

**GLOBAL COMPACT
COMMUNICATION
ON PROGRESS
ON OUR WAY
TOWARDS GLOBAL
RESPONSIBILITY
2010**

STATEMENT FROM OUR CEO

Why does Hartmann support UN Global Compact?

Global Compact is about taking responsibility for the impact of our business activities. The approach is internationally accepted, and since we conduct business all over the World it makes perfect sense for Hartmann to support Global Compact. Being a member of Global Compact makes life easier for Hartmann, since we supply large corporations and retailers that demand a structured sustainability approach from their suppliers and throughout the value chain.

Furthermore, exchange of experience is critical for us to continuously develop Hartmann's CSR efforts. The network Hartmann has built through our membership of Global Compact is of great value for the future development of sustainable and socially responsible business.

That is why Hartmann has supported the UN Global Compact initiative since 2003 and will continue our support in 2011.



Michael Rohde Pedersen
CEO

Business relevance in relation to Global Compact themes

In 1917, three brothers inherited a paper bag plant. Today, more than 90 years later, Hartmann has grown into an international corporation with six production facilities in Europe and one in North America. Hartmann specializes in moulded-fibre packaging within one primary area of business: Egg packaging. Hartmann is headquartered in Denmark.

Our suppliers and customers are mainly located in Europe, and we have almost no suppliers or customers in high-risk countries. If we use suppliers from high-risk countries, we ensure that they comply with our ten sustainability principles¹ and the principles of UN Global Compact.

Figure 1: Overview on business relevance of Global Compact themes

| Global Compact theme | Environment | Labour | Human Rights | Anti-corruption |
|----------------------|-------------|--------|--------------|-----------------|
| Business relevance | ● | ◐ | ◑ | ◑ |

At Hartmann we rate the business relevance of the four Global Compact themes as seen in figure 1. Our main business focus is reducing CO₂ emissions by reducing the energy consumption at our production sites. Life Cycle Assessments² clearly show that this is our most significant environmental impact.

Labour standards, human rights and anti-corruption are important for Hartmann and clearly addressed in our ten sustainability principles. But the greatest improvement potential lies within the environmental area and Hartmann's efforts to reduce energy consumption. This Communication On Progress (COP) will therefore primarily focus on our environmental achievements and goals.



¹ See back cover for overview of the ten sustainability principles of Hartmann

² Source: Danish Environmental Protection Agency, Report no.546

ENVIRONMENT

Protecting the environment is a key concern for Hartmann. The three Global Compact principles on environment are drawn from a Declaration of Principles and the international action plan entitled Agenda 21. The Agenda emerges from the UN Environment and Development Summit held in Rio in 1992. The 10 Hartmann Sustainability Principles were introduced in 2003, and principle no. 10 focuses on the environment.

Principle 7: Businesses should support a precautionary approach to environmental challenges

Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility

Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies

Hartmann Principle 10: Proactive environmental protection

Hartmann will endeavour to protect, respect and safeguard environmental values by means of the systematic and proactive integration of environmental considerations in its daily business activities, by the development of environmentally friendly production methods and products, by training its employees in environmental issues, and by influencing the stakeholders in the value chain to which the group belongs.

Environmental progress

Key results in 2010:

- An 8% reduction of Hartmann's energy consumption per kilogramme of product.
- A new range of sustainability services was introduced to key customers. These services include activities like training seminars, workshops, fact sheets and life cycle assessments.
- Renewal of ISO 14001 (environmental management) certificates at all European factories.

Hartmann reduced energy consumption by 8% in 2010

Operations at Hartmann's factories are continually optimised with the aim of increasing profitability and reducing energy consumption and CO₂ emissions from production. In 2007, Hartmann endorsed the United Nations Caring for Climate charter, setting the goal of achieving a 20% reduction of its energy consumption per kilogramme of product in 2011, relative to the 2007 level. In 2010, Hartmann reduced its energy consumption by 8% and, since the endorsement of the charter, its energy consumption has been reduced by just over 17% in aggregate by focusing on six areas:

