

# CORPORATE SOCIAL RESPONSIBILITY

---

Hexagon Composites conducts its business in an economically, socially and environmentally responsible manner. The Group focuses on reducing its impact on the environment and providing innovative products that enable its customers to do the same. Good working conditions for employees and strong relationships with the local communities where the Group operates are key objectives. Hexagon prioritizes ethical conduct within its organization and supply chain including anti-corruption, product safety and respect for human rights.

Social responsibility is an integral part of Hexagon's corporate governance process. Formal guidelines for corporate social responsibility are approved by the Board and integrated into the Group's management systems. Compliance is assured through internal communication and periodic training activities. The Board believes that the organization is characterized by strong ethical standards and a high level of integrity. In the opinion of the Board, good results have been achieved in integrating social responsibility considerations into the company's business strategies.

The following discussion on corporate social responsibility has been developed pursuant to Section 3-3 c of the Norwegian Accounting Act. Information is presented for the wholly-owned subsidiaries, Hexagon Lincoln and Hexagon Purus (Lincoln (NE), U.S.), Hexagon Purus (Kassel, Germany), Hexagon Ragasco and Hexagon Raufoss (Raufoss, Norway).

## THE ENVIRONMENT

### Innovation

The increased global focus on vehicle particulate matter (PM), NOx emissions and greenhouse gases (GHG) encourages customers and investments towards adopting natural gas, biogas and hydrogen.

Overall, compressed natural gas is one of the cleanest burning fuels available today, producing 20–30% less greenhouse gas than conventional fuels. Biogas is a commercially viable fuel, supported by local and regional jurisdictions.

Biogas is the most emission-friendly fuel available today. Biogas can rely on existing natural gas infrastructure and is based on proven technology. As a carbon-negative solution, biogas provides the world's energy system with several advantages: it contributes to reaching climate targets through reduced CO2 emissions and can improve air quality by being used as a vehicular fuel displacing petrol. Furthermore, it advances energy security as it can be produced locally using available biowaste.

Hydrogen is a clean and safe energy carrier that can be used as fuel for power in a wide range of applications and can be stored on a large scale. According to the Hydrogen Council, hydrogen could account for almost 20% of total final energy consumed by 2050. This would reduce annual CO2 emissions by roughly 6 gigatons compared to today's levels and contribute roughly 20% of the abatement required to limit global warming to two degrees Celsius.

In developing countries, many people rely on biomass such as firewood, charcoal and waste to meet their energy needs for cooking. This often results in unsustainable harvesting practices, as well as illness and premature death from indoor pollution. The United Nations Millennium Project has recommended halving the number of households using traditional biomass fuels, which would involve 1.3 billion people switching to other fuels. Hexagon believes that the lightweight, user-friendliness and enhanced safety features of its LPG cylinders are important attributes to facilitate such a transition.

### Environmental reporting

Hexagon does not emit any regulated substances into the environment without a permit, and there are no health hazards associated with the Group's products. All waste from operations and production is sorted and delivered to approved sites for disposal or centers for recycling and reuse.

### Emissions

Emissions of Volatile Organic Compounds (VOC) at the Raufoss plant are well within permitted limits. Production of CNG cylinders for passenger cars is included in the emissions permit for Hexagon Ragasco. The company was certified to ISO14001 Environmental Standards in August 2017.

The operations in Lincoln, Nebraska, comply with increasing environmental regulations at the state and federal levels, including reporting on the storage, use and emission of environmentally hazardous chemicals.

The Resource Conservation and Recovery Act (RCRA<sup>1)</sup>) requires that hazardous waste is monitored from generation to disposal. Further regulations<sup>2)</sup> require reporting of hazardous chemicals above a certain quantity to the Environmental Protection Agency (EPA), local fire departments, local emergency planning committees and the state emergency response commissions. This includes information about the type, quantity and location of hazardous chemicals at each location. Hexagon Lincoln's facility has a designated emergency point-of-contact.

