



HAARSLEV™

Processing Technology

**CSR
REPORT**

2016

STATUTORY ACCOUNT OF THE COMPANY'S

CSR Performance 2016

Statutory Account of the Company's CSR Performance 2016

This statutory account for Haarslev Industries A/S' CSR performance (cf. the Danish Financial Statements Act, § 99a and § 99b) is part of the management review for 2016 and covers the financial period 01.01.2016-31.12.2016. This account is developed for the legal entity Haarslev Industries A/S only and does therefore not include any subsidiaries.

1. Introduction

Haarslev Industries A/S seeks to run a responsible and profitable business. By offering rendering and processing equipment which ensures efficient reutilization of industrial and societal waste and by-products, we create shared value for our company, our investors, our employees, our customers, the environment and society in general. We contribute to both local and global sustainable development through the manufacturing of high-quality durable products for the protein- and bio-reutilization industries, and we do so under decent working and environmental conditions.

Our CSR focus areas for the year of 2016 and our upcoming CSR goals for the upcoming years are described below in section 2-5.

2 Business Principles

2.1 quality

We develop and manufacture machinery for our customers in accordance with their needs and demands, and we adapt our products so that they always meet the specific legislation and industry standards, which apply in the markets where we operate. To ensure that our products live up to the highest possible quality standards, and that our manufacturing processes run appropriately and lean, we design our products and develop processes in accordance with clear procedures and policies. We are continuously working to develop and refine the policies, processes and systems, which support and promote the responsible and resource-efficient operation of a company in rapid growth.

We always strive to ensure that our products perform in line with our customers' expectations. This we recognize as one of our most important tasks as a supplier to industries to which operational stability and continuity are crucial. In case a customer experiences operational stoppage, we are willing, ready and go a long way to make sure that their operation is quickly and efficiently restored. In order to ensure operational stability and continuity for customers with older equipment, we have for more than 30 years filed documentation and specifications for all equipment supplied.

The focus for 2016 has been to make the structure for our claim handling not only for our customer but also for supplier and internally. To be able to investigate root cause make corrective and preventive actions and hereby running improvements.

Together with new global standards and the evaluation from the claim handling system we will be able to provide a good quality assurance.

2.2 Good Business Practices and Legal Compliance

We run our business in accordance with principles for good business practices, and we work actively and continuously to make sure that all our stakeholders are content, from investors, employees, customers and suppliers to governmental authorities, competitors, business associations and local communities.

Our policy in this area is mainly expressed through our Code of Conduct.

Two versions of the Code of Conduct – one for our suppliers, agents etc. ("Partner Code of Conduct") and one for our employees ("Employee Code of Conduct") - has been developed in 2016.

The Partner Code of Conduct has been published on haarslev.com, and all closest business partners, such as agents and distributors, shall sign the Partner Code of Conduct before initiating any business with us.

All employees within the group are currently being trained in the Employee Code of Conduct. The training consists of an introduction session and quiz held by the General Manager. All employees receive an Employee Code of Conduct booklet after the session. The booklets have been translated into seven different languages. This is to ensure that all employees have a good understanding of the Employee Code of Conduct. We want to make sure that each and every employee receives the training – therefore, attendance to the introduction session is registered.

In 2017, an online training session and quiz will be developed, so all new employees will receive adequate training in the Employee Code of Conduct online.

Both the Employee- and Partner Code of Conduct includes a section regarding our business principles – hereunder sections regarding Anti-Corruption and Bribery, Gift, Entertainment and Other Business Courtesies, Money Laundering, Fair Competition Practice and Legal Compliance. Many of the subjects in the Code of Conduct – hereunder Gift, Entertainment and Other Business Courtesies and Fair Competition – will in 2017 and 2018 be further elaborated into internal policies.

Furthermore, a Whistleblower Policy and scheme has been developed in order to ensure a process when suspected violations of the Code of Conduct or the law have been detected and for reporting any suspicion of unacceptable behavior in Haarslev.

As special attention needs to be taken in terms of legal compliance, a Legal Manager was appointed for the group in 2016. The Legal Manager is responsible for all ongoing legal issues in the group, legal training of the employees and development of a legal framework.

