

# Sustainability Report 2022

H+H International A/S

**H+H**  
PARTNERS IN WALL BUILDING

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## Forward-looking statements

The Sustainability Report contains forward-looking statements. Such statements are subject to risks and uncertainties, as various factors, many of which are beyond the control of H+H, may cause actual developments and results to differ materially from the expectations expressed in this document. In no event shall H+H be liable for any direct, indirect, or consequential damages or any other damages whatsoever resulting from loss of use, data, or profits, whether in an action of contract, negligence, or other action arising out of or in connection with the use of information in this document.

## Our commitment

The following pages constitute our Communication on Progress (COP) as required by the UN Global Compact, information required by the Danish Financial Statements Act §99a and Article 8 of the EU Taxonomy Regulation.



TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES



SCIENCE BASED TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

## Integrated reports



### Annual report

[www.hplush.com/financial-reports](http://www.hplush.com/financial-reports)



### Remuneration report

[www.hplush.com/remuneration](http://www.hplush.com/remuneration)



### Corporate Governance statement

[www.hplush.com/corporate-governance-reports](http://www.hplush.com/corporate-governance-reports)

CEO LETTER

# Driving a sustainable future

In 2022, we delivered solid progress on the targets set out in last year's Sustainability Report. We have reduced our carbon emissions in line with our commitments under the Science Based Targets initiative ("SBTi"), engaged with suppliers to reduce our Scope 3 emissions and improved our safety performance.

During 2022 we implemented the Task Force on Climate-related Financial Disclosures ("TCFD") standard to provide transparency about the Group's climate-related risks and opportunities and to make sure that we are resilient towards the future. As part of the process, it was re-confirmed that carbon emissions is the key ESG factor for H+H. Assessing against three different climate scenarios (1.5°C, 1.8°C and 3+°C), the conclusion of the process is that we have a resilient business model and no net material financial impact in any of the scenarios.

Our science-based targets set out the reductions we will make as a company by 2030 in our Scope 1, 2 and 3 greenhouse gas emissions and align us to the Paris Agreement and to the EU's climate goals. Across our supply chain there are a number of activities that makes us confident in achieving these reduction targets. It will not be one big change, but gradual improvements, maturing new technologies and a joint supply chain effort to deliver blocks for walls with less-than-zero carbon emissions. With the changing macroeconomic sentiment, the cost aspect is even more important to take into account - the transition is not freely available, and H+H intends to pass-on the costs.

We expect the supply chain will be able to deliver low carbon products in the future. Our products are key elements in delivering high volumes of low-carbon houses. Our products are durable, long-lasting and is only heated to 180 degrees celcius in our manufacturing process.

In short, the industry is ready to deliver on the green transition, but we need the support for our customers to realize the benefits of less-than-zero carbon products.

In line with our purpose to enable better homes and workplaces for our communities, we remain dedicated to improving health and safety in our facilities through our focus on zero harm. We continue to develop and strengthen our internal programs and we can see that we are improving our safety performance. As a result of this, we had a record low Lost-Time Incident Frequency of 3.6 in 2022. We also continue local initiatives and campaigns on mental health across the Group as part of our efforts to be an attractive employer.

To further embed sustainability into our strategy and processes, ESG targets have become part of our renewed financing agreement as well as our long- and short-term incentive programs across the Group,

It is our employees that drive our sustainability progress forward by delivering on our promises. I want to thank them for their commitment in 2022 and invite our customers, suppliers, and investors to continue on the sustainability journey with H+H.

**Jörg Brinkmann**  
CEO



# We enable better homes for our communities



## Partners in Wall Building

Being a part of H+H means you are in the business of people and teamwork.

Our partners trust us to understand their building needs from design, specification and planning to delivery, assembly and problem solving.

With our partners, we enable better homes for our communities.



## Putting people first

The health and safety of our people, suppliers and customers, will never be compromised. We are committed and have the ambition of zero harm for our own and our partners' people.

We know that people are different. We trust our differences enable us to see new opportunities and be more effective.

People are the heart of H+H.

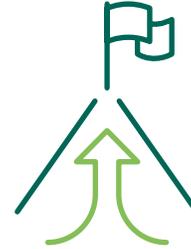


## Performance driven

H+H strives to deliver results to all our partners and in the communities where we operate.

Even when times are difficult, we deliver quality products with the highest level of service to our customers. Our operations run timely and effectively. We follow through on our commitment to serve our communities.

You can trust us to deliver on our promises.



## Pushing the boundaries

To build better homes, we must stay curious and eager to drive our industry forward.

We are continuously improving operations and products. Together with our partners we rethink supply chains, services and digital solutions.

We are pushing to meet the needs of tomorrow.



## Part of a sustainable future

Today we work with our partners to reduce energy needs in homes and our commitment is more than the long lasting and insulating products we produce.

We are part of the solution in creating sustainable and carbon neutral buildings. We are partnering with our customers, suppliers, and other stakeholders; finding new production methods to lower the environmental impact of homes.

We act today to realise our vision of carbon neutrality in 2050.

# Highlights

During 2022, we executed on our plans to meet our ESG commitments.  
The results show a positive development towards our targets.

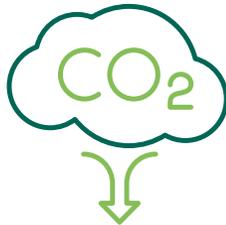
## Results 2022



Steady safety performance

3.6

Lost-Time Incident Frequency (LTIF) versus a target of 5.



Reduced carbon emissions

5%

lower Scope 1 and 2 emissions compared to our Science Based target.



Lower water usage

3%

reduction in water intensity versus 2019 base year.

## Long-term targets



H+H has carbon reduction targets verified and approved by the SBTi

1.5°C

We are on track in reducing our own emissions in line with the 1.5-degree scenario in the Paris Agreement.



Net-zero by

2050

We are committed to achieving net-zero emissions in our operations and products by 2050.

UN Global Compact

Sustainable Development Goals (SDGs)

Our products support SDG-11 (Sustainable cities and communities) and SDG-12 (Responsible consumption and production).

# Sustainability strategy

## Environment

### Sustainable buildings

By 2030, reduce Scope 3 GHG emissions **22%** per m<sup>3</sup> from a 2019 base year

By 2050, achieve **net-zero** emissions in H+H's products

We want to enhance our product portfolio through more sustainable products and application methods, that improve energy efficiency and lower the life-cycle emissions of buildings.

We partner with cement and lime manufacturers to test low-carbon products to reduce our Scope 3 emissions and are committed to achieving net-zero emissions from our products by 2050.



### Climate & environment

By 2030, reduce absolute Scope 1 and 2 GHG emissions by **46%** from a 2019 base year, equivalent to a 4.2% reduction each year

By 2024, reduce energy consumption per m<sup>3</sup> by **7%** vs. 2019 base line of 565 MJ per m<sup>3</sup>

By 2024, reduce water usage by **5%** vs. 2019 base line of 382 litres per m<sup>3</sup>

By 2024, achieve **zero waste** to landfill

By 2050, achieve **net-zero** emissions in H+H's operations

We aim to reduce our Scope 1 and 2 emissions, achieve net-zero emissions from operations, and continuously improve resource use through enhanced environmental management and strategic sourcing of raw materials.

In regards to circular economy, we have three sub-streams focusing on this matter - a 'no waste of virgin materials' principle, a 'brick-to-brick' approach, and a 'building-to-building' approach.



## Social

### Health, safety, and people

By 2024, reduce absenteeism to **9 days** per annum, including absenteeism from long-term illness

By 2024, reduce lost-time incidents frequency (LTIF) to **3.5**

We strive for zero harm to our people through improved behavioural and automation levers, to provide a healthy working environment as well as continuing to be an attractive employer to attract, retain, and develop our talent pool.



## Governance

### Business integrity

Have gender diversity within the Board of Directors of H+H International A/S to minimum **25-40%** of the under-represented gender

We aim to always conduct our business in an honest, ethical, and socially responsible manner and to drive compliance with laws, anti-trust guidelines, and sustainable sourcing.



# Science Based Targets initiative

H+H is committed to an **ambitious 1.5°C climate target**, and our targets have been validated by the Science Based Targets initiative. H+H became the first manufacturer of aircrete (AAC) and calcium silicate (CSU) to have science-based targets approved in line with the 1.5-degree scenario.

Science-based targets provide companies with a clearly defined path to reduce emissions in line with the Paris Agreement goals. Targets are considered 'science-based' if they are in line with what the latest climate science deems necessary to meet the goals of the Paris Agreement—limiting global warming to well-below 2°C above pre-industrial levels and pursuing efforts to limit warming to 1.5°C.

H+H's science-based targets set out the reductions that we will make as a company by 2030 in our Scope 1, 2 and 3 greenhouse gas emissions and align us to the Paris Agreement and to the EU's climate goals.

The ten-year science-based target builds on the product life-cycle analysis (LCA) that we undertook on our AAC and CSU products in line with the GHG protocol. Together with our commitment to achieving net-zero emissions in our operations and products by 2050, the science-based targets provide H+H with a strong foundation to reduce emissions. The levers by which we will achieve these reductions are discussed in the Sustainable Buildings and Environmental sections of this report.

### H+H's carbon footprint

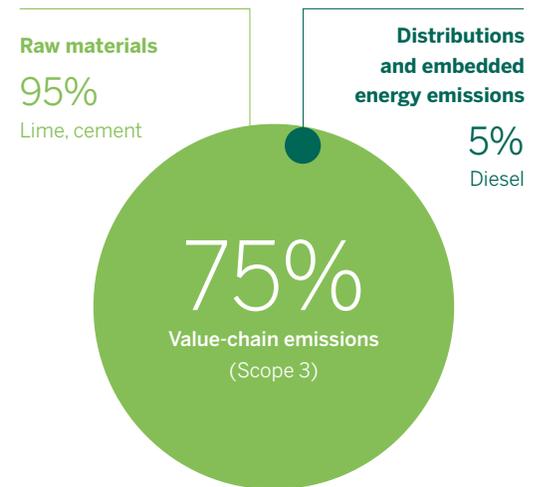
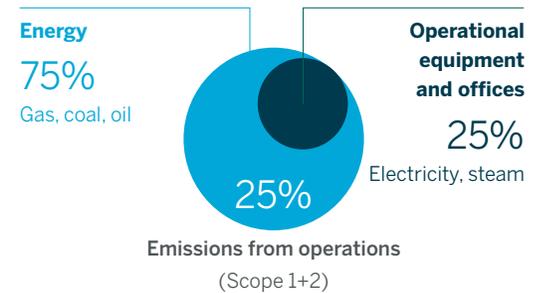
In 2019, H+H's emissions amounted to approximately 950,000 tonnes of CO<sub>2</sub>e (rebased in 2022 to include acquired subsidiaries/factories). In accordance with the GHG Protocol, these are divided into three scopes:

- **Scope 1** emissions are those that we as a company can directly influence through our own operations—such as emissions produced in our factories.
- **Scope 2** emissions are indirect emissions from operations, such as production of electricity and heat elsewhere.
- **Scope 3** emissions are indirect, and are largely driven by the manufacturers of the cement and lime purchased by H+H.

