



Statutory corporate social responsibility statement for 2018, cf. section 99a of the Danish Financial Statements Act

This corporate social responsibility (CSR) statement for the 2018 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 2018, 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 2018.

CSR IN GENERAL

H+H develops, produces and sells wall building materials in Northern and Eastern Europe. H+H focus on adding value to its customers throughout the entire wall building process and H+H wants to achieve this goal in a responsible and ethical way. H+H's business model is described on page 5 in H+H International A/S's annual report for 2018 (please see www.HplusH.com).

H+H has a compliance organisation consisting of regional compliance officers who serve as central points of contact and coordinators when it comes to implementing, training, and sustaining the various group-based 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, personal data protection etc. The compliance policies are implemented in the various H+H companies via an online policy system where H+H employees can log-in and read the policies that are relevant for the specific employee considering the employee's work responsibilities and functions. The policy system also functions as a platform for online training and for employees without online access information meetings are held to ensure awareness. H+H also has an online whistleblower system that enables H+H's employees, suppliers, customers and other stakeholders 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 cornerstones of H+H's Code of Conduct:

- **Employees & human rights** – 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 impact** – 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 the environment and impact on the climate
- **Business ethics** – business practices shall be free from any form of corruption and bribery and comply with all relevant laws

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KEY CSR FOCUS AREA: EMPLOYEES & HUMAN RIGHTS – SAFE, FAIR AND NON-DISCRIMINATORY WORKING CONDITIONS AND RESPECT FOR HUMAN RIGHTS

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 and safety principles. Furthermore, the policy emphasises that the commitment to continuously work towards zero harm for all our stakeholders 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 importance of health and Safety all formal Group meetings have as their first agenda item an update on the Health and Safety performance, policies and any specific actions and incidents reported in the previous period.

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All sites have a Safety improvement plan linked to a maturity matrix. All factories are audited by an external expert on a rolling 3 year programme against this matrix to ensure that progress toward a world class level is being maintained in line with the group targets for incident reduction.

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 in our strive towards Zero Harm to any stakeholder and to ensure compliance with regulations.

Risks

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 performance indicators (KPIs)

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.

CSR results in 2018 and expectations for the future CSR activities

In line with the target of Zero Harm, all 13 AAC factories has established an 18-month Safety Improvement Plan to drive the performance towards zero harm and actions were carried out to achieve this. As well as reporting all incidents, the recording of Near Miss Reports in all countries has progressed, to focus activity on addressing potential incidents *before* they happen.

Welcoming 15 CSU factories to the Group in 2018 has required a more formal approach and the organisational setup has been expanded. For the acquired factories baseline audits are started and the Safety Improvement Plan are to be completed during 2019.

The results in 2018 was an overall decrease in both Lost Time and Non-Lost Time Accidents (LTA and NLTA) Frequency. Further factory audits will be completed in 2019 according to schedule to ensure that the actions are driving improvement in incident rates.

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

CSR policies

Doing business in a sustainable way is an integral part of all of H+H's activities. The products are eco-friendly wall building materials and provide comfortable, safe and healthy buildings due to excellent indoor climate, thermal insulation, fire resistance and acoustics. Key raw materials in H+H's products are nature's own sand, water and lime. In ACC products cement and aluminium are added. H+H has, during many years, achieved a solid experience in producing wall building materials. The know-how, experience and research have enabled a robust manufacturing process and, most importantly, products with strong properties for sustainable buildings.

It stems from the nature of the products that they are energy intensive and require raw materials of which some are energy intensive such as lime and cement. As these raw materials are huge cost drivers, there are mutual benefits for H+H and its customers in optimising the use of these raw materials as it will not only be more cost effective and thereby reduce the pricing of the products, but also benefit the overall environmental impact.

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 policy Health, safety & environment policy (HSE policy) was also developed and it was implemented during 2018.

From words to action

Environmental product declarations (EPDs) for all relevant aircrete products from cradle to gate exists. 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.

In recent years some factories have converted to LED lighting. This brings energy savings and the new systems are less vulnerable, so lower maintenance is another positive consequence. H+H will in 2019 continue to install LED and sensors in some of the factories where this is not already in place.