The tasks and projects according to the legal framework will result in a standardization of Haarslev Industries A/S' legal documents – from terms and conditions to legal contracts (sale- and purchase agreement, agency agreement, confidentiality agreement etc.). These initiatives will strength our work related to good business practices and legal compliance. Some of the legal standard documents, which were developed in 2016, are among others a standard confidentiality agreement and agency agreement. Furthermore, policies will be developed in 2017 to support the employees'

understanding of such legal standard documents, hereunder a Legal Policy for Sale.

To ensure that all relevant documents, such as signed contracts etc., regarding each entity within the group are gathered in one place, a project group for the development of a Global Corporate Register started up in 2016.

Furthermore, special focus on export control and sanctions were taken in 2016. We are currently developing a screening system to ensure compliance with export controls and sanctions. By 2017, a policy regarding export controls and sanctions will be introduced to all employees as well.

We are very aware of our role as an important employer and tax base in our local community, and we maintain a good and constructive relationship with the local authorities.

We listen to our neighbors, we engage in dialogue with our local stakeholders, and we offer guided tours in our production facilities upon request. We do not assess and evaluate the results of these activities yet but are considering how to do so in the future.

2.3 Responsible Supply Chain Management

In 2016, a new COO for the whole group was employed. The COO is responsible for the global supply chain from procurement to delivery.

We do not have any formalized policy in regard to responsible supply chain management but we have initiated a forward-looking sourcing strategy process of which Quality, Health, Safety & Environment (QHSE) measures are a part. The strategy process will continue in 2017.

3. Environment & Climate

We comply with a number of principles for mitigating our environmental impacts, although they are not contained within a formalized environmental policy. We strive to reduce our resource consumption in production and to always comply with regulatory requirements. In order to achieve these goals, we continuously invest in our production facilities.

For example, in order to reduce our energy consumption, we continue to invest in upgrading the lighting in all our production facilities with energy-efficient LED technology. Installed electricity meters monitor the electricity consumption.

We offer low-energy rendering and process equipment as well as equipment for reducing the odors that may occur from protein reutilization. In this way, we contribute to the reduction of energy consumption in an otherwise energy-demanding industry, and we help our customers improve their impacts on local communities. Finally, we offer to rebuild or renovate our customers' used equipment, thereby increasing resource efficiency of both our own product line as well as our customers' operations.

We have in 2016 in a large extent replaced the use of solvents in our processes by biodynamic products with positive impact on the environment. This process will continue in 2017.

At Haarslev we have great focus on waste handling and recycling with the benefit for both the environment and our costs. We work continuously with noise reducing improvements in our production processes and facilities in respect for our work environment and our neighbors. Further

improvements have been planned for 2017 and some have already been initiated.

Our focus on the environment and climate has been further elaborated in our Employee- and Partner Code of Conduct.

4. Principles of Human Rights and Work Environment

4.1 Human Rights

We support and respect the protection of the UN's Universal Declaration of Human Rights and the Core Conventions of the International Labour Organization (ILO), and we are keen on making sure that we do not complicit in human right abuses.

We do not have a separate human rights policy, but human rights issues are an integrated part of our employment policy at Haarslev Industries A/S e.g. concerning non-discrimination, freedom of association and the right to safe and healthy working conditions. See section 4.2 below.

The human rights policy issues central to Haarslev Industries A/S have been strengthened in the Partner- and Employee Code of Conduct, and special focus has been taken in terms of Non-Discrimination, Forced/Child Labor and Freedom of Association.

4.2 Work Environment

We have a strong focus on safeguarding the physical and mental well-being of our employees. We have 374 employees, including 252 blue-collar workers in our production (67%) and 122 white-collar workers in our administration (33%). All employees have clearly defined work assignments and are thoroughly trained in all relevant matters that enable them to perform their work in a safe and efficient way.

In our production, we have particular focus on making sure that working conditions are appropriate and safe. Easily accessible health and safety equipment is available in all production centers, all employees are provided with thorough continuously training in how to use the machinery, and instruction manuals are attached to all machines where appropriate to ensure correct handling. As the noise level in our production facilities may be significant, all employees are offered custom-made hearing protection.

