

Statutory corporate social responsibility statement for 2019, cf. section 99a of the Danish Financial Statements Act

This corporate social responsibility (CSR) statement for 2019 (in Danish: redegørelse for samfundsansvar) forms part of Management's review in H+H International A/S's annual report for the accounting period 1 January to 31 December 2019, 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 2019.

CSR and ESG (environmental, social, governance) are two terms that essentially describe the same matter, i.e. the use of environmental, social and governance factors to evaluate the sustainability and societal impact of a business. In the remainder of this statement, the term ESG will be used instead of CSR. This is done to ensure alignment to the H+H group's ("H+H") communication on sustainability and societal impact elsewhere (e.g. in financial reports, investor communication etc.), since H+H has decided that to avoid confusion it will from 2020 aim to mainly use the term "ESG" as this term over time have become more prevalent.

ESG IN GENERAL

H+H develops, produces and sells wall building materials in Northern and Eastern Europe. H+H focuses on adding value to its customers throughout the entire wall building process and H+H wants to achieve this in a responsible and ethical way. H+H's business model is described on page 12 in the annual report for 2019 (please see www.HplusH.com).

H+H has established a central ESG committee where officers representing ESG related topics participate, including relevant managers who support the implementation, training in and regular reviews of the various group-based compliance policies.

H+H has a Code of Conduct in place as well as various underlying group policies concerning supplier conduct, fair competition, anti-corruption, health & safety etc. H+H also has a whistleblower system that enables H+H's employees, suppliers, customers and other stakeholders to file reports on non-compliance via H+H's websites.

H+H practises a business-oriented approach to ESG, and the overall guiding principles are:

- **"Environment"** – business practices in production, marketing, sales, logistics and administration, as well as the use and recycling of H+H's products, shall take account of the environmental impact.
- **"Social"** – 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 and support the career ambitions for each employee.
- **"Governance"** – business practices shall be free from any form of corruption and bribery and comply with all relevant laws.

11 March 2020

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To support the increasing demand for ESG-reporting H+H is reporting on non-financial KPIs in line with the recommendations from Nasdaq Copenhagen.

KEY FOCUS AREA: ENVIRONMENTAL – SUSTAINABLE BUSINESS PRACTICES

Environment

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 energy-efficient, 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 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 manufactured with focus on minimising emissions and reduce consumption of energy and raw materials.

It stems from the nature of the products that the manufacturing process is energy intensive and require raw materials of which some are energy intensive when being produced by H+H's suppliers such as lime and cement. As these raw materials are huge cost drivers, there are mutual benefits for H+H and the environment and climate 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 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 companies have local policies relating to carbon emissions and environmental aspects.

From words to action

To document the environmental impact of H+H's products and thereby be able to measure the results of H+H's principle to actively work to continuously reduce the environmental impact of H+H's products during production, transport, use and recycling, H+H has Environmental product declarations (EPDs) for all relevant H+H products. 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 products and services throughout their lifecycle. 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. The use of EPDs enables architects and customers to compare the sustainability of different wall building products and the EPDs are increasingly used in public and private housing projects to make the required calculations under various building certification schemes such as e.g. DGNB that calculates a building's total environmental impact.

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We have introduced vacuuming of the air from the autoclaves, as the air is a barrier for the steam to penetrate the AAC cake. By removing the air the cycle time is reduced and energy consumption reduced.

Steam boilers are also being replaced where possible. New boilers are most energy efficient and where possible coal is replaced with gas as the fuel source to generate the steam for the autoclaving process.

Of other tangible improvement projects, it is worth noticing that most of the factories lighting is now running on LED lights, a process that has been ongoing for some years.

To increase transparency around the impact from manufacturing H+H's products, measures on energy, carbon emissions and water consumption are now being disclosed on an annual basis in the annual report and targets have been set to drive improvements.

Risks

A risk with regards to H+H's business model is lack of compliance to permits regarding emissions. The emissions stems from heating of autoclaves and disposal of processed water. Permits are reviewed and any non-conformities resolved if any such appears. By nature, the relevant permits have long duration.

A risk with regards to H+H's work on optimizing its environmental impact would be a failure to carry through the identified improvement projects. There are teams of dedicated project managers that runs the improvement projects and when needed external assistance is assisting to ensure the projects are carried through. Further, significant breaches from suppliers to H+H's Code of Conduct could have an adverse impact.

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 impact of its activities. The non-financial indicators that are disclosed in the annual report are aligned with the recommendations from Nasdaq Copenhagen.

Environmental results in 2019 and expectations for the future

A continued focus area in 2019 was to reduce the consumption of binders in H+H products 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. The results in 2019 was a reduction of energy per m3 from 593 MJ to 565 MJ. Water consumption also decreased from 387 litre per m3 to 382 litres.

Environmental targets – to be achieved over the next 5 years by H+H's factories – are a reduction of energy consumption of 7% per m3 and a reduction of water consumption of 5% per m3 vs. a 2019 baseline.