Hexagon Lincoln currently holds permits for Hazardous Materials and Spray Paint from the City of Lincoln as well as Special Waste Disposal Permits from the Lincoln-Lancaster County Health Department. These permits authorize the controlled disposal of paint-related materials, adhesives, sealants, cured epoxy resins and related materials. The company reports regularly on the exposure of employees to several materials and chemicals. Emissions from operations are controlled and are well under permitted limits. Scrapped tanks from production, product testing and quality control are recycled by donation to a local farmer for use on his land.

Hexagon Lincoln performs annual air quality samplings which are found to be in accordance with federally regulated permissible exposure limits<sup>3)</sup>. Air quality was last tested on 28 November 2018, with good results.

Hexagon Purus (previously Hexagon xperion) in Germany complies with the national environmental regulations for emissions (TA Luft) in Germany. By using a low-pollutant

resin system, the exhaust systems are outside the scope of the relevant approval criteria (BlmSchG: Act to protect against harmful environmental effects caused by air pollution).

### Recycling

Hexagon Purus' operations in Kassel have continuously reduced the scrap rate of the produced goods through to various process improvements. Since the end of 2017, Hexagon Purus has worked with a recycling company to reuse remaining glass and carbon fiber waste as filler material for concrete applications.

The packaging of raw materials has been significantly reduced. A recycling system for the packaging material of the finished goods is in operation with several customers. As a result of this improvement project, pallets and materials can be re-used several times.

Hexagon Ragasco works continually to reduce risk and negative impact on the environment. During 2018, Hexagon has continued with process improvements to reduce waste and scrap. Recycling of materials and reduction of garbage are included in all plans in the company, both with respect to daily handling and investments in machinery and new processes. Life Cycle Analysis for the cylinders related to the circular economy is an important topic on the company's agenda.

Over the last couple of years, Hexagon Ragasco has implemented several measures to reduce energy consumption in the production facility. Results show a relative reduction in energy consumption by more than 6% from 2016 to 2017, and the consumption has remained at the same level in 2018, with higher production volumes than in previous years.

Hexagon Lincoln has introduced a number of environmental improvement measures in recent years to reduce emissions and waste from its own vehicles and production processes. The company recycles several potential waste materials and has introduced initiatives to improve material utilization in order to reduce waste output. Hexagon Lincoln recycled approximately 72.9 tons of materials in 2018.

## PEOPLE

### Working conditions

Innovation, ambition and expertise are critical success factors for Hexagon's business. The Group strives to create a safe and appealing work environment to attract competent, motivated people. Hexagon emphasizes involvement to empower individuals to influence their own work situation

1) Federal level 40 of the Code of Federal Regulations (CFR) Part 261 and 262.

2) Part 370 of level 40 CFR and the Nebraska Emergency Planning and Community Right to Know Act, Tier II reporting. Section 312 of the Emergency Planning and Community Right to Know Act (EPCRA), also known as SARA title III.

3) Z-Tables, level 28 CFR, 1910.1000 Permissible Exposure Limit.

## Corporate Social Responsibility

and believes a flat organizational structure ensures visibility and enables employees to develop and thrive.

Good internal communication regarding plans and ongoing development is prioritized to facilitate an open, positive working environment. When possible, Hexagon promotes internal recruitment to provide motivation and advancement opportunities to existing employees.

Through the internal learning and development function "Hexagon University", Hexagon offers several different programs to the entire Group during the year. The aim is to continue to build and implement programs that are valuable for the development of the company's talent base.

### Gender equality and non-discrimination

Hexagon believes that people with different approaches and experience contribute to an innovative and dynamic work environment. The Group encourages diversity in its hiring practices with a goal to hire men and women with different backgrounds and the expertise necessary to develop its business. Preferential treatment or discrimination in working conditions due to gender, religion or ethnic background is strictly prohibited. However, Hexagon has prioritized the recruitment of highly qualified women, notwithstanding the challenges the Group faces in connection with a traditionally male-dominated, industrial operating environment.

### Percentage of women in Hexagon

SITE	2018	2017
USA	16 %	12 %
Germany	15 %	14 %
Norway (Hexagon Ragasco and Hexagon Raufoss)	19 %	19 %
Hexagon Composites ASA	30 %	22 %
Board of Directors	50 %	50 %

The changes in the percentages of female employees were largely due to active hiring and natural departures.