We continuously ensure that our employees use the health and safety equipment provided in the right way. Production supervisors organize information meetings every week at which any accidents, near-misses and risk situations are scrutinized and addressed. Every two months, the supervisors and occupational health and safety representatives conduct inspection rounds in the production centers with the aim of identifying and eliminating safety deficiencies and risks. In order to visualize progress and improvements to the organization, we have established whiteboard meetings and posters with actions central in the production area.

The number of occupational injuries in 2016 was 13 versus 22 in 2015. We work consistently to reduce this number. As a new initiative in 2015, we are conducting sick leave appraisals with all employees on leave to secure fast recovering and quicker return to work. The registered sick leave among employees in 2016 was 3,39 % versus 3,06 % in 2015.

As part of our focus on safeguarding the well-being of our employees, we conduct yearly health and well-being surveys and examinations of all our employees followed by actions plans to improve the

findings in the surveys.

We offer all employees participation in a collective health care scheme from which they must opt-out if they do not wish to take part. In 2016, nearly all employees participated (93%).

All blue-collar workers in the production are covered by the current collective agreement for metal workers. 105 (73%) of our white-collar workers are not covered by a collective agreement, but nevertheless we offer them the same conditions as those who are.

To ensure effective communication and employee involvement across the organization, we publish information and news on our extensive intranet. In addition, we arrange monthly information meetings for all employees. By doing so, we ensure that all employees are well informed about the development of our business and that there is an ongoing, constructive dialogue across the organization at all times.

We offer all employees a number of benefits, which are described in our employee handbook.

We have three staff associations – two for white-collar workers and one for blue-collar workers. The primary purpose of the staff associations is to make sure that selected special occasions are celebrated and that social activities are arranged. Management supports these on an ongoing basis.

Every year the management invites the employees and their close relatives to a summer party and a Christmas party in order to support the social life among our employees and give their families the chance to see our facilities and meet colleagues.

The Employee Code of Conduct include a special focus on work environment, hereunder Employee Privacy. In order to ensure compliance with the Code of Conduct, policies on work environment will be drafted in 2017 and 2018, hereunder a Data Protection Policy.

Furthermore, in order to strength our work environment, a HR manager and HR director has been employed in 2016.

5. Diversity (cf. §99b)

All employees in Haarslev Industries A/S are offered employment based on their qualifications. This principle applies across the company and at all organizational levels. We maintain an unprejudiced, open-minded culture where, as a principle, all employees are treated fair and equal without consideration of religion, ethnicity, nationality, disability, age or gender.

We regard diversity as a strength but we have difficulty attracting female candidates in an industry, which traditionally has an overrepresentation of men. We thus have only 46 female employees (12%), seven of whom work in our production.

All board members must hold the right qualifications and relevant experience, and it is our policy to strive to identify talented female managers and motivate female candidates to run for the board or apply for other management positions in our organization. In alignment herewith, female employees are entitled to paid maternity leave in accordance with the Collective Agreement for salaried employees in the Danish Industry sector.

Haarslev Industries A/S has 33 managers distributed on seven management levels. Today, four of the managers are female (12%). We are in principle against any kind of discrimination, negative or positive, and we welcome diversity in the composition of our staff, both at the management level and at all other organizational levels.

The HR Manager and HR Director, both females, who was employed in 2016 have special focus on gender diversity and will over the upcoming years initiate the work in terms of formalizing and improving our policy which shall strengthen the representation of women in the company, hereunder especially on management level.

