



# Statutory corporate social responsibility statement for 2016, cf. section 99a of the Danish Financial Statements Act

(This statement forms part of Management's review in H+H International A/S's annual report for the accounting period 1 January to 31 December 2016)

This corporate social responsibility (CSR) statement for the 2016 financial year forms part of Management's review in H+H International A/S's annual report for the accounting period 1 January to 31 December 2016, and the statement is covered by statement on management's review as part of the independent auditors' report in H+H International A/S's annual report for 2016.

## CSR IN GENERAL

H+H develops, produces and sells aircrete building materials in Northern and Eastern Europe. H+H's vision is to be the overall preferred supplier of aircrete building products within its geographical markets, and H+H wants to achieve this goal in a responsible and ethical way.

For many years, H+H has based its business on CSR principles in practice, despite only having unwritten CSR-oriented principles rather than formal, written group policies on CSR. CSR-related policies and actions have been implemented locally in the various subsidiaries on the basis of local legislation, trends and, to some extent, traditions, meaning that the subsidiaries were already aware of, and practised, CSR when the group-based CSR work was initiated.

H+H has now established a group CSR organisation. Furthermore, H+H has a general group-wide Code of Conduct in place as well as various underlying group policies concerning supplier conduct, competition law compliance, anti-corruption, health & safety etc. The policies are being implemented in the various H+H companies via online training and/or seminars, as well as regular awareness activities such as campaigns in the form of posters, pocket brochures, digital screen savers etc. In addition, an online whistleblower system enables H+H's employees, suppliers and customers to file reports on non-compliance.

H+H practises a business-oriented CSR approach with a focus on the following three areas that make up the three cornerstones of H+H's Code of Conduct:

- **Employees** – terms of employment and working conditions shall be fair and non-discriminatory and comply with internationally declared human rights and labour rights, and the working environment shall be safe and healthy
- **Environment and climate** – business practices in R&D, production, marketing, sales, logistics and administration, as well as the use of H+H's products, shall take account of their effects on the climate and the environment
- **Business ethics** – business practices shall be free from any form of corruption or unfair competition and comply with all relevant laws

17 March 2017

Published at [www.HplusH.com/csr-statement](http://www.HplusH.com/csr-statement)



The development and updating of group-wide CSR policies is an ongoing journey, but 2016 was a crucial year in respect of getting the digital CSR infrastructure in place in the form of a policy administration system and a whistleblower system. The policy system has a policy portal where H+H employees can log-in and read the policies only that are relevant for the specific employee considering the employee's work responsibilities and functions. The whistleblower system is available 24/7 and allows for reporting in all relevant languages considering H+H's markets. Reporting can be made not only by employees, but also suppliers, customers and other third parties. To support the infrastructure, H+H has established a group compliance organisation with regional compliance officers who serve as central points of contact and coordinators for H+H International A/S when it comes to implementing, training, and sustaining the various compliance policies. Going forward, the focus for H+H will be to gradually develop further group-based CSR policies where this supports the overall goals of the Group.

### KEY CSR FOCUS AREA: EMPLOYEES – SAFE, FAIR AND NON-DISCRIMINATORY WORKING CONDITIONS

#### CSR policies

One of H+H's primary assets is its employees and their know-how and experience. Therefore, the motivation and wellbeing of employees is a key factor for the development of H+H. Similarly, H+H is concerned about safe, fair and non-discriminatory working conditions for the employees of the suppliers from which H+H sources raw materials, energy and other goods and services.

To help ensure safe, fair and non-discriminatory working conditions for employees at both H+H and its suppliers, H+H has incorporated relevant principles in its Code of Conduct. These include:

- Every employee is entitled to a safe and secure workplace
- H+H declares its support for human rights and employee rights as set out in the UN Universal Declaration of Human Rights and the International Labour Organization's eight fundamental conventions
- H+H respects each employee's right to privacy and adheres to all data protection laws

As for specific policies further supporting the above principles on employee rights and human and social rights set out in the H+H Code of Conduct, H+H has developed and implemented a group health & safety policy as well as underlying more specific local policies tailor-made to reflect the production lay-out and processes in each production facility. The group health & safety policy sets out universal structures for reporting lost-time accidents, and uniform investigation structures, safety principles and compliance. Furthermore, the policy emphasises that the commitment to continuously work for a healthy and safe work environment lies not only with management, but also each and every employee who must respect the safety instructions as well as say no to unsafe work conditions not only for himself/herself, but also for colleagues. The policies are important for establishing and continuously strengthening the group-wide health & safety management system and culture, "Safety first!".

#### From words to action

Since H+H operates in and sources only from Europe, H+H assumes that all generally recognised human rights are adhered to by its suppliers and H+H does not know of any breach of human rights by H+H or its suppliers.

