

COIP REPORT 2017



CEO Statement



Jørgen Stenberg
CEO

Even though Hans Følsgaard have had consecutive growth since the global financial crisis, 2017 was by far the best year ever in the 95-year history of our company.

The overall growth in the industrial sector, globally and locally, affects companies supplying solutions within process and energy optimization as well as advanced control and communication systems. Hans Følsgaard proudly excel in these areas - especially due to the knowledge and know-how of our long-term employees.

We want our suppliers to trust in us and our customers must always be able to rely on HF's sales people and technicians. It takes a special breed of staff to deliver on all expectations - and only by nurturing the right kind of people over a long period of time, is it possible to achieve the mature and specialist knowledge demanded of our employees.

And no doubt our many senior employees have had a huge impact on our positive development - successfully positioning us at the forefront in our specialist areas. To further expand this competitive edge, our staff grew by 10 in 2017.

HF Telecom and HF Cable departments in particular, benefited from the majority of the new skilled employees but also HF Container due to the growth in the maritime market for which we have solved substantial challenges with a number of specially designed sustainable solutions.

We are fortunate to be in a strong economic position which gives us the power, not only to invest in superior employee recruitment and employee well-being initiatives, but also the opportunity to engage in new sustainable business development and projects.

Our long-term sustainability work focuses on economic, social and environmental responsibility. An ISO-9001:2015 certification facilitates just that which i.a. lead us to initiate an ISO project in 2017. We expect to be ISO-9001:2015 certified during the first quarter of 2018.

To further push growth we wish to expand our business globally establishing our presence outside of Scandinavia. Thus in 2017 we established a company in Germany, primarily targeting customers within the telecommunication area. Within the first year in business we managed to create a two-digit million turnover, giving us a strong indication that our strategy is right.

Being part of the Addtech Group enables us to benefit from the synergies. We have merged our electronics department into one of our sister companies in order for us to focus on our core areas; Industry, Energy and Communication supplying customer specific solutions. This turned out to be the right strategy as we have now entered the Gold 1000 league of the 1000 largest companies in Denmark based on turnover.

We will continue to work on sustainable business development, implement our 2020 strategy and set clear goals and we are pleased to confirm our continued support to the UN Global Compact and its ten principles.

Jørgen Stenberg
CEO Hans Følsgaard A/S



HF in the Value Chain

HF offers high-technology products and solution to companies in the manufacturing & infrastructure sectors.

We are a value-adding link between customers and suppliers and create a mutually profitable and competitive trade with our customers.

We customize, design and produce solutions in collaboration with customers and carefully selected suppliers and manufacturers across the world.

We conduct our own production on a minor scale, thus the major share of production takes place via orders to suppliers.

At one end of the chain we want to be our customers' Technical Partner of choice and at the other end of the chain we want our suppliers to do better operating with HF than with others or alone.



Strategy and Governance

HF has been a part of the Addtech Group for about 3 years. HF works as an autonomy unit with widespread self-determination in virtually all areas.

We use the group umbrella to explore possibilities of collaboration with the other affiliates and benefit from intercompany synergies.

We cooperate closely on e.g. employee education (Addtech Business School), employee surveys and sustainability work.

HF sustainability work is governed by the Code of Conduct. Addtech's board of directors via group management is ultimately responsible for the groups sustainability work and determine long-term goals. However, HF supplement these goals by goals and action plans developed by HF. Thus, the operational sustainability work is driven via the decentralized responsibility in HF.

Sustainability is an integral and important part of our strategy. HF aims to respond to a growing demand from stakeholders and customers on sustainability. As from 2018 CSR is a fixed item on the agenda at board meetings.

Addtechs sustainability report has been prepared in accordance with the GRI standards. In conjunction with the end of the financial year HF, as does all affiliates, report sustainability data as part of our non-financial reporting to Addtech.

The annual report is available at Addtech's company website www.addtech.com.



Economic Value

Since the global financial crisis of 2007/2008 HF has experience consecutive growth. - however, 2017 has been the best year in the 95-year history of our company.

The growth in the industrial sector locally and globally has had a positive impact on the companies providing solutions for production companies, process control, energy and energy optimization as well as communication.

