
NETCONTROL SUSTAINABILITY REPORT 2021



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1 Introduction



From the CEO

Netcontrol is an international company that provides products and services related to the electrical power system automation industry. Our solutions are used to supervise, monitor and control electricity distribution systems and related automation equipment. Our customers are electricity distribution service operators, electricity producers and other energy companies with high voltage electricity networks, such as railway operators and energy intensive industry.

Our solutions are playing a significant role in the transition towards a CO₂-free society. Our solutions make it possible to integrate renewable energy sources in the electricity network in a safe and controlled way. Our systems can identify and mitigate excessive reactive power, energy losses and other quality issues in power networks. Our solutions enhance the reliability of the electricity supply, which is crucial for the modern digital and e-mobile society. One important goal for Netcontrol is to be carbon neutral before 2035. It is also very important for us to be the most trusted company in

the business when it comes to information security. We have implemented the ISO 27000:2013 and intend to continue to strengthen our resources and processes further. One challenge is to find the best people and especially to increase the share of women to 30%. We intend to systematically work towards that target.

Reliable, secure and efficient electricity distribution and supply are essential to modern society. Without electricity, nothing works in the digital community. Electricity is also the cleanest and most efficient way of supplying energy to customers and industry and is the main vehicle for ensuring the drive to a carbon neutral future. E-mobility relies fully on secure and efficient electricity distribution. Due to this, information security and risk management of the systems controlling electricity distribution are of top priority to us. In case of a failure in the electricity distribution system, remote monitoring and control allow for fast fault detection, isolation and location and restoration of the electricity supply. Additionally, our products and systems improve the electrical safety of the electrical network by controlling safety-related components such as relays and switchgears.

Environmental awareness among stakeholders is constantly rising. Through reporting our sustainability, we like to show our commitment to improving the society and environment, develop our operations, meet the expectations of customers, authorities, financiers as well as current and potential new employees.

This is our first sustainability report. The main goals of this report are to clarify our sustainability today and what is currently monitored and what sustainability-related systems are already in place. The current situation is observed in this report from three perspectives: resilience of electricity distribution system, environmental performance and social responsibility.



2 Resilience of the electricity distribution system



Two essential parts of secure electricity supply are the information security and the reliability of the electricity distribution system in all conditions. A reliable electricity distribution system is resilient when the system is able to withstand sophisticated and targeted cyber-attacks even from state sponsored institutions and when the system can rapidly and efficiently recover from a fault or disturbance in the electrical network. Depending on the nature and the type of business it undertakes a company has different responsibilities towards the society. In the case of Netcontrol, it means that we deliver automation solutions that help the electricity network operators to

- run their networks close to the technical limits (to avoid overinvestments and reduce the cost burden on society) in a safe way
- to manage faults in the network as efficiently as possible
- to allow the operator to work with systems that are resilient to all kinds of cyber-attacks
- to aid the network operators to handle the increasing complexity in the management of their networks as they transition to an increase in embedded renewable generation and the switch to an E-mobility society.

2.1 TOWARDS CYBER SECURITY

Information security, which we see as the main way to achieve cyber security and safety, is one of the key activities of our business. We are responsible for keeping the customer systems up and running all the time. If something unexpected takes place, our reaction is always prompt. To assure the quality of information security, we have implemented an ISO 27001:2013 certified information security management system. To secure highest competence in information security, our staff is regularly offered advanced information security training with our goal being that at least 95% of staff has gone through the training annually. The share of personnel that have received information security training between 2019 and 2021 is presented in figure 1. The result for 2021 is a bit lower than in 2019 and 2020, because some of the new employees have not yet attended all training courses. That will be done during 2022.

The SCADA system is the essential part of network automation providing real-time data and enabling monitoring and remote control of primary equipment in the electricity network. The Valvot SCADA service is our main tool to provide information security and system safety to our SCADA customers. Valvot is a modular full SCADA

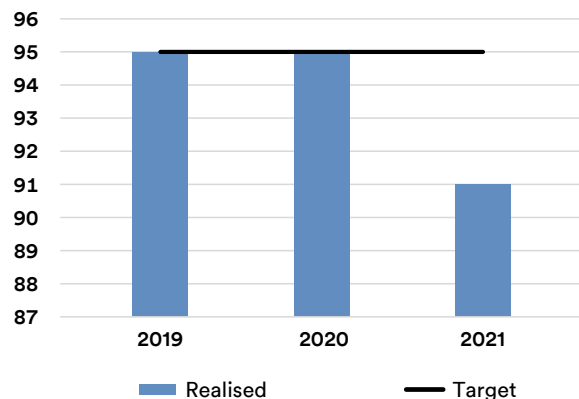


Figure 1 Share of personnel (%) who have received information security training





system service that can be tailored according to the customer needs and safety requirements. The Valvot service contains constant system monitoring and support that is always available when needed. Automated update packages are ensuring system security and safety. The full-service description of Valvot is presented in figure 2.