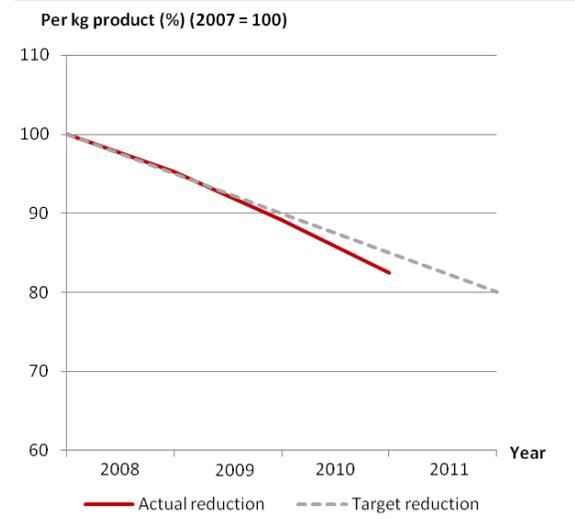
- Investment in new process technology
- Maintenance and replacement of existing equipment
- Training of staff
- Knowledge sharing
- Developing best practices across the organisation
- Involvement of experts

Hartmann has appointed a person to be in charge of energy in Europe and to head the various initiatives across the factories. Each factory also has a person in charge of energy who is responsible for implementing the initiatives and contributing to knowledge sharing at Hartmann.

Networking

In 2010, Hartmann chaired the Danish Corporate Social Responsibility Manager Network, which is facilitated by the Confederation of Danish Industry. This network offers an important way to promote the principles of Global Compact to other companies. Hartmann is also an active member of The Danish Council for Sustainable Business Development and the Global Compact Nordic Network.

Figure 2: Reduction of energy consumption



Our participation in these networks allows Hartmann to work with Global Compact principles 8 and 9 regarding promotion of environmental and social responsibility to other companies and the development of environmentally friendly technologies.

Sustainability services for Hartmann Customers

In 2008 Hartmann launched a sales and marketing campaign under the slogan “Choose Fibre. Save Nature.®”. This campaign is focusing on the environmental advantages of using packaging from biodegradable and recycled paper fibres seen from a life-cycle perspective. In 2010 we took the campaign a step further by introducing a whole range of sustainability services for our customers.

Through these sustainability services Hartmann promotes a sustainable packaging strategy and inspires customers to rethink their current packaging solutions. We developed a training concept for our customers, including a workshop focusing on the life cycle perspective.

At the VIV trade show in Utrecht, we did a series of presentations focusing on our new sustainability services. These services gave Hartmann a competitive advantage and made the company stand out from the crowd since we were the only packaging company, which offered them to our customers.

Figure 3: Life Cycle of Hartmann Packaging



Hartmann is the only packaging company that has received the prestigious EU Award for Environmental & Sustainable Management.

LABOUR STANDARDS

The labour principles of the Global Compact are derived from the Declaration on Fundamental Principles and Rights at Work of the International Labour Organisation (ILO). Global Compact's four labour standard principles all relate to the four key conventions of the ILO. The 10 Hartmann Sustainability Principles were introduced in 2003, and principle no. 5 to 8 focus on labour standards.

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

Principle 4: Businesses should uphold the elimination of all forms of forced and compulsory labour

Principle 5: Businesses should uphold the effective abolition of child labour

Principle 6: Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Hartmann Principle 5: Non-discrimination and equal opportunities

Hartmann will endeavour to prevent discriminatory practices and secure equal opportunities by means of the application of procedures and practices to prevent discrimination in connection with recruitment or dismissal, career development, training and education, or the granting of staff benefits. Hartmann will endeavour to promote non-discrimination and equal opportunities for employees in companies forming part of the value chain to which the group belongs.

Hartmann Principle 6: The right to organise and collective bargaining

Hartmann recognises the right of its employees to be members of a trade union and to negotiate pay and working conditions collectively. The group further recognises the right to organise and collective bargaining in companies forming part of the value chain to which the group belongs.

Hartmann Principle 7: Rejection of forced labour

Hartmann does not accept the use of forced labour – neither inside the group nor in companies forming part of the value chain to which the group belongs.

Hartmann Principle 8: Preventing child labour

Hartmann will not employ persons below the minimum age and the group will apply preventive procedures and practices accordingly. The group will make an effort to promote that similar procedures and practices are applied by companies forming part of the value chain to which the group belongs.

HUMAN RIGHTS

The UN Universal Declaration of Human Rights from 1948 comprises a set of fundamental rights signed up to by Heads of Governments. The 10 Hartmann Sustainability Principles were introduced in 2003, and principle no. 1 to 3 focus on human rights and well being of employees.