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There has been established a pipeline of initiatives to reach the announced environmental targets. The pipeline includes among others increased harvesting of rainwater, use of solar panels and use of biomass to replace coal where no infrastructure for gas is available. Continuous optimization of recipes, recycling of failed batches and reduction of waste is an integral part of the normal business procedures.

KEY FOCUS AREA: **SOCIAL – SAFE, FAIR AND NON-DISCRIMINATORY WORKING CONDITIONS**

Policies related to social aspects

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.

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

As for specific policies further supporting the above principles on employee 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 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

11 March 2020

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demonstrate the importance of health and safety all formal Group meetings have as their first agenda item an update on the health & safety performance, policies and any specific actions and incidents reported in the previous period.

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 HSE 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 required a continuous effort. The hardware (e.g. equipment and other material) and the software needed 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 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 and externally on an annual basis. These are aligned with the recommendations from Nasdaq Copenhagen and disclosed in the annual report.

Social results in 2019 and expectations for the future

In line with the target of Zero Harm, all factories are eligible for an 18-month Safety Improvement Plan to drive the performance towards zero harm and actions were carried out to achieve this. This includes recording of Near Miss Reports to focus activity on addressing potential incidents before they happen.

As H+H has acquired a significant number of factories during recent years organisational setup has been expanded. Acquired factories have been subject to baseline audits and Safety Improvement Plan have been completed during 2019.

The results in 2019 was zero fatalities and an overall decrease in the LTA Frequency from 9 to 6. Sickness absence increased for the third consecutive year in a row up to 13 days per FTE. The development is not satisfactory, and one of the reasons for central coordination of HR activities was established in 2019.

11 March 2020

Published at www.HplusH.com/esg-statement-2019



Concerning expectations for the future development, specific targets for the KPIs are set with an FRA (frequency of accidents) in line with a rolling 50% reduction over a 5-year period and a reduction in sickness absence to 9 days by 2024, an improvement of around 30%.

KEY FOCUS AREA: GOVERNANCE – DOING BUSINESS THE RIGHT WAY

Governance 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. H+H has an 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.

H+H recognizes the advantages of diversity, values its diverse workforce and believes in the equality of people. We expect all our employees to respect the varied backgrounds, skills and cultures of others and are committed to providing equal opportunities in employment decisions, based on individuals' qualifications, without unlawful discrimination. To support this a H+H diversity policy was implemented in 2019.

The general meeting of H+H has approved Remuneration guidelines for the Board of Directors and the Executive Board, including general guidelines for incentive pay to the Executive Board. The purpose of the guidelines is to ensure that the remuneration packages for the Executive Board support both the short- and the long-term goals of the company and that the remuneration level is aligned with the shareholders' interests in increased value creation.

From words to action

To support and control compliance with the H+H's group policies such as the anti-corruption policy and the diversity policy, H+H has an online whistle-blower system that enables H+H's employees, suppliers, customers and other relevant stakeholders to file reports on non-compliance. The whistle-blower system can be accessed via H+H's websites.

As a listed company, H+H is subject not only to the requirements laid down in the Danish Financial Statements Act, but also the Rules for issuers of shares issued by the Danish stock exchange (Nasdaq Copenhagen). Under these rules, H+H must disclose whether or not the company complies with the Recommendations on Corporate Governance issued by the Committee on Corporate Governance in Denmark, and the reason for any non-compliance with a recommendation must be given together with a description of the company's alternative practice within that area, if any. This reporting takes place annually and is published on H+H International A/S' website www.HplusH.com.

11 March 2020

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Risks

With the divestment of its business in Russia, H+H deems its risks of corruption and bribery to have decreased, not due to any knowledge of specific suspicion of corruption in its Russian business prior to divesting it but based on the high corruption index for Russia. H+H will ensure continued awareness and compliance in all of its remaining markets. H+H does presently not see governance risks related to corruption, including bribery.

Non-financial key performance indicators (KPIs)

H+H uses a few non-financial key indicators to measure the results and these non-financial indicators are aligned with the recommendations from Nasdaq Copenhagen and disclosed in the annual report.

Governance results in 2019 and expectations for the future

There have not been any specific results relating to anti-corruption and anti-bribery in 2019 stemming from H+H's compliance work. During 2019 there has been one submission of a whistleblower report concerning a suspicion of corruption or bribery. The report was thoroughly investigated for some months by external parties and the conclusion was that there was no misconduct. H+H aims to communicate within the Group in anonymous form about all 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.

The Board of Directors of H+H International A/S has set a gender diversity target and shall seek to achieve this no later than at the annual general meeting in 2023 whereby each gender shall be represented:

- by at least one shareholder-elected board member, when the Board of Directors consists of a total of 4 shareholder-elected board members;
- by at least two shareholder-elected board members, when the Board of Directors consists of a total of 5 – 7 shareholder-elected board members; and
- by at least three shareholder-elected board members, when the Board of Directors consists of a total of 8 shareholder-elected board members.

The target was not achieved in 2019 even though a female candidate was newly elected to the board of Directors in April 2019, since she replaced the only female board member until then, why the number of female board members remained at one out of six members. If a male and female candidate for a position are equally qualified, the candidate representing the under-represented gender will be chosen.