For our customers who rely on our remote terminal unit (RTU) products for the safety and control of their electrical networks we provide up to date cyber security features that are tailored to the harsh electrical and security demands of the environments they operate in. We comply to

industrial standards for cyber security performance, such as IEC 62351 (Cyber Security – Power Systems), and our suite of support services, such as the remote Netcon Application Manager (NAM) tools, ensure that our customers can continue to maintain the integrity of the product cyber security during its asset life cycle.

2.2 COMMITMENT TO CUSTOMER SERVICE AND SAFETY

Alongside maintaining the security of supply in society, commitment to excellent customer service and safety are the core of our business philosophy. Everything starts from understanding the customer needs to be able to provide solutions that are just right for them. As a result of the high reliability and safety of the systems and quality of customer service, we have come up with a 5-5-5 service promise as part of Valvot service offering. According to the service promise, our support response time is 5 minutes and critical issues will be solved in 5 hours or the customer gets a 5% discount on the service fee.

5 min | 5 h | 5%

Our support response time is 5 min, we solve your critical issues in 5 h, or you get 5% discount

Figure 3 Netcontrol service promise

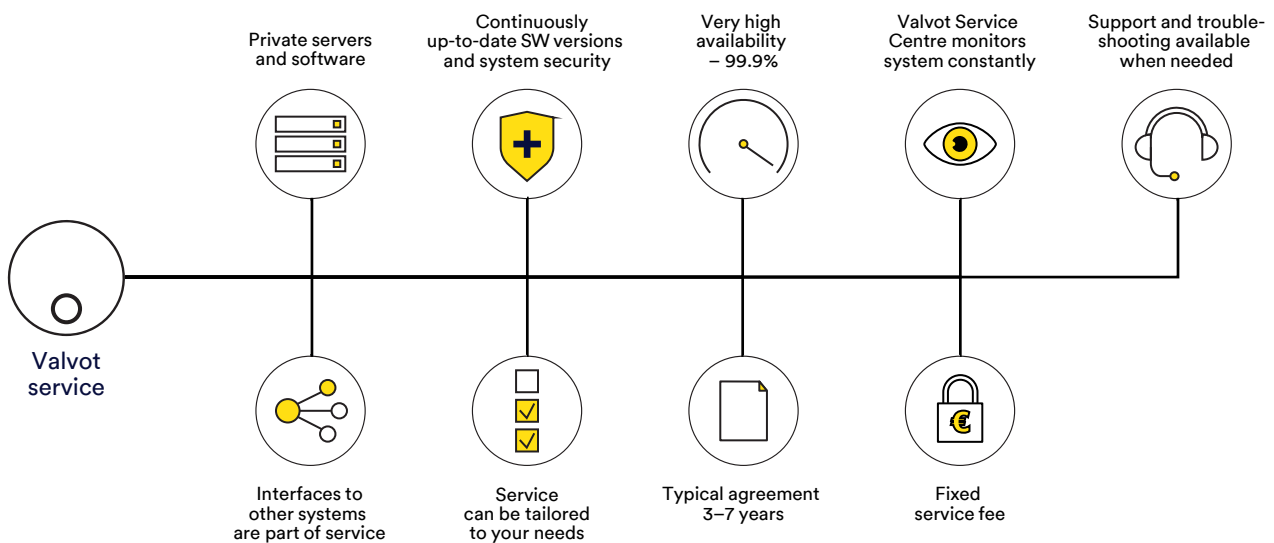


Figure 2 Valvot system service description





For our products we have a policy of ensuring “reverse compatibility” when product upgrades and enhancements are made. This ensures customers with existing equipment can continue to maximise the life cycle of their equipment, reducing the need to replace equipment early and in many cases extending the product life, benefiting both the customer financially as well as the environment.

