

Sustainability report 2018

*100 years of
sustainable thinking*

CEO statement

Hartmann has delivered sustainable moulded-fibre packaging solutions for decades, offering customers and consumers a superior, well-proven and environmentally-friendly alternative to oil-based plastic and polystyrene foam packaging. As consumers, politicians, organisations and retailers become increasingly aware of the negative impacts of the widespread use of single-use plastics, demand for sustainable solutions will increase.

We are building our business to accommodate this long-term trend, which was further fueled in October 2018 as the EU Parliament banned a range of single-use plastic items from the EU market by 2021 and introduced strict national reduction targets for several other products by 2025. We are not waiting for these regulatory steps to come into force as the movement has already been augmented by innovative retail chains such as UK-based Iceland, which introduced plastic free categories during the year and launched a dedicated 'Plastic free' logo that makes a clear statement. Other large retailers are setting targets for phasing out plastic packaging as well, and the immediate availability and superior characteristics of moulded-fibre egg and fruit packaging make Hartmann's products part of the solution.

We maintain our focus on delivering sustainable packaging across our attractive markets and have launched our 'Think ahead' strategy, aiming to ensure sufficient capacity to accommodate the rising demand in the coming years. We have expanded our geographical presence and production capacity in recent years and will continue to build our business while remaining committed to safeguarding the climate, our employees and other stakeholders.

In the coming years, we will intensify the promotion of the unique features of our moulded-fibre packaging while investing in our technology and maintaining a strict focus on efficient resource consumption. For Hartmann, we are certain that sustainability and business will continue to go hand in hand, and we are pleased to reaffirm our commitment and endorsement of the UN Global Compact and its principles.

Torben Rosenkrantz-Theil
CEO

Highlights



31% reduction in work-related accidents per million working hours from 2017



Installation of new oven initiated at factory in European business to reduce energy consumption



100% of paper raw materials from FSC or recycled source



Risk review conducted with external insurance broker

This Communication On Progress report is part of the management report in Brødrene Hartmann A/S' annual report 2018 covering the period 1 January to 31 December 2018. 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

Hartmann's efforts to reduce the group's environmental and climate footprint continued in 2018 with a particular emphasis on energy reduction and improved logistics. In the American business, we took steps to actively reduce delivery time, transport costs and environmental impact by placing our production closer to Hartmann's customers.

In the European business, we prepared the installation of a new oven, which consumes 40% less energy and will be operational during 2019. The drying process is the most energy intensive part of the production process, and Hartmann thus continues to invest in ensuring the most efficient resource consumption in this area.

In 2018, we maintained our overall focus on:

- Investments in new process technology
- Improvement and optimisation of existing equipment
- Product and production process development
- Waste reduction.

! Risks

The main environmental risks related to our activities include unintended wastewater spill as well as excessive energy consumption and CO₂ emissions.

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 electricity and heat-related energy consumption at our factories to keep track of Hartmann's overall energy efficiency and identify potential areas of improvement. Hartmann's operational and strategic objectives under the 'Think ahead' strategy include automatization efforts and expansion of the existing production network, which may impact the group's energy efficiency and CO₂ emissions due to fluctuating national conversion factors, among other things, and we have therefore decided to entirely abandon Hartmann's former CO₂ equivalent-based KPI and targets.

✓ Results

Based on the efforts to improve Hartmann's logistics in the Americas, we improved production allocation at the North and South American factories in 2018, and further improvement of the production and distribution setup is expected in 2019 and beyond.

Following the formation of Hartmann's risk management work group and the nomination of a group CSR responsible reporting to the executive board in 2017, we strengthened coordination of CSR efforts across the group in 2018. The work group is composed of representatives from all factories, participating in a number of meetings during the year where participants exchange knowledge and experience within areas such as climate and environment, safety and anti-corruption. With the group finance function's support, the work group revised Hartmann's processes for gathering, treating and reporting data concerning energy consumption, work accidents and audits of the group's factories and selected suppliers.

Existing ISO 14001 certificates for environmental management and ISO 50001 certificates for energy management as well as Hartmann's Climate Partner certification were renewed in 2018. 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.

