



Sustainability Report

H+H International A/S
2020



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H+H's sustainability approach

Sustainability is a strategic enabler of long-term growth for H+H
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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 and information required by the Danish Financial Statements Act §99a.

H+H is a wall-building materials provider. The core activity is production and sale of autoclaved aerated concrete (AAC or aircrete) and calcium silicate units (CSU or sand lime bricks). The products are building blocks used for wall-building, primarily in the residential new-building segment. The products provide long-lasting, comfortable, safe, and healthy buildings due to its characteristics, providing excellent indoor climate, thermal insulation, fire resistance, and acoustics. H+H's know-how, experience, and research have enabled a robust manufacturing process and, most importantly, products with strong properties for sustainable buildings.

The business is cyclical and H+H is always pursuing organic growth and margin improvements. In addition, restructuring of the markets in Central Europe is on the strategic agenda.

H+H has 29 factories in Northern and Central Europe with a total annual output of approximately four million cubic metres of wall-building materials and a leading position in most of its markets. The Group has **more than 1,500 employees**.

The parent company, H+H International A/S, is **headquartered in Copenhagen, Denmark** and the Company is listed on the Nasdaq Copenhagen stock exchange under the ticker symbol, HH.

Highlights



Steady safety performance

0 fatalities

Fifth consecutive year

Lost Time Injury Frequency **6**

Zero incidents at 19 out of 29 factories



Net-Zero by 2050

H+H committed to achieving net-zero emissions in its operations and products by 2050. The target and plan behind is expected to be submitted to achieve verification as **'Science-based target'**.



Reduced carbon emissions and carbon per unit produced

8%

reduction in direct carbon emission

3%

reduction in energy per m³



Lower water usage

8%

reduction in water intensity



UN Global Compact

H+H committed to joining the UN Global Compact.

H+H's and its products support SDG-11 (Sustainable cities and communities) and SDG-12 (Responsible consumption and production) by nature.



Policy updates

During 2020, H+H introduced an **ESG policy** and a **Diversity policy**, and updated its Code of Conduct and Code of Conduct for suppliers.

Partner in wall-building

Sustainable solutions

- Improved indoor climate
- Improved energy savings
- Flexible and high-quality products
- Responsibly sourced raw materials

Planning and specification

- One-stop shop for wall building
- Facilitated workflows and processes
- Technical support and know-how

Selection and delivery

- Availability
- Reliable delivery
- Transparency
- One-point of contact

Building and installation

- On-site support
- Facilitated workflows and processes
- High-quality solutions

Business model – We focus on adding value to our customers throughout the entire wall-building process

Quality Manufacturing

Modern and carbon-friendly products

Value-added Sales

Trusted partners in wall building

Diversified Market

Innovative product solutions for high-rise and low-rise



Key raw materials

- Sand, water, and lime
- Cement and aluminium added for AAC

Quality products

- Autoclaved aerated concrete and calcium silicate units
- Quality products with sustainable features
- Carbon-friendly products
- Improved energy savings

Partnerships

Partnerships with the customers
Solution selling

- Early involvement
- Supports customers in early planning stage
- Optimising building process
- Cooperation with planners, architects, distributors and builders

Delivery

Building site (75-80%)
Builders' merchant

- Premium brand
- Availability
- One point of contact
- One-stop shop for wall building
- Transparency
- Reliable and timely delivery

Foundation Inner & Exterior walls

High-rise
(primarily CSU)

Residential low-rise
(primarily AAC)

Non residential
(primarily AAC)

- Sustainable building products
- High quality solutions
- On-site support
- Improved workflows and processes
- Technical support and material expertise
- Mixed product sales

CEO Letter

2020 marks an important milestone in H+H's sustainability journey. This year we committed to achieving net-zero emissions in our products and operations by 2050 and to join the UN Global Compact.

This document also marks an important milestone in H+H's sustainability journey. It marks that we have set a target to achieve net-zero emissions from our products and operations by 2050 and we committed to joining the UN Global Compact.

It is H+H's first standalone sustainability report. In it, we provide links to the UN Sustainable Development Goals ("SDGs") where we believe we can have the most impact and we communicate financially material sustainability information in line with recommendations from Nasdaq and the SASB standard.

By reporting against the SDGs, Nasdaq and SASB (Sustainability Accounting Standards Board) we aim to increase transparency on our environmental, social and governance risks and opportunities, and show how we are meeting our commitments.

Climate change is one of the greatest challenges the world faces. H+H fully supports the Paris Agreement on climate change and we see sustainability as a strategic enabler of growth for H+H. We are committed to supporting the sustainable transformation of Europe's cities and communities by developing products and applications that increase energy efficiency and lower the life-cycle carbon emissions of buildings.

A life-cycle analysis ("LCA") undertaken in 2020 on our autoclaved aerated concrete ("AAC") and calcium silicate units ("CSU") determined that H+H is on a path to achieve net-zero – and possibly net-negative – emissions by 2050. Our next step in this journey

is to develop emission reduction roadmaps for our products and operations, and we are aiming to have the target verified as science-based.

Providing a safe and attractive work environment is essential to remaining an employer of choice within the building materials industry. In 2020 employee health and safety was in even greater focus due to the COVID-19 pandemic. During this time, we have been able to ensure business continuity while improving our safety performance through our continued focus on Zero Harm and the well-being of our employees.