Scope 1 and 2 emissions from our operations account for about 25% of H+H's carbon footprint, with about 75% of these emissions generated by the use of coal, oil, steam, and gas in our factories.

About 75% of the emissions in H+H's carbon footprint are generated elsewhere along the value chain. The majority of these emissions (approximately 95%) are generated upstream by cement and lime manufacturers as a result of the chemical reaction that occurs when carbon is removed from limestone when it is heated to produce clinker for cement or lime. The CO<sub>2</sub> released is an unavoidable consequence of this reaction, as the limestone has absorbed CO<sub>2</sub> during its formation.

### H+H's total CO<sub>2</sub>e 2019 emissions used as a baseline for science-based targets



**H+H's commitments**

- By 2030, reduce absolute Scope 1 and 2 GHG emissions by 46% by from a 2019 base year
- By 2030, reduce Scope 3 GHG emissions 22% per m<sup>3</sup> from a 2019 base year

## H+H's roadmap to achieve carbon reductions for Scope 1+2 in line with the Paris agreement

### H+H's science-based targets

#### – roadmap and performance

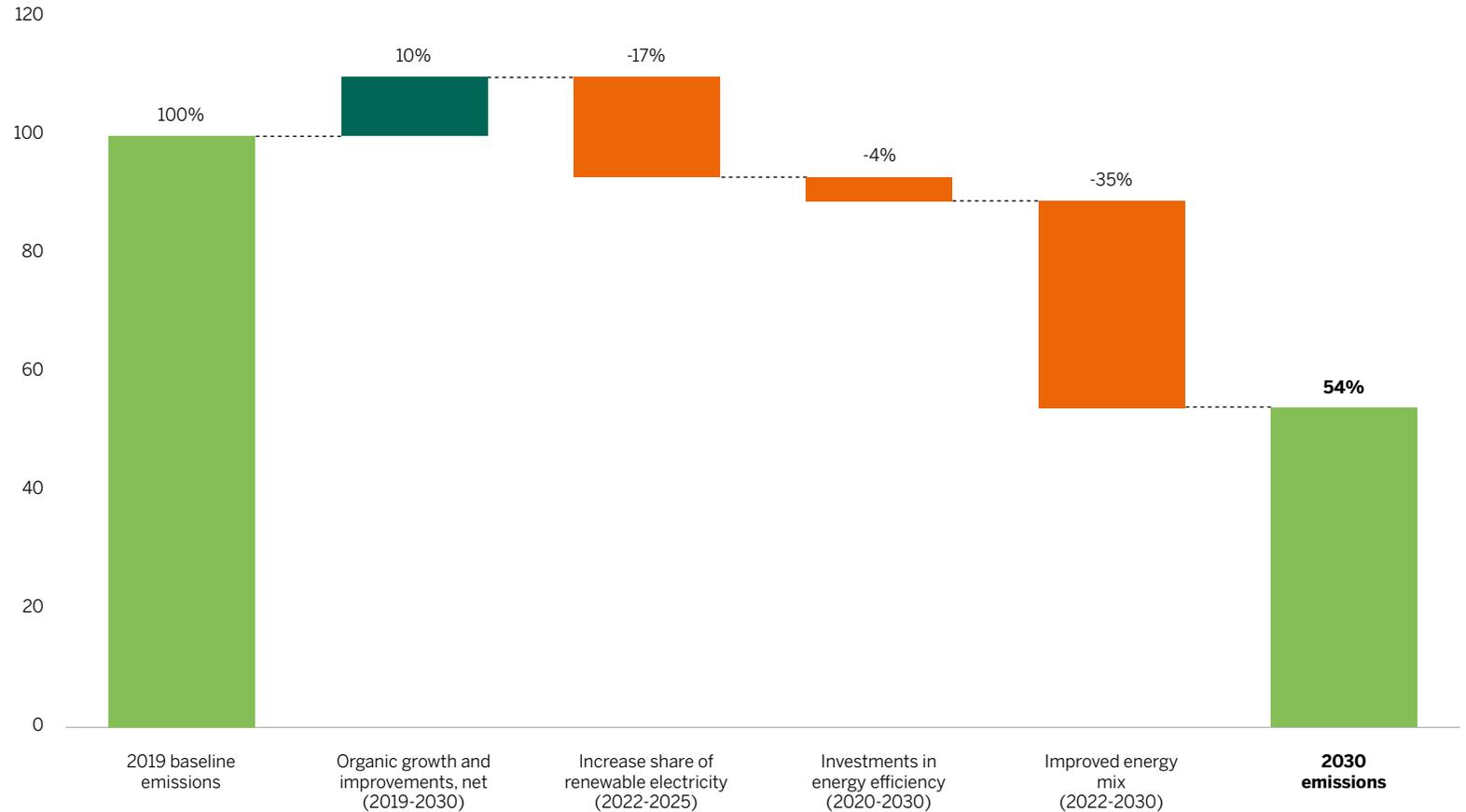
For our 2030 target on Scope 1 and 2, we have developed a roadmap that illustrates how we will achieve carbon reductions in line with the Paris Agreement. The roadmap was developed in 2020 and the reduction aspirations persist.

We will reduce carbon emissions by

- having an increased share of renewable electricity
- continuously implementing energy saving projects
- improving our energy sources by converting from coal to natural gas and from natural gas to fossil free energy sources, e.g. green hydrogen

These activities are all integrated in our operational and strategic design.

For our Scope 3 target, we focus on having a continuous dialogue with our lime and cement producers and will collaborate on carbon reduction projects with those that have committed to a science-based target or which have a credible emissions reduction pathway. We will increase the demand for these low-carbon products in the same order as we are able to pass on the additional costs to our customers.



**Scope 1+2 – Actions & Results**

We are executing in line with our carbon strategy of an emission-reduction of 27k tonnes and 10k tonnes compared to last year and the SBTi-target, respectively. We have had a record low carbon intensity emission of 40.2kg per m<sup>3</sup>. The commitment has been embedded throughout the Group with a focus on lowering our energy and CO<sub>2</sub> emissions. All factories are now consuming an average of 50% renewable electricity and we have begun our energy mix improvement by

converting one factory in Poland from coal to natural gas. Additionally, we are seeing positive impacts from the various current CO<sub>2</sub>-reducing projects being implemented in all our factories and expect this to continue into next year. For 2023, we will continue to implement further CO<sub>2</sub>-reducing projects, increase our renewable electricity and convert one additional factory from coal to natural gas. We also maintain our focus on exploring potential options for hydrogen conversion within this decade.

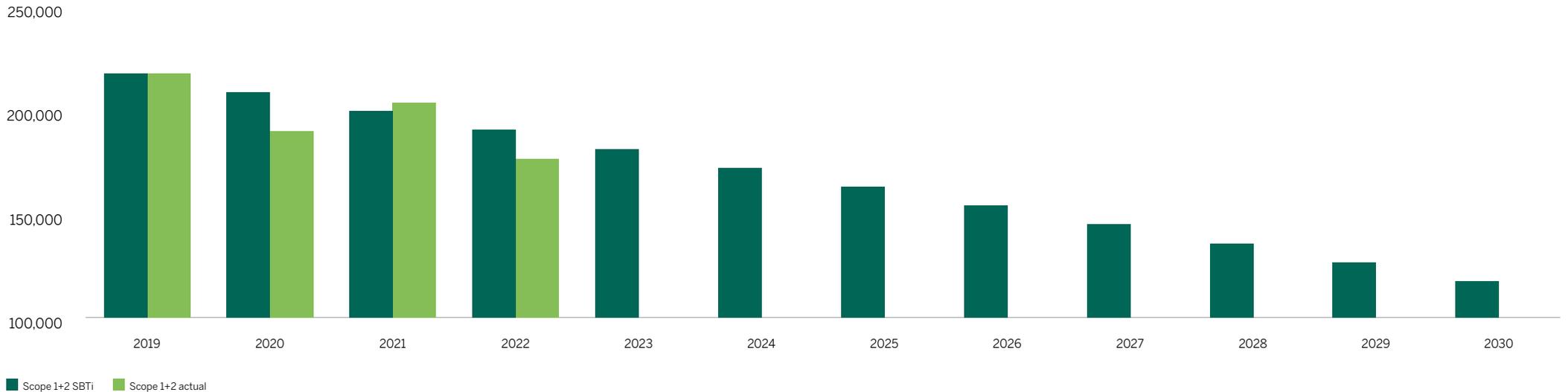
**Scope 3 – Actions & Results**

The Scope 3 intensity is at 156.8kg per m<sup>3</sup>, on par with last year but higher than the SBTi-target. As our progression is dependent on our suppliers, the anticipated improvements are not expected to happen linearly but to come in stages. As a positive action, H+H has worked with cement suppliers to reduce clinker content in cement used for AAC products.

For 2023, we continue collaboration with cement and lime producers that have committed to a science-based target or a credible emissions reduction pathway.

Emissions	Unit	SBTi 2019*	SBTi 2022	Actual 2022
Scope 1+2	Tonnes	212,997	186,275	176,250
Scope 1+2	kg/m <sup>3</sup>	45.3		40.2
Scope 3	kg/m <sup>3</sup>	161.3	151.6	156.8

\* Rebased in accordance with SBTi guidelines



# Task Force on Climate-related Financial Disclosures

In 2022, H+H implemented the TCFD recommendations to provide transparency about the Group's climate-related risks and opportunities and to make sure that we are resilient towards the future.

The risk assessment concluded that H+H has no net-material financial impact in the short, medium, and long-term scenarios

## Implementing TCFD

During 2022, we performed an assessment of the transition and physical climate-related risks and opportunities that we face until 2050. The assessment used three climate scenarios (1.5°C, 1.8°C and +3°C) and defined short, medium, and long-term as 2025, 2030 and 2050 respectively.