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Increasing harvesting of rainwater is also possible as expected to be initiated during the year. Finally, opportunities around solar panels will be investigated for as well factory roofs as well as adjacent unused land.

Risks

A 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 performance indicators (KPIs)

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 are aligned with the recommendations from the Danish Finance Society and disclosed in the annual report.

CSR results in 2018 and expectations for the future CSR activities

A continued focus area in 2018 was to reduce the consumption of binders, such as cement and lime, both of which entail relatively high energy consumption in their production. This showed improvement across most of our factory network.

Regarding future CSR activities, H+H is seeking to

- Reduce the generation of waste product from the production process. 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.
- Reduce the energy consumption associated with direct production
- Minimise the water consumption in our production processes whilst increasing the use of harvested water
- Reduce the amount of binder used in our products.
- Optimise distribution truck loadings to minimise the CO2 emissions in delivering our products where we control the distribution.

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KEY CSR FOCUS AREA: BUSINESS ETHICS – DOING BUSINESS IN A FAIR AND NON-CORRUPT WAY

CSR policies

H+H has a zero-tolerance for corruptive business practices and 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 and sound business ethics at H+H, relevant principles have been included in the H+H Code of Conduct. These include:

- H+H condemns corruption, and all H+H employees are under an obligation to comply with applicable anti-corruption laws
- H+H condemns bribery, and all H+H employees may therefore not promise or offer a bribe in any form to a public official or solicit, accept, promise or offer a bribe or kickback in any business relation
- H+H condemns facilitation payments, and it is therefore not acceptable for any employee to promise or offer a facilitation payment in any form to a public official
- Entertainment and gifts offered or received by H+H employees may not exceed reasonable limits and may not be provided to 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 an H+H anti-corruption policy that in detail sets out dos and don'ts for H+H's employees with respect to various issues and situations related to corruption and bribery proposals that H+H employees may be confronted with during their work. The said issues and situations concern dealt with in the H+H anti-corruption policy concern bribery, facilitation payments, donations and sponsorships, gifts and entertainment, money laundering and protection money.

From words to action

To support implementation and continued training and awareness of H+H's group policies such as the H+H anti-corruption policy, H+H has a digital policy management system where the policies relevant for each employee can be accessed and read at all times, and quizzes and tests 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 policy system also functions as a platform for online training. Due to a shift from one policy management system to another, there has not been a digital policy management system in place since the last part of 2018, but the new policy management system that has been bought in is expected to launch in the spring of 2019. The reason for the change in systems is to improve the usability of the system, thereby making the distribution and implementation of the policies more effective.

H+H also has an online whistleblower system that enables H+H's employees, suppliers, customers and other relevant stakeholders to file reports on non-compliance.

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Risks

Various global corruption indexes list Russia as a high-risk country, and H+H has a Russian production and sales company in the St. Petersburg region. H+H is very aware of the extra risk of corruption posed by doing business in Russia and for that reason the issue of possible corruption is regularly discussed between group management and the management in H+H Russia to help ensure continued awareness and compliance. A similar increased risk level is not believed to apply for the other countries where H+H does business.

Non-financial key performance indicators (KPIs)

Non-financial KPIs for business ethics have not yet been defined for H+H's activities. However, to strengthen H+H's compliance work, including compliance with the anti-corruption and bribery laws and policies, the key persons working with group compliance have compliance related KPIs as part of the personal KPIs for their annual cash bonus program in order to ensure that they focus on developing and implementing group compliance.

CSR results in 2018 and expectations for the future CSR activities

There have not been any specific results relating to anti-corruption and anti-bribery in 2018 stemming from H+H's compliance work. During 2018 there has not been any submission of reports concerning corruption or bribery under H+H's whistleblower system. H+H aims to communicate within the Group in anonymous form about any relevant incidences of non-compliance for learning purposes as well as to illustrate the importance of compliance and the consequences that non-compliance may have for H+H and relevant employees, suppliers, customers etc.

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 and nudged 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 communicating to and training employees in the group policies relevant to their job function.