In 2020 we released our Diversity Policy. The building materials industry is not known for being diverse and we are addressing this by encouraging diversity at all levels of the organisation. During the year we also updated our Code of Conduct. We have a zero-tolerance approach to bribery, corruption and unlawful and anti-competitive arrangements. The Code of Conduct and Code of Conduct for Suppliers are the cornerstones of H+H's compliance program and set the tone with regards to our business integrity and ethical principles.

At H+H, we firmly believe that the businesses that succeed in the future will be those that are driven by sustainability. It is the responsibility of every employee at H+H to work in a manner consistent with our policies and I want to thank each and every one for their commitment and achievements in advancing H+H's sustainability agenda.



Michael Troensegaard Andersen
CEO



H+H's sustainability approach

Buildings are a significant source of energy consumption and greenhouse gas emissions (“GHG”) that cause climate change. As such, building materials that ensure energy efficient buildings and help to reduce the life-cycle emissions of buildings are well-positioned for long-term growth. H+H's products qualifies for this.

Sustainability is therefore a strategic enabler of growth for H+H. The company's approach is based on seizing the opportunity for growth in sustainable building materials, while mitigating the environmental, social and governance risks that are present in its products and operations.

H+H is a signatory of the UN Global Compact and supports the UN Sustainable Development Goals. The SDGs that are strategically important to H+H are highlighted on this page and an index that references SDG links is provided throughout this report.

Supporting the UN SDGs

Revenue and opportunity-related SDGs

H+H's products contribute to the development of sustainable cities and communities (**SDG 11**) and to enabling more energy efficiency (**SDG 7**), as buildings are a major source of energy consumption and GHG emissions.

Mitigation and risk-related SDGs

H+H seeks to minimise its negative operational impact against **SDGs 3, 8, 9, 10, 12** and to partner with cement and lime producers to reduce the life-cycle emissions of its products (**SDG 17**).



Overview of H+H's sustainability approach, risks and opportunities

H+H's sustainability approach has four focus areas within the three main sustainability themes of environment, social and governance



Environment

Focus area 1 – Sustainable buildings (SDG 7 + 11 + 17)



Enhancing the product portfolio to lower life-cycle emissions and increase energy efficiency from the building envelope

Opportunity:

- Demand for sustainable building materials that increase energy efficiency and lower the life-cycle emissions of buildings is expected to grow as a result of climate targets set in the European Green Deal and through the policies of the UK government.

Risk:

- The production of long-lasting building materials remains carbon-intensive relative to other industries. This exposes H+H to the risks of higher prices of cement and lime due to increases in the cost of EU Allowances under the EU Emissions Trading Scheme ("ETS").

This focus area seeks to capture the opportunity for H+H in enhancing its product portfolio through more sustainable products that improve energy efficiency and lower the life-cycle emissions of buildings. H+H partners with cement and lime manufacturers to test their low-carbon products to reduce H+H's scope 3 emissions and is committed to achieving net-zero emissions from its products by 2050.

Focus area 2 – Climate & Environment (SDG 7 + 8 + 9 + 12)



The ambition is to reduce scope 1 and 2 emissions and continuously improve the use of resources

Risks:

- While none of H+H's direct CO₂ emissions are currently covered by the ETS (European Union Emission Trading Scheme), the European Commission has signalled its intention to expand the scheme and there is a regulatory risk that H+H's business may be included in future revisions of the scheme. This could increase operating costs as H+H's boilers currently use gas and coal as the primary fuel sources and the share of renewable electricity is low.
- Sand is a key ingredient in H+H's products and while geological sand deposits are abundant in Northern Europe, accessibility to sand is limited through policy and environmental governance issues which may lead to increasing cost of supplies.

This focus area thus aims to reduce H+H's scope 1 and 2 emissions, achieve net-zero emissions from operations and continuously improve resource use through enhanced environmental management and strategic sourcing of sand supplies.



Social

Focus area 3 – Safety and People (SDG 3 + 8)



H+H strives for Zero Harm to its people and aims to be an attractive employer

Risks:

- The building materials industry faces inherent health and safety risks from the heavy equipment used for production.
- Companies that rely on heavy industry production processes, including H+H, are generally experiencing an ageing production workforce and increasing challenges in recruiting younger workers for production roles.
- At certain production sites, H+H is experiencing relatively high rates of absenteeism.
- The building materials industry has relatively low levels of gender diversity, which may limit the pool of qualified candidates when recruiting for new positions.

To mitigate these risks, this focus area strives for Zero Harm to people through improved behavioural and automation levers, as well as continuing to be an attractive employer in order to attract, retain and develop its workforce.

Governance

Focus area 4 – Business integrity (SDG 8 + 10 + 12)



H+H conducts business in a transparent, ethical and socially responsible manner

Risks:

- The building materials industry has been subject to instances of anti-competitive behaviour, such as cartel activity. While H+H does not operate in countries which have a high risk of corruption and bribery, it is nevertheless exposed to these risks through its day-to-day activities.
- H+H is exposed to risks in its supply chain in terms of compliance with international, national and local laws, guidelines relating to employment, environmental and manufacturing practices as well as ethics and bribery, particularly in relation to sustainable sourcing.

To drive compliance with laws, anti-trust guidelines and sustainable sourcing, this focus area aims to ensure that H+H always conducts business in an honest, ethical and socially responsible manner.

H+H certified “Excellent” rating in responsible sourcing of construction products

BRE (the Building Research Establishment) is the centre of building science in the United Kingdom and manages the framework Standard for Responsible Sourcing (BES6001).

