



Statutory corporate social responsibility statement for the 2013 financial year, 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 2013)

This corporate social responsibility (CSR) statement for the 2013 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 2013, and the statement is covered by the auditors' report in H+H International A/S's annual report for 2013.

CSR IN GENERAL

H+H International A/S is committed to being a socially responsible company, establishing and maintaining a robust corporate governance structure and culture, and communicating openly and transparently on its efforts to build a sustainable business.

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. Currently, H+H's strategy and business are based on sound ethical conduct with respect for human rights and labour rights and zero tolerance for corruption. Furthermore, there is a focus on sustainability in H+H's business by constantly improving the thermal insulation properties of its aircrete products and seeking to minimise the impact of its operational activities on the environment and the climate.

H+H has a business-oriented CSR strategy with a focus on the following three areas:

- **Fair and safe employment standards** – terms of employment 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.
- **Sustainable business practices** – 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 environment and the climate.
- **Ethical business practices** – business practices shall be free from any form of corruption.

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 CSR group policies. CSR-related policies and actions have been implemented locally in the various country 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.

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In 2011 H+H began to coordinate its CSR policies and initiatives, e.g. by developing a group policy on supply chain management: *H+H Code of Conduct for Suppliers*. This sets out certain minimum requirements for suppliers and their suppliers in respect of employment standards, business ethics (especially the avoidance of corruption) and the effects of the supplier's business on the environment and the climate. So far, the code of conduct has only been applied to central purchasing for large parts of the H+H Group or the whole H+H Group, but the intention is also to develop a parallel, but less complex, code of conduct to be used by subsidiaries with smaller, local suppliers.

The development and updating of group-based CSR policies has been ongoing since 2011. 2014 is expected to be a key year in H+H's CSR-related work, since it is the intention that a structured compliance organisation, including CSR compliance, will be established in the H+H Group in order to support and strengthen continuous development, implementation, training and auditing of compliance with regard to CSR policies. The organisation will include regional compliance officers who will serve as central points of contact and coordinators for H+H International A/S when it comes to implementing, sustaining, monitoring and reporting on the various compliance policies.

As H+H's first group CSR policies were initiated in 2011 and a compliance organisation will not be established until 2014, a more complete policy structure is not expected to be in place until the end of the current strategy period in 2016. Due to the infancy of H+H's group-based CSR work, it is not yet possible to quantify or otherwise report more specifically on the results or effects of its CSR work so far.

KEY CSR FOCUS AREA: EMPLOYMENT STANDARDS – FAIR, NON-DISCRIMINATORY AND SAFE

CSR principles and 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.

A guiding principle for H+H's strategy and business activities is the recognition of generally acknowledged labour rights and human rights. These include, but are not limited to, freedom of organisation for all H+H employees, H+H's provision of equal opportunities regardless of gender, religion, colour, ethnic or national origin and political convictions, and a ban on child labour and forced labour. Furthermore, H+H is to be a safe place to work and is always to comply with all applicable statutory health & safety requirements. H+H is also to be an attractive place to work with possibilities for professional development and a good work-life balance.

As for specific policies, H+H developed group health & safety policies for lost-time accident reporting and investigation, safety principles and compliance in 2013. This is the first step in establishing a group-wide health & safety management system and culture.

From words into action

In connection with the implementation of the new health & safety policies in 2013, H+H implemented a group safety officer function and increased reporting requirements. The main objective is to minimise the risk of accidents for our employees and ensure compliance with regulations and transfer of best practices.

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CSR results in 2013 and expectations for the future

The main activity in 2013 was to establish group-wide systems for capturing and learning from accidents. This was done by establishing common definitions, reporting and investigation tools. All meetings in the operational organisation now start with a discussion of health & safety issues in order to emphasise their importance. Finally, safety statistics are reported on a monthly basis both to H+H International A/S's management group and to the Board of Directors.

The companies in the H+H Group represent different skills, international experience, nationalities, ages and genders. Recruitment for management positions takes place with an emphasis on skills and experience and without discrimination on the grounds of age, gender, nationality etc. Subsidiaries' management teams are generally diverse with people of different nationalities, ages and genders working as managers within production, sales, marketing and administration. H+H International A/S's organisation is very small with only 13 employees (including the two members of the Executive Board), of whom five are women and eight are men. The Board of Directors consists of five shareholder-elected board members, of which one is a woman and two are of nationalities other than Danish. H+H International A/S has not set any objectives or produced any policies to ensure diversity in the company's management due to the very small size of its organisation; the limited number of employees means there are only limited or no changes in the organisation in any given year, which makes it very difficult to effectively pursue any diversity objectives or policy within a meaningful time frame.