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 minimizing 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

In 2018, we launched a group-wide whistleblower system, which is a voluntary alternative to the ordinary routes of communication and may be used if serious offences – including corruption – are observed or suspected by any employee. In addition, efforts were made to promote the group anticorruption policy across Hartmann's South American locations in 2018.

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 moulded-fibre manufacturing is located in both low- and relatively high-risk countries¹ in terms of corruption, and Hartmann sells technology and related services 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 register any instances of whistleblowing by employees in accordance with applicable regulation.

Results

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

We also inaugurated Hartmann's whistleblower system and noted that no employees reported cases of attempted bribery, facilitation payments or similar during the year.

¹ Transparency International, Corruption Perceptions Index 2018, 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

We maintained our sharp focus on safety in 2018 and drove improvements in South America in particular where management worked diligently to strengthen the safety culture and ensure efficient knowledge sharing. Safety representatives from the Argentinian and Brazilian factories participated in joint monthly meetings and shared standardised and proven safety and fire protection

procedures, among other things. In addition, we conducted training sessions and followed up on compliance with safety rules and the use of mandatory personal protective equipment at Hartmann's manufacturing sites.

Despite the positive development in the group's safety performance, we experienced an unintended chemical emission at Hartmann's factory in Denmark in 2018. Following containment, the incident was analysed, and procedures were revised to avoid any reoccurrence. Affected employees were admitted for observation at a local hospital and subsequently discharged and reported fit for duty.

In collaboration with external insurance broker Willis, we conducted a group-wide risk review including visits at all factories to identify a number of insurance-related risks – including fire safety and evacuation routes etc. – and assess potential improvement areas.

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

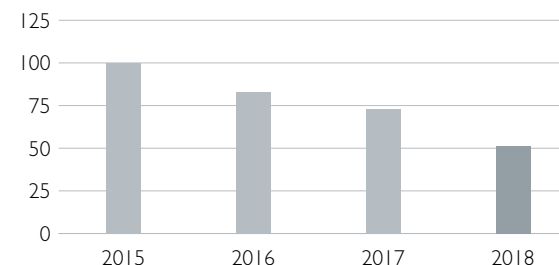
We measure and monitor the number of work-related accidents per million working hours (LTI-FR). The KPI reflects overall developments in safety performance at our factories.

✓ Results

We made progress in 2018 and reduced the number of work-related accidents per million working hours (LTI-FR) by 31% compared to 2017 and 49% from the 2015 base year. We maintain our focus on improving safety at the workplace with a view to further reducing the number of work-related accidents per million working hours in 2019 and beyond.

All existing OHSAS 18001 certificates for working environment and ISO 22000 certificates for food safety management were renewed in 2018.

Accident statistics



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 management², which serves to increase the number of the underrepresented gender in Hartmann's day-to-day management.

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.investor.hartmann-packaging.com under 'Governance'.

² Members of the executive board and managers reporting to the executive board including plant managers at the group's factories

⚙️ Action

A number of internal audits and audits of selected suppliers were conducted during the year, and we furthermore established the group's whistleblower system to provide an alternative channel for reporting of any wrongdoings.

Hartmann continued to pursue a balanced gender distribution at its other managerial levels in connection with recruitment as well as evaluation and development of current employees. In line with the policy on gender equality, Hartmann required that internal and external recruiters selected qualified representatives of both genders as candidates for vacancies during the year.

⚠️ 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 supplier audits in 2018 without de-selecting any suppliers on that background. No wrongdoings were reported through the group's whistleblower system.

The representation of women on Hartmann's other managerial levels decreased to 17% from 22% in 2017. 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 one male board member was replaced by another male board member in 2018. We expect to increase the share of the underrepresented gender in 2019 and maintain our ambition of reaching the target by 2021.

Representation of women

	2017	2018	Target 2021
Board of directors ³	25%	25%	40%
Other managerial levels ²	22%	17%	-

³ Shareholder-elected members.

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 sustainable moulded-fibre production dating back to 1936.

Products and customers

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

Hartmann sells machinery and technology to manufacturers of moulded-fibre packaging in selected markets.



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 in South America, where our product portfolio also includes fruit packaging. Hartmann claims a growing share of the North American market and also sells machinery and technology in selected markets.

