

Sustainability report 2017

*100 years of
sustainable thinking*

CEO statement

We celebrated Hartmann's 100 year-anniversary in 2017, and moulded-fibre has been at the very core of our business since 1936. Since then, sustainability has remained a key component of our success as diligent resource consumption, proper business conduct and the environmentally-friendly characteristics of moulded-fibre packaging together contribute to ensuring a strong competitive position. In short, sustainability and business go hand in hand – and have done so for decades.

We have expanded our geographical presence in recent years, and in 2017, we decided to strengthen the coordination of our sustainability efforts across business units as we established a group of CSR coordinators and appointed a chair of this group. We are aiming to ensure structured knowledge sharing and enhancing our ability to support the implementation of successful initiatives across our business units to truly leverage the Hartmann group's combined experience.

Our geographical expansion has created a strong and profitable business with a positive long-term outlook as we focus on markets driven by parameters such as population growth, urbanisation and economic progress as well as consumers' propensity to consider sustainability when purchasing packaged food products.

At the same time, though, the significant changes to the group's geographical footprint over the course of recent years have rendered our climate target for 2020 obsolete. A number of external factors and reporting criteria impacting emission calculations vary significantly across the countries in which we operate. On that backdrop, we have resolved to cancel the aim of reducing CO₂ equivalent emissions by 25% compared to the base level in 2012 as it is our firm belief that climate efforts and targets should be aligned with Hartmann's business objectives and ambitions. Our commitment to safeguard the climate, our employees and other stakeholders while ensuring attractive growth and profitability is unflinching. We continue to implement automation and efficiency measures across our business units to enable us to do more with less – and in 2018, we will consider a new target that serves to properly re-align our climate and operational objectives going forward.

We are pleased to reaffirm our commitment and endorsement of the UN Global Compact and its principles.

Marianne Rørslev Bock
CFO and interim CEO

Highlights



Appointed CSR chair and identified CSR coordinators across business units



100% of paper raw materials from FSC or recycled source



Whistleblower system established during 2017 and launched in 2018



12% reduction in work-related accidents per million working hours



10 supplier audits conducted in 2017

This Communication On Progress report is part of the management report in Brødrene Hartmann A/S' annual report 2017 covering the period 1 January to 31 December 2017. This report ensures compliance with section 99a and 99b of the Danish Financial Statements Act.

Materiality assessment

As a signatory to the UN Global Compact, Hartmann continuously strives to improve within all four areas of the Global Compact – Environment, Anti-corruption, Human Rights and Labour Rights. And we require our suppliers to respect and support our commitment to the ten UN Global Compact principles.

As a consequence of the group's primary activities within production of moulded-fibre packaging across Europe and the Americas, we focus on Hartmann's environmental and climate impact to ensure the greatest possible effect of our sustainability efforts. Life Cycle Assessments have shown that our products' climate footprint constitutes the group's most significant environmental impact. We therefore remain committed to accommodating this impact.

We operate our business in adherence with European and international regulation and frameworks as well as expectations to companies such as Hartmann within the fields of Anti-corruption, Labour Rights and Human Rights, and we consider our responsibility to reach throughout our sphere of influence and in accordance with it.

Materiality – Global Compact themes



Environment and climate
4/4

Anti-corruption
3/4

Human Rights
2/4

Labour Rights
2/4

Environment and climate

§ Policy

We systematically and proactively protect, respect and safeguard the environment and climate in daily business activities by development of production methods and products, training of employees and influencing suppliers and stakeholders.

We support a precautionary approach to environmental and climate challenges, undertake initiatives to promote greater responsibility and encourage the development and diffusion of environmental and climate-friendly technologies in accordance with principles 7, 8 and 9 of the Global Compact.

⚙️ Action

We continued our efforts to reduce the environmental and climate impact of Hartmann's business activities in 2017. Our main focus areas remained:

- Investments in new process technology
- Improvement and optimisation of existing equipment
- Product and production process development
- Waste reduction
- Replacement of fossil energy with renewable energy

Initiatives are typically managed at business unit level, and during 2017 we established a group of CSR coordinators to support sustainability efforts and ensure efficient knowledge sharing across Hartmann's locations. During the year, the newly established group of CSR coordinators worked to improve and align data collection, establish uniform reporting frameworks and consider current and future targets and KPIs for Hartmann's efforts in the environment and climate area.