In 2017 HF experienced growth in all 7 business areas.

HF's profit goal is approx. 10% per year. The profitable target for each subsidiary in the group is a minimum of 45 percent, measured using the relationship between operating profit (P) and work capital (WC). The P/WC model encourages high operating profit a low level of tied-up Capital, which combined with the growth target of 15 percent, enables self-funded long-term profitable growth.

For the seventh consecutive year HF's has been awarded the highest credit rating, AAA. Consequently, we have been awarded an AAA silver rating. Having an AAA rating means that HF has an exceptional degree of creditworthiness and can easily meet its financial commitments.

Economic stability and strength gives us freedom and opportunity to invest not only in sustainable business development and projects but also in superior employee recruitment and employee well-being initiatives.

GROWTH

IN ALL 7
BUSINESS
AREAS

10%

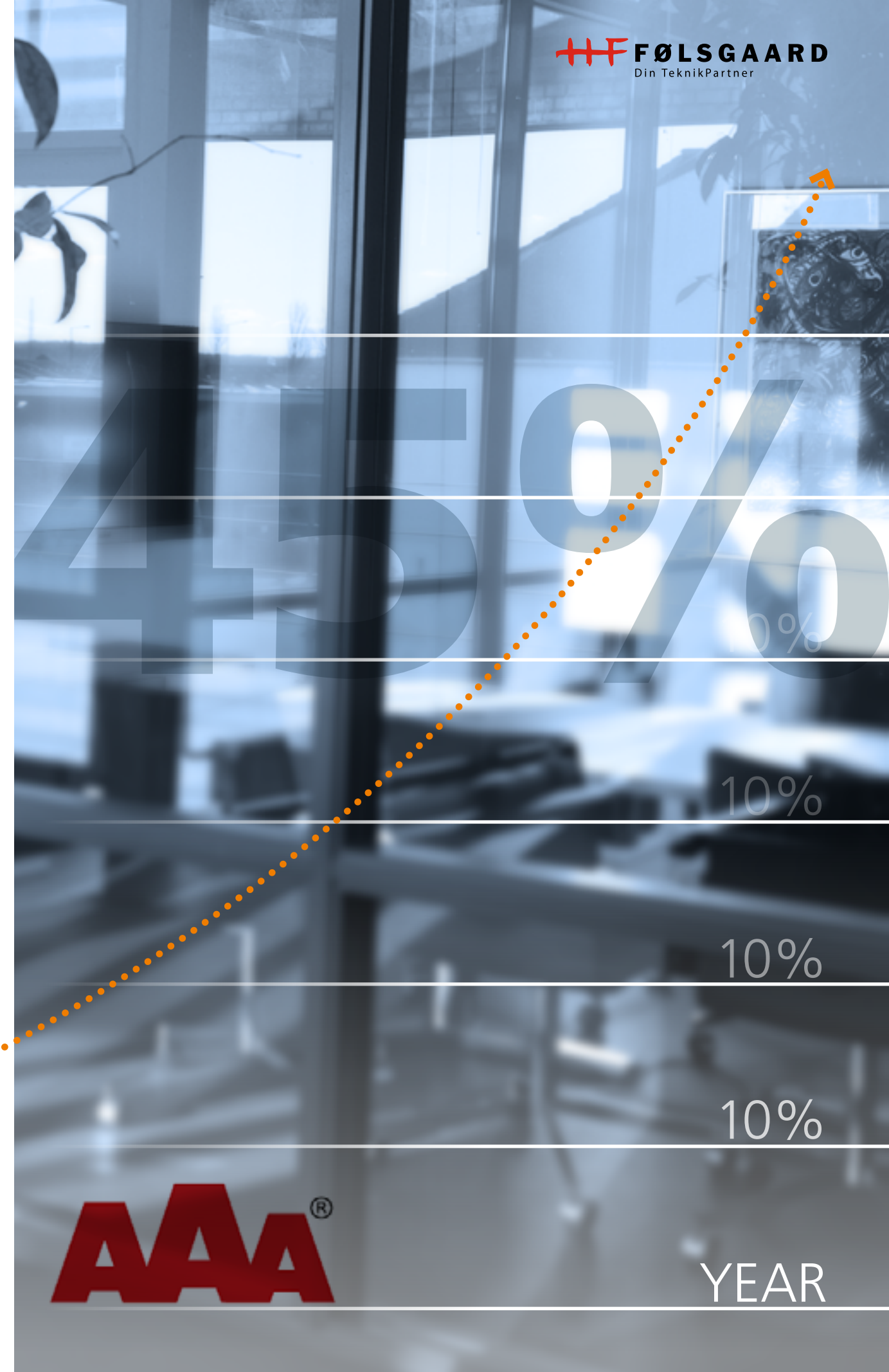
APPROX.
PROFIT PER
YEAR

45%

PROFITABLE
TARGET FOR EACH
SUBSIDIARY

AAA[®]

YEAR



Social Value

Long-term employees make a big difference.

The long-term employees and the long-term cooperation and relationship with our customers and suppliers is largely the engine of our success that is exported to the whole world.

We strive to be a reliable, responsible and trustworthy business partner that provides better business for all parties.

Employees

Our employees are our most valuable assets. Our future development and success depends on them – their well-being and job satisfaction are important to us. We want to be an attractive employer and providing a workplace where employees enjoy their work, have a sense of pride and develop personally.

We allow our employees a high degree of autonomy. Giving our employees the freedom to manage much of their own work we get flexible, dedicated and satisfied employees in return resulting in improved profitability, productivity and quality. We do, however, also set clear requirements.

Thus in 2017 a cooperate Code of Conduct for employees was developed. The Code of Conduct, together with our core values (simplicity, efficiency, change, responsibility & freedom), is the basis of how we perform and act in our day-to-day work.