Hartmann at a glance

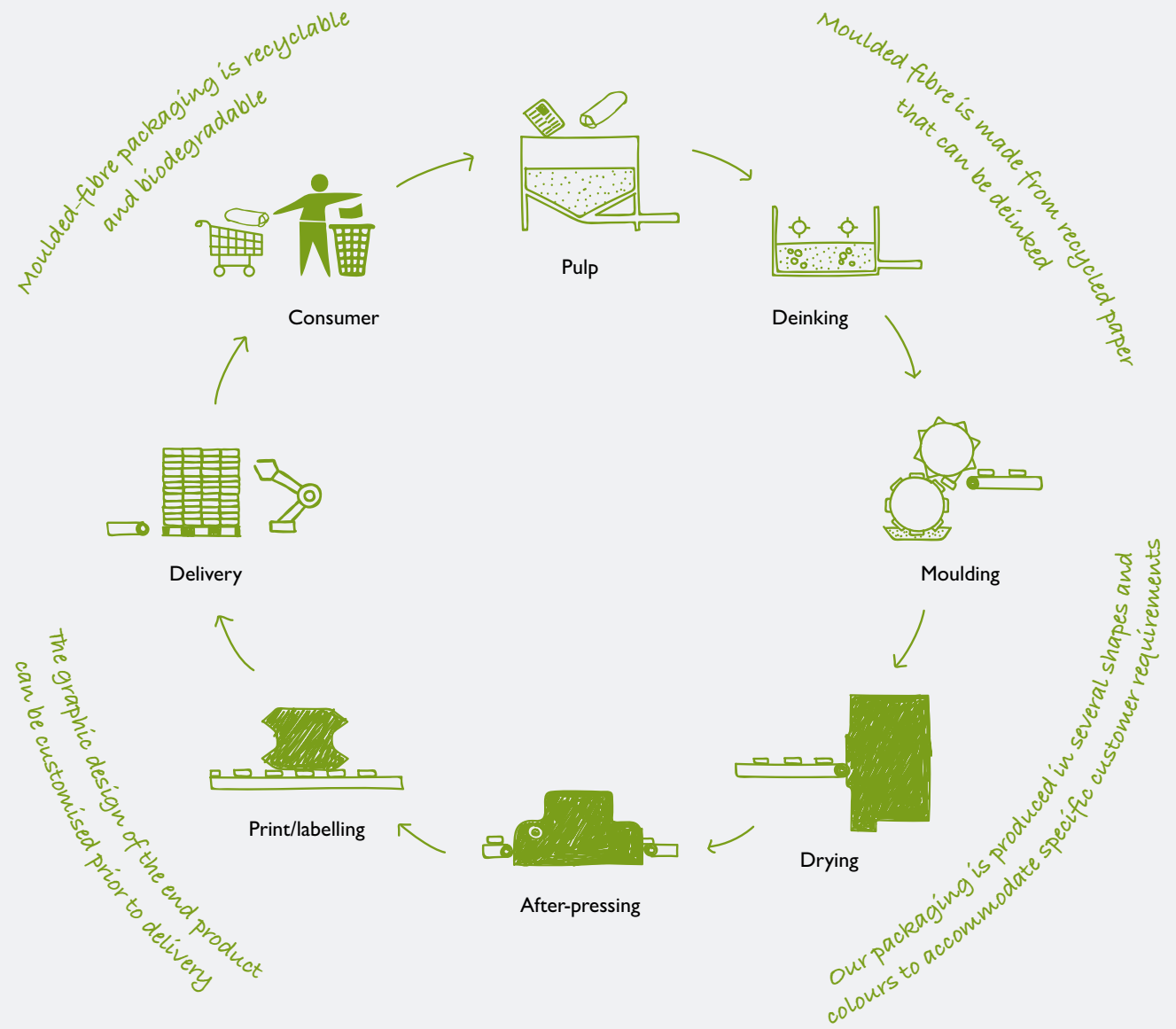
Production

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 empower us to develop and maintain our production platform.

Each year, the group's 2,000 employees manufacture billions of moulded-fibre packaging units and machinery and technology for the manufacturing of packaging.

Sustainability

Sustainability and protection of the environment are integral components of Hartmann's business model and strategy. All Hartmann's 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.



Corporate memberships

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

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