! Risks

The main environmental risks related to our activities include unintended wastewater spill and excessive emissions of CO₂.

Our activities are subject to environmental laws and regulations governing, among other things, noise reductions, wastewater treatment and waste disposal as well as CO₂ emissions. Risks are monitored locally and from the head office to prevent, remedy or minimise any adverse effect on the external environment.

📊 KPI

We measure and monitor CO₂ equivalent (CO₂-e) emissions from electricity and heat-related energy consumption at our factories relative to the sellable product quantities on stock (kg). This KPI reflects overall developments within the climate focus area, but reported figures are significantly impacted by variances and fluctuations in national CO₂-e conversion factors between and within our respective markets. In 2018, we will therefore consider the implementation of a new target – and potentially KPI – to better re-align our climate and operational objectives.

✓ Results

We reduced our CO₂-e emissions per kg sellable product by 2.5% in 2017 as our two most recently added factories in South America improved their share of sellable output following commissioning and testing in 2016. Our emissions per kg sellable product were adversely affected by the establishment of our new factory

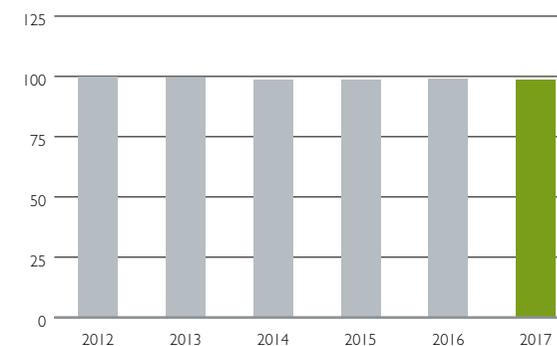
in the US as well as the effect on group figures of the significantly higher national CO₂-e conversion factors applying in the US and Argentina where our combined production setup grew compared to 2016.

ISO 14000 certificates for environmental management and ISO 50001 certificates for energy management as well as Hartmann's Climate Partner certification were renewed in 2017. The certificates contribute to ensuring a structured and efficient approach to environmental management and energy consumption, while simultaneously serving to provide evidence of our efforts to external stakeholders.

Following the commissioning of the wastewater treatment plant in Hungary in 2016, the Hungarian factory reduced wastewater loads in peak manufacturing periods, ensuring chemical and biochemical oxygen demand (COD and BOD) levels well below the defined emissions limits during 2017.

CO₂-equivalent emissions

Index (2012 = 100)



■ CO₂-equivalent emissions per kilogram of sellable product

Anti-corruption

Policy

We work against corruption in all its forms, including extortion and bribery.

We enter into open dialogue with relevant business partners, and we have set up guidelines specifying how to avoid bribery and corruption, in accordance with principle 10 of the Global Compact. We contribute to minimising bribery and corruption in companies forming part of the value chain to which Hartmann belongs.

Our commitment is furthermore expressed in Hartmann's anti-corruption policy.

Action

During 2017, we planned, prepared and established the infrastructure necessary to launch Hartmann's group-wide whistleblower system in early 2018. The system is a voluntary alternative to the ordinary routes of communication and may be used anonymously if serious offences – including corruption – are observed or suspected by any employee.

Enforcement of the anti-corruption principle remains an integrated part of our supplier handling process, and we maintained our focus on ensuring that suppliers acknowledge and respect their responsibility when doing business with Hartmann.

Risks

Hartmann's manufacturing is located in both low- and relatively high-risk countries¹ in terms of corruption, and Hartmann sells technology globally.

The main risks related to our activities include employees' and suppliers' violation of Hartmann's anti-corruption policy and potential legal and financial consequences hereof.

Our business activities are subject to various national laws and regulations as well as legislation with an international reach.

KPI

We monitor results of supplier audits on an ongoing basis and adapt our policies and processes if necessary. In addition, we register any instances of whistleblowing by employees in accordance with applicable regulation.