H+H UK is certified with the highest possible rating. The certification recognises that the organisation is only one part of a complex supply chain and benefitting from the ‘Partners in wall-building’ promise. It demonstrates this through supply chain management and product stewardship.

Social, economic and environmental impact are all considered as part of the accreditation process.

Companies are required to prove that they are living up to the promises, both to partners such as customers and suppliers, and to the accreditation and certification organisations that monitor the programme. A company must continually demonstrate that its commitment to environmental performance is company-wide and permeates every aspect of the business.

BES6001 is part of a drive towards ethical, sustainable business practice across the entire construction industry in the UK, of which H+H is proud to be a part. By aligning sustainability objectives with the desire of customers for continuous improvement and the development of innovative solutions in collaboration within their own supply chains, H+H is proudly playing its part in the decarbonisation of its own operations and those of its customers.



Sustainable buildings

H+H's products are on a path to net-zero – and possibly negative – emissions by 2050

SDG 7 Affordable and clean energy

- Target 7.3 By 2030, double the global rate of improvement in energy efficiency

SDG 11 Sustainable cities and communities

- Target 11.6 By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management

SDG 17 Partnerships for the goals

- Target 17.16 Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, particularly in developing countries

H+H's commitments

- Achieve net-zero emissions in H+H products by 2050
- In 2021, develop a net-zero emissions reduction roadmap for H+H products that can be independently verified by the Science Based Targets Initiative (SBTi)

The Green Deal announced by the European Commission in 2020 proposes a rapid reduction of the European Union's ("EU") greenhouse gas emissions by at least 55% by 2030, compared to 1990 levels. Buildings have been given a key role to play in achieving this target. As buildings represent the largest source of energy consumption and are responsible for 36% of the EU's greenhouse gas emissions, they represent a large and cost-effective opportunity to reduce emissions.

H+H is committed to supporting the sustainable transformation of Europe's cities and communities. The product portfolio of AAC and CSU enables improved indoor climate, better acoustics, and enhanced energy efficiency in homes, apartments, offices and other buildings. In addition, the products deliver fire safety benefits, are long-lasting and can be integrated into a circular economy.

In addition to these benefits, a LCA undertaken in 2020 on the AAC and CSU products determined that they are on a path to achieve net-zero – and possibly negative – emissions by 2050.

To capture the opportunity in sustainable buildings in Europe, H+H has established a Group Innovation Function which will further enhance the application of existing products and develop new sustainable products.

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





Building on the commitment to achieve net-zero emissions in H+H's products by 2050, H+H will develop a net-zero emissions reduction roadmap for its products in 2021 which will include building partnerships with cement and lime manufacturers to test their low-carbon products and reduce H+H's scope 3 emissions.

In 2020, H+H undertook a life-cycle analysis ("LCA") based on standardised Environmental Product Declaration ("EPDs") for AAC and CSU products – the two main building materials manufactured and supplied by H+H.

The analysis determined that approximately 75% of the life-cycle emissions from H+H's products come from the manufacture of cement and lime – key ingredients used in H+H's manufacturing process. These emissions lie "upstream" with the cement and lime producers and are part of H+H's scope 3, or indirect, emissions.

Most of these scope 3 emissions are a result of the chemical reaction that occurs when carbon is removed from limestone to produce clinker, the main ingredient in cement. The CO₂ released is an unavoidable consequence of this reaction, as the limestone has absorbed CO₂ during its formation.

However, during the year, the major cement associations and leading manufacturers published plans that put cement producers on a credible pathway to net-zero emissions by 2050. According to the plans, net-zero would be achieved mainly through the use of carbon capture storage and utilisation (CCSU) and lower

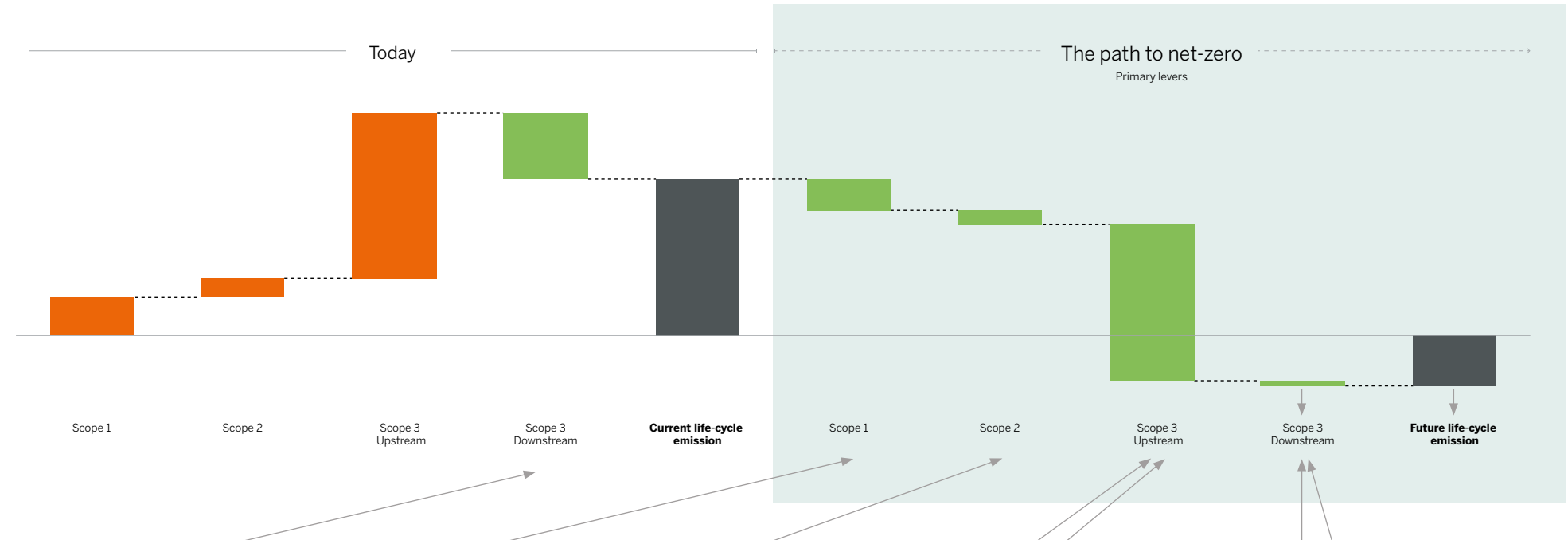
carbon ingredients, switching from fossil fuels to renewable energy to heat kilns, and through a process called recarbonation that occurs over the life-cycle of cement-based products.

