



Sustainability report 2020



CEO statement

We continued to grow our business under unusual circumstances in 2020 as we protected our employees and maintained operations during the outbreak of COVID-19 to keep the supply of eggs flowing to supermarkets and consumers throughout several lockdown periods in our markets.

Based on extraordinary efforts by our dedicated employees, we were able to safely and responsibly sustain production at all plants and serve our customers in a period of historically high demand for eggs as consumption around the globe shifted from catering and food service to people's own homes. We leveraged the investments made in capacity expansion over recent years to help our customers accommodate demand, and we continued to invest in more efficient and environmentally friendly manufacturing equipment at several factories as well as smarter and greener packaging products.

We also continued to expand our business in existing and new markets during the year, establishing a new factory in northern Brazil to ensure proximity to our customers and reduce distribution costs and emissions, and investing in the well-established moulded-fibre companies Mohan Fibre Products in India and Gotek-Litar in Russia. These investments expand our activities

and our sphere of influence into the attractive Indian and Russian markets where we will continue to promote the unique features of our moulded-fibre packaging while investing in technology and maintaining a strict focus on efficient resource consumption.

The underlying progress of our business continued to be fuelled by demographic developments and consumer behaviour as well as the ever-increasing focus on sustainability among consumers, politicians, organisations and retailers. Our sustainable moulded-fibre packaging is part of the solution to reduce plastic pollution as it offers customers and consumers a superior, well-proven and environmentally friendly alternative to oil-based plastic and polystyrene foam packaging. We will continue our efforts to accelerate the shift from these oil-based packaging solutions to our environmentally friendly moulded-fibre products in the years ahead.

We are pleased to confirm our commitment and endorsement of the UN Global Compact and its principles, and we will build on our current activities and continue the efforts within all four areas of the Global Compact in 2021.

Torben Rosenkrantz-Theil, CEO

Highlights



63% reduction in work-related accidents per million working hours from 2016



We protected our employees and maintained operations to meet the increasing demand for eggs during COVID-19



Hartmann expanded with factories in Brazil, India and Russia in 2020 and early 2021



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 covering the period 1 January to 31 December 2020. This report ensures compliance with section 99a, 99b and 107d 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.

Our activities within production of moulded-fibre packaging span Europe, North and South America, India and Russia (from early 2021). We primarily focus on reducing our environmental and climate impact to ensure the greatest possible effect of our sustainability efforts.

As Hartmann operates in regions such as South America, India and Russia, we have sharpened our focus on anti-corruption efforts.

In addition, we operate our business in adherence with European and international regulation 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 and climate	4/4
	Anti-corruption	4/4
	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 maintained our focus on energy reduction initiatives in the European business as we invested in upgrading our existing manufacturing equipment to increase the output per production line and ensure more sustainable manufacturing. We also expanded our production capacity in Europe with modern and efficient machinery.

In South America, we re-allocated production between our factories in Argentina to reduce energy and water consumption and adjusted the ovens at our factories in Brazil to significantly decrease gas consumption.

Our North American business focused on reducing the consumption of fresh water in the production through increased reuse of process water, and on decreasing the discharge of suspended solids in effluent discharge as well as the disposal of wet waste products.

During the year, an independent environmental compliance audit was completed to identify potential for improvement.

In 2020, we introduced a new and improved version of the Plus Pack™ product in the European business. The new product is nearly 10% lighter and uses less raw material, entailing lower CO₂ emissions from manufacturing and distribution as well as reduced waste.

In 2020, 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 and potential energy loss, which could result from any production inefficiencies or lack of investments in energy optimisation at Hartmann's factories.

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.

✓ Results

The re-allocation of production in Argentina entailed significant reduction of energy and water consumption at our Argentinian factories of approximately 10% and 40%, respectively, and the adjustment of ovens in Brazil entailed a substantial reduction in energy consumption.

The investments made to increase the output per production line in Europe reduced the energy consumption in 2020, and the installation of additional capacity in Europe included replacement of a smaller production line with new equipment using around 25% less energy per packaging unit produced.

In North America, the use of fresh water was reduced by around 15%, and suspended solids in effluent discharge were reduced by around 50% on the back of projects completed in 2020.

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 2020. 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

We maintained Hartmann's whistleblower system, which is a voluntary alternative to the ordinary routes of communication. The system may be used if serious offences – including corruption – are observed or suspected by any employee.

The CSR work group continued to promote and anchor the anti-corruption policy in our South American business as well as the recently acquired business in India. The Russian activities will be covered in 2021. During 2020, we completed thorough due

diligence processes in connection with the acquisition of the Indian and the Russian activities.

In North America, we strengthened checks and balances by introducing multiple level purchase order authorisation and lowering the limit for expenses to be signed by senior management.