2.3 QUALITY MANAGEMENT

The superior quality of components is a requirement for a reliable electricity network. Excellent product quality is very obvious to us. To ensure excellent quality of our products, we have an ISO 9001:2015 certified quality management system. The following aspects ensure the quality of our products:

- Constant improvement of processes
- Active product development
- Quality requirements and audits for suppliers
- Close cooperation with our customers
- Promotion of quality thinking among staff

Another aspect of quality is the safety of our products to people and in the harsh environment they are installed in. We do extensive testing of our products both in internal laboratories and in external accredited laboratories. We follow all the safety standards that our customers require.

2.4 TARGETS AND KEY PERFORMANCE INDICATORS

Our main targets related to safety of electricity distribution systems are to keep the excellent level of information security and constantly improve it, and to keep the overall system reliability as high as possible. This target is met by focusing on high-end technology, skilled staff and the Valvot 5-5-5 service promise. The key performance indicators presented in table 1 are monitored to ensure the quality of our performance. Average time of fixing a failure and reliability are measures that will be taken into use in 2022 when the Valvot service concept has been implemented at customers. They are, however, already shown in the table as we want to show our next steps and how we intend to measure and improve our service promise.

Table 1 Key performance indicators related to resilience of electricity distribution system

Indicator	2019	2020	2021	Target
Number of reported information security incidents	0	0	10	All incidents reported
Average time of fixing a failure	No data	No data	No data	Monitoring starts 2022
Reliability (%)	No data	No data	No data	Monitoring starts 2022
Number of system updates	18	31	22	No numerical target
Information security training (% of staff)	94	98	92	90



3 Environmental performance

Our solutions are playing a significant role in the transition towards a CO₂-free society. Our solutions make it possible to integrate renewable energy sources in the electricity network in a safe and controlled way. Our systems can identify and mitigate excessive reactive power, energy losses and other quality issues in power networks. Our solutions enhance the reliability of the electricity supply, which is crucial for the modern digital and e-mobile society.

We aim to consider sustainable development in all our actions, to minimize the environmental impact of our operations and take most advantage of used resources. Currently this is done by:

- Following latest regulation requirements
- Communicating actively about our environmental policy and efforts
- Constantly improving recycling and increase the reuse of materials
- Decreasing the carbon footprint and other negative environmental impacts of our actions as well as production and logistics of our products

3.1 SUSTAINABLE PRODUCTS

3.1.1 Maintainability

Our products are designed to be long-lasting, modular and maintainable, making the product life-cycle as long as possible. Currently the service life of substation and network automation components is around 20 years and service life of servers around 5 years. The maintenance of our products is improved by considering the modularity of the products, making it possible to replace only parts that are not functioning instead of replacing the whole product.



3.1.2 Product life cycle and recyclability

Our products are constantly being developed to reduce weight and physical size and to reduce the amount of material used. Additionally, more compact and lightweight products typically reduce the amount of emission in transportation. With our solutions, the customer is able to control equipment remotely. Remote control reduces carbon emissions during the use phase by decreasing the need for physical visits on site and for maintenance.

Our systems are designed to be compatible with a wide range of devices by other manufacturers. This reduces the need to replace the existing system components as a result of compatibility issues.



During the year 2023, we will offer product-specific recycling instructions for all the products to support and encourage customers to recycle.

3.2 ENVIRONMENTAL MANAGEMENT SYSTEM

To implement a systematic approach and to increase the monitorability of environmental management, we have an ISO 14001:2005 certified environmental management system. As part of the system, the most relevant environmental aspects have been prioritized and monitored. Carbon dioxide (CO₂) emissions have been evaluated for selected environmental aspects and summed up as total emissions of Netcontrol Group. As presented in figure 4, we have been able to reduce emissions on the group level between the years 2019 and 2021. During those years we have, for example, reduced travelling, electricity consumption and material used. Our goal for 2035 is to reach carbon