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights

Principle 2: Businesses should make sure that they are not complicit in human rights abuses

Hartmann Principle 1: Health and safety in the workplace

Hartmann will endeavour to secure health and safety in the workplace by means of cleaner technologies, procedures and practices as well as by the development of competencies and efforts to change attitudes among the employees. Hartmann will also make an effort to promote similar conditions for employees in companies that are part of the value chain to which the group belongs.

Hartmann Principle 2: The well being of employees and their families

Hartmann will endeavour to secure the well being of employees and their families by means of relevant local initiatives, practices and procedures that are in keeping with local traditions, conditions and needs. Hartmann will also make an effort to promote similar conditions for employees and their families in companies that are part of the value chain to which the group belongs.

Hartmann Principle 3: Fair wages

Hartmann will endeavour to secure fair wages by means of a wages policy that is consistent with the situation prevailing in other local industrial companies and which enables the group to attract and retain qualified employees. Hartmann will also make an effort to promote fair wages for employees in companies that are part of the value chain to which the group belongs.

ANTI-CORRUPTION

This principle draws on the UN Convention against Corruption in 2003 as its underlying legal instrument. Bribery of foreign civil servants was first criminalized by the OECD Convention from 1996. The 10 Hartmann Sustainability Principles were introduced in 2003, and principle no. 9 focuses on anti-corruption.

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery

Hartmann Principle 9: Refraining from bribery and corruption

Hartmann refrains from using bribery and corruption by means of openness towards relevant business partners and by setting up a set of guidelines specifying how to avoid bribery and corruption. Hartmann will also contribute to minimising bribery and corruption in companies forming part of the value chain to which the group belongs.

Progress on Labour Standards, Human Rights and Anti-corruption

The actions and results described in this chapter relate to all Hartmann’s principles under the headlines Labour Standards, Human Rights and Anti-corruption except where it is specified, which principle is addressed.

Key results in 2010:

- Renewal of OHSAS 18001³ (Human Rights) and SA 8000⁴ certificates.
- Promoting our STEP® Human management model for health & safety and social progress on site level.
- Supplier Evaluation with focus on labour standards, human rights and anti-corruption.

One STEP® at a time

In 2000, Hartmann won the European Commission’s Management Award for Sustainable Development, having developed a lifecycle-based management model for its environmental efforts, the so-called STEP® model (STEP: Systematic Tool for Environmental Progress). Hartmann has since developed yet another STEP® model, and the group now takes a targeted approach to working with STEP® Environment and STEP® Human. You can learn more about Hartmann’s STEP® models on www.hartmann-packaging.com.

Figure 4: STEP® Human

| STEP® Human | | | | | |
|-----------------------|----------------------|--|-------------------------------------|---|-------------------------------------|
| | STEP 1 | STEP 2 | STEP 3 | STEP 4 | STEP 5 |
| Network | | HS & S responsible | HS & S organisation | HS & S organisation | HS & S life-cycle networks |
| Systematic Management | | Preliminary HS & S review | Integrated HS & S management | OHSAS 18001 certificate SA 8000 intentions | Continuous HS & S improvements |
| Proactive Actions | HS & S due diligence | Overall targets for proactive actions | Proactive actions | Proactive actions | Proactive actions |
| Life-Cycle Management | | Identification of HS & S related customer values | Involvement of suppliers | HS & S life-cycle assessment | HS & S life-cycle management |
| Communication | | Internal sustainability communication | Public sustainability communication | Public sustainability communication | Public sustainability communication |
| People Development | | STEP 2 implementation training | STEP 3 implementation training | STEP 4 implementation training | STEP 5 implementation training |
| | | | | | |

³ OHSAS 18001: International occupational health and safety management system. It helps minimise risks to employees and improve our working environment.

⁴ SA 8000: Global social accountability standard for decent working conditions. SA 8000 is based on the UN Universal Declaration of Human Rights, Convention on the Rights of the Child and various International Labour Organization (ILO) conventions.