Results

During the year, we conducted 10 supplier audits, which did not lead to termination of contracts.

We furthermore laid the foundation for launching Hartmann's whistleblower system in early 2018. No employees reported cases of attempted bribery, facilitation payments or similar through our traditional reporting channels during the year.

¹ Transparency International, Corruption Perceptions Index 2017, www.transparency.org

Human Rights

§ Policy

We promote the conditions outlined in the UN Global Compact's human rights principles at Hartmann and in companies that are part of the value chain to which the Hartmann group belongs.

In accordance with principles 1 and 2 of the Global Compact, Hartmann supports and respects the protection of internationally proclaimed human rights and ensures that the group is not complicit in human rights abuses. We endeavour to secure:

- Health and safety in the workplace by means of cleaner technologies and improved procedures and practices as well as competency development.
- Fair wages by means of a wages policy and alignment with the level at local industrial companies.
- The well-being of employees and their families by means of local initiatives, practices and procedures in keeping with local traditions, conditions and needs.
- Good relations with the local community by means of active participation in social and business-related activities at local level.

⚙ Action

Following the introduction of various safety initiatives in recent years, we continued the efforts to improve safety at the workplace in 2017. Monitoring of accidents and near-misses continued along

with completion of internal factory audits with a view to initiate corrective measures, continuously improve conditions and ultimately reduce the number of work-related accidents.

The new group of CSR coordinators was established to drive safety initiatives and ensure sharing of best practices and systems across Hartmann's business units.

The focus on safeguarding food safety at our facilities was maintained as we monitored and controlled production processes and the materials used as well as tested end-products in accordance with applicable requirements.

! Risks

The main risks related to our activities include unintended incidents at factories potentially leading to severe injuries or fatalities as well as non-compliance with the Global Compact's principles internally or in the value chain to which the Hartmann group belongs.

📊 KPI

We measure and monitor the number of work-related accidents per million working hours (LTI-FR). The KPI reflects overall developments in safety performance at our factories.

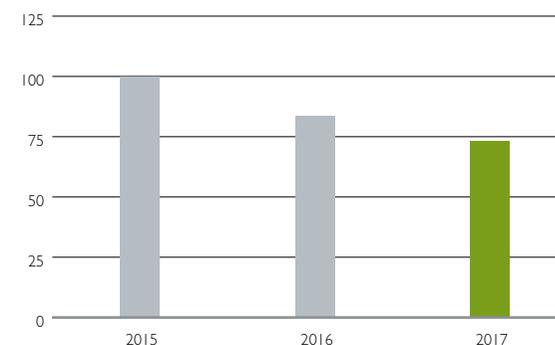
✓ Results

The positive development continued in 2017 as we improved safety at the workplace and reduced the number of work-related accidents per million working hours (LTI-FR) by 12% compared to 2016 and 27% from the 2015 base year. We aim to further reduce the number of work-related accidents per million working hours (LTI-FR) in 2018.

All OHSAS 18001 certificates for working environment and ISO 22000 certificates for food safety management were renewed.

Accident statistics

Index (2015 = 100)



■ Work-related accidents per million working hours (LTI-FR)

Labour Rights

§ Policy

We promote the conditions outlined in the UN Global Compact's labour rights principles at Hartmann and in companies that are part of the value chain to which the Hartmann group belongs.

In accordance with principles 3, 4, 5 and 6 of the Global Compact, Hartmann:

- Recognises the right of employees to be members of a trade union and negotiate pay and working conditions.
- Supports elimination of all forms of forced and compulsory labour, and does not accept use of forced labour.
- Applies preventive procedures and practices to ensure that persons below the minimum age are not employed.
- Endeavours 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.

Our commitment is furthermore expressed in our policy on gender equality in other management, which serves to increase the number of the underrepresented gender at Hartmann's other managerial levels.

The policy defines and describes focus areas within recruitment, performance evaluation and development as well as networking. The policy is available at our website, www.hartmann-packaging.com.

⚙️ Action

Efforts to ensure proper conduct at Hartmann's own sites and among suppliers continued in 2017 as we established the infrastructure for our whistleblower system, which was launched in early 2018, and conducted internal audits as well as audits of selected suppliers.