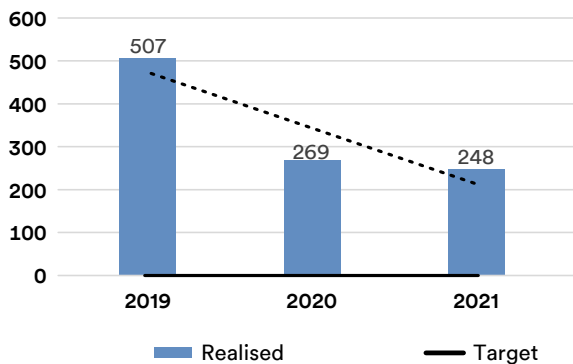


Figure 4 CO₂ emissions (tons) of Netcontrol Group

neutrality on the group level. In 2023 we are going to improve carbon dioxide emission calculation methods by applying the GHG Protocol standard. Comprehensive emissions calculation is our next step towards more systematic monitoring of emissions and emission reductions. After comprehensive emission calculation is done, the most significant emission sources can be identified and specific goals for emission reductions can be set.

As part of the environmental management system, environmental aspects have been prioritized based on the evaluation of their significance.

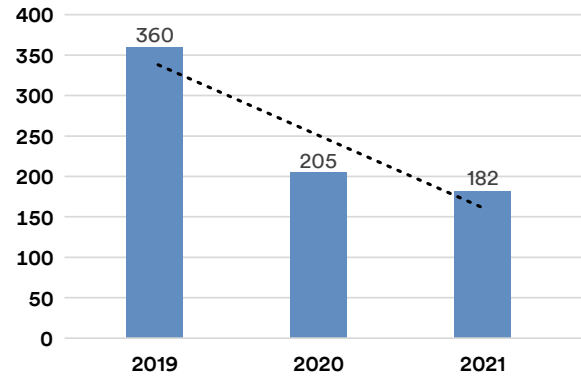


Figure 5 CO₂ emissions (tons) of materials & sub-assemblies of end products in 2019–2021

CO₂ emissions of materials and sub-assemblies are evaluated to be one of the most significant parts of our environmental impacts. According to current evaluation, the CO₂ emissions of materials and sub-assemblies have been reduced between years 2019 and 2021 as presented in figure 5.

We are monitoring the electricity consumption of our offices in Finland, United Kingdom, Sweden, Latvia and Norway. Our goal is to decrease electricity consumption and increase the share of electricity from renewable sources. We have been able to reduce the amount of consumed electricity between 2019 and 2020 but consumption has increased slightly between 2020 and 2021. This decrease compared to 2019 is partly due to remote work forced by COVID-19, but the electricity consumption is also affected by the amount of client servers at time at Netcontrol premises for testing or maintenance purposes. Electricity consumption of Netcontrol Group is presented in figure 6.

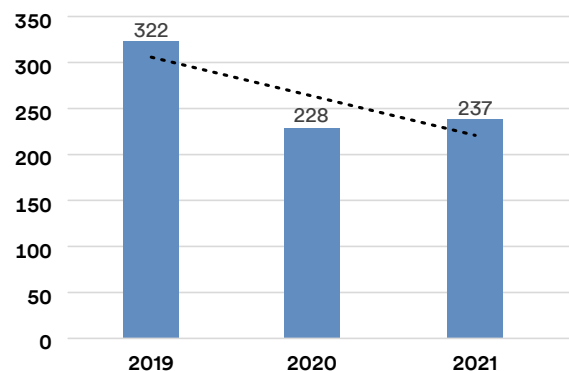


Figure 6 Electricity consumption (MWh) of Netcontrol Group in 2019–2021



In addition to improving the performance of environmental sustainability within our company, it is equally important to spread the word outside of the company. This is done by communicating actively about our environmental efforts and company policy. Bringing environmental aspects more visible in cooperation with stakeholders in the supply chain is one of the most significant actions. Supplier audits are used to gather information about suppliers' environmental efforts such as product-specific emissions or the share of recycled material used in production.

We prefer suppliers with environmental management systems to ensure environmental sustainability also in our supply chain. In the future, we aim to increase the significance of environmental aspects in supplier audits.

3.3 TARGETS AND KEY PERFORMANCE INDICATORS

Our main targets related to environmental sustainability are:

- Calculation of CO₂ emissions in detail 2023
- Set more specific emission reduction targets based on detailed emission calculation
- Target to increase recycled plastic in packaging of our products
- Add instructions on recyclability for all our products

Key performance indicators related to environmental sustainability are presented in table 2.