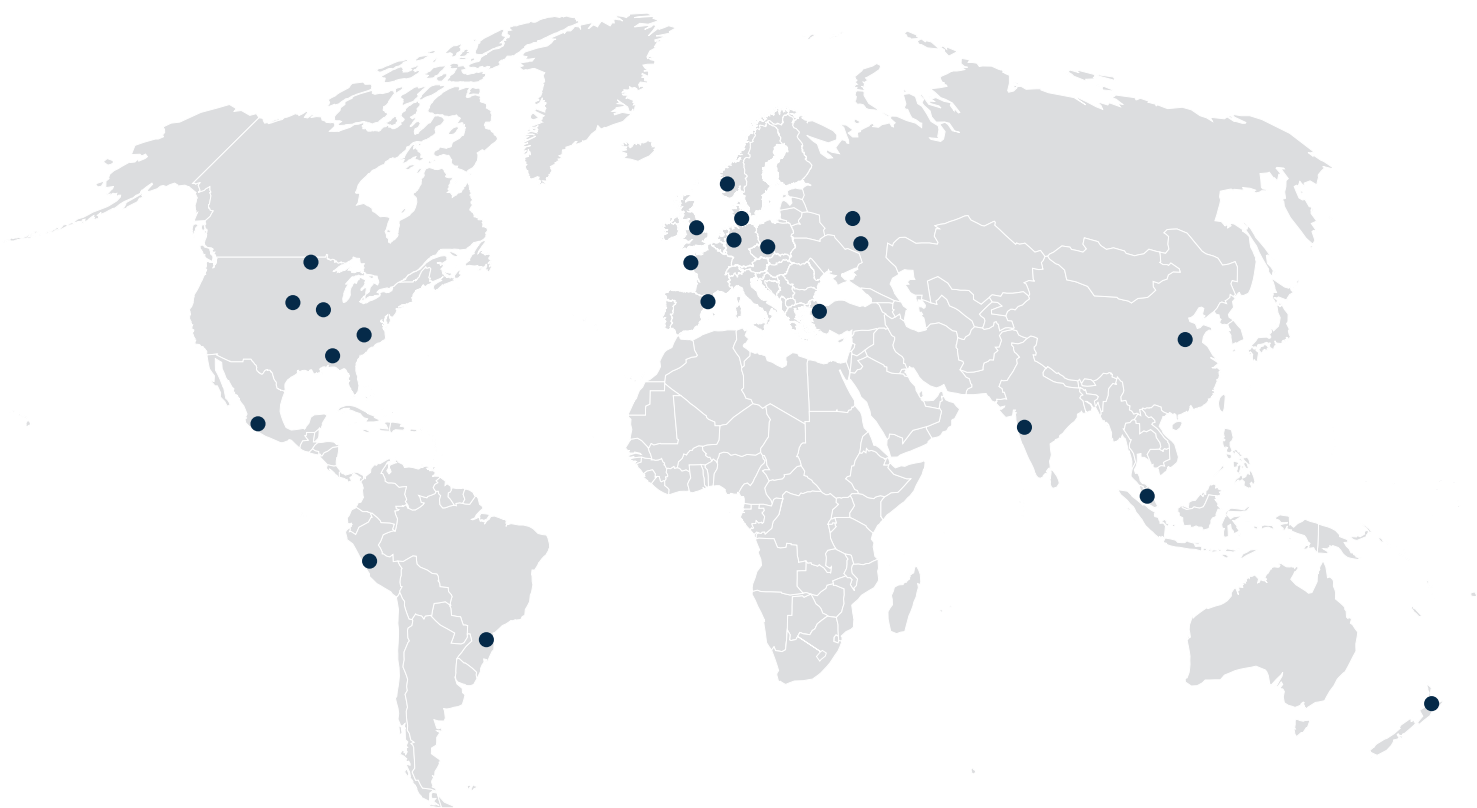
In 2016, the board of directors consisted of six members, elected by the General Assembly (exclusive members elected by the employees), of which none are female (0%). We operate in a male-dominated industry and we are a relatively male-dominated business. In practice this makes it difficult to attract women to board and management positions.

The composition of subsidiary entity boards is often based on group considerations. In our case we are owned by a private equity fund with an exit plan within a foreseeable future. We expect that the current members of the board of directors which are all elected by the General Assembly will remain in the board until exit.

In recognition of the difficulties in attracting female candidates in our industry, we have decided to reassess the target for the female representation in our board of directors. This means that we have set a new target for 2017 which is kept at 0%, and set a target towards 15%-20% in 2021-2022.



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