17 March 2017

Published at [www.HplusH.com/csr-statement](http://www.HplusH.com/csr-statement)



H+H has therefore decided to focus its CSR activities on the issue of safe working conditions for its employees, especially in relation to its production facilities. In connection with the implementation of the Group's health & safety policies, H+H has implemented various group-wide initiatives with a particular focus on benchmarking and sharing best practices among the H+H entities. To demonstrate the importance of these policies, all meetings and reporting between the group COO and the various production managers always have as their first agenda item an update on the policies and any specific actions and incidents reported.

The main objective of all these activities is to maintain a continuous focus on the policies and their principles and thereby minimise the risk of accidents for employees and ensure compliance with regulations.

### **CSR results in 2016 and expectations for the future**

The main result achieved in 2016 was completion of the external work safety audit of the production facilities in the UK and Russia. For 2017 external safety audit of the production facilities in Poland and Germany will be carried out. The Frequency of Lost Hours (FLH) development in 2016 has been on the right downward trend, whereas the Frequency of Accidents (FRA) development has been non-satisfactory. It seems that part of the increase in FRAs may be due to the ongoing efforts to improve the level of health and safety incidents being reported, since when the ratio of incidents being reported increase (meaning incidents are reported and registered rather than forgotten), the number of reported incidents will often also increase. Likewise, since the work towards achieving reporting of all incidents will continue during 2017, in consequence it must be expected that the efforts to get accurate reporting may drive up the FRA frequency even further. In parallel, actions and initiatives to bring the number of incidents down will naturally be implemented during 2017 and onwards. Part of such actions and initiatives are developed on the basis of the lessons learned from the FLH and FRA reports.

As for employees' rights to privacy, including protection of their personal data, H+H is in the midst of mapping all the personal data in the H+H group and a group policy on handling, storage, retention etc. of the employees' personal data will be issued in 2017 as part of H+H's current work towards becoming compliant with the EU General Data Protection Regulation.

One of the major risks for both the work to improve health & safety as well as the work to handle personal data in line with the requirements under the EU General Data Protection Regulation is that the success within both areas depends to a large degree on changing human interaction, i.e. employee processes, procedures and habits and that can only be done in a sustainable way if the culture is changed, which by experience often takes some time. The hardware (e.g. equipment and other material) and the software you need in order to implement different ways of working can relatively effortlessly be bought in and implemented, but without a simultaneous change of the mindset of employees, the set goals within the two areas may not be fully reached and the results achieved may not last. H+H is therefore very aware that improvement within the said two areas require continuous focus on good management, communication and engagement.

### **Non-financial key indicators**

H+H uses several non-financial key indicators to measure the results and effects of its work to ensure fair, safe and healthy working conditions for its employees, such as the number of work-related accidents leading to absence from work, the number of work-related accidents not leading to absence from work, and the frequency of lost production hours due to accidents. Developments in the key indicators for health & safety are reported monthly to the Board of Directors of H+H International A/S.

17 March 2017

Published at [www.HplusH.com/csr-statement](http://www.HplusH.com/csr-statement)



## KEY CSR FOCUS AREA: ENVIRONMENT AND CLIMATE – SUSTAINABLE BUSINESS PRACTICES

### CSR policies

Aircrete is a particularly eco-friendly building material, not only because of its excellent thermal insulation properties but also because the production of aircrete is easy on the environment, and, at the end of its life, aircrete can be recycled into new aircrete products or used for other purposes, such as cat litter and road fill. The primary materials used in the production of aircrete are cement, lime and sand, all of which are based on abundantly available natural resources. At some of H+H's production facilities, PFA (pulverised fuel ash, a residual product from coal-fired power stations) is used as a raw material instead of sand.

To help ensure that sustainability is always considered when H+H does business, H+H has incorporated principles concerning the environment and climate in its Code of Conduct. These include:

- H+H will comply with all environmental legislation and ensure that its suppliers commit to do the same
- H+H will improve the utilisation of resources, energy efficiency, emissions and waste minimisation
- Innovation within H+H products and processes shall among other be environmentally driven

In addition to the principles set out in the group Code of Conduct, some H+H subsidiaries have local CSR policies relating to the climate and the environment.

### From words to action

Internal environmental audits are performed regularly at the various production facilities. The internal audits all document that aircrete production takes place without any direct pollution or other negative effects on the land or surroundings of the production facilities.

Environmental product declarations (EPDs) for aircrete products from cradle to gate have been developed, and some of H+H's products are already being marketed with EPDs. The EPD scheme is based on an EU regulation, and the overall goal is to provide relevant, verified and comparable information about the environmental impact of goods and services. An EPD includes information on the environmental impact stemming from the use of raw materials and energy, the content of materials and chemical substances, any emissions to air, soil or water, and any generation of waste.

17 March 2017

Published at [www.HplusH.com/csr-statement](http://www.HplusH.com/csr-statement)



### **CSR results in 2016 and expectations for the future**

H+H carried out numerous activities in 2016 to increase the sustainability of its business. These included an even sharper focus on reducing product waste (i.e. surplus aircrete from the production process and damaged aircrete products). To support this focus, product waste reduction targets are set. Any product waste generated is recycled by crushing it and either reintroducing it into the production process or selling it as road fill or cat litter.

