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Statutory corporate social responsibility statement for 2015, 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 2015)

This corporate social responsibility (CSR) statement for the 2015 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 2015, 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 2015.

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.

In 2015 H+H established a group CSR organisation and named a compliance officer in each H+H company. Furthermore, H+H has now developed a general group-wide Code of Conduct as well as various underlying group policies concerning supplier conduct, competition law compliance, anti-corruption, health & safety etc. All policies are in the midst of being implemented in the various H+H companies via online training online or seminars, as well as regular awareness activities such as tests and quizzes, competitions and campaigns in the form of posters, screen savers etc. In addition, a whistleblower system will be launched in most countries during the first quarter of 2016, enabling 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

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- **Business ethics** – business practices shall be free from any form of corruption or unfair competition and comply with all relevant laws

H+H's Code of Conduct is publicly available to everyone, including H+H's suppliers, on all H+H entities' websites. Once the new Supplier Code of Conduct has been implemented in all H+H entities during 2016, each entity's suppliers will have to adhere to the same principles concerning human and social rights, business ethics and the environment as set out in H+H's own Code of Conduct. The development and updating of group-wide CSR policies is an ongoing journey, but 2015 was a crucial year in respect of developing a group-oriented CSR programme. H+H established a structured compliance organisation, including CSR compliance, to support and strengthen continuous development, implementation, training and internal auditing of compliance with regard to CSR policies. This organisation includes regional compliance officers who 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. The next step for H+H is to gradually develop further group-based CSR policies where this supports the overall goals of the Group.

KEY CSR FOCUS AREA: EMPLOYEES – FAIR, NON-DISCRIMINATORY AND SAFE 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 fair, non-discriminatory and safe working conditions for the employees of the suppliers from which H+H sources raw materials and other goods and services.

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

- 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
- Every employee is entitled to a safe and secure workplace
- 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 more specific 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. These 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..

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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 related to them. Reporting requirements concerning health & safety were also stepped up in 2015.

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 2015 and expectations for the future

The main result in 2015 was the further enhancement and improvement of the group-based common definitions, reporting and investigation structures. All meetings in the operational organisation of the Group now start with a discussion of health & safety principles and any specific issues and incidents in order to emphasise the importance of health & safety. However, despite the many activities in this area, the frequency of lost-time accidents remained the same as in 2014. It is very disappointing that the frequency was not reduced materially during 2015, and further actions and initiatives are planned for 2016 onwards to ensure further reductions in risk and lost-time accidents.

As for employees' rights to privacy, including protection of their personal data, H+H plans in 2016 to evaluate the need to issue a group policy on management of personal data in order to ensure proper protection of personal data and compliance with all other aspects of data protection legislation.

One relevant risk with regard to H+H's work to ensure fair, safe and healthy working conditions would be a failure to ensure a stringent culture concerning the health & safety rules. This can be mitigated through consistent leadership concerning the importance of the health & safety rules. H+H plans to carry out an assessment of all risks related to its equipment as well as of all relevant mitigation steps in 2016.

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 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.

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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 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

Environmental internal audits are performed regularly at the various production facilities. Recent internal 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 even though the use of EPDs has not yet become mandatory. 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 2015 and expectations for the future

H+H carried out numerous activities in 2015 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 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 pilot project to increase heat recovery from the autoclaving process was completed at one of H+H's factories in order to reduce energy consumption in the production process. Evaluation of the technology is ongoing, and if the results are positive, the intention is to roll out the technology at more factories in the coming period.

A continued focus area in 2015 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 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

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 and implemented 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

H+H is in the midst of implementing the group Code of Conduct as well as the group competition compliance and anti-corruption policies in all H+H entities, and expects this work to be completed in 2016. The implementation process is complex due to different languages, different national laws, different working hours and locations, and different forms of training (digital and/or seminars).

To support implementation and continued training and awareness, H+H has established a digital policy management software system where policies can be read, and digital quizzes and tests in each policy can be taken regularly by employees to document that a given policy has not only been read but also been understood.

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CSR results in 2015 and expectations for the future

2015 has been a key year in H+H's work on business ethics. During the year, the group Code of Conduct was developed together with the underlying group policies on competition compliance and anti-corruption. 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.

One relevant risk with regard to H+H's work on ensuring fair competition and avoiding corruption would be a failure to ensure a stringent culture concerning these issues. This risk can be mitigated through consistent leadership concerning the importance of compliance with the principles for fair competition and anti-corruption. Furthermore, 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.

Non-financial key indicators

Due to the early stage of H+H's work on group business ethics, no non-financial key indicators have yet been developed.