The process included a workshop with the top 50 leaders from across the company to consider the three scenarios and identify climate-related risks and opportunities. Existing climate-related risks from our ERM system were included, and an analysis of risks and opportunities identified by companies across the building materials sector were also completed.

The scenarios considered H+H's full value chain, including upstream cement and lime producers, own operations and downstream customers.

## Outcome from the TCFD process

The findings from the scenario analysis were incorporated into our strategy process to improve its resilience. Our mitigating actions towards the financial risk is to pass on costs incurred from carbon taxes to customers as well as continuously execute on our carbon-reduction strategy. The risk assessment concluded that H+H has no net-material financial impact in the short, medium, and long-term scenarios.

The climate-related risks and opportunities identified in the scenario analysis are described in more detail in our standalone 2022 TCFD disclosure available on H+H's website: [www.hplush.com/sustainability-reports](http://www.hplush.com/sustainability-reports)

## Mitigating actions towards climate risks

As the main climate risk for H+H is related to the progression of CO<sub>2</sub> emissions, we have set five overall targets to drive the transition to a low-carbon economy.

- 100% share of renewable electricity (incl. PPAs / RECs) by 2025
- Annually allocate funds to CO<sub>2</sub>-reducing projects – currently DKK 20 million per year
- Convert five coal factories to natural gas by 2030
- Continue to link executive management remuneration to carbon-related measures
- Have a least one Scope 1+2 neutral factory by 2030

## Climate-related opportunities

Through recarbonation, cement-based products absorb CO<sub>2</sub> during their lifespan, acting as permanent carbon sinks during the use phase of a building and when it is pulled down and recycled. Recarbonation occurs over the full lifespan of our products and is

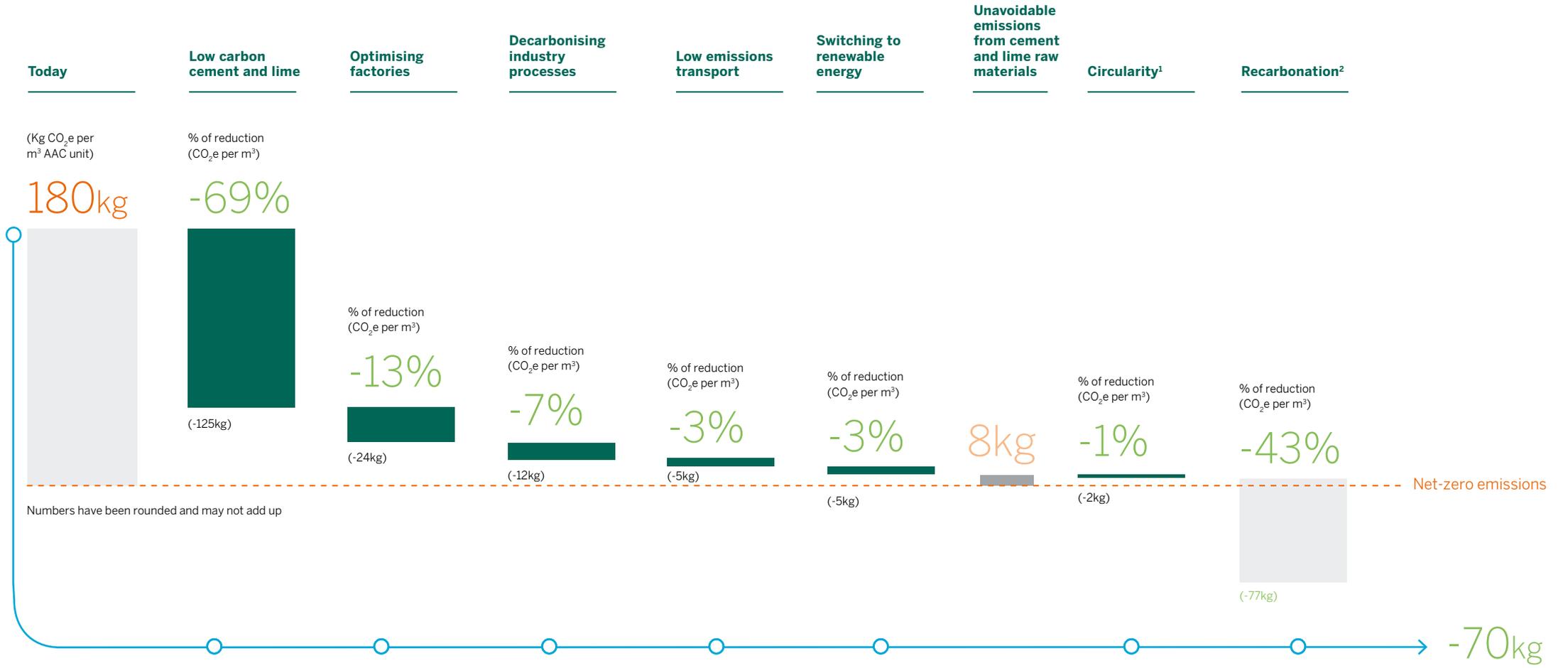
recognized in the standardised Environmental Product Declarations (EPDs) for AAC and CSU products. A recent study published by the European Autoclaved Aerated Concrete Association (EAACA)<sup>1</sup> shows that the absorption is up to 77 kg per m<sup>3</sup>. As outlined in the product roadmap for AAC, the product has the potential to become a 'less-than-zero' emissions building material. The fundamentals are the same for CSU products.

These building materials are therefore well suited for growth in low carbon societies.

Have a least one Scope 1+2 neutral factory by 2030

<sup>1</sup> [https://eaaca.org/wp-content/uploads/2022/08/EAACA\\_Net-Zero-Roadmap-for-AAC\\_2022-08-12.pdf](https://eaaca.org/wp-content/uploads/2022/08/EAACA_Net-Zero-Roadmap-for-AAC_2022-08-12.pdf)

## Generic product roadmap for AAC: From 180 kg to -70 kg of CO<sub>2</sub>e per m<sup>3</sup> by 2050



EAACA – Net-zero roadmap for autoclaved aerated concrete

1. Replacement of 20% cement and lime raw materials; 2. Derived from a representative AAC factory (normalized to an average dry density of 388 kg/m<sup>3</sup>, year under review 2020)

# Investing in state-of-the-art energy equipment

Sustainability is an embedded part of our value proposition and operations, and we allocate capital specifically for CO<sub>2</sub>, NO<sub>x</sub> and greenhouse gas reduction initiatives.

As part of this ongoing process, H+H UK was granted funds to install new gas burners at our Pollington site. Gas burners are an integral part of the boiler system used to generate the steam which is used to 'bake' the AAC block in our autoclaves.

Through thorough internal and external analysis, replacing the 21-year-old old gas burners was identified as a high impact investment for reducing our CO<sub>2</sub> emissions. This initiative was enabled by developments in gas burning technologies.

The burners were successfully installed in Q3 2022 with the subsequent data showing significant reduction in gas usage. To date, we have already seen gas savings of up to 4% in consumption levels, saving more than 600 tonnes in CO<sub>2</sub> emissions on an annual basis.

To ensure that we are prepared for future renewable energy sources, the new burners are compatible with hydrogen as a base fuel. Furthermore, we are in continuous dialogue with local governments about the possibility of changing to hydrogen supply, once capacity becomes available in the UK.

As a result of the successful implementation of the new burners, we are already preparing to replicate this initiative at our Borough Green site whilst also preparing separate analyses of potentially replacing burners in our other regions.



Picture of the newly installed burners in Pollington, which save us up to 600 tonnes CO<sub>2</sub> annually.

# Sustainable buildings

We are reducing the carbon intensity of our AAC and CSU products through our science-based target and our pathway to net-zero emissions by 2050

The decarbonisation of Europe's buildings is essential to achieving the EU's target of a 55% reduction in GHG emissions by 2030 compared to 1990 levels, and to become the first climate neutral continent by 2050. In Europe, the use of buildings alone accounts for a significant part of Europe's energy consumption and CO<sub>2</sub> emissions. Around one third of the emissions come from the manufacture of building materials and the construction, usage, and demolition processes. Together, these represent a large and cost-effective opportunity to reduce the EU's overall emissions.

## Capturing the opportunity

We are committed to supporting the EU's climate targets and the sustainable transformation of Europe's cities and communities. The characteristics of our AAC and CSU products enable improved indoor climate, better acoustics, and enhanced energy efficiency in homes and other buildings. In addition, the products are long-lasting, deliver fire safety benefits, and can be integrated into a circular economy. To capture the opportunity in sustainable buildings, we are reducing the carbon intensity of our AAC and CSU products and developing new sustainable products through the Group Innovation Function.

## Decarbonising H+H's AAC and CSU products

Our ten-year science-based target and our commitment to net-zero emissions by 2050 provide the framework to decarbonise our AAC and CSU products.

As previously outlined, the majority of emissions in our AAC and CSU products lie "upstream" with the cement and lime producers and are part of our Scope 3, or indirect, emissions. Fortunately, our AAC and CSU products are on a path to achieve net-zero—and possibly have less-than-zero — emissions by 2050.

Our science-based Scope 3 target is an intensity target which relies on progress made by the cement and lime manufacturers in their own decarbonisation pathways.

To deliver on the 2030 target of reducing Scope 3 emissions and thereby reducing the carbon intensity of our AAC and CSU products, we will implement the following CO<sub>2</sub> reduction levers:

### 1. Low carbon cement and lime

We will collaborate on carbon reduction projects with cement and lime producers that have committed to a science-based target or a credible emissions reduction pathway. The Science Based Targets initiative industry pathway indicates an emissions reduction of approximately 19% by 2030 for cement manufacturers. The European and global cement associations and leading manufacturers have published plans that put cement producers on a path to net-zero emissions by 2050. According to these, net-zero will be achieved mainly through the use of carbon capture storage and utilisation (CCSU) and lower carbon ingredients, switching from fossil fuels to renewable energy to heat kilns, and through recarbonation.

### 2. Low emissions transport

We will also work with transport suppliers that have committed to a science-based target or provide low emissions transport services. The emissions-reduction pathway for the transport industry requires transport companies to reduce emissions by ~31% by 2030. As the haulage is heavy duty, the most advanced technology is currently the use of hydrogen as fuel instead of diesel and gas-fueled trucks. This will require a modernisation of the fleet on the market and expansion of the refueling network for hydrogen together with a ramp-up of the capacity and generation of green hydrogen.