The Code of Conduct summarises the ethical values that the Group believes must be key in our activities, providing a minimum level of acceptable behaviour and covering all employees. We do not accept any actions that breach the Code of Conduct.

The code is based on the UN's Global Compact, the ILO's core conventions, and the OECD's guidelines for multinational companies, competition legislation and anti-corruption regulations.

2017 has been a year of many new employees and many anniversaries. Also the company could celebrate its 95th anniversary.

HF has a healthy company culture which is important to our employees. We strive to hire employees that fit in our company culture, as our employees are more likely to enjoy their time in the workplace when they fit in with the company culture and when their needs and values are consistent with those in the workplace. They develop better relationships with co-workers, and are even more productive.

Education

We want to capitalize on the full potential of our employees. Education and competence development must ensure that HF's employees are competent technology partners and possess a strong business understanding. Education and competence development focuses on both commercial, technical and personal skills.

**10-20
30&40
YEARS**
ANNIVERSARY OF
11 EMPLOYEES

10
NEW EMPLOYEES

95TH
COMPANY
ANNIVERSARY



Social Value...

All employees must attend training at least once per year. Our employees attend i.e. the Addtech Business School programme.

In 2017 all administrative managers attended a leadership training course to enhance managerial and leadership competencies including skills such as coaching, conflict management, motivation etc.

Employee survey and appraisal dialogues

To monitor our long-term, strategic work on personal development we regularly conduct employee surveys thus identifying the strengths and weaknesses as an employer to map areas of improvement.

The survey conducted in 2017 show that HF has very satisfied employees. From the survey appears what our employees think of the work environment, goals & follow-up, company culture, management, job satisfaction, skills development, equality, influence and salary.

We also conduct annual performance appraisal dialogues.

No incidents of involvements in labor rights violations have been reported in 2017