Through recarbonation, cement-based products absorb CO₂ during their lifespan, acting as a 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 H+H's products.

Beyond these scope 3 reductions, the LCA determined that H+H also has the opportunity to reduce its scope 1 and 2 emissions, principally by switching to boilers running on renewable energy, make sure electricity and heating is from renewable sources and by using electric or hydrogen-powered vehicles for transportation.

The thermal insulation benefits of H+H's products have the potential to drive even further gains as they reduce the energy required for heating during a building's use phase. However, these benefits were not quantified in the LCA as although the thermal insulation benefits can be taken into account in EPDs, the current standardised EPDs do not include it.

Generic product's carbon life-cycle assessment and path to net-zero



Recarbonation

Most of the downstream scope 3 benefits come from recarbonation, where H+H products absorb CO₂ from the atmosphere during their lifetime of 100-150 years.

80% reduction

H+H can reduce a large amount of its own emissions through improvements to its factories, e.g. upgrading boilers.

80% reduction

H+H can reduce most of its scope 2 emissions by switching to renewable energy sources.

>90% reduction

Cement producers' pathway to net-zero targets >90% reduction of the embodied carbon in the raw-material production itself, through Carbon Capture Storage (CCS) and other pathways.^{1,2}

100% reduction (transport)

H+H can make transportation related emissions 100% CO₂ neutral through EV or hydrogen vehicles.

Further reductions

The insulation properties of H+H's products are not currently captured and enhances the net-negative potential.

Orange bar: GWP value from emission (Kg CO₂e) per m³.

Green bar: GWP value from recarbonation and emission reductions (Kg CO₂e) per m³.

¹ Source: Cembureau – 2025 roadmap (the remaining ~20% reduction will come from in construction recarbonation).

² Recarbonation is counted upstream with the cement producer only, i.e., it is not counted in H+H's span of control as this would be double counting. (Double counting of carbon reductions is an issue within every industry).

Climate & environment

H+H's ambition is to reduce scope 1 and 2 emissions and continuously improve its resource use

SDG 7 Affordable and clean energy

- Target 7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
- Target 7.3 By 2030, double the global rate of improvement in energy efficiency

SDG 8 Decent work and economic growth

- Target 8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-Year Framework of Programmes on Sustainable Consumption and Production, with developed countries taking the lead

SDG 9 Industry, innovation and infrastructure

- Target 9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

SDG 12 Responsible consumption and production

- Target 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

H+H's commitments

- Achieve net-zero emissions in H+H's operations by 2050
- Reduce energy consumption per m³ by 7% vs. 2019 base line of 565 MJ per m³ by 2024
- Reduce water usage by 5% by 2024 vs. 2019 base line of 382 litre per m³
- Achieve zero waste to landfill by 2024
- In 2021, develop an emissions reduction roadmap to become carbon neutral in its own operations



Reducing scope 1 and 2 emissions

In addition to partnering with cement and lime producers to reduce the carbon intensity of sustainable building materials, H+H is focused on becoming carbon neutral in its own operations.

While H+H's scope 1 and 2 emissions are significantly lower than the upstream scope 3 emissions associated with the production of cement and lime (see LCA text box, page 12), they have the advantage of being within H+H's direct control to reduce.

H+H's existing short-term target is to reduce energy consumption per m³ by 7% by 2024 vs. a 2019 base line of 565 MJ per m³.

In 2021, H+H will develop a CO₂ emissions reduction roadmap to become carbon neutral in its own operations by 2050.

Energy efficiency and switching to renewable energy offer the greatest opportunities to reduce the emissions that H+H has control of within its value chain.

The boilers that provide steam to autoclaves in H+H's factories use gas and coal as the primary fuel sources. Therefore, switching to lower carbon energy sources, such as boilers powered by renewable electricity or hydrogen, offers the most impact to reduce scope 1 and 2 emissions. However, due to the rural location of H+H's factories, these choices may be limited by the infrastructure of the local grid.

Water Management

While H+H does not operate in countries with high or extremely high water stress, it aims to continuously improve its water resource management and has set a target to reduce water usage by 5% by 2024 against a 2019 base line of 382 litre per m³.