### 3. Recarbonation and thermal benefits

As described on page 10, cement-based products absorb CO<sub>2</sub> during their lifespan through recarbonation as recognised by EAACA. Additionally, the thermal insulation benefits of our AAC products have the potential to drive even further gains in the form of avoided emissions as they reduce the energy required for heating during a building's use phase. This should be seen in the light of the general approach of assessing the environmental impact of buildings by looking at the whole building over its full lifetime to get a full understanding of the consequences.

### Developing new sustainable products

In addition to decarbonising our products, the Group Innovation Function will further enhance the application of existing products and develop new sustainable

#### H+H's commitments

- By 2030, reduce Scope 3 GHG emissions 22% per m<sup>3</sup> from a 2019 base year
- By 2050, achieve net-zero emissions in H+H's products



products. This includes the development of products as well as applications to support passive houses and other energy efficient building solutions.

#### **Supporting a circular economy**

We support the principles of a circular economy and through our Group Innovation function, we are also investigating the recycling and re-use of raw materials from AAC and CSU products. Waste occurring in the production process, from construction sites, and from demolition rubble has the potential to be recovered and re-used as aggregate in the production of AAC and CSU products. By replacing some of the lime and cement raw materials, the recycled aggregate has the potential to reduce overall lifecycle emissions.

However, there are a number of challenges in recovering and sorting AAC and CSU waste from construction and demolition sites that must be resolved in order to provide aggregate of a consistent quality and to make the practice of recycling economic for manufacturers or third-party recyclers. In this regard, we are supporting efforts to standardise circular processes at an industry-association level and through EU legislation.

**Internally, H+H has three sub-streams focusing on how to advance the circular economy on a practical level:**

- **A 'no waste of virgin materials'** principle with maximum utilisation of waste in our own production. This is ingrained in the layout of our factories.
- **A 'Brick-to-brick'** approach where AAC waste from construction and demolition sites is being re-introduced into the production mix. This can be achieved at a limited volume, but the value chain needs to mature with regards to the practical handling of the logistics and the cleanliness of the returned materials. Increased costs for handling of waste and increased requirements for recycled materials in new buildings will help mature this sub-stream.
- **A 'Building-to-building'** approach where AAC and CSU waste from demolition of old buildings is being introduced into a new block type. This is currently on a R&D-level as a part of the initiatives in the Group Innovation function.

# ENVIRONMENTAL

We want to continue our improvement of resources and significantly reduce our carbon emissions.

## H+H's commitments

- By 2030, reduce absolute Scope 1 and 2 GHG emissions by 46% from a 2019 base year, equivalent to a 4.2% reduction each year
- By 2024, reduce energy consumption per m<sup>3</sup> by 7% vs. 2019 base line of 565 MJ per m<sup>3</sup>
- By 2024, reduce water usage by 5% vs. 2019 base line of 382 litres per m<sup>3</sup>
- By 2024, achieve zero waste to landfill
- By 2050, achieve net-zero emissions in H+H's operations



### **Improving energy performance and reducing Scope 1 and 2 emissions**

As highlighted on page 8, we have developed a roadmap until 2030 with specific actions to reduce our Scope 1 and 2 emissions. The main three levers are described in more detail as:

#### *1. Increasing the share of renewable electricity to 100%*

Over the coming years our purchase of electricity will increase to renewable electricity through either Renewable Energy Certificates (RECs) or Power Purchase Agreements (PPAs). By 2025, we expect to have fully transitioned into a 100% renewable consumption of electricity.

#### *2. Improving energy mix*

The current energy infrastructure has been chosen based on its cost profile. Alternatives that will reduce the carbon emissions and investments are divided into three main categories. These are expected to:

- Phase out purchase of steam generated from coal
- Reduce the number of coal-fired factories by converting the fuel source to relatively more carbon light alternatives
- Convert the most optimal located factories to hydrogen

#### *3. Optimising equipment*

As factories are upgraded and equipment is replaced, there are inherent energy reductions that will be harvested. Such upgrades and modernisations are essential in having an optimised manufacturing footprint and equipment, and the investments will not solely rely on sustainability decision criteria. In addition, dedicated ESG investments to lower water and energy consumptions and reduce carbon emissions have been planned. These include targeted investments to insulate pipes, autoclave doors, and to replace the most energy-consuming equipment.

### **Water management**

Most of our factories are located in rural areas, and none in areas with extremely high-water stress. Water is extracted from our own wells in accordance with relevant legislation and covered by permits. Two of our factories are located in areas with high water stress. We aim to continuously improve our water resource by investing in water usage efficiency and recycle wastewater to the extent possible.

### **Waste management**

We have robust waste management practices through a “reduce, reuse, and recycle” approach. We continue to focus on waste and resource efficiencies and take practical steps in our operations to reduce waste. The continuous optimisation of recipes for products, recycling of failed batches and reduction of waste are integral parts of normal business procedures. For excess waste, we are on track to meet our commitment of zero waste to landfill by 2024.

Picture of the Pollington lagoons, which take all condensate water from the autoclaving process, all surface water from the yard, and all reject water from any on-site water filtration systems we have. With these we recycle an estimated 60% of our total water use on site.



**Biodiversity**

We do not operate quarries and mines, except in Poland, where we operate a few sand pits to supply sand into our own manufacturing process. In line with our ESG policy, we are committed to ensuring that environmental responsibility is always considered when we do business and to comply with all environmental legislation with regards to operating the sand pits.

**Results and plans**

*Emissions*

In 2022, we have emitted 176,250 tonnes CO<sub>2</sub> from Scope 1 and 2 versus our SBTi target of 186,275 tonnes for the year while also lowering our emission per produced m<sup>3</sup>. As described on page 9, the strong performance comes from an increase in consumption of renewable electricity and improvement of the energy mix

We plan to continue the progress on our SBTi roadmap and have set five overall targets to reduce our Scope 1 and 2 emissions, as described under our TCFD section.

For Scope 3, the development is flat vs. last year. With the H+H footprint and local sourcing of energy intensive raw materials, the flat development for Scope 3 is impacted by the fact that both Germany and UK have increased the use of coal in 2022 and this is expected to persist in 2023 as well.

Our own actions have been to start purchasing lower emission cement in key factories towards end of year, as

well as continuously optimizing our recipes. We want to continue these actions and help to increase the supply of low emission products by increasing our demand.

*Energy*

As we have been impacted by production challenges in some key factories, our energy consumption per m<sup>3</sup> increased compared to last year by 2% from 554 to 567 and is 8% higher than our 2024 target. However, a detailed gap plan has been developed on each site

together with local management and along with our other energy reducing projects, we plan to see a positive development for next year and expect to still meet our 2024 target.

*Water*

For water consumption, we have already reached our 2024 target but continue to improve the efficiency of water usage in the production.

*Waste*

Waste to landfill was 5,670 and is higher compared to last year. The landfill derives primarily from ramp up of factories, that have been upgraded. Two of our regions will start to have zero waste to landfill in 2023 and we still expect all regions to be zero waste to landfill by 2024.

**SBTi and ESG targets**

SBTi targets	Unit	Actual				Target	Trend
		2019	2020	2021	2022	2022	
Scope 1 +2 emissions*	Tonnes	199,209	178,363	191,806	176,250	186,275	Overperforming 
Scope 3 intensity	kg/m <sup>3</sup>	161.9	156.6	156.7	156.8	151.6	Underperforming 
ESG 5 year targets	Unit	2019	2020	2021	2022	2024	
Energy consumption per m <sup>3</sup>	MJ	565	551	554	567	525	Underperforming 
Water consumption per m <sup>3</sup>	Litres	382	363	354	369	363	On track 
Waste to landfill	Tonnes	1,409	1,932	1,258	5,670	0	On track 
Absenteeism	Days per FTE	13	13	12	13	9	Underperforming 
LTIF	Incidents per mil hours	5.6	5.7	5.5	3.6	3.5	On track 

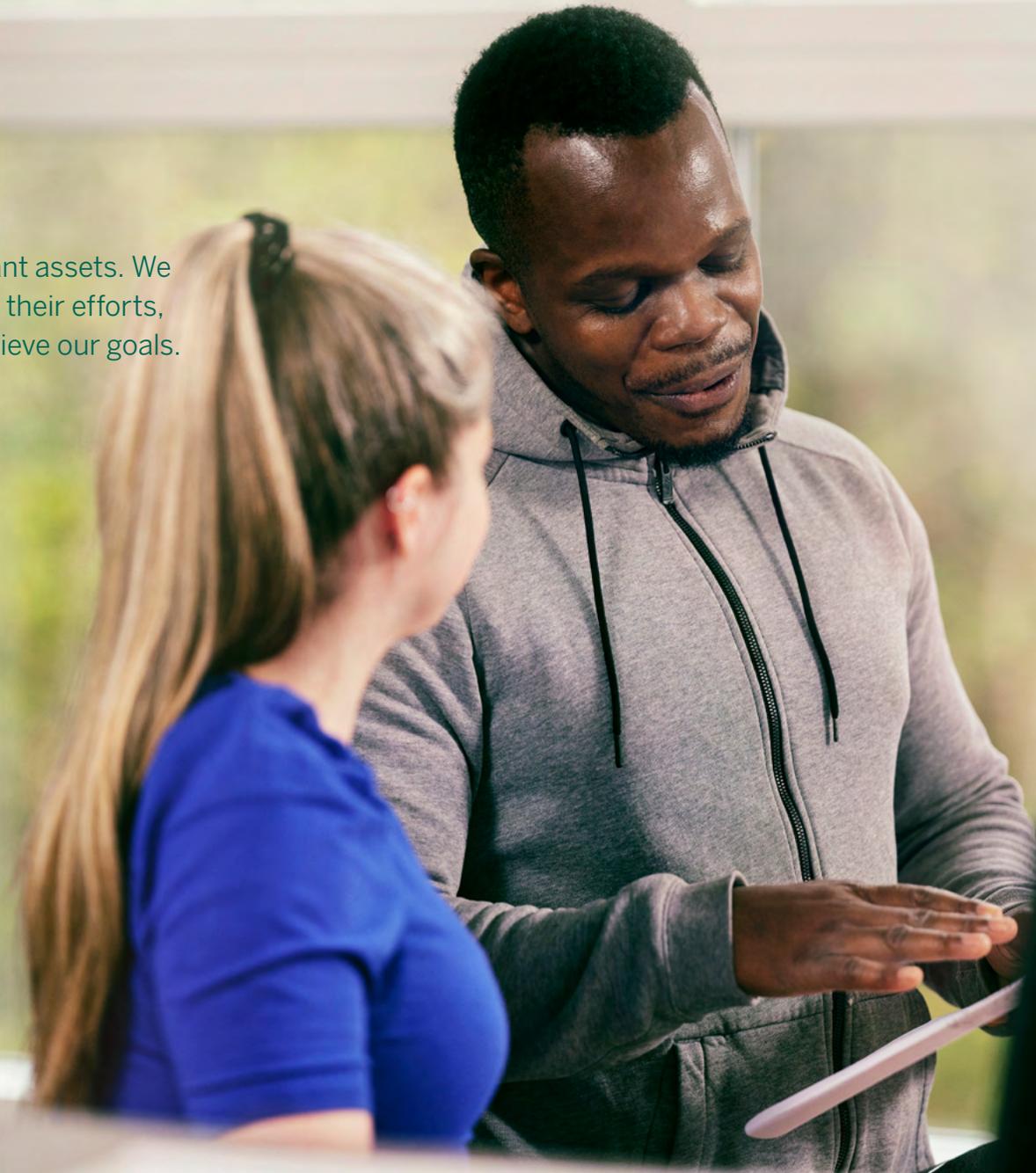
\* Rebased in accordance with SBTi guidelines

