

Think Hartmann

# Sustainability report 2016

*100 years of  
sustainable thinking*



## CEO statement

We are celebrating Hartmann's 100 year-anniversary in 2017, and our company's continued progress and strong market position within moulded-fibre egg and fruit packaging is based on a century of sustainable thinking. Since Hartmann was established in 1917 by three brothers inheriting their father's paper bag factory in Denmark, the creativity and ingenuity of the Hartmann family led to a number of inventions ranging from motorbikes and milk cartons to automatic butter packaging systems. Technology and packaging solutions has always been at the heart of the business, and in 1936 Hartmann ventured into the world of moulded-fibre packaging.

Since then, Hartmann has built a unique brand in the highly-specialised moulded-fibre egg packaging industry supported by quality fruit packaging solutions in South America and technology service and sales offered globally by Hartmann Technology. Based on sustainable products and solutions, we have established a strong and profitable business with a positive outlook.

In 2016, we continued on our strategic path under the headline 'Unpacking our potential' and expanded our production

capacity with state-of-the-art technology in Europe, the US and South America. We are investing in automation and efficiency enhancements to enable us to do more with less – and we pursued this line of thinking as we closed our German factory and successfully moved volumes to other factories in Europe during the year.

We are constantly working to reduce our consumption of energy, raw materials and waste while improving working conditions for our employees. During the year, we saw positive results of our efforts to reduce CO<sub>2</sub>-e emissions levels and the number of work-related accidents. We maintain our climate ambition of a 25% cut in CO<sub>2</sub>-e emissions by 2020 and aim to further improve safety at the factories in 2017.

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

**Ulrik Kolding Hartvig**  
CEO

### Highlights 2016



9.5% CO<sub>2</sub>-e reduction since 2012 (excl. South America)



20% reduction in work-related accidents per million working hours from 2015



100% of paper raw materials from FSC or recycled sources



59 supplier evaluations conducted and 5 employees trained in anti-corruption

This Communication On Progress report is part of the management report in Brødrene Hartmann A/S' annual report 2016 covering the period 1 January to 31 December 2016. 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 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 mainly 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 and reducing our emissions.

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 Labour Rights and Human Rights, and we consider our responsibility to reach throughout our sphere of influence.

### Materiality – Global Compact themes

 Environment  
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 2016. Our main focus areas were:

- 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

In Hungary, we completed the construction of a combined chemical and biological wastewater treatment plant during 2016. Following a mandatory test period of 6 months, the plant was commissioned with a view to reduce wastewater loads in peak manufacturing periods and minimise Hartmann's footprint in the area.

Efforts have been made to obtain ISO 50001 certification for energy management at our Hungarian plant, and the certification was achieved in 2016 as expected. The improved energy manage-

ment processes provide a strong foundation for reducing energy consumption further in the future.

## ! Risks

The main environmental risks related to our activities include unintended wastewater spill and excessive emissions of CO<sub>2</sub>.

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 CO<sub>2</sub> equivalent (CO<sub>2</sub>-e) emissions from electricity and heat-related energy consumption at our factories relative to the sellable product quantities on stock (kg). This KPI reflects the overall progress made within our main environmental focus areas.

## ✓ Results

Our CO<sub>2</sub>-e emissions per kg increased in 2016 and were up by 1% compared to the base level in 2012. Performance was adversely impacted by integration of our South American activities and the construction and commissioning of new factories as testing of manufacturing equipment entailed significantly higher CO<sub>2</sub>-e emissions levels with very limited sellable output. We reduced CO<sub>2</sub>-e

emissions excluding contributions from South America by 9.5% compared to the base level in 2012.

ISO 14000 certificates for environmental management and Hartmann's Climate Partner certification were renewed in 2016.

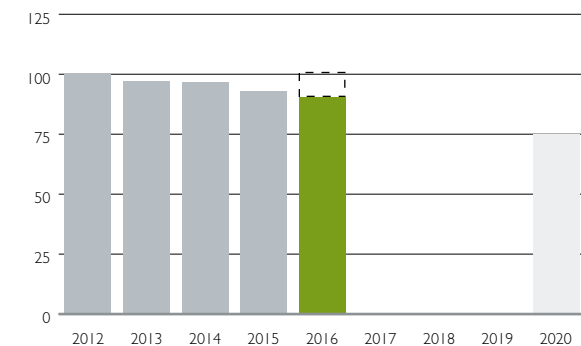
The ISO 50001 certification of our Hungarian factory's energy management in 2016 has improved our overview of on-site energy consumption and contributes to ensuring efficient use of energy, reducing CO<sub>2</sub> emissions and providing evidence of efficient energy management to external stakeholders.

The commissioning of the wastewater treatment plant in Hungary has reduced wastewater loads in peak manufacturing periods, and monitoring shows that chemical and biochemical oxygen demand (COD and BOD) levels are well below the defined emissions limits.

We maintain our group climate target for 2020 of reducing CO<sub>2</sub>-e emissions by 25% compared to the base level in 2012.

## CO<sub>2</sub>-equivalent emissions

Index (2012 = 100)



■ CO<sub>2</sub>-equivalent emissions per kilogram of product, excl. South American activities  
 - - CO<sub>2</sub>-equivalent emissions per kilogram of product, incl. South American activities

# 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 anticorruption policy.

## Action

Enforcement of the anti-corruption principle is 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.