Waste Management

H+H has robust waste management practices through a "reduce, reuse and recycle" approach. The continuous optimisation of recipes for products, recycling of failed batches and reduction of waste is an integral part of normal business procedures. A process to create a plan on how to reduce the already low volumes to zero waste to landfill is to be established.

Biodiversity

H+H does not operate quarries and mines, except in Poland, where it operates sand pits to supply sand into its own manufacturing process. In line with its ESG policy, H+H is committed to ensuring that environmental responsibility is always considered when H+H does business and to complying with all environmental legislation with regards to operating the sand pits.

Access to sand

Sand is a key ingredient in H+H's products. While geological sand deposits are abundant in Northern Europe, accessibility to sand is determined by policy and environmental governance issues. It is likely that sand extraction is outpacing replacement of permitted reserves which may in time lead to a shortage of supply

Climate & environment

	Unit	2020	2019	2018	2017	2016
CO ₂ e scope 1	Tonnes	118,980	142,834	134,791	86,024	82,294
CO ₂ e scope 2	Tonnes	51,533	54,689	55,992	46,998	41,186
CO ₂ e per m ³ (scope 1)	kg	31	33	34	30	30-
CO ₂ e per m ³ (scope 2)	kg	13	13	14	16	15
Energy consumption	GJ	2,136,456	2,420,142	2,350,953	551	551
Total energy per m ³	MJ	548	565	593	-	-
Renewable energy share	%	3%	5%	3%	5%	5%
Water consumption	M3	1,376,672	1,637,094	1,535,768	394	407
Water consumption per m ³	Litre	353	382	387	-	-

and the potential for increased prices for sand and higher transport costs due to the need to transport sand over longer distances from fewer sources of supply.

A project to take a strategic approach to sand through a bottom-up assessment of future sand supply in key areas and explore the potential for strategic partnering for long-term supply is in the pipeline.

Climate & environment performance

In 2020, the net CO₂e scope 1 and 2 emissions was reduced by 27,000 tonnes. This was predominantly driven by scope 1 stemming from lower volumes produced, due to the stand-still of the factories in the UK in the spring of 2020. The scope 1 and 2 emissions intensity reduced by 5% and was driven by all core markets. Taking into account that production volumes decreased

this is a satisfactory development as some of the emissions are fixed energy consumption not correlating with production volumes.

During the year, H+H reduced its energy intensity by 3% and is well on track to hit the 2024 target of a 7% reduction vs. 2019. The Polish factories were the main contributor with improvements stemming from investments in recent years, amongst other into heat recovery, boilers and upgrading of equipment in acquired factories.

Energy consumption totalled 2,1 PJ in 2020 and the share of renewable energy decreased to 3%. The volume of renewables is to a large extent depending on the mix from suppliers.

Relative water consumption in 2020 decreased by 8% to 353 litre per m³ and a total consumption of 1.4 million m³.

Safety & people

H+H puts safety first and strives for Zero Harm to people, contractors, suppliers and customers

SDG 3 Gender equality

- Target 3.5 Strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol
- Target 3.9 By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination
- Target 8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment

H+H's commitments

- Reduce lost time incidents frequency (LTIF) to 3 by 2024
- Reduce absenteeism through sickness to 9 days per annum by 2024
- Improve gender diversity within the Board of Directors to minimum 25-40% of the under-represented gender by no later than at the annual general meeting in 2023

In 2020, employee health and safety has been in even greater focus due to the COVID-19 pandemic.

During this time, H+H has been able to ensure business continuity while improving its safety performance and ensuring the well-being of its employees in uncertain times.

H+H takes the management of safety risks inherent in the business very seriously and continuously works to create safe and healthy workplaces and conditions for its employees.

This approach is guided by H+H's Health and Safety Policy. In moving towards its Zero Harm ambition, H+H is embedding a culture of safety and applying its safety management system across all of its operations. Near-miss reporting and root cause analysis are mandatory activities to continuously improve H+H's performance together with external and internal audits. All incidents are escalated to Group management level for information and guidance purposes.

All H+H factories are eligible for an 18-month Safety Improvement Plan to drive the performance towards Zero Harm. H+H applies its safety management system across all acquisitions and is well-practiced in improving the safety culture and performance across locations that are new to the Group.

Local leaders are responsible for Health & Safety in their locations and are supported by safety officers and the Group Health & Safety leadership team. The leadership team is headed by the Group COO.

Developing a robust safety culture is a continuous focus. In 2020, H+H carried out safety training across all of our factories.

COVID-19 response

Most of H+H's factories remained in operation during the COVID-19 lockdowns in 2020 but under restrictions that complied with advice and requirements from national health authorities to avoid infection and to secure employees. The exceptions were factories in the UK which were fully closed for approximately three months. The health and safety of H+H's employees remains a top priority and procedures have been introduced to protect employees from infection.

These include amongst other separation of shifts within factories and providing flexible work-from-home arrangements for office-based employees. As a result, none of H+H's workplaces – factories or offices – were shut down due to illness.

Safety

Safety performance

H+H had zero employee fatalities in 2020, marking the fifth consecutive year with no fatalities across the Group.

LTIF is on par with last year at 6. Over the last five years the LTIF has improved by an average of 20% per annum. The LTIF improvement target is a rolling 50% reduction of the accident rate over a five-year period (i.e., to be 3 in 2024). 19 of the 29 locations recorded zero incidents in 2020.