Hartmann continued to monitor and assess HR data through the group's HR master data system to increase internal transparency and promote gender equality by providing an overview of gender statistics and pay comparisons for equal work, among other things, ensuring that such parameters were considered in connection with employment, promotion and redeployment during the year. Based on the positive experiences in Europe, we took steps to introduce the system in our South American business during 2017. In 2018, we aim to ensure full integration of the system in South America and introduce the system in North America as well.

In Europe, we took steps to ensure the master HR data system's compliance with the EU's General Data Protection Regulation, which will come into force in 2018.

⚠️ Risks

The main risks related to our activities include non-adherence to Hartmann's principle of preventing discriminatory practices and securing equal opportunities and potential legal, financial and HR-related consequences hereof.

Our business activities are subject to various national laws and regulations.

🔄 KPI

We monitor results of conducted audits on an ongoing basis, and any potential instances of whistleblowing by employees are registered in accordance with applicable regulation. In addition, we continuously measure developments in the gender composition at our other managerial levels and on the board of directors.

✓ Results

We conducted 10 supplier audits under our sourcing programme in 2017 without de-selecting any suppliers on that background. Hartmann's HR master data system contributed to the basis for decision for management and the HR function in connection with employment, promotion, and redeployment during the year. In the South American business, the first steps to introduce the system during 2017 entailed greater salary transparency.

The representation of women on Hartmann's other managerial levels increased to 20% from 12% in 2016. We did not reach the target of raising the share of the underrepresented gender to a minimum of 40% of the shareholder-elected board members as there were no changes to the composition of the board of directors in 2017. We maintain our ambition of reaching the target by 2021.

Representation of women

	2016	2017	Target 2021
Board of directors ²	25%	25%	40%
Other managerial levels ³	12%	20%	-

² Shareholder-elected members.

³ Managers reporting to the executive board, including presidents of regional business units as well as corporate heads of functions and general managers reporting to them.

Hartmann at a glance



Products and customers

Hartmann sells egg and fruit packaging to manufacturers, distributors and retail chains, which are increasingly demanding specialised marketing expertise. Our comprehensive product portfolio is customised to accommodate customer and consumer needs in each individual market.

Hartmann's technology and related services are sold to manufacturers of moulded-fibre packaging outside the group's main markets.



Sustainability

Sustainability and protection of the environment are integral components of Hartmann's business model and strategy. All Hartmann products are based on recycled paper, which is a renewable and biodegradable resource. Working closely with our customers to accommodate demand for sustainable products in the retail industry, Hartmann was the first manufacturer to offer both FSC-certified and CO₂-neutral retail packaging.



Production

Hartmann's production platform consists of 12 factories in Europe, Israel and North and South America. Our deep technology know-how and extensive experience in manufacturing moulded-fibre packaging form the basis of the establishment, development and maintenance of our production platform.

Every year, the group's 2,000 employees manufacture billions of moulded-fibre packaging units.

Production process

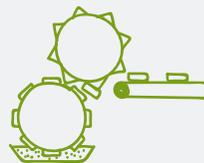


Pulp

Moulded fibre is made from recycled paper and may be deinked



Deinking



Moulding

Packaging is produced in several shapes and colours to accommodate specific customer requirements



Drying



After-pressing



Print/labelling

The graphic design of the end product may be customised prior to delivery



Delivery

Hartmann at a glance

Hartmann is the world's leading manufacturer of moulded-fibre egg packaging, a market-leading manufacturer of fruit packaging in South America and one of the world's largest manufacturers of technology for the production of moulded-fibre packaging. Founded in 1917, Hartmann's market position builds on its strong technology know-how and extensive experience of moulded-fibre production dating back to 1936.

Markets

Hartmann's key markets are Europe, South America and North America, where the group has strong market positions. Hartmann is a market leader in Europe and South America, where our product portfolio also includes fruit packaging. Hartmann has a small, but growing share of the North American market. Hartmann's technology and related services are also sold globally outside Hartmann's main markets.

Corporate memberships

- UN Global Compact
- UN Global Compact – Caring for Climate
- European Moulded Fibre Association (EMFA)
- Green Industry Platform



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