We have resolved to revise and update our internal anti-corruption training programme reflecting the group's increased geographical footprint with activities in South American markets characterised by higher risk of corruption.

## Risks

Hartmann's manufacturing is located in low- and relatively high-risk countries<sup>1</sup> in terms of corruption, and Hartmann sells packaging and 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 internal anti-corruption training and supplier audits on an ongoing basis and adapt our policies and processes if necessary.

## Results

In 2016, we conducted a total of 59 local and central supplier evaluations, and no supplier contracts were terminated as a result.

5 employees completed our anti-corruption training programme in 2016. No employees reported cases of attempted bribery, facilitation payments or similar during the year.

<sup>1</sup> Transparency International, [www.transparency.org/cpi2016](http://www.transparency.org/cpi2016)

# 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 stepped up efforts to improve safety at the workplace further in 2016 following a range of initiatives set in motion in prior years, including installation of additional safety equipment at several factories and training of employees concerning safety and quality to reduce the number of work-related accidents. We

have investigated and followed up on incidents at the factories and initiated corrective measures to continuously improve conditions. Our factories have introduced various safety initiatives including, among other things, hiring a dedicated safety manager, implementing a structured observation program for monitoring accidents and near-misses, integration of safety parameters in performance reviews and completion of internal factory audits.

We maintained our focus on safeguarding food safety at our facilities during the year by continuously monitoring and controlling production processes and the materials used as well as testing end-products in accordance with applicable requirements.

Finally, Hartmann established and nurtured ties with local communities at new and existing sites as the group expanded the production network in the US and South America.

## ! Risks

The main risks related to our activities include unintended incidents at factories and 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.

Following the integration of our South American activities in 2015, we have updated Hartmann's accident statistics data to reflect consolidated group figures. We have thus rebased figures with 2015 as the base year for future measurement.

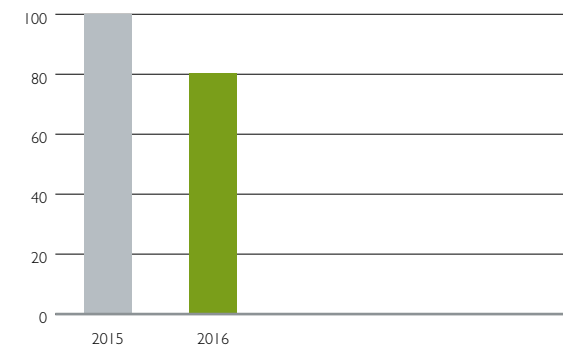
## ✓ Results

We improved safety at the workplace significantly in 2016 and reduced the number of work-related accidents per million working hours (LTI-FR) by 20% compared to 2015. We aim to further reduce the number of work-related accidents per million working hours (LTI-FR) in 2017.

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](http://www.hartmann-packaging.com).

## Action

We maintained our focus on sourcing in 2016 and conducted evaluations of selected suppliers.

Following the introduction of a new European HR master data system in 2015, Hartmann has continuously monitored and assessed HR data to increase internal transparency and promote gender equality. The system provides an overview of parameters such as gender statistics and pay comparisons for equal work, which have been considered in connection with employment, promotion and redeployment during 2016.

We closed our German factory in 2016 following negotiations with employee representatives. The initiative entailed 77 dismissals and was planned and executed based on respectful dialogue with trade unions and employees. We subsequently supported local efforts to initiate new activities in the area.

## 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 supplier evaluations and continuously measure developments in the gender composition at our other managerial levels and on the Board of Directors.

## Results

We evaluated 59 suppliers under our sourcing programme, and no supplier was de-selected on that background in 2016.

Hartmann's recently introduced HR master data system contributed to the basis for decision for management and the HR function in connection with employment, promotion, and redeployment in 2016. Based on the positive experiences with the system in Europe, we aim to roll-out the system in other locations during 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 there were no changes to the composition of the Board of Directors in 2016. We maintain our ambition and now aim to reach the target by 2021.

### Representation of women

	2015	2016	Target 2021
Board of Directors <sup>2</sup>	25%	25%	40%
Other managerial levels <sup>3</sup>	10%	12%	-

<sup>2</sup> Shareholder-elected members

<sup>3</sup> Includes presidents of regional business units as well as corporate heads of functions and 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 seeking 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.



## Sustainability

Sustainability and protection of the environment are integral elements of Hartmann's business model and strategy. All of 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 CO<sub>2</sub>-neutral retail packaging.

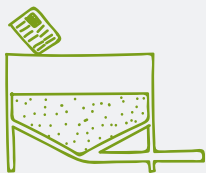


## Production

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

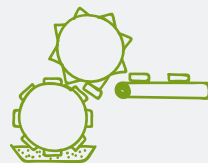


Pulp

Moulded fibre is made from recycled paper that is deinked

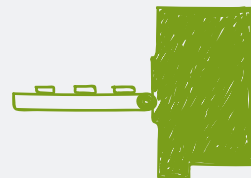


Deinking



Moulding

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



Drying

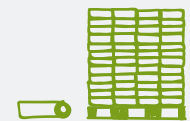


After-pressing



Print/labelling

The end product is provided with a customised graphic design and is delivered to the customer



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 machinery 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 since 1936.

## Markets

Hartmann's egg packaging is sold globally. Our key markets are Europe, South America and North America, where Hartmann 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, including machinery and services, is also sold globally.

## Corporate memberships

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



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