To deliver further improvement in the safety performance H+H will in 2021 relaunch the safety improvement strategy with nine key strategic areas:

- Management showing Leadership in Safety.
- Risk Assess all operations to determine critical parameters.
- Install all pragmatic Engineering Protection.
- Implement Written Safe Operating Procedures (SOP's) including the use of Personal Protective Equipment (PPE).
- H&S Training for managers and supervisors.
- Supervision to ensure SOP's are followed and PPE used.
- Safety Improvement Plan (SIP) to systematically drive site safety.
- Near Miss Reports (NMR's) to pick up opportunities for improvement.
- Group and External Audit to verify maturity and direct SIP content.

Other actions include:

- 9 Safe Rules for Life. Based on our accident history these 9 rules apply to all aspects of the company, not just factories and culminate in the Golden Rule: STOP all work if conditions are dangerous or behaviors are unsafe.
- After the successful NEBOSH training in 2020, further training of the supervisory level will be continued in 2021 to ensure the front-line managers have the tools they need to drive safety improvements.
- Further development of Toolbox talks in all locations.
- Revised Contractor management policy with improved Permit to work procedures designed to keep our specialist support safe in our factories.
- Increased participation of senior management in root cause analysis and review.
- Introduction of a Group award scheme for safety improvement at a regional and Group level.

People

H+H aims to be an attractive employer to attract, retain and develop its workforce

H+H seeks to become an employer of choice by providing a safe and attractive work environment while improving diversity and inclusion. This is not only to remain competitive as an employer but to ensure that H+H continues to attract talent as Europe’s ageing and shrinking workforce is expected to create challenges in recruiting for manufacturing positions. Fewer young people are joining industries with factory-based production. In particular, H+H faces a tight labour market for factory roles in Poland.

Therefore, continuous development of people in regard to competencies and personal development is key to helping them realise their potential and ambitions to the benefit of both the employees and H+H.

Diversity

The building materials industry is not known for being diverse and H+H is addressing this by having a H+H diversity policy for the Group encouraging

diversity at all levels of the organization, without compromising on competence, qualifications and quality. H+H recognises that diversity is a key competitive advantage and important to achieving success in a global environment.

H+H seeks to be an attractive workplace for people with varied backgrounds, skills and cultures. The company is committed to providing equal opportunities in employment and always hiring the most qualified candidate for each of its recruitments, whether internal or external. H+H aims to recruit from a diverse mix of cultures, ages, backgrounds, skills, expertise and experiences to create a dynamic organisation that continues to advance the H+H Group in line with its strategic objectives.

Every H+H manager is responsible for fostering an inclusive and open working climate where diversity can be embraced in accordance with the values expressed in the H+H Diversity Policy and the Code of Conduct. H+H has 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 to their

line-manager, local management or Group Legal. Reports can also be filed through H+H’s online whistle-blower system.

People Performance

During 2020 the gender pay ratio for the Group increased due a reduction of shift workers in Poland, where increase in competitors capacity lead to H+H reducing shifts to balance production output. The shift workers in Poland are predominantly men.

The gender split across the Group has been relatively stable over the past few years with an 15% ratio of women to men. However, the proportion of women is higher at executive and middle management levels and smaller among the production employees.

Absence through sickness stayed at same level as last year. During the year a number of activities to reduce this number has been taken, and the target of 9 by 2024 remains.

	2020	2019	2018	2017	2016
Fatalities	0	0	0	0	0
Lost Time Incidents Frequency for employees	6	6	9	11	16
Total recordable incident rate	38	43	50	90	120
Near miss frequency rate	2,711	2,265	1,364	543	-

	Unit	2020	2019	2018	2017	2016
Full time workforce 31 December	FTE	1,538	1,625	1,616	1,022	986
Gender diversity	%	15%	15%	14%	14%	14%
Gender diversity, Group Management	%	20%	20%	0%	0%	0%
Gender pay ratio	Times	1.26	1.15	1.03	-	-
Employee turnover ratio	%	14%	12%	13%	13%	13%
Sickness absence	Days per FTE	13	13	11	10	9

Board Diversity

The Board of Directors has set a gender diversity target to be achieved 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 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 a male and female candidate for a position are equally qualified, the candidate representing the under-represented gender will be chosen.

The gender diversity target for the Board of Directors was not achieved in 2020 as the number of female board members remained at one out of six members, since there were no changes to the board composition during 2020.

	2020	2019	2018	2017	2016
Gender diversity, Board	17%	17%	17%	17%	20%
CEO pay ratio	35	39	39		



Business integrity

H+H conducts its business in an honest, ethical and socially responsible manner

SDG 8 Decent work and economic growth

- Target 8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment

SGD 10 Reduced inequalities

- Target 10.3 Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard

SDG 12 Responsible consumption and production

- Target 12.6 Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle

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

To ensure this, 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 legislation and H+H policies. The Board of Directors oversees compliance of the ESG policy.

Code of Conduct

H+H has a zero-tolerance approach to bribery, corruption and unlawful and anti-competitive arrangements. The Code of Conduct and Code of Conduct for Suppliers are the cornerstones of the compliance program and set the tone with regard to business integrity and ethical principles.

The Code of Conduct includes policies related to confidentiality and insider trading, conflicts of interest, fraud, fair and lawful competition, bribery, political donations, entertainment and gifts, and money laundering. It also covers workplace health & safety, basic employee rights, equality, non-discrimination and respect for privacy, and environment and climate.

Every employee at H+H is required to 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.

