend.	
Governance				
GRI 2-9	Governance structure and composition	54-58	See Company Report 2022: "Executive Board" and "Board of Directors"	
GRI 2-10	Nomination and selection of the highest governance body		See Company Report 2022: "Executive Board" and "Board of Directors"; Financial Report 2022: p. 82	
GRI 2-11	Chair of the highest governance body		See Company Report 2022: "Executive Board" and "Board of Directors"	
GRI 2-12	Role of the highest governance body in overseeing the management of impacts	54	See Company Report 2022: "Executive Board" and "Board of Directors"; Financial Report 2022: p. 82	
GRI 2-13	Delegation of responsibility for managing impacts		See Company Report 2022: "Executive Board" and "Board of Directors"; Financial Report 2022: p. 82	

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



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Disclosure		Page	Comment/Reason for Omission	UNGC ¹
GRI 2-14	Role of the highest governance body in sustainability reporting			
GRI 2-15	Conflicts of interest	55		
GRI 2-16	Communication of critical concerns		See Financial Report 2022: p. 82	
GRI 2-17	Collective knowledge of the highest governance body		See Company Report 2022: "Executive Board" and "Board of Directors"	
GRI 2-18	Evaluation of the performance of the highest governance body		See Company Report 2022: "Executive Board" and "Board of Directors"	
GRI 2-19	Remuneration policies		See Financial Report 2022: p. 54	
GRI 2-20	Process to determine remuneration		Hilti uses standardized salary group structures for all functions and in all countries and regularly reviews them. This includes a reasonable compensation range for each position, to ensure compensation is set based on the position and free from any discriminatory factors, as well as in compliance with local minimum wage regulations. A gender pay equity review is performed every two years. For more information see Financial Report 2022: p. 23	
GRI 2-21	Annual total compensation ratio		Information is unavailable.	
Strategy, policies and practices				
GRI 2-22	Statement on sustainable development strategy	4-10		
GRI 2-23	Policy commitments	54-57		
GRI 2-24	Embedding policy commitments	31, 42, 55-57		
GRI 2-25	Processes to remediate negative impacts	54-58		1, 2
GRI 2-26	Mechanisms for seeking advice and raising concerns	56		
GRI 2-27	Compliance with laws and regulations		See Company Report: "Business Ethics" There were no major incidents reported in accounting or tax fraud, corruption, bribery, competition, the provision of products and services, or labor issues.	
GRI 2-28	Membership associations	40	Swissmem EPTA – European Power Tool Association ZVEI – Zentralverband Elektrotechnik- und Elektronikindustrie e. V. European Committee for Standardization European Organization of Technical Assessment International Code Council UNGC	
Stakeholder engagement				
GRI 2-29	Approach to stakeholder engagement	10	See Company Report: "Our Strategy"	
GRI 2-30	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

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Disclosure		Page	Comment / Reason for Omission	UNGC ¹
GRI 3-1	Process to determine material topics	7		
GRI 3-2	List of material topics	7, 65		
GRI 201	Economic Performance 2016			
GRI 3-3	Management of material topics	4-10		
GRI 201-1	Financial implications and other risks and opportunities due to climate change	17, 27, 33, 54		
GRI 202	Market Presence 2016			
GRI 3-3	Management of material topics	4-10		
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. This includes a reasonable compensation range for each position, to ensure compensation is set based on the position and free from any discriminatory factors, as well as in compliance with local minimum wage regulations. A gender pay equity review is performed every two years.	
GRI 203	Indirect Economic Impacts 2016			
GRI 3-3	Management of material topics	4-10		
GRI 203-1	Infrastructure investments and services supported		See Company Report 2022: "Financial Performance"	
GRI 204	Procurement Practices 2016			
GRI 3-3	Management of material topics	4-10		
GRI 204-1	Proportion of spending on local suppliers	30-31		
GRI 205	Anti-corruption 2016			
GRI 3-3	Management of material topics	4-10		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	30, 54-58		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 3-3	Management of material topics	4-10		
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.	
GRI 301	Materials 2016			
GRI 3-3	Management of material topics	4-10		7, 8
GRI 301-1	Materials used by weight or volume	22		8
GRI 301-2	Recycled input materials used	22		8, 9