# SOCIAL

Our employees are our most important assets. We strive for zero harm as we depend on their efforts, competencies, and knowledge to achieve our goals.

## H+H's commitments

- By 2024, reduce our lost-time incidents frequency (LTIF) to 3.5
- By 2024, reduce absenteeism to 9 days per annum, including absenteeism from long-term illness



# Health & safety

We put safety first and strive for zero harm to our people, contractors, suppliers, and customers

We strive to operate the safest factories in Europe, as we continue to increase production.

In 2022, we had zero employee fatalities, marking the eighth consecutive year with no fatalities across the Group. We improved safety performance with a significant reduction in the Lost-Time Incident Frequency (LTIF) from 5.5 in 2021 to 3.6, the lowest level ever achieved by H+H.

A Lost-time incident is a work-related injury or illness to an employee for which a healthcare professional recommends days away from work due to the incident.

The LTIF measures the frequency of LTIs and fatality incidents per million man-hours divided by total hours worked. Our target is to reduce the LTIF to 3.5 by 2024.

25 of our 32 locations have recorded zero lost-time incidents and 12 of our factories had been incident-free for over three years, including one factory which has been incident free for over seven years.

The improved safety performance is anchored in the safety improvement strategy launched in 2021 with nine key focus areas, including safety leadership, risk

assessments, safety improvement plans and near miss reports, as well as training.

During the year we rolled out an "Eyes On" behavioural safety programme to all employees to help keep them injury free, and we carried out intensive safety training for our factory management team to support them in their leadership of safety improvement on their sites.

In line with our rolling three-year programme, we carried out 10 externally verified site audits and have seen the overall average score for all factories improve in 2022. Internal peer audits were also carried out and will continue in 2023. We see the self-assessment as a strong tool to share and reinforce the inherent culture of safety across the Group.

In 2022, we held the second annual H+H Health & Safety Awards to reinforce the importance of safety in the workplace. The 2022 awards were held at a meeting of the Senior Management Team in Poland, with awards delivered for "Best in Class", "Most improved site" and "Recognition" award for achievement in health and safety.

## Absence reduction

Managing absence is an essential part of managing health and well-being. Our target is to reduce the average absence per employee to nine days a year by 2024, including absenteeism from long-term illness. Interruptions caused by COVID-19 subsided significantly during the year and all our factories remained open during 2022, with the company maintaining best practice hygiene procedures and social distancing where necessary as defined by the relevant government guidelines. Monitoring was continued in our workforce with isolation and quarantine periods being used as needed. This included contractors working within our facilities.

While levels of absence differ from region to region and function to function, we employ a common approach to all absences:

- All absences are reported to HR via line management.
- All absences are assessed for any work-related causes.
- Upon their return to work, all employees have an informal return-to-work discussion with their manager to ensure they are coming back to work in a safe and controlled manner.

- Where appropriate, lighter duties are offered to employees to assist in their return to work as soon as it is feasible.
- All long-term sickness cases are offered appropriate support to help them return to work as soon as they can.

Though progress is visible in several of our sites, we are unfortunately trailing behind our overall target to lower absence. Local initiatives are deployed to determine root causes and solutions, while also focusing on ensuring stable working conditions for the remaining employees.

# People

People are the heart of H+H. We know that people are different. We trust our differences enable us to see new opportunities and be more effective.

## Organisation, collaboration & development

Headquartered in Copenhagen, we employ 1,739 FTEs located in our three core regions: Central Western Europe, the United Kingdom, and Poland. We believe that having a lean HQ and decentralised management structure empowers and enables our regional management teams to act quickly and take on the challenges in their respective areas.

To actively strengthen our culture of collaboration and trust and to ensure we are working towards the same goals, we have introduced our purpose and five promises. With these we want to be clear on what is important to H+H as a business, both now and in the future.

We continuously strive to be an attractive place to work where our employees feel seen and respected, and we know that the success of our company depends on their engagement. We are continuously working to increase the engagement level of our employees.

In 2022, we started using digital employee engagement surveys in selected locations, covering topics such as motivation, satisfaction, work environment and collaboration. Engagement rates were at a satisfying level of 84%, and we are working towards implementing a global digital survey across all regions and locations.

Follow-up meetings are conducted throughout the organisation with employees and management to learn from the results and find ways to further improve.

We want our employees to be able to develop their competencies and skills and as a company we want to be prepared to tackle the challenges ahead which include fewer young people joining industries with factory-based production. To support this, we are continuing the roll-out of our Talent Management process and expanding it to more levels of the organisation and we are also looking into how to best design our Performance Management.

We also started the implementation of a global Learning Management System which will become available to all employees. The system will be used to train employees in topics such as GDPR, compliance and ESG and give them the opportunity to develop their personal competences.

## Diversity in H+H

H+H has adopted a diversity policy encouraging diversity at all levels of the organisation, without compromising on competence, qualifications, and quality. While we currently don't have any set targets for our overall gender diversity, we are committed

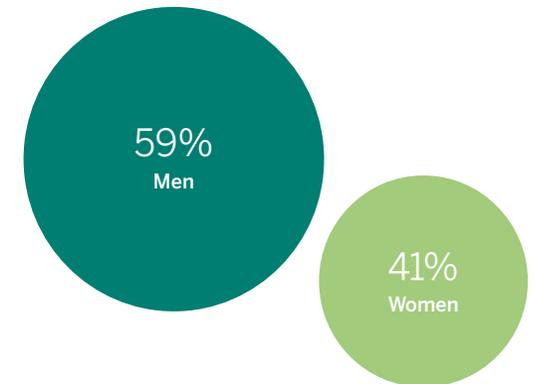
to providing equal opportunities in employment and aim to recruit from a diverse mix of experience, skill, culture, age, nationality, educational background, and way of working to create a dynamic organisation that continues to advance the H+H Group in line with our strategic objectives.

Every H+H manager is responsible for fostering an inclusive and open working climate where diversity can be embraced, and we have a zero-tolerance approach to harassment. All H+H employees are encouraged to report any behaviour which is not in accordance with the Diversity Policy or Code of Conduct to their line manager, local management, or Group HR. Reports can also be filed through our online whistleblower system.

While gender diversity for our non-office workers remains low in traditionally male factory environments, the gender diversity of our office workers remains high with 41% of the underrepresented gender.

During 2022 the gender pay ratio decreased from 1.27 to 1.08. As we operate in countries with materially different salary levels, comparison across regions can be difficult as well as setting specific targets - however we believe that the current pay ratio is at a satisfying level.

Gender split of our office workers remains high with 41% of the underrepresented gender



# GOVERNANCE

We conduct our business in a fair, ethical, and socially responsible manner and we strive to serve and enhance the communities in which we operate.

## H+H's commitment

- Have gender diversity within the Board of Directors of H+H International A/S of minimum 25-40% of the under-represented gender

# Governance

H+H is committed to acting professionally, fairly, and with integrity in all our business dealings and relationships with consideration for the needs of all stakeholders, including customers, employees, shareholders, and wider stakeholders.

To support this commitment, the Regional Managing Directors are required to sign a declaration every quarter that to the best of their knowledge, the H+H entities that they are responsible for are conducting business in a way that is compliant with all applicable H+H policies. The Board of Directors oversees compliance of the ESG policy.

## Code of Conduct

The H+H Code of Conduct is the cornerstone of our compliance programme and sets the tone with regard to business integrity and ethical principles.

The Code of Conduct includes principles related to human rights, confidentiality and insider trading, conflicts of interest, fraud, fair and lawful competition, bribery, political donations, entertainment and gifts,

and money laundering. It also covers employees, business ethics, personal data protection and sustainability.

Every employee at H+H is required to read and adhere to the H+H Code of Conduct and managers are expected to serve as role models and inform and encourage colleagues to discuss openly how to follow the principles set forth in the Code of Conduct and the underlying specific policies.

## Human rights

We strongly support human rights and employee rights as set out in the UN Universal Declaration of Human Rights and the International Labour Organization's eight fundamental convention.

We continuously assess the risk for human rights violations. We believe the inherent risk for human rights violations is low due to the nature of the business and as we only conduct business in European countries with strong institutions. Most of the people working in our factories are directly employed by H+H, and consequently we can ensure that our staff are treated fairly and in accordance with the above principles. Temporary staff are either employed directly by us or via reputable agencies which adhere to relevant employment legislation. To mitigate risks for violation of human rights throughout the value chain, we have a Code of Conduct for Suppliers which outlines our expectations for our suppliers.



### Anti-corruption

H+H has a zero-tolerance approach to bribery and facilitation payments. This is underpinned by our Anti-corruption Policy which provides principles and information related to bribery, facilitation payments, donations, and entertainment and gifts.

While the building and construction industry is vulnerable to corrupt business practices, we consider the risk of corrupt behaviour to be relatively small given that H+H operates in advanced European countries with low incidence of corruption.