Employees are encouraged to speak up immediately if they become aware of or suspect any violations of the code of conduct. In addition, H+H operates an online whistle-blower system to report concerns anonymously. All reports of suspected violations of the code of conduct or any specific H+H policy made in good faith is fully investigated, and retaliation against anyone who reports in good faith is not tolerated.

Code of Conduct for Suppliers

H+H has a zero-tolerance policy for bribery and facilitation payments, as defined by the Code of Conduct for Suppliers. Suppliers are required to comply with all relevant environmental legislation, protect internationally proclaimed human rights, and not participate in money laundering and or accept any payment likely to stem from criminal activities.

Data privacy

H+H is committed to data privacy for employees and third parties and retains only the relevant personal data in compliance with GDPR and/or other applicable personal data protection legislation.

Responsible tax

H+H is committed to be a responsible taxpayer and complying with all relevant tax laws.

Business integrity data

There have not been any specific results relating to anti-corruption and anti-bribery in 2020 stemming from H+H's compliance work. During 2020 there was no submission of whistleblower reports in the Group.

In 2020, H+H was not the subject of any legal proceedings associated with cartel activities, price fixing, or other anti-trust activities, nor any proceedings concerning corruption.

Concerns reported in 2020

0

Concerns reported in 2019

0

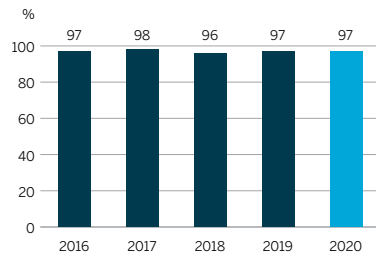
Governance and policies

ESG Governance

ESG is the responsibility of the Chief Strategy Officer, who reports to the Chief Executive Officer. The Chief Strategy Officer is responsible for the development of H+H's ESG strategy and reporting. H+H established an ESG Committee in 2019 to consider and make decisions on key ESG initiatives.

In 2020, risks related to climate change were incorporated into H+H's Enterprise Risk Management ("ERM") process as well as into the ERM system. The ERM Committee which oversees the ERM process and performs the scoping and development of overall risks strategies reports on assessed risks and mitigating actions to the Audit Committee of the Board of Directors.

Board Meeting Attendance rate



Board of Directors
Audit Committee

The Audit Committee currently comprises of 2 board members and is a permanent committee reporting to the Board of directors. The Audit Committee is responsible for among other things overseeing the financial reporting, external audit, internal controls and risk management.

H+H Group management

ESG Committee

Membership

- Chief Strategy Officer
- Chief Operating Officer
- Chief Legal Officer
- Chief HR Officer

Responsibility

The ESG Committee:

- Was formed in 2019. Its overall purpose is to ensure proper development of H+H's ESG profile in line with the market development.
- Is monitoring new legal requirements and trends around ESG.
- Initiates relevant initiatives to ensure H+H complies with stakeholder expectation.

ERM Committee

Membership

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

Responsibility

The ERM Committee is responsible for:

- Communicating and ensuring ERM compliance as well as evaluating the ERM system.
- Develops the overall risk strategies and scoping of risk for the ERM system as well as review it.
- Reporting on assessed risks and mitigating actions to the Audit Committee.

H+H currently maintains the following Group policies:

- Code of conduct (Environment, Social & Governance factors)
- ESG policy (Environment, Social, Governance)
- Anti-fraud policy (Governance)
- Anti-corruption policy (Governance) factors)
- Competition compliance policy (Governance factor)
- Diversity policy (Social & Governance factors)
- Health & Safety policy (Social & Governance factors)
- Sanction policy (Governance)
- Corporate governance policy (Governance)
- Delegation of Authority (Governance)
- Whistleblower policy (Governance)
- Management commitment: Personal data protection compliance (Social, Governance)

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

ESG performance data

Environmental performance

	Unit	2020	2019	2018	2017	2016
CO ₂ e scope 1	Tonnes	118,980	142,834	134,791	86,024	82,294
CO ₂ e scope 2	Tonnes	51,533	54,689	55,992	46,998	41,186
CO ₂ e per m ³ (Scope 1)	Kg	31	33	34	30	30
CO ₂ e per m ³ (Scope 2)	Kg	13	13	14	16	15
Energy consumption	GJ	2,136,456	2,420,142	2,350,953	1,583,187	1,495,510
1. Percentage grid electricity	%	10	10	10	11	11
2. Percentage alternative	%	0	0	0	0	0
3. Percentage renewable	%	3	5	3	5	5
Total Energy per m ³	MJ	548	565	593	551	551
Water Consumption	m ³	1,376,672	1,637,094	1,535,768	1,132,733	1,105,119
1. Total fresh water withdrawn	m ³	1,005,933	1,452,234	1,338,065	908,303	923,038
2. Percentage recycled	%	35	11	15	25	20
3. Percentage in regions with High or Extremely High Baseline Water Stress	%	0	0	0	0	0
4. Water reclaimed	m ³	19,622	19,089			
Water consumption per m ³	Litre	353	382	387	394	407
Waste to landfill	Tonnes	1,100				
Terrestrial acreage disturbed	Hectare	55				
Percentage of impacted area restored	%	36				
Production volume:						
- AAC	Million m ³	2.9	3.2	3.0	2.9	2.7
- CSU	Million m ³	1	1	1	0	0

