



# Sustainability report 2019



# CEO statement

We are pleased to confirm our commitment and endorsement of the UN Global Compact and its principles again this year. As our business continues to grow and expand across existing and new geographies, the four areas of the Global Compact – Environment, Anti-corruption, Human Rights and Labour Rights – become increasingly relevant.

The progress of our business is fuelled by demographic developments and consumer behaviour as well as an increasing focus on sustainability among consumers, politicians, organisations and retailers. We provide sustainable moulded-fibre packaging, offering customers and consumers a superior, well-proven and environmentally friendly alternative to oil-based plastic and polystyrene foam packaging. Our products are part of the solution to plastic pollution, and demand for sustainable packaging is on the rise.

Our 'Think ahead' strategy was launched in 2019 to ensure sufficient production capacity to accommodate the rising demand in attractive markets around the world, and we have intensified 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.

In early 2020, we entered into an agreement to acquire Mohan Fibre Products Pvt. Ltd. and expand our activities and sphere of influence further into the attractive and increasing Indian market for egg and fruit packaging. We will continue to expand our production capacity in existing and new markets alike while remaining committed to safeguarding the climate, our employees and other stakeholders.

We were also pleased to receive a 'Prime' corporate ESG performance rating by rating agency ISS ESG in early 2020 based on performance and results obtained in 2019. The 'Prime' rating ranks Hartmann as a top 3 industry leader and underlines the sustainable nature of our green packaging products as well as our responsible behaviour as a good corporate citizen.

**Torben Rosenkrantz-Theil**  
CEO

## Highlights



49% reduction in work-related accidents per million working hours from 2015



Obtained 'Prime' rating from ISS ESG as testament to sustainable business and processes



Hartmann reached a completely even gender distribution on the board of directors in 2019



100% of paper raw materials from FSC or recycled source

This Communication On Progress report is part of the management report in Brødrene Hartmann A/S' annual report 2019 covering the period 1 January to 31 December 2019. 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 as well as the expected expansion into India during 2020, 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

In 2019, we continued to drive energy reduction initiatives including installation of upgraded drying technology in connection with the continuous expansion and upgrading of our production capacity at existing factories in the European business.

The capacity expansion initiatives in South America entailed installation of new technology improving our activities' climate and environmental footprint in terms of gas, electricity and water consumption as well as waste reduction.

In North America, specific efforts were made to continuously reduce and manage solid waste from the production.

At group level, the risk management work group and CSR responsible hosted several meetings with representatives from all factories during the year, ensuring knowledge sharing within areas such as climate and environment.

In 2019, we thus 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 CO<sub>2</sub> emissions.

Our activities are subject to environmental laws and regulations governing, among other things, noise reductions, wastewater treatment and waste disposal as well as CO<sub>2</sub> 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.

## ✓ Results

The investments in expansion and upgrading of production capacity across the group's business units in 2019 entailed installation of new technology that contributed to reducing gas, electricity and water consumption. In addition, the State of Missouri awarded Hartmann's factory in the USA an 'Outstanding contribution in solid waste management' award.

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 2019. 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 2019, Hartmann maintained the group's 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 by the CSR work group to promote and anchor Hartmann's anticorruption policy in the South American locations.

Hartmann continued to enforce the anti-corruption principle as an integrated part of the group's supplier handling process in 2019, and we maintained our focus on ensuring that suppliers acknowledge and respect their responsibility when doing business with Hartmann.

<sup>1</sup> Transparency International, Corruption Perceptions Index 2019, [www.transparency.org](http://www.transparency.org)

## Risks

Hartmann's moulded-fibre manufacturing is located in both low- and relatively high-risk countries<sup>1</sup> 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

In 2019, all business units conducted supplier audits, and no audits entailed termination of contracts. At the same time, no employees reported cases of attempted bribery, facilitation payments or similar through the whistleblower program during the year.

# 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

Efforts to improve safety at Hartmann's factories in general, and in South America in particular, continued in 2019 as the CSR work group and safety representatives from the group's business units participated in joint meetings to share knowledge.

In addition, an operational risk management group was established in 2019 with an objective to follow up on insurance broker Willis' recommendations following the comprehensive group-wide risk review conducted in 2018. The risk management group facilitates knowledge sharing and application of best practice across factories as well as compliance with management and investment decisions aiming to improve fire safety at each manufacturing site.

Food safety remained a key focus area at our facilities where 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.

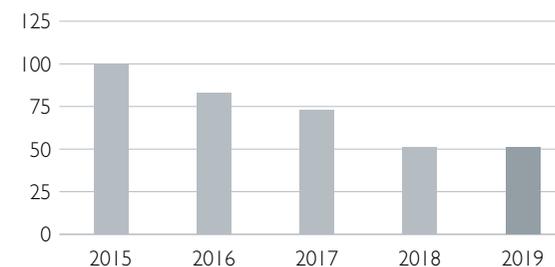
## ✓ Results

The number of work-related accidents per million working hours (LTI-FR) was stable compared to 2018 and declined by 49% from the 2015 base year.

Based on the comprehensive group-wide risk review conducted with insurance broker Willis in 2018, we invested in initiatives that have improved fire safety across several production sites in 2019. We will continue to focus on implementing safety improvements at the workplace to further reduce the number of work-related accidents per million working hours in 2020 and the coming years.

All existing OHSAS 18001 certificates for working environment and ISO 22000 certificates for food safety management were renewed in 2019.

### Accident statistics



■ 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<sup>2</sup>, 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](http://www.hartmann-packaging.com).

## ⚙️ Action

We conducted several internal audits and audits of selected suppliers during the year and maintained the group's whistleblower system, which provides 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

The supplier audits conducted in 2019 did not result in Hartmann de-selecting any suppliers, and no wrongdoings were reported through the group's whistleblower system.

In 2019, the representation of women on Hartmann's other managerial levels was stable at 17%.

We reached the target of raising the share of the underrepresented gender to a minimum of 40% of the shareholder-elected board members in 2019 as the gender distribution was completely even following the appointment of two female directors and one male director at the annual general meeting in April. We expect to maintain a strong representation of women on Hartmann's board of directors even though the share is expected to decline to 40% in 2020 as chairman Agnete Raaschou-Nielsen will not seek re-election at the general meeting. We maintain our target of ensuring an even gender distribution on the board of directors going forward.

### Representation of women

	2018	2019	Target 2021
Board of directors <sup>3</sup>	25%	50%	40%
Other managerial levels	17%	17%	-

<sup>2</sup> Members of the executive board and managers reporting to the executive board including plant managers at the group's factories.

<sup>3</sup> 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.



# Business model



Value creation

**Customers**  
We carry a customised portfolio of high-quality packaging products offering environmentally friendly and protective qualities

**Environment**  
We make moulded-fibre packaging from recycled paper as a sustainable alternative to oil-based plastic packaging

**Employees**  
We create jobs in our local communities and provide our employees with attractive working conditions and development opportunities

**Shareholders**  
Our investments in production, products and employees generate robust, long-term returns for our shareholders

# Corporate memberships

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

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