



Statutory corporate social responsibility statement for 2017, 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 2017)

This corporate social responsibility (CSR) statement for the 2017 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 2017, 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 2017.

CSR IN GENERAL

H+H develops, produces and sells aircrete building materials, and since 1 March 2018 also calcium silicate building materials, in Northern and Eastern Europe. H+H's vision is to be the overall preferred supplier of aircrete and calcium silicate building materials within its geographical markets for each of the two product categories, and H+H wants to achieve this goal in a responsible and ethical way. Having first acquired calcium silicate factories in 2018, this report for 2017 will focus on aircrete building materials, but a full CSR report on this new line of business will naturally be included in H+H's CSR statement for 2018 to be released in March 2019.

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 now has a group CSR 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. Furthermore, H+H has a 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 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. 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. In addition, an online whistleblower system enables H+H's employees, suppliers and customers to file reports on non-compliance. 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.

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

The development and updating of group-wide CSR policies is an ongoing journey. To support the infrastructure, H+H has established a group compliance organisation. 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 as well as maintain and ensure continuous awareness and compliance of the existing group-based CSR policies.

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 & environmental policy (HSE 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 HSE 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 the sake of oneself, but also for the sake of one's colleagues. The policies are important for establishing and continuously strengthening the group-wide HSE 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.

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

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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 2017 and expectations for the future

During 2017 external safety audits were completed in every plant to establish a common baseline. Each plant then established an 18-month Safety Improvement Plan to drive the performance towards the target of zero harm during 2017 and 2018. As well as reporting all incidents the recording of Near Miss Reports in all countries was started, to focus activity on addressing potential incidents *before* they happen. The results so far were an overall decrease in both Lost Time and Non-Lost Time Accidents (LTA and NLTA) Frequency. Particularly good results were achieved in Germany and the UK. Unfortunately, the number of hours lost as a result of incidents has seen an increase, due to a small number of incidents in Poland and Germany leading to prolonged absence as individuals recovered from minor bone fractures in hands and feet. In all cases actions have been taken to prevent reoccurrence of these injuries. Further plant audits will be completed in 2018 to ensure that the actions are driving improvement in incident rates during 2018.

One of the major risks for the work to improve health & safety is that the success 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 may not be fully reached and the results achieved may not last. H+H is therefore very aware that improvement requires 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.

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 relatively 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, sand and water, all of which are based on 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.

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Similarly, calcium silicate units are made from lime, sand and water only. The product has very good load bearing and acoustic properties as well as fire and moisture resistance and is a key component in multifamily housing projects.

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. During 2017 an entirely new group Health, safety & environment policy (HSE policy) was also developed and it will be implemented during 2018.

From words to action

Internal environmental audits are performed regularly at the various plants. 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 now exists, 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.

CSR results in 2017 and expectations for the future

H+H carried out numerous activities in 2017 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 2017 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 CO₂ 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.

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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 plants, 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.

H+H intends to re-assess the most material impact on the environment and the climate stemming from its operations following its recent acquisition. As an outcome, general alignment of data to support more structured reporting processes is anticipated and reporting on CSR KPIs is expected to become an integral part of H+H's annual report for 2018. The main KPIs will be aligned with the recommendations from the Danish Finance Society.

KEY CSR FOCUS AREA: BUSINESS ETHICS – FAIR AND LAWFUL COMPETITION ETC.

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

As for specific policies further supporting the above principles on business ethics set out in the H+H Code of Conduct, H+H has 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 proposals 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 system with a portal where policies can be accessed at all times, read, and 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,

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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 promote them, various awareness material such as posters, small handy brochures etc. is also used on an ongoing basis to continuously remind all employees about the policies. Finally, a whistleblower portal can be accessed from each H+H website.

CSR results in 2017 and expectations for the future

In 2017 H+H's work on business ethics has, aside from the ongoing work to ensure awareness and compliance in respect of the existing group policies concerning business ethics, been focused on preparing for implementation of measures to ensure compliance with the EU General Data Protection Regulation (GDPR) that applies from 25 May 2018. Correct and timely implementation of all required documentation, processes etc. is a very extensive task, but it is important that it is done in order to avoid being in breach of the GDPR and thereby risk being fined, since the level of fines is similar to the very material level of fines applicable under the competition laws. As a first step towards implementation of GDPR, an analysis trying to identify where all personal data is located, the reasons why the personal data was collected, how and by who and why it is being processed, for how long it is being stored etc. was carried out during 2017. Based on the analysis, various documentation and policies have been developed and processes involving personal data have been mapped and to some degree changed to ensure compliance to GDPR. A digital tool for learning and creating awareness have also been bought in to help ensure that all relevant employees are aware and understand the implications of GDPR.

During 2017 there has not been any submission of reports under H+H's whistleblower system. 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 environment, 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 could diminish. To ensure that all employees are aware of the group business ethics H+H tries to ensure engagement and awareness by regularly communicating to 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.