STEP® Human addresses the Global Compact principles relating to labour standards, human rights and anti-corruption. All Hartmann production sites follow this management model, and the current status for Hartmann's production sites on STEP® Human is as follows:

| | |
|----------|---------|
| Denmark: | STEP® 4 |
| Finland: | STEP® 4 |
| Hungary: | STEP® 4 |
| Germany: | STEP® 3 |
| Israel: | STEP® 4 |
| Croatia: | STEP® 5 |
| Canada: | STEP® 2 |

Focus on the entire value chain

Our European Purchase department has a strong focus on supplier evaluation, and key suppliers are continuously evaluated according to our ten sustainability principles.

Local purchase departments at site level also carry out local supplier evaluations according to STEP® Human (STEP 3) and our sustainability principles. These evaluations provide a basis for Hartmann to select the right suppliers, and suppliers are encouraged to improve their efforts in the areas covered by the evaluations.

In 2010, Hartmann's supplier evaluation setup proved efficient. Hartmann rejected a supplier of additives based on our sustainability principles. In order to assess the manufacturer's performance in these areas, Hartmann hired external auditors. The audit was going to include the environmental and social conditions at the supplier. However, the supplier rejected the auditor and stated that they would not be ready for an audit for another six months. Due to this lack of cooperation and lack of documentation available from the supplier, Hartmann chose to apply the precautionary principle and refrained from purchasing the additive from this supplier.

Implementation of Hartmann's principles into the Hartmann culture

Hartmann has developed a One Company board game, which challenges employees on their knowledge about Hartmann and their understanding of Hartmann's values. During 2010, steps have been taken to integrate Hartmann's 10 sustainability principles in the One Company game. This work will continue in 2011, and the revised One Company game will strengthen the understanding of the sustainability principles throughout the organisation.

Examples of action on principle 1 – Health and Safety in the workplace:

We have made efforts to ensure knowledge transfer on Health and Safety issues between production sites. This was done when Hartmann's Health and Safety expert from the Danish production site travelled to the other sites and helped them implement best practice.

Some of Hartmann's production sites identified a health risk related to the formation of aerosols at humidifiers, which are installed at the after press machines. This constituted a risk when employees near the after press machines breathed in the aerosols. This problem was

solved by substituting the humidifiers with a more precise model that reduces aerosol emissions.

Furthermore, Hartmann has implemented a new system for colour dosing, which involves less human handling of dyes. Even though our employees have gloves and other safety measures at their disposal when they are working with dyes, this new system has improved their safety.

Example of action on principle 2 – the well being of employees and their families:

At Hartmann's Hungarian site, we had a family day where the employees and their families were invited to a day of fun and team building together with their families. During the day children from the local kindergartens and schools showed their performance on a stage, and the employees' children were entertained with pony riding, trampoline, arts and crafts. This social event gave Hartmann's employees an opportunity to get to know each other better while having a joyful day.

Description of and progress on good relations to the local community

Hartmann's principle 4 does not link directly to one specific Global Compact principle, but is still relevant in connection with several of these. Therefore, we report separately on this principle in the following.

Hartmann Principle 4: Good relations to the local community

Hartmann perceives itself as being part of the local community, and the group therefore endeavours to secure good relations to the local community by means of active participation in social and business related activities at local level and setting a good example for others.

Examples of action on principle 4 – good relations to the local community:

In recognition that relations with the local community are important, Hartmann has hosted school classes that were given tours of our production sites to demonstrate how egg packaging is produced and what our responsibilities are.

Employees at Hartmann have spoken and lectured about sustainability at universities and different schools on several occasions. This strengthens our relations to the local community and is an opportunity for Hartmann to raise the general knowledge level about sustainability – especially in the area of recycled paper.

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Published by: Brødrene Hartmann A/S
Ørnegårdsvej 18
DK-2820 Gentofte
www.hartmann-packaging.com

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The ten sustainability principles of Brødrene Hartmann A/S

HUMAN RIGHTS

- Principle 1 Health and safety in the workplace
- Principle 2 The well being of employees and their families
- Principle 3 Fair wages

SOCIAL RESPONSIBILITY

- Principle 4 Good relations to the local community

LABOUR STANDARDS

- Principle 5 Non-discrimination and equal opportunities
- Principle 6 The right to organise and collective bargaining
- Principle 7 Rejection of forced labour
- Principle 8 Preventing child labour

ANTI-CORRUPTION

- Principle 9 Refraining from bribery and corruption

ENVIRONMENT

- Principle 10 Proactive environmental protection