A continued focus area in 2016 was to reduce the consumption of binders, such as cement and lime, both of which entail relatively high energy consumption in their production. Furthermore, a project is ongoing to reduce water consumption during the production process. Reducing the water content of products not only leads to reduced consumption of water, but also has the added benefit that the weight of the finished products will be lower. This makes their distribution more efficient and thereby reduces CO<sub>2</sub> emissions, as more aircrete products can be carried by each truck before reaching its maximum permitted load.

H+H plans to continue the roll-out of cradle-to-gate EPDs as described above in the marketing of its aircrete products.

One relevant risk with regard to H+H's work on reducing its environmental and climatic footprint would be a failure to ensure that H+H's suppliers adhere to the relevant parts of H+H's Code of Conduct. To mitigate this risk, H+H tries to screen its suppliers and contact any supplier where H+H becomes aware of critical negative environmental or climate issues relating to that supplier's production.

### **Non-financial key indicators**

H+H uses several non-financial key indicators to measure the results and effects of its work to improve the environmental and climatic effects of its activities. These non-financial indicators include the number and content of complaints received from neighbours of the production facilities, the number and content of any negative notifications received from the authorities, and the number and extent of any non-compliance with relevant laws and/or permits and licences.

### **KEY CSR FOCUS AREA: BUSINESS ETHICS – FAIR AND LAWFUL COMPETITION**

#### **CSR policies**

H+H is committed to lawful and ethical behaviour in all business, financial and accounting matters, as well as other activities, and requires its employees to conduct themselves in a manner that complies with all applicable laws and regulations.

To help ensure good business ethics at H+H, relevant principles have been included in its Code of Conduct. These include:

- All H+H employees are under an obligation to comply with applicable competition law and adhere to the Group's competition law compliance policy
- H+H condemns corruption, and all H+H employees are under an obligation to comply with applicable anti-bribery laws and adhere to the Group's anti-corruption policy
- Entertainment and gifts given or received by H+H employees may not exceed reasonable limits and may not be provided in an attempt to gain undue commercial advantage
- H+H shall not participate in money laundering, hence no H+H employees may receive payments likely to stem from criminal activities

17 March 2017

Published at [www.HplusH.com/csr-statement](http://www.HplusH.com/csr-statement)



As for specific policies further supporting the above principles on business ethics set out in the H+H Code of Conduct, H+H has developed a group competition compliance policy as well as a group anti-corruption policy. Each policy sets out in detail the dos and don'ts for H+H's employees with respect to various issues and situations related to competition law as well as to corruption that H+H employees may be confronted with during their work.

#### **From words to action**

To support implementation and continued training and awareness of H+H's group policies on e.g. competition compliance and anti-corruption, H+H has established a digital policy management software system with a portal where policies can be accessed at all times, read, and digital quizzes and tests in each policy must be passed on a regular basis by all relevant employees to document that a given policy has not only been read, but also understood. The portal also contains a video in which H+H's group CEO promotes the policies and the importance of compliance. To keep the policies alive and "market" them, various awareness material such as posters, small handy brochures etc. have also been prepared and publication will take place in the beginning of 2017 after translation into all relevant languages and be followed up with the release of new additional awareness material on a regular basis to continuously remind all employees about the policies. Finally, a whistleblower portal was developed and launched first on H+H International's website and launch on the various national websites shall follow in the first quarter of 2017 after proper translation.

#### **CSR results in 2016 and expectations for the future**

2016 has been a key year in H+H's work on business ethics. All policies are now developed, the underlying IT infrastructure is fully established and a group compliance organisation is in place. Before the end of the first quarter of 2017 it is expected that all employees within procurement, sales and administration have received all relevant training in the relevant policies and before end of 2017 all production personnel has been trained in the relevant policies for them – the training for production personnel takes longer time since meetings must be held at each production facility and for each shift.

Due to the early stage of H+H's work on group business ethics, including compliance with competition law and avoidance of corruption, it is not yet possible to quantify or otherwise report more specifically on the results or effects of this work. Once the whistleblower system has been in place for a few years, reporting in anonymous form on the number and the types of incidents reported, conclusions and consequences will be possible. H+H aims to communicate within the Group on any relevant incidences of non-compliance in order to illustrate the importance of compliance as well as the consequences that non-compliance may have for H+H and relevant employees, suppliers, customers etc.

Similar to the work with health & safety and personal data protection (see above), compliance with group business ethics is dependent on the right culture being in place among employees, and the risk is that if such culture is not being nurtured at all times and at all levels, the awareness of group business ethics quickly diminishes. To ensure that all employees are aware of the group business ethics H+H tries to ensure engagement and awareness by continuously communicating and training employees in the group policies relevant to their job function.

#### **Non-financial key indicators**

Due to the early stage of H+H's work on group business ethics, non-financial key indicators have not yet been developed.

17 March 2017

Published at [www.HplusH.com/csr-statement](http://www.HplusH.com/csr-statement)