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Material Topics

Disclosure		Page	Comment / Reason for Omission	UNGC ¹
GRI 301-3	Reclaimed products and their packaging materials	55		8, 9
GRI 302	Energy 2016			
GRI 3-3	Management of material topics	4–10		7, 8
GRI 302-1	Energy consumption within the organization	14		8
GRI 302-3	Energy intensity	17		
GRI 302-4	Reduction of energy consumption	13, 27		8, 9
GRI 303	Water & Effluents 2018			
GRI 3-3	Management of material topics	4–10		7, 8
GRI 303-1	Interactions with water as a shared resource	26–28		7, 8
GRI 303-2	Management of water discharge-related impacts	26–28		7, 8
GRI 303-5	Water consumption	24, 26–28		8
GRI 305	Emissions 2016			
GRI 3-3	Management of material topics	4–10		7, 8
GRI 305-1	Direct (Scope 1) GHG emissions	12, 14, 18		8
GRI 305-2	Energy indirect (Scope 2) GHG emissions	12, 14, 18	In the report, we show the market-based method. According to the location-based method, the following values were determined. 2020: 47,819t 2021: 44,187t 2022: 47,737t	8
GRI 305-3	Other indirect (Scope 3) GHG emissions	12, 14, 18		8
GRI 305-4	GHG emissions intensity	12, 14, 18		8
GRI 305-5	Reduction of GHG emissions	13		8, 9
GRI 306	Waste 2020			
GRI 3-3	Management of material topics	4–10		7, 8
GRI 306-1	Waste generation and significant waste-related impacts	18		
GRI 306-2	Management of significant waste-related impacts			
GRI 306-3	Waste generated	18		8
GRI 306-4	Waste diverted from disposal	18		

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GRI 308	Supplier Environmental Assessment 2016			
GRI 3-3	Management of material topics	4–10		
GRI 308-1	New suppliers that were screened using environmental criteria	32		
GRI 401	Employment 2016			
GRI 3-3	Management of material topics	4–10		
GRI 401-1	New employee hires and employee turnover	18, 48	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 3-3	Management of material topics	4–10		
GRI 402-1	Minimum notice periods regarding operational changes		All employees are informed of operational changes as quickly as possible.	
GRI 403	Occupational Health and Safety 2018			
GRI 3-3	Management of material topics	4–10		
GRI 403-1	Occupational health and safety management system	49–50		
GRI 403-2	Hazard identification, risk assessment, and incident investigation	49, 52		
GRI 403-3	Occupational health services	49		
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	50		
GRI 403-5	Worker training on occupational health and safety	50–52		
GRI 403-6	Promotion of worker health	50–52		
GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	50–52		
GRI 403-8	Workers covered by an occupational health and safety management system	50–52	In essence, all employees are covered by the process management.	
GRI 403-9	Work-related injuries	52		

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



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GRI 404	Training and Education 2016			
GRI 3-3	Management of material topics	4–10		
GRI 404-2	Programs for upgrading employee skills and transition assistance programs	45		
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	43–45		
GRI 405	Diversity and Equal Opportunity 2016			
GRI 3-3	Management of material topics	4–10		6
GRI 405-1	Diversity of governance bodies and employees	42, 44		6
GRI 405-2	Ratio of basic salary and remuneration of women to men	48		6
GRI 406	Non-discrimination 2016			
GRI 3-3	Management of material topics	4–10		
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 3-3	Management of material topics	4–10		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 3-3	Management of material topics	4–10		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 3-3	Management of material topics	4–10		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

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Material Topics

Disclosure		Page	Comment / Reason for Omission	UNGC ¹
GRI 413	Local Communities 2016			
GRI 3-3	Management of material topics	4–10		
GRI 413-1	Operations with local community engagement, impact assessments, and development programs	10, 43, 49–52, 59–63		
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.	
GRI 414	Supplier Social Assessment 2016			
GRI 3-3	Management of material topics	4–10		
GRI 414-1	New suppliers that were screened using social criteria	31		
GRI 415	Public Policy 2016			
GRI 3-3	Management of material topics	4–10		
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 3-3	Management of material topics	4–10		
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 3-3	Management of material topics	4–10		
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 3-3	Management of material topics	4–10		
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.	

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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) 2022 for the UN Global Compact is fully integrated into this sustainability report.