Table 2 Key performance indicators related to environmental sustainability

Indicator	2019	2020	2021	Target
Annual change in electricity consumption (% compared to previous year)	+7	-32	+5	-3
% of recycled plastic	No data	No data	No data	10 annually
Recycling % of own waste	90	90	90	95
Group level CO ₂ emissions (tons)	507	269	249	0



4 Social responsibility

We follow a number of company policies ensuring that the business is conducted in an ethical and transparent way. This also forms a basis of social responsibility in Netcontrol. Company policies are used as training material for personnel and are reviewed and approved yearly by Group management. Additionally, our UK management system for occupational health and safety is ISO 45001:2018 certified.

We have zero tolerance for all forms of modern slavery such as child labour and human trafficking within the company or in the supply chain. Equal opportunities and non-discrimination as well as freedom of association are important principles for our social responsibility. We aim for a culture of transparency and openness. We have a whistleblowing policy and a procedure to deal with possible notices.

4.1 EMPLOYEE WELLBEING

Employees are the most valuable asset for us. We seek to create a workplace that attracts top talent, retains employees with engaging work, embraces differences and encourages all team members to reach their full career potential. To ensure this, we offer work-life flexibility and aim to be very pro-education by offering various training and professional development opportunities. The personnel are also offered to purchase Netcontrol C-class shares.

In 2021 Netcontrol had 81 employees, the same as in 2020. 15% of our employees are women and we have set a target to increase the share of women to 30%. One way of doing it is by more active marketing of the contribution Netcontrol products have to the wellbeing and reduction of emissions in for example social media. Another way is to

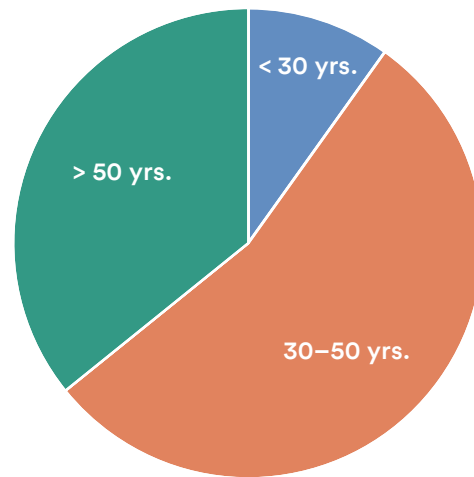


Figure 7 Age distribution at Netcontrol in 2021

be active in the student communities. In 2021 the average age of the permanent employees was 47 years. Figure 7 shows the age distribution of all employees. Turnover percentage of the employees has remained small at 2.5%.

We aim to contribute to the wellbeing of our employees actively. Employee satisfaction surveys are carried out every two years and the most important topics raised by them are addressed and mitigated. This can be, for example, better internal communication such as monthly info

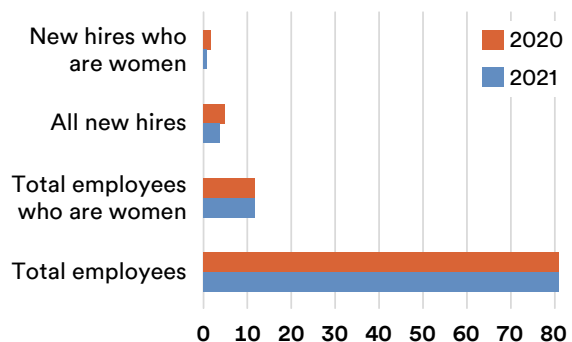


Figure 8 Total number of employees and new hires in 2020-2021 and the share of women in both groups



calls by the CEO and training to the managers on how to give feedback to the employees. We have organised healthcare and health insurance for the employees. The company has appointed persons and committees responsible for safety at work. We are glad to inform that during recent years there have not been accidents at work.

4.2 TARGETS AND KEY PERFORMANCE INDICATORS

For Netcontrol the main targets of social responsibility are:

- sick leaves
- number of work accidents staying at zero
- employee turnover to remain below 5%
- share of female company employees overall and in management

Table 3 Key performance indicators related to social responsibility

Indicator	2019	2020	2021	Target
Sick leave (% of total working days)	1.3	1.5	1.4	1.0
Number of work accidents	0	0	0	0
Employee turnover (% average of employees)	5	2.5	2.5	5
Female % overall	15	15	15	30
Female % leadership	21	21	21	40



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