Our main exposure to corrupt practices concerns inappropriate types or levels of entertainment and gifts provided to our employees from suppliers or provided by our employees to customers with the intent of gaining special consideration or a business advantage. In light of this, our Anti-corruption Policy includes a practical training element to raise awareness on business situations that may involve bribery or corruption and the behaviour expected of H+H employees.

To raise awareness of and support compliance with the Code of Conduct, Anti-corruption policy and other policies, we provide policy management and training systems. All our policies are regularly reviewed and updated in accordance with relevant legislation, and we are continuously ensuring that employees read and adhere to our policies.

### Code of Conduct for Suppliers

We expect our suppliers to share our commitment to conducting business in a fair, ethical, and socially responsible manner. Our Code of Conduct for Suppliers addresses potential risks related to labour practices, human rights, health and safety, the environment, bribery and corruption in the supply chain. We communicate the policy to all major suppliers and request them to confirm and agree with the content.

H+H may terminate a contract with a supplier who violates this Code of Conduct for Suppliers or refuses, if asked, to take part in a remediation plan. H+H will also exclude suppliers who do not demonstrate that they meet our high ethical and CSR standards or show compliance with relevant laws.

### Whistleblower Policy

Employees and stakeholders, such as suppliers and customers, are encouraged to speak up immediately in case of suspected violations to our policies to a relevant H+H Manager, Group HR, or for external stakeholders to their point of contact in H+H.

However, if circumstances are such that the whistleblower prefers to report in confidence, they can do so anonymously via H+H's public online whistleblower system which is provided by an independent third-party provider of whistleblower solutions. All good faith reports of suspected violations of the Code of Conduct or any underlying H+H policies

and violations of law are investigated, and retaliation against anyone who reports in good faith is not tolerated.

In late 2022 there was one whistleblower report which is currently under investigation. It concerns an isolated incident with no significant impact on the rest of the company. No other incidents relating to human rights, fraud, corruption, bribery, breach of antitrust/competition laws as outlined in the Whistleblower Policy have been reported.

### Board diversity

H+H International A/S is committed to gender diversity within the Board of Directors as defined by the Danish Company Agency (Erhvervsstyrelsen). To meet the gender diversity definition, each gender shall be represented in the Board of Directors as follows:

- By at least one shareholder-elected board member, when the Board of Directors consists of a total of four shareholder-elected board members;
- By at least two shareholder-elected board members, when the Board of Directors consists of a total of five to seven shareholder-elected board members; and
- By at least three shareholder-elected board members, when the Board of Directors consists of a total of eight shareholder-elected board members.

If two candidates of different genders are equally qualified for a board position, the candidate representing the under-represented gender, if any, will be chosen. The gender diversity target for the Board of Directors was achieved in 2022 as the number of female board members was increased from one to two out of six members.

### Management gender diversity

H+H International A/S has, due to its relatively small size with less than 25 employees, opted to use the exemptions for companies with less than 50 employees and not have a gender diversity policy for its different management levels or related gender diversity targets.

### Executive remuneration linked to ESG targets

H+H's remuneration policy seeks to create a remuneration framework that supports achievement of our strategy, with a focus on ensuring the continuous long-term sustainable development of H+H's business, while creating long-term value for shareholders.

Both the long- and short-term incentive remuneration of the executive board, is tied to the overall business performance, and how H+H is progressing towards delivering stable and sustainable financial performances, including progress on various strategic ESG targets. For 2023, the short-term ESG targets will be improvement of our LTIF and reduction of our Scope 1+2 emissions.

# ESG-related governance

ESG is integrated into several of our key processes, including strategy development, risk management, reporting, and in several of our Group policies.

## Board of Directors

The Board of Directors oversees compliance of the ESG policy and are regularly updated on the progress of our ESG strategy and reporting throughout the year.

## Audit Committee

The Audit Committee is currently comprised of two board members and is a permanent committee reporting to the Board of Directors. The Audit Committee is responsible for amongst other things overseeing both the financial and non-financial reporting (i.e. the Annual financial report, Sustainability report and Remuneration report) as well as external audits, internal controls and risk management. The full scope of the Audit Committee is described in the Audit Committee Charter published at [www.HplusH.com](http://www.HplusH.com).

## H+H Group Management

The Chief Strategy Officer is responsible for the development of H+H's ESG strategy and reporting.

ESG targets are incorporated in the short-term incentive plans across the Group, including for Group Management. In 2022, Group Management was measured on H+H's progress within energy consumption, absenteeism and lost-time incident frequency.

## ESG Committee

The ESG committee monitors new legal requirements and trends around ESG and considers and makes recommendations on key ESG initiatives to ensure H+H complies with stakeholder expectation.

## ERM Committee

The ERM Committee oversees our Enterprise Risk Management (ERM) process and is responsible for communicating and ensuring ERM compliance as well as evaluating and reviewing the ERM system. Risks related to climate change are incorporated into our ERM process. In addition, the ERM Committee is responsible for developing the overall risk strategies and scoping of risk for the ERM system as well as reporting on assessed risks and mitigating actions to the Audit Committee.

## Board of Directors

## Audit Committee

## H+H Group management

### ESG Committee

- Chief Strategy Officer
- Chief Operating Officer
- Chief Legal Officer
- Group Sustainability Lead

### ERM Committee

- Chief Financial Officer
- Chief Operating Officer
- Chief Legal Officer
- Chief Strategy Officer
- Chief Information Officer
- Head of Group Finance

Illustrative reporting lines anchoring ESG at Board level – and including ESG in the risk management process through the Audit Committee.

# ESG performance data

## Environmental data

	Unit	2022	2021	2020	2019	2018
CO <sub>2</sub> e Scope 1*	Tonnes	142,796	132,345	121,598	142,319	134,791
CO <sub>2</sub> e Scope 2 - Market based*	Tonnes	33,454	59,461	56,765	56,890	55,992
CO <sub>2</sub> e Scope 3*	Tonnes	688,192	673,554	624,247	694,255	
CO <sub>2</sub> e Scope 1 (direct)*	kg / m <sup>3</sup>	33	31	32	33	34
CO <sub>2</sub> e Scope 2 (indirect emissions from the generation of purchased energy)*	kg / m <sup>3</sup>	8	14	14	13	14
CO <sub>2</sub> e Scope 3 (indirect emissions from the generation of purchased goods and services)*	kg / m <sup>3</sup>	157	157	157	162	
Energy consumption**	GJ	2,487,149	2,380,949	2,195,301	2,419,731	2,350,953
1. Percentage grid electricity	%	10%	10%	10%	10%	10%
2. Percentage alternative	%	0%	0%	0%	0%	0%
3. Percentage renewable*	%	5%	0%	0%	0%	0%
Total energy per m <sup>3</sup> **	MJ	567	554	551	565	593
Water consumption	m <sup>3</sup>	2,696,730	2,450,830	2,331,316	2,638,321	2,461,785
1. Total fresh water withdrawn	m <sup>3</sup>	1,618,038	1,519,616	1,446,375	1,637,094	1,535,768
2. Percentage recycled	%	60%	60%	60%	60%	60%
3. Percentage in regions with High or extremely High Baseline Water Stress	%	4%	5%	6%	6%	7%
4. Water reclaimed	m <sup>3</sup>	44,458	23,240	19,311	19,089	0
Fresh water consumption per m <sup>3</sup> **	Litres	369	354	363	382	387
Waste to landfill	Tonnes	5,670	1,258	1,932	1,409	
Terrestrial acreage disturbed**	Hectare	38	55	55		
Percentage of impacted area restored**	%	25%	40%	37%		
Production volume:						
- AAC	Million m <sup>3</sup>	3.3	3.2	2.9	3.2	3.0
- CSU	Million m <sup>3</sup>	1.1	1.1	1.1	1.1	1.1

\* A more in-depth assessment of the Group's carbon emissions to ensure compliance with the GHG has led to changes in CO<sub>2</sub>e Scope 1 and 2 emissions for comparison figures from 2019 to 2021.

\*\* Some numbers have been slightly adjusted during the transition to a more transparent ESG reporting system.

## Social data

	Unit	2022	2021	2020	2019	2018
Full-time workforce	FTE	1,739	1,663	1,571	1,636	1,608
Gender diversity	%	16%	16%	15%	15%	14%
Gender diversity, non-office workers	%	4%	6%	6%	6%	5%
Gender diversity, office workers	%	41%	47%	47%	44%	44%
Gender diversity, Group Management	%	0%	20%	20%	20%	0%
Gender Pay Ratio (Median)	Times	1.08	1.27	1.26	1.15	1.03
Gender Pay Ratio (Average)	Times	1.07	1.10	1.15	1.20	1.20
Employee Turnover Ratio	%	15%	13%	14%	12%	13%
Sickness Absence	Days per FTE	13	12	13	13	10
Fatalities	Headcount	0	0	0	0	0
Lost-time incident frequency (LTIF)	Incidents per mil hours	3.6	5.5	5.7	5.6	9.0
Total recordable incident rate (TRIR)	Incidents per mil hours	25	35	38	43	50
Near Miss Frequency Rate (NMFR)	Incidents per mil hours	3,294	2,988	2,712	2,265	1,364
Number of reported cases of silicosis		0	0	0	0	0
Customer Retention Ratio	%	78%	77%	76%	81%	79%
Volume Retention Ratio	%	99%	96%	98%	97%	95%

## Governance data

	Unit	2022	2021	2020	2019	2018
Gender diversity, Board	%	33%	17%	17%	17%	17%
Board Meeting Attendance rate	%	100%	100%	97%	97%	96%
CEO Pay Ratio	Times	41	37	35	39	39
Total amount of monetary losses as a result of legal proceedings associated with cartel activities, price fixing, and anti-trust activities	DKK	0	0	0	0	0

# SASB Construction Materials standard, content index

## Sustainability Disclosure Topics & Accounting Metrics

Topic	Accounting metric	Category	Unit of measure	Code	Page reference or disclosure	Comment
<b>Greenhouse Gas Emission</b>	Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Quantitative Discussion and analysis	Tonnes (t) CO <sub>2</sub> -e. Percentage (%)	EM-CM-110a.1 EM-CM-110a.2	P. 25	Comparison figures have been adjusted. Scope 2 has been updated to reflect market-based efficiency factors.
<b>Air Quality</b>	Air emissions of the following pollutants: (1) NOx (excluding N <sub>2</sub> O), (2) SOx, (3) particulate matter (PM <sub>10</sub> ), (4) dioxins/furans, (5) volatile organic compounds (VOCs), (6) polycyclic aromatic hydrocarbons (PAHs), and (7) heavy metals	Quantitative	Tonnes (t)	EM-CM-120a.1		H+H emits NOx, SOx and PM <sub>10</sub> from steam boilers (exhaust fumes). Systems are not currently in place to capture data on a consolidated process. A formalised process to document this is expected to be implemented during 2023.
<b>Energy Management</b>	(1) Total energy consumed (2) percentage grid electricity (3) percentage alternative (4) percentage renewable	Quantitative	Gigajoules (GJ). Percentage (%)	EM-CM-130a.1	P. 25	No alternative energy consumed, besides potential share from the electricity provided by grid. Share of renewable energy includes renewable energy from purchased REC's. Energy intensity has been adjusted to reflect net-output instead of gross output in some selected factories.
<b>Water Management</b>	(1) Total fresh water withdrawn, (2) percentage recycled, (3) percentage in regions with High or Extremely High Baseline Water Stress	Quantitative	Thousand cubic meters (m <sup>3</sup> ). Percentage (%)	EM-CM-140a.1	P. 25	
<b>Waste Management</b>	Amount of waste generated, percentage hazardous, percentage recycled	Quantitative	Tonnes (t). Percentage (%)	EM-CM-150a.1	P. 25	Non-conformative output from the production process can as a rule of thumb always be reused in production. Hence, only limited waste is created. For waste handled by a service provider the waste to landfill is estimated. There is no hazardous waste.