Health and safety

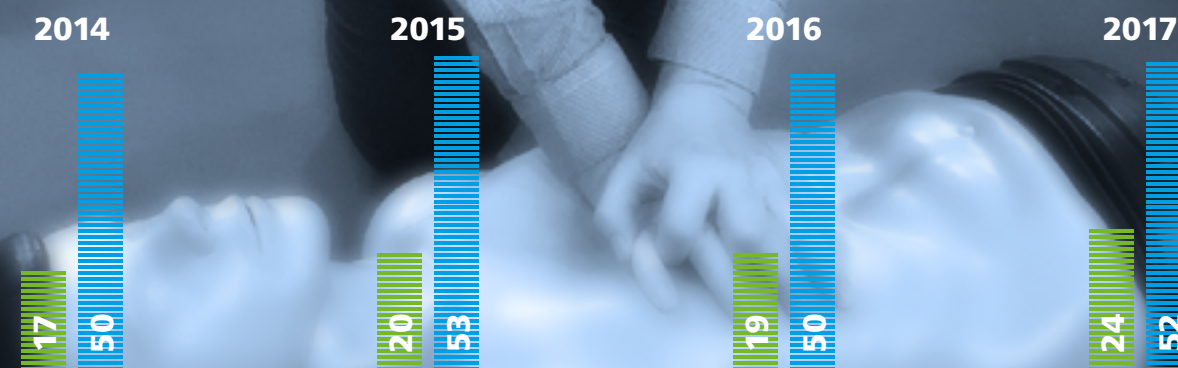
Health and safety are priority areas. We have a zero vision for work-related accidents, illnesses and incidents and an ambition to focus constantly on promoting health and well-being among our employees.

HF provides free health insurance for employees and their children, free eye examinations and free weekly coaching and massages.

Further to this the very active HF staff social club has been granted a large amount from the Hans Følsgaard A/S Foundation to further improve the wellbeing of our employees. Measures such as reimbursement for sports membership fees, CPR training and social and cultural activities involving the employees and their families have been taken.

No injuries or work-related illnesses was reported in 2017

	2014	2015	2016	2017
EMPLOYEES	67	73	69	76
Average age in years:	46,5	47,8	46,7	46,3
Average seniority in years:	8,7	9,2	8,6	7,6
Sick absence:	1,82%	3,5%	2,76%	2,35%
Rate of employee turnover	-	-	-	9,4
Male	50	53	50	52
Female	17	20	19	24



NUMBER OF EMPLOYEES BY GENDER

Setting high standards for our suppliers

Our partnerships are long lasting some of them go back 50 and even 60 years and HF works continuously on deepening supplier relationships.

We make high demands at ourselves and so it is natural for us to make the same high demands on every part of the value chain. Our choice of suppliers is essential for our business and we are very selective. We ensure not only that their products match our customers' requirements, but also that our suppliers are socially and environmentally responsible.

During the year of 2017 we continued to progress our work on supplier assessments to develop dialogue and ensure constant improvements. HF evaluate its worldwide suppliers and is screening them biannually. As from 2018 we are using a group-wide tool for supplier assessment.

Ours suppliers are continuously asked to read and sign our Supplier Code of Conduct and in 2018 we will conduct a supplier self-assessment of all suppliers using the new group-wide tool.

Group Code of Conduct

Our vision is to be a leader in value-added technology trading. In order to live up to our vision, we must constantly develop, but never compromise on the principle of being a responsible company.

A CSR council in Addtech bears the responsibility for continuous development of group-wide tools and processes for sustainability work and for disseminating the same for use within the group companies. Thus, a common Code of Conduct for suppliers has been developed in 2017 and will be used by all the companies in the group including HF.

The Code of Conduct for Suppliers summarizes the ethical values that the Addtech Group believes should apply in the relationships with all our suppliers of products and services. The code is based on the UN's Global Compact, the ILO's core conventions, the OECD's guidelines for multinational companies, competition legislation and anti-corruption regulations.



CODE OF CONDUCT

Setting high standards for our suppliers...

Anti-corruption

We have a stated policy of zero tolerance of corruption, bribes and unfair anti-competitive practices.

No cases of corrupt were found to have occurred during 2017 or previous years.

