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Statutory corporate social responsibility statement for 2014, 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 2014)

This corporate social responsibility (CSR) statement for the 2014 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 2014, and the statement is covered by the auditors' report in H+H International A/S's annual report for 2014.

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 a few years ago.

Despite not having a fully fledged CSR policy structure and organisation, H+H practises a business-oriented CSR approach 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 climate and the environment.
- **Ethical business practices** – business practices shall be free from any form of corruption and comply with all relevant laws.

In recent years, H+H has begun 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 climate and the environment. 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.

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The development and updating of group-wide CSR policies is an ongoing journey. The intention is to establish a structured compliance organisation, including CSR compliance, in the H+H Group in order to support and strengthen continuous development, implementation, training and auditing of compliance with regard to CSR policies. This 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. A more complete policy structure is expected to be launched during the second half of 2015 and then gradually developed in parallel with the development of various group-based CSR policies.

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.

H+H does not have a group policy concerning human rights. However, a guiding principle for H+H's strategy and business activities has always been the recognition of generally acknowledged labour rights and human rights. This means that H+H practises freedom of organisation for all H+H employees; provision of equal opportunities regardless of gender, religion, colour, ethnic or national origin and political convictions; and avoidance of child labour and forced labour. Furthermore, H+H is to be a safe place to work and 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 has developed and implemented group health & safety policies, structures for reporting lost-time accidents, and uniform investigation structures, safety principles and compliance. This is an important step in establishing a group-wide health & safety management system and culture.

From words to action

In connection with the implementation of the new health & safety policies, H+H has 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.

CSR results in 2014 and expectations for the future

The main activity in 2014 was to continue the work on establishing 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. In 2014, lost-time accidents were reduced by 50% compared with 2013. It is thought that this improvement can largely be attributed to the focused work on implementing and continuing to develop group-wide health & safety policies.

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

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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.

H+H does not yet have a group-based climate or environmental policy. However, H+H has a guiding principle, namely that it 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. In addition, some H+H subsidiaries have local CSR policies relating to climate and the environment.

From words to action

The actions below are not based on any H+H group policy concerning the climate and the environment. However, the actions are still reported since they are based on the informal guiding principles described above as well as local policies implemented within some H+H subsidiaries.

Environmental audits are performed regularly at the various production facilities. Recent audits have all confirmed 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 H+H's products are already being marketed with EPDs long before EPDs have 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 2014 and expectations for the future

H+H carried out numerous activities in 2014 to increase the sustainability of its business. These included a 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 included in the bonus scheme for some key production managers. 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 project to increase heat recovery from the autoclaving process was also initiated at one of H+H's factories in order to reduce energy consumption in the production process.

Another focus area in 2014 was to reduce the consumption of binders, such as cement and lime, both of which entail relatively high energy consumption at the production stage. Furthermore, a project is under way 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. Another successful means of reducing the consumption of raw materials was developing and implementing procedures to scrutinise and measure more closely the consumption of raw materials when mixing the ingredients for the aircrete slurry.

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

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. H+H is working on a group code of conduct, as well as on a specific group policy on anti-corruption and a whistleblower policy. The code of conduct 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.

The code of conduct and the said policies are all expected to be developed and approved, and possibly also rolled out and implemented, in the second half of 2015.

From words to action

Since the said code of conduct, group policy on anti-corruption and group whistleblower policy are still under development, there are not yet any actions based on the policies to report.

CSR results in 2014 and expectations for the future

Due to the early stage of H+H's work on group ethical policies, it is not yet possible to quantify or otherwise report more specifically on the results or effects of this work.