Topic	Accounting metric	Category	Unit of measure	Code	Page reference or disclosure	Comment
<b>Biodiversity Impacts</b>	Description of environmental management policies and practices for active sites	Discussion and analysis	n/a	EM-CM-160a.1	P. 17	
	Terrestrial acreage disturbed, percentage of impacted area restored	Quantitative	Acres (ac), Percentage (%)	EM-CM-160a.2	P. 25	
<b>Workforce Health &amp; Safety</b>	(1) Total recordable incident rate (TRIR) and (2) near miss frequency rate (NMFR) for (a) full-time employees and (b) contract employees	Quantitative Quantitative	Rate Number	EM-CM-320a.1 EM-CM-320a.2	P. 25 P. 25	Systems are not currently designed on employee and contractor level, so aggregated number is provided. All reported numbers are measured per million hours produced. Registration follows Anglo-Saxon practice.
	Number of reported cases of silicosis					
	Percentage of products that qualify for credits in sustainable building design and construction certifications	Quantitative	Percentage (%) by annual sales revenue	EM-CM-410a.1		H+H's products are not specifically certified under any of the frameworks in the standard. Due to the longevity of the product, the thermal properties and predominantly consisting of sand, lime and water, H+H assumes to qualify for credits in most certification processes. Further clarification will follow when H+H's products will be included in the EU taxonomy definitions.
<b>Product innovation</b>	Total addressable market and share of market for products that reduce energy, water, and/or material impacts during usage and/or production	Quantitative	Reporting currency, Percentage (%)	EM-CM-410a.2		H+H has estimates of the global markets, but due to large variations in product quality, building methods, access to raw materials, cost of substitute materials etc. it is not possible to verify reliable numbers in this regard.
<b>Pricing integrity &amp; transparency</b>	Total amount of monetary losses as a result of legal proceedings associated with cartel activities, price fixing, and anti-trust activities	Quantitative	Reporting currency	EM-CM-520a.1	P. 25	

# Accounting principles

## Reporting period

1 January 2022 to 31 December 2022.

## Reporting scope

All entities under financial control by H+H International A/S as referenced in the Annual Report 2022 except for factories and joint-ventures acquired during 2022. The exception does not apply when calculating the number of full time employees. The comparison figures do not include divested subsidiaries.

## Reporting framework

The report was prepared using the Nasdaq ESG Guide 2.0 and the Sustainability Accounting Standards Board (SASB) framework as guidance to determine report content. Where relevant, definitions have been adapted to generally accepted methodology in the UK and EU.

## Controls

Data regarding number of employees and gender are generated from our HR systems. Data regarding fatalities and accidents, energy consumption, waste and water usage are reported through the operations management system that follows normal financial processes to ensure consistency and is validated against the external financial reporting. The data is not subject to any formal internal auditing, but verified through business analysis, benchmarks, and interviews.

## Greenhouse gas protocol

As part of the science-based target setting process, H+H undertook a detailed mapping of our GHG

emissions in accordance with the GHG Protocol. This included enhancements to the methodology as well as setting a recalculation policy and has led to adjustments to the 2019 base year GHG emissions that were previously reported.

## Definitions

### Climate

- CO<sub>2</sub>e Scope 1 is calculated as combusted fuel type x conversion factor per fuel type. For 1 tonnes of coal a conversion factor of 20.64 to GJ is used
- CO<sub>2</sub>e Scope 2 is calculated as purchased MWh x conversion factor of 3.6 to GJ is used
- CO<sub>2</sub>e Scope 3 is calculated as purchased materials in scope x efficiency factor. Where efficiency factors are disclosed by the supplier this is used. If such are not available generic industry efficiency factors are applied
- CO<sub>2</sub>e per m<sup>3</sup> (Scope 1) and CO<sub>2</sub>e per m<sup>3</sup> (Scope 2) are calculated as Scope 1 and Scope 2 divided by net-production volume
- Water reclaimed is calculated using meter readings
- Total Energy is calculated as combusted fuel type x power factor per fuel type + used electricity
- Total Energy per m<sup>3</sup> is calculated as Total Energy divided by production volume

- Total freshwater withdrawn is calculated using meter readings and invoices
- Percentage water recycled is calculated as Water recycled divided by Fresh water withdrawn where Water recycled is calculated indirectly as Water consumed according to bill-of-materials less Fresh water withdrawn
- H+H has three classifications for waste: green waste, white waste, and scrap. Waste to landfill is calculated as the total quantity of scrap sent to landfill by H+H. Reported data are based on invoices from external suppliers and estimates where data is not available
- Production volume is defined as produced AAC and CSU (net) measured in m<sup>3</sup>

## Diversity & equality

- Full-time workforce is defined as full-time employees + temporary workers
- Gender diversity is defined as (female FTEs + female temporary workers) divided by FTEs
- Gender diversity, Group Management includes the Executive Board and Senior Executives at H+H International A/S
- Gender pay ratio is calculated as median salary of male staff divided by median salary of female staff

- CEO pay ratio is calculated as CEO compensation, as reported in the Annual Report, divided by the median salary
- Employee turnover ratio is calculated as total leavers divided by full-time workforce

## Health & safety

- A fatality is a work-related injury that results in death
- Lost-Time Incident Frequency (LTIF) measures the frequency of Lost-Time Incidents and fatality incidents per million hours divided by total hours worked following the OSHA guidelines
- Near Miss Frequency Rate for employees (NMFR) measures number of Near Miss Reports per million hours divided by total hours worked following the OSHA guidelines
- Sickness absence is calculated as total sick days divided by average number of FTEs for the year

## Customer relations

- Customer retention ratio measures the number of customers invoiced during 2022 divided by the number of customers invoiced during 2021
- Volume retention ratio measures how big a share of the sold volume that was invoiced to customers who also received invoices from H+H the year before

# H+H at a glance

H+H is a leading provider of solutions and materials for wall building. Over the recent years, H+H has grown significantly through acquisitions and now has a strong and diversified market position across its geographies, serving as a solid foundation for continued growth.



## Employees

1,739

We have more than 1,700 employees working across eight different countries in Northern and Central Europe. Approximately two-thirds work in our factories.



## Revenue (DKKm)

3,604

In 2022, we generated total revenue of DKK 3,604 million and organic growth of 14%. AAC and CSU accounted for 71% and 29% of total revenue, respectively.

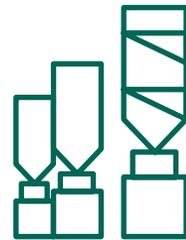


## Sustainability

46%

By 2030, reduce absolute Scope 1 and 2 GHG emissions by 46% from a 2019 base year, equivalent to a 4.2% reduction each year.

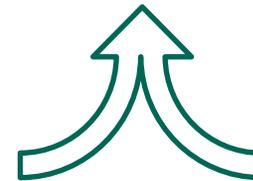
By 2050, achieve net-zero emissions.



## Factories

32

We have 32 factories across Northern and Central Europe with a total annual output of close to 4.5 million cubic metres of wall-building materials.



## Acquisitions

24

Since 2014, we have acquired 24 factories. These have contributed to a significant expansion of our factory network and have more than tripled our white-stone businesses in both Germany and Poland.



## Revenue by product line (FY 2022)

71% 29%

Both products are key components for energy-efficient wall systems.

### Aircrete (AAC)

combines strength and durability with fire resistance, low weight and excellent thermal insulation making it the ideal material for the residential low-rise housing market.

### Calcium silicate (CSU)

is a heavy and dense wall-building material primarily used for residential high-rise buildings. The product is fire resistant and has a very high degree of sound insulation.