### Sickness absence

SEGMENT	2018	2017	TARGET 2019	INITIATIVES AND OBJECTIVES
Lincoln (USA)	1.4 %	1.4 %	1.5 %	Continued focus on wellness initiatives to keep absenteeism low.
Kassel (Germany)	5.7 %	5.1 %	<5.0 %	Targeted measures to reduce and prevent sickness absence; implementation of physical activities and guidance.
Raufoss (Norway)	5.6 %	3.3 %	<3.0 %	Targeted measures to reduce and prevent absence due to illness, guidance and facilitation for physical activity.

No instances of discrimination were recorded at Hexagon in 2018.

### Health, safety and environment (HSE)

The Group's production sites are comprised of industrial processes that involve complex machinery and processes, rapidly moving parts and equipment, high heat, caustic chemicals and pressurized gas. Hexagon has established secure operating routines to manage these processes in a responsible manner and to ensure a safe and healthy work environment. The Group believes that this promotes efficiency and lower operating costs.

Hexagon has targeted zero work-related accidents or injuries that result in employee absence. All business areas have established organizations and routines related to industrial safety. As a result, Hexagon is working systematically to reduce the number of injuries and improve safety performance.

The Group continued to coordinate quarterly global HSE executive management reviews aimed at identifying and putting in place the needed focus for current and future HSE initiatives. In addition, a global HSE committee meets bi-weekly to address specific initiatives that will lead to lower injuries and illnesses across our global operations.

A shared performance metric that will be used as a leading indicator for reducing overall injuries and incidents was established for Hexagon Lincoln, Hexagon Raufoss and Hexagon Purus in 2018. The aim of this coordinated effort is to share information between the sites to identify "best practice". The Group also implemented several health and wellness initiatives during 2018 with the goal of improving the overall health of our people.

Hexagon Ragasco had one work-related injury that resulted in absence from work during 2018. The company has an annual HSE plan, including daily reporting in management meetings. The company's HSE profile is strong, with a well-functioning reporting system to identify incidents that could result in accidents or injuries. This system for reporting near misses was implemented in the rest of the Group in 2018.



Hexagon Ragasco is an IA (Inclusive Workplace) registered company and conducted four dedicated IA meetings in 2018. The company has procedures for safety inspections focusing on risks related to chemicals, fire, electrical installations and noise, as well as on order and cleanliness. Twelve safety inspections were carried out in 2018. In general, the work environment and employee well-being are considered satisfactory.

All operators in Hexagon Raufoss are hired personnel from Hexagon Ragasco. Hexagon Raufoss follows Hexagon Ragasco's HSE plans and audits. No work-related accidents that resulted in absence from work were recorded at Hexagon Raufoss in 2018 and there were no instances of material damage.

In 2018, Hexagon Lincoln recorded one work-related injury that resulted in absence and five other recordable injuries. Three of those recordable injuries involved skin irritation related to the use of resin and carbon fiber in production. Hexagon Lincoln remains focused on improvements in the production process to enhance operational efficiency and reduce injuries. Hexagon Lincoln educates new production hires on good safety practices, prevention and recognition of skin irritations as well as other types of injuries. In addition to work-related injuries, 19 instances of material or property damage were reported in 2018.

Hexagon Purus in Kassel had eleven work-related injuries that resulted in absence in 2018. The company's HSE

coordinator is working closely with human resources, operations and the external safety engineer on avoiding any injuries in the facility. During the year, the new near miss reporting system was introduced to identify and eliminate the causes of the incidents. A total of six near miss incidents were reported, and initiatives have been implemented to avoid future incidents. Enhanced occupational health care was implemented, and specific safety audits were introduced for the various work stations, with good results.

## **SOCIETY**

### **Local community**

In addition to providing employment opportunities, the Hexagon Group contributes to local communities by supporting non-profit organizations that focus on sports and education opportunities for children and youth in particular, as well as humanitarian aid. The Group also cooperates with various educational institutions to provide work experience for students.

### **Ethical conduct**

Hexagon does not accept any form of corruption including bribery or extortion. Formal ethical requirements governing business practices were established and approved by the Board in 2009. These provide guidance for the employees and, indirectly, throughout the supply chain.

To strengthen awareness, training courses focused on combating corruption have been completed for Group