Social performance

	Unit	2020	2019	2018	2017	2016
Full-time workforce 31 December	FTE	1,538	1,625	1,616	1,022	986
Gender diversity	%	15%	15%	14%	14%	14%
Gender diversity, Group Management	%	20%	20%	0%	0%	0%
Gender Pay Ratio	Times	1.26	1.15	1.03		
Employee Turnover Ratio	%	14%	12%	13%	13%	13%
Sickness Absence	Days per FTE	13	13	10	9	9
Fatalities	Headcount	0	0	0	0	0
Lost-time Incident frequency (LTIF)	Incidents per million hours produced	6	6	9	11	16
Total recordable incident rate (TRIR)	Incidents per million hours produced	38	43	50	90	120
Near Miss Frequency Rate (NMFR)	Incidents per million hours produced	2,711	2,265	1,364	543	
Number of reported cases of silicosis		0	0	0	0	0
Customer Retention Ratio	%	76%	81%	79%	80%	72%

Governance performance

	Unit	2020	2019	2018	2017	2016
Gender diversity, Board	%	17	17	17	17	20
Board Meeting Attendance rate	%	97	97	96	98	97
CEO Pay Ratio	Times	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

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Sustainability Disclosure Topics & Accounting Metrics

Topic	Accounting metric	Category	Unit of measure	Code	Page reference or disclosure	Comment
Greenhouse gas emission	Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations	Quantitative	Metric tons (t) CO ₂ -e, Percentage (%)	EM-CM-110a.1	Data table	Not subject to emissions limiting regulations, see p. 7.
	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	Discussion and Analysis	n/a	EM-CM-110a.2	P. 14	
Air Quality	Air emissions of the following pollutants: (1) NOx (excluding N2O), (2) SOx, (3) particulate matter (PM10), (4) dioxins/furans, (5) volatile organic compounds (VOCs), (6) polycyclic aromatic hydrocarbons (PAHs), and (7) heavy metals	Quantitative	Metric tons (t)	EM-CM-120a.1		H+H emits NOx, SOx and PM10 from steam boilers (exhaust fumes). Systems not currently in place to capture data on a consolidated process. A formalized process to document this is expected to be implemented during 2021.
Energy Management	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage alternative, (4) percentage renewable	Quantitative	Gigajoules (GJ), Percentage (%)	EM-CM-130a.1	Data table	Systems not currently in place to separate 'alternative' and 'renewable', all allocated to 'renewable'. A formalized process to document this is expected to be implemented during 2021.
Water Management	(1) Total fresh water withdrawn, (2) percentage recycled, (3) percentage in regions with High or Extremely High Baseline Water Stress	Quantitative	Thousand cubic meters (m3), Percentage (%)	EM-CM-140a.1	Data table	Systems in place to capture data on country basis, hence does not account for regional high or extremely high water stress.
Waste Management	Amount of waste generated, percentage hazardous, percentage recycled	Quantitative	Metric tons (t), Percentage (%)	EM-CM-150a.1	Data table	Non-conformative output from the production process can as a rule of thumb always be reused in production. Hence, only limited waste is created. 2020 outcome is based on actual delivering to landfill. Systems not currently in place to capture historical volumes. There is no hazardous waste.
Biodiversity Impacts	Description of environmental management policies and practices for active sites	Discussion and Analysis	n/a	EM-CM-160a.1	P. 14	
	Terrestrial acreage disturbed, percentage of impacted area restored	Quantitative	Acres (ac), Percentage (%)	EM-CM-160a.2	Data table	
Workforce Health & Safety	(1) Total recordable incident rate (TRIR) and (2) near miss frequency rate (NMFR) for (a) full-time employees and (b) contract employees	Quantitative	Rate	EM-CM-320a.1	Data table	Systems 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.

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Sustainability Disclosure Topics & Accounting Metrics (continued)

Topic	Accounting metric	Category	Unit of measure	Code	Page reference or disclosure	Comment
	Number of reported cases of silicosis	Quantitative	Number	EM-CM-320a.2	Data table	
Product innovation	Percentage of products that qualify for credits in sustainable building design and construction certifications	Quantitative	Percentage (%) by annual sales revenue	EM-CM-410a.1		<p>H+H's products are not specifically certified under any of the frameworks in the standard.</p> <p>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.</p> <p>Further clarification will follow when the EU taxonomy definitions around building materials will be available.</p>
	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.
Pricing integrity & transparency	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	Data table	

Accounting principles

Reporting period

The reporting covers the period from 1 January 2020 to 31 December 2020.

Reporting scope

The report covers all entities under financial control by H+H International A/S as referenced in the Annual Report 2020.

The comparison figures does 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 United Kingdom and European Union.

Controls

Data regarding number of employees, women in leadership, 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.

Definitions

- CO₂e 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
- CO₂e scope 2 is calculated as purchased MWh x conversion factor of 3.6 to GJ is used
- CO₂e per m³ (Scope 1) and CO₂e per m³ (Scope 2) are calculated as Scope 1 and Scope 2 divided by production volume
- Total Energy is calculated as combusted fuel type x power factor per fuel type + used electricity + used district heating
- Total Energy per m³ 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
- Water reclaimed is calculated using meter readings
- 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
- Full-time workforce is defined as full-time employees + temporary workers
- Gender diversity is defined as (woman FTEs + woman 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
- 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
- Customer retention ratio measures no. of customers invoiced during the year divided by no. of customers invoiced during the previous year
- CEO pay ratio is calculated as CEO compensation divided by the median salary

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