We continued to enforce the anti-corruption principle as an integrated part of our supplier handling process in 2020. Due to travel restrictions during the outbreak of COVID-19, physical audits were replaced with dialogue with suppliers as we maintained our focus on ensuring that they 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

The dialogue with suppliers did not entail 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.

¹ Transparency International, Corruption Perceptions Index 2020, 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

Our CSR work group and risk management group continued to cooperate with safety representatives from each business unit to improve safety at Hartmann's factories. In 2020, we completed several investments, which were approved in 2019 to improve fire safety at several manufacturing sites based on recommendations from insurance broker Willis following a comprehensive group-

wide risk review conducted in 2018. When COVID-19-related travel restrictions are lifted, we will accelerate efforts and focus on completing investments that have already been approved.

During the year, we took all necessary precautions to mitigate the impact of COVID-19 on our employees, customers, other stakeholders, and our business. Following the outbreak of COVID-19, we swiftly introduced personal protective equipment, hand sanitizer and social distancing at our factories, and our office staff worked from home to the extent possible. Furthermore, Hartmann paid for COVID-19 tests at several locations and sent selected employees on paid leave based on specific risk assessments.

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 and the progress towards our goal of having no work-related accidents.

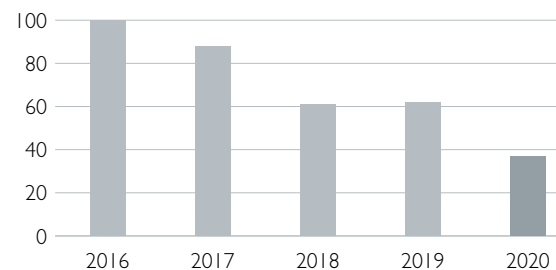
✓ Results

We made headway and reduced the number of work-related accidents per million working hours (LTI-FR) by 40% compared to 2019 and by 63% from the 2016 base year.

We improved the fire safety at several manufacturing sites through investments and cooperation between safety representatives at our sites and our CSR work group and risk management group in 2020. 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 2021 and the coming years.

We reduced the impact of COVID-19 on our employees, customers and other stakeholders, and we maintained operations at all production facilities during the pandemic with very limited interruption of production. OHSAS 18001 certificates for working environment were maintained in South America and Israel. The certificates were phased out and replaced by ISO 45001 certificates for occupational health and safety management in Hungary, Croatia and Denmark. All ISO 22000 certificates for food safety management were renewed in 2020.

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, which serves to increase the number of the underrepresented gender at Hartmann's other managerial levels, as well as our diversity policy.

The policies define and describe focus areas within recruitment, performance evaluation and development as well as networking. The policies are available at our website, www.hartmann-packaging.com.

Action

Due to travel restrictions during the outbreak of COVID-19, we replaced a number of internal audits and audits of selected suppliers with dialogue and follow-up activity. We also maintained the group's whistleblower system, which provides an alternative channel for reporting of any wrongdoings.

In 2020, we introduced a group-wide policy on diversity aiming to contribute to ensuring that Hartmann is an attractive workplace able to attract, develop and retain members of the board of directors and the executive management as well as other managers and employees with different backgrounds and strong competencies to secure the continued success of our company. The policies on diversity and gender equality emphasise our commitment to equal treatment of applicants and employees of diverse backgrounds and genders in connection with the composition of Hartmann's management, recruiting practices and career opportunities. In line with the policies, Hartmann required that internal and external recruiters selected qualified representatives of both genders as candidates for vacancies during the year. There were no new appointments to the board of directors or executive management.

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 composition at our other managerial levels and on the board of directors.

Results

Based on the dialogue with suppliers in 2020, we did not de-select any suppliers. No wrongdoings were reported through the group's whistleblower system. Diversity and gender were considered in connection with selection, promotion and evaluation of members of other management in 2020, while there were no changes at executive management level during the year. In 2020, the representation of women on Hartmann's other managerial levels declined to 10% (2019: 17%).

We continued to meet the target of having a minimum of 40% female representation among the shareholder-elected board members in 2020 even after Agnete Raaschou-Nielsen did not seek re-election at the general meeting in April 2020. We maintain our target of ensuring an even gender distribution (40-60% of each gender) on the board of directors going forward.

Representation of women

	2019	2020	Target 2024
Board of directors ²	50%	40%	40%
Other managerial levels ³	17%	10%	-

² Shareholder-elected members.

³ Members of the executive board and managers reporting to the executive board including plant managers at the group's factories.

Hartmann at a glance

Hartmann is the world's leading manufacturer of moulded-fibre egg packaging and a market-leading manufacturer of fruit packaging in South America and India. The group is also the world's largest manufacturer 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.



 Factory  New factory  Machine factory

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

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