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

CSR principles and 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. 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 power generation at coal-fired power stations) is used as a raw material instead of sand.

As a guiding principle, H+H is to consider the environmental and climate impact when defining R&D objectives and when producing, selling and distributing its products. H+H continuously seeks to develop its production processes, products and business practices in ways that can increase the sustainability of its business and of the aircrete products themselves. H+H does not currently have any group policies in place concerning the effects of its business practices on the environment and the climate, but it is the intention that such policies will be developed.

From words into action

Environmental audits are performed regularly at the different production facilities. Most recently, audits were carried out at the now closed production facility in Finland as well as the production facilities in Poland, and all confirmed that aircrete production takes place without any direct pollution or other negative effects on the land or surroundings of the production facilities.

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Environmental product declarations (EPDs) for aircrete products from cradle to gate were developed in 2013, and H+H's products in three countries will be marketed with EPDs from early 2014, i.e. long before EPDs become mandatory, which is not expected to be for some years. The EPD scheme is based on an EU directive, 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 2013 and expectations for the future

H+H carried out numerous activities in 2013 to increase the sustainability of its business. These included a sharpened 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 were included in the bonus scheme for some key production managers. Any product waste generated is recycled by crushing it and either re-introducing it into the production process or selling it as road fill or cat litter. A project to increase heat recovery from the autoclaving process was also initiated at one of H+H's factories in 2013 in order to reduce energy consumption in the production process.

Another focus area in 2013 was to reduce the consumption of binders, such as cement and lime, both of which entail relatively high energy consumption during their production process. Furthermore, a project was launched in late 2013 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, making their distribution more efficient thereby reducing CO₂ emissions, as more aircrete products can be carried by each truck before reaching its maximum permitted load. Another means to successfully reduce the consumption of raw materials was to develop and implement procedures to more closely scrutinise and measure the consumption of raw materials when mixing the ingredients for the aircrete slurry.

H+H plans to continue the roll-out of cradle-to-gate EPDs as described above in the marketing of its aircrete products in 2014.

Finally, H+H intends to establish environmental policies in the coming years that support its overall strategy.

KEY CSR FOCUS AREA: ETHICAL BUSINESS PRACTICES – ANTI-CORRUPTION

CSR principles and policies

H+H is committed to lawful and ethical behaviour in 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.

As a guiding principle, H+H is not to participate in corruption, bribery or extortion of any kind. H+H shall act in a credible and ethically responsible manner.

On a more specific level, H+H began working in 2011 on a group policy on anti-corruption: *H+H Anti-corruption Compliance Policy*. The policy will be fully rolled out and implemented as soon as the CSR organisation is established, which is expected to be in 2014.

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From words into action

Once drafted, the H+H anti-corruption policy was presented and discussed at length at a workshop attended by all of the subsidiaries' managing directors. The aim of this was partly to enable the Executive Board of H+H International A/S to emphasise the tone at the top with regard to corruption, and partly to prepare the subsidiaries' managing directors for their role in implementing the policies locally at the subsidiaries. As a consequence of the H+H Group's transition to a functional structure in 2013, the implementation of the anti-corruption policy at the subsidiaries was postponed until 2014 when the establishment of a compliance organisation with the appointment of a local compliance officer at each subsidiary is completed.

CSR results in 2013 and expectations for the future

The effects of the work on the anti-corruption policy are not visible or measurable as such, but will be manifested indirectly through H+H not engaging in corruption.

Late in 2013, the Board of Directors decided that H+H will develop and implement a code of conduct in 2014 applicable to all employees. The code will expand on H+H's existing guiding principles, introduce new principles and provide guidance on how to handle various issues in areas such as anti-corruption and other forms of legal compliance, as well as issues relating to human rights and labour rights, climate and environment, and conflicts of interest.

Furthermore, in conjunction with the decision to develop a code of conduct, and in order to underpin and support the code of conduct as well as other group policies, such as the anti-corruption policy, the code of conduct for suppliers etc., the Board of Directors decided that a whistleblower scheme should be established. The design of this scheme, including the development of a whistleblower policy etc., and the subsequent submission of requests for approval from the relevant national data protection agencies are planned to be carried out during 2014-2015.