# Business model

## Resources

### People

We value our workforce, recognise the advantages of diversity, and believe in the equality of people

### Raw materials

Our products are made of sand, water, and lime, with cement and aluminium added for aircrete

### Factory network

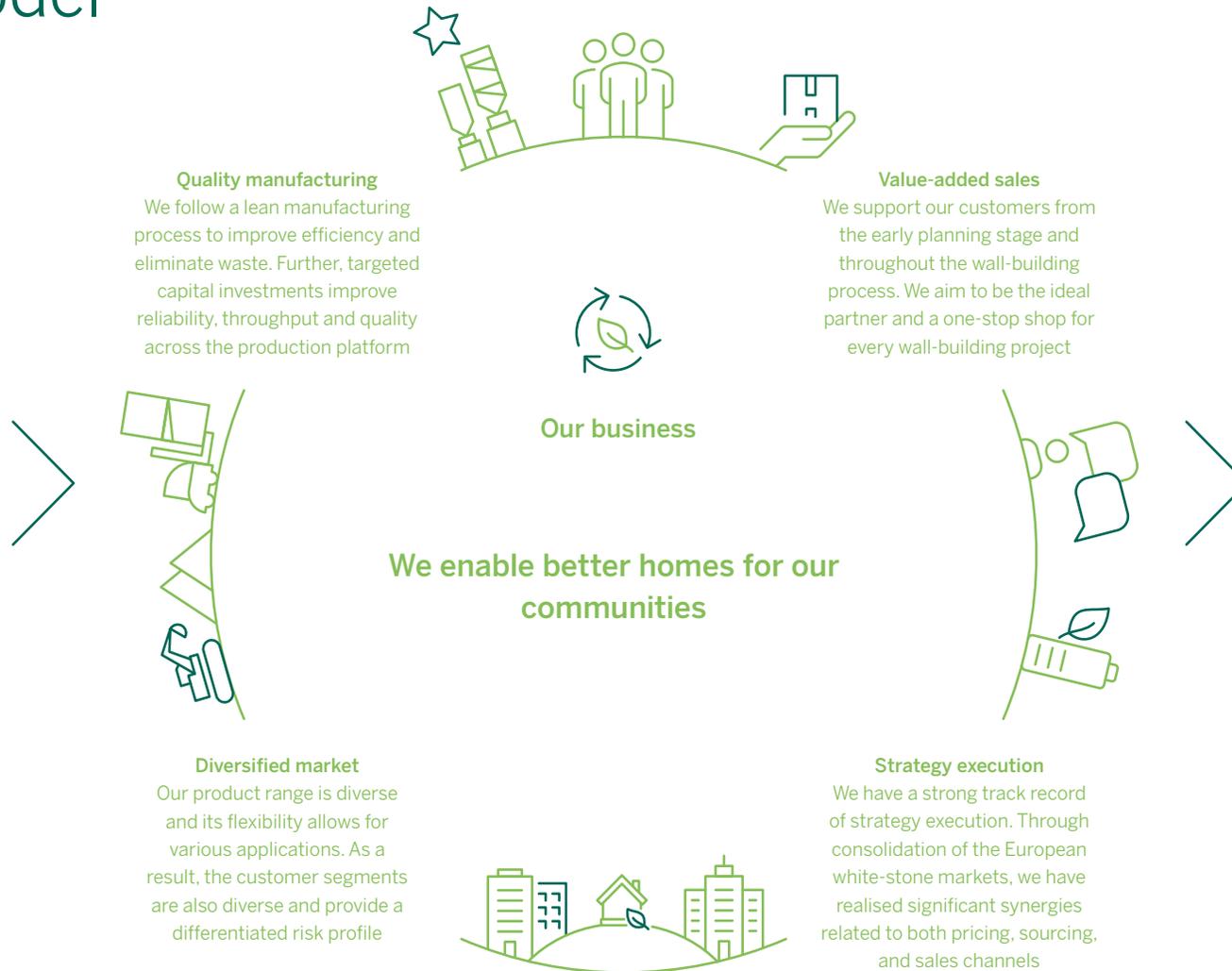
We have created a strong network of factories and sales offices with national reach within the countries in which we operate

### Unique market conditions for growth

Structural undersupply of housing, demographic growth, urbanisation, and changing housing needs provide solid growth platform

### Solid capital structure

Our strong and flexible capital structure supports our continued growth journey and sustainable shareholder value creation



## Added value

### Customer value

By understanding our customers, their local needs, and the industry trends, we help overcome challenges, eliminate waste, and manage complexities throughout the wall-building process

### Modern and carbon-friendly products

Our products offer improved indoor climate and energy savings as well as fire resistance and better acoustic insulation between rooms. In addition, the products are long-lasting and can be integrated into a circular economy

### Safe and attractive work environment

Employment and working conditions must be safe, fair, and non-discriminatory to attract top talents and support the development and career ambitions of our employees

### Shareholder value

We will continue to pursue profitable growth through acquisitions and investments in the existing production platform to generate robust, long-term value for our shareholders. Further, H+H may return excess capital to shareholders by means of dividends and/or share buy-back programmes

# EU Taxonomy

Our products play an important role in supporting Europe to achieve carbon neutrality by 2050. The high resource efficiency gives them low environmental impact in all phases of their life cycle, from processing of raw materials to the disposal of waste, thus making it the right building material to help meet the demands for circularity and GHG emissions reduction.

However, the manufacture of concrete products for construction purposes (NACE 23.6.1) which is where our products are classified is not yet included in the Taxonomy as a separate economic activity. The Taxonomy Technical Report (June 2019, p191- 192) states that concrete products are not included because the cement content and total GHG emissions can vary significantly based on the specifications of the application that the concrete will be used for. For this reason, the manufacture of concrete (NACE C.23.6) and concrete products are not covered by the Taxonomy. Hence, H+H's activities are not eligible, and revenue derived from products or services eligible is 0.

The EU Taxonomy is still under development and due to the evolving aspect of the Regulation, we expect that reporting will change and develop over the coming years. Therefore, we will reassess the reporting requirement on an annual basis.

## Revenue

We screened the activities listed in the technical annexes under the Delegated Act 2021/2139 and identified no material eligible revenues. Revenue is defined as revenue included in the consolidated financial statements for the year 2022, page 62.

## CAPEX

We screened the activities listed in the technical annexes under the Delegated Act 2021/2139 and identified 3% eligible capital expenditures. The Taxonomy-eligible CAPEX primarily includes activities related to transport (6.5) as well as water treatment systems (5.1). CAPEX is defined as additions of tangible assets and intangible assets (excluding goodwill) as included in the consolidated financial statements for the year 2022, note 13 & 14.

## OPEX

We screened the activities listed in the technical annexes under the Delegated Act 2021/2139 and identified no eligible operational expenditures, mainly due to our non-eligible revenue activities. Operating expenditures as per the EU Taxonomy are defined as in 2022 directly incurred, non-capitalizable cost relating to research and development, building renovations, short term leases, and the repair and maintenance of property, plant and equipment.

## Other disclosures

There is no CAPEX double counting in the numerator across economic activities, as we have assessed each material CAPEX individually.

No KPIs have been disaggregated in the reporting.

## EU Taxonomy Disclosure

2022	Revenue	CAPEX	OPEX
Taxonomy-eligible activities	0%	3%	0%
Taxonomy-non-eligible activities	100%	97%	100%
Taxonomy-aligned activities	N/A	N/A	N/A
Taxonomy-non-aligned activities	N/A	N/A	N/A

# EU Taxonomy - Turnover

Economic activities - Turnover	Absolute turnover (m DKK)	Proportion of turnover (%)	Sustainable contribution criteria					DNSH criteria					Minimum Safeguards	Aligned Proportion of Turnover	Category (enabling activity)	Category (transitional activity)	
			Climate Change Mitigation	Climate Change Adaptation	Water & Marine Resources	Circular Economy	Bio-diversity	Climate Change Mitigation	Climate Change Adaptation	Water & Marine Resources	Circular Economy	Bio-diversity					
<b>A. Taxonomy - Eligible Activities</b>																	
<i>A1. Environmentally sustainable activities (Taxonomy-aligned)</i>																	
<b>Turnover of environmentally sustainable activities (Taxonomy-aligned)</b>	0	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%	0%	0%	
<i>A2. Taxonomy-eligible but not aligned activities</i>																	
<b>Turnover of non-aligned activities</b>	0	0%															
<b>Total (A1+A2)</b>	0	0%															
<b>A. Taxonomy - Non-Eligible Activities</b>																	
Turnover of non-eligible activities (B)	3.604	100%															
<b>Total (A+B)</b>	<b>3.604</b>	<b>100%</b>															

H+H does not have any eligible activities, hence no turnover is allocated to the numerator.

# EU Taxonomy - CAPEX

	Absolute CAPEX (m DKK)	Proportion of CAPEX (%)	Sustainable contribution criteria					DNSH criteria					Minimum Safe-guards	Aligned Proportion of CAPEX	Category (enabling activity)	Category (transitional activity)	
			Climate Change Mitigation	Climate Change Adaptation	Water & Marine Resources	Circular Economy	Bio-diversity	Climate Change Mitigation	Climate Change Adaptation	Water & Marine Resources	Circular Economy	Bio-diversity					
<b>Economic activities - CAPEX</b>																	
<b>A. Taxonomy - Eligible Activities</b>																	
<i>A1. Environmentally sustainable activities (Taxonomy-aligned)</i>																	
<b>CAPEX of aligned activities</b>	<b>0</b>	<b>0%</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	
<i>A2. Taxonomy-eligible but not aligned activities</i>																	
5.1 - Construction, extension and operation of water collection, treatment and supply systems	3	1%															
6.5 - Transport by motorbikes, passenger cars and light commercial vehicles	5	2%															
6.6 - Freight transport services by road	19	7%															
7.1 - Construction of new buildings	2	1%															
CAPEX of non-aligned activities	28	10%															
<b>Total (A1+A2)</b>	<b>28</b>	<b>10%</b>															
<b>A. Taxonomy - Non-Eligible Activities</b>																	
<b>CAPEX of non-eligible activities (B)</b>	<b>270</b>	<b>90%</b>															
<b>Total (A+B)</b>	<b>298</b>	<b>100%</b>															

Primary source of CAPEX contributing to the numerator is lease of forklift trucks and passenger cars (DKK 19 and 5 mil respectively) as well as investment in water treatment system (DKK 3mil). Please refer to the annual report 2022 (note 13 & 14) for more information about additions.

No formal CAPEX-plan in relation to EU Taxonomy has been developed in 2022, but will be reassessed in 2023.

# EU Taxonomy - OPEX

Economic activities - OPEX	Absolute OPEX (m DKK)	Proportion of OPEX (%)	Sustainable contribution criteria					DNSH criteria					Minimum Safeguards	Aligned Proportion of OPEX	Category (enabling activity)	Category (transitional activity)	
			Climate Change Mitigation	Climate Change Adaptation	Water & Marine Resources	Circular Economy	Bio-diversity	Climate Change Mitigation	Climate Change Adaptation	Water & Marine Resources	Circular Economy	Bio-diversity					
<b>A. Taxonomy - Eligible Activities</b>																	
<i>A1. Environmentally sustainable activities (Taxonomy-aligned)</i>																	
<b>OPEX of environmentally sustainable activities (Taxonomy-aligned)</b>	0	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0%	0%	0%	
<i>A2. Taxonomy-eligible but not aligned activities</i>																	
<b>OPEX of non-aligned activities</b>	0	0%															
<b>Total (A1+A2)</b>	0	0%															
<b>A. Taxonomy - Non-Eligible Activities</b>																	
OPEX of non-eligible activities (B)	170	100%															
<b>Total (A+B)</b>	<b>170</b>	<b>100%</b>															

H+H does not have any eligible OPEX, hence no OPEX is allocated to the numerator.

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