Child labour

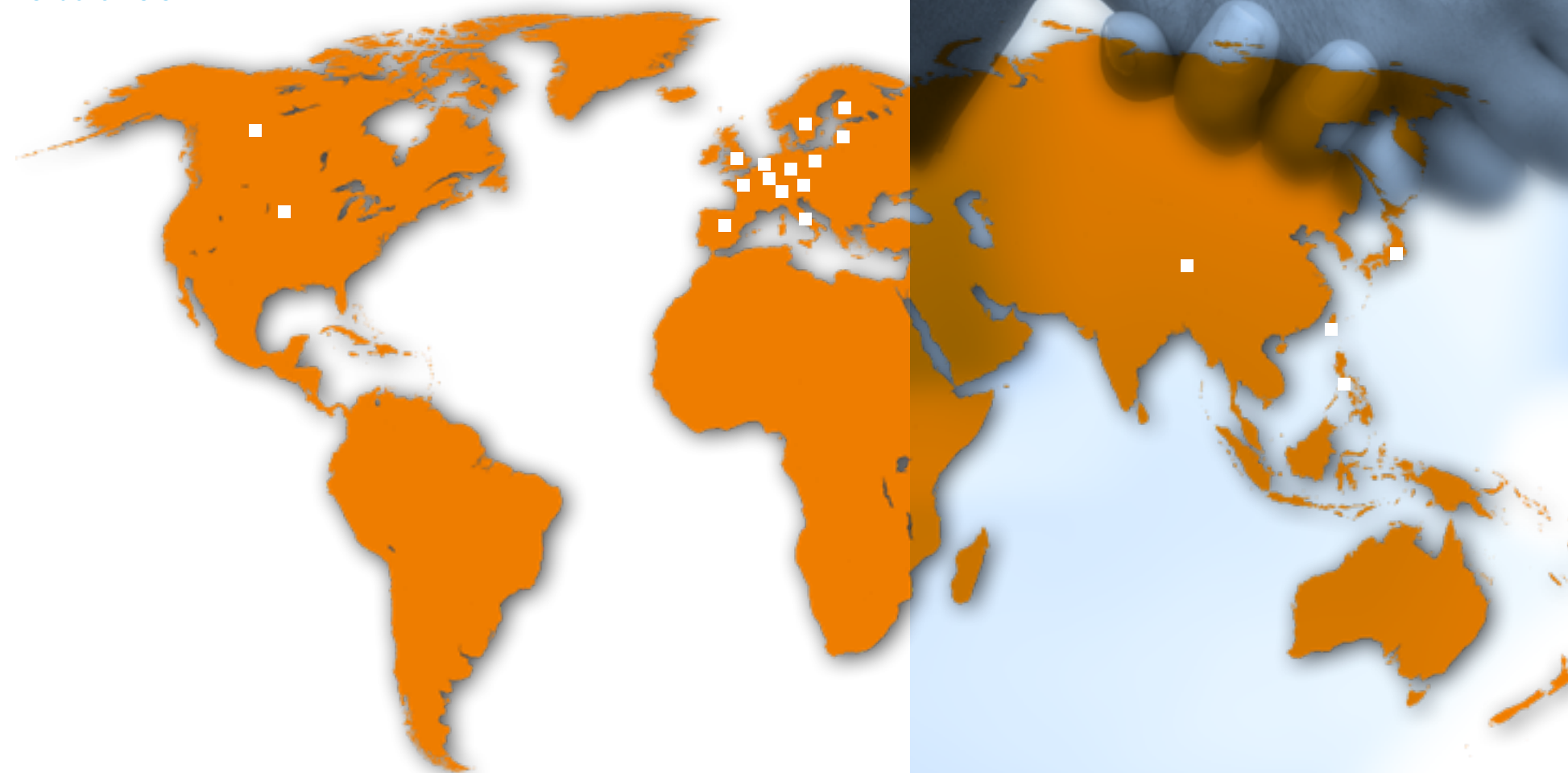
The UN convention on the Rights of the child, the ILO's minimum Age convention (no 138) concerning Minimum Age for Admission to Employment and the ILO's convention (no 182) concerning the prohibition and Immediate Action for the Elimination of the Worst Forms of Child Labour serve as guidelines for all activities conducted in our group.

No incidents involving any breach of these conventions were reported during 2017.

Labour law

We and our suppliers must, under our Code of Conduct, at least meet the minimum requirement of national legislation in the area of labour law. Guidelines regard labour law are set out in our code of conduct. We have zero tolerance policy on force labour and works actively to assure that no breach of regulations takes place in our operations or value chain.

No incidents in connection with infringements of human rights, corruption, working conditions were reported in 2017 or in previous years.



Our Role in Society

HF actively supports many worthy causes in the community, thus provide financial support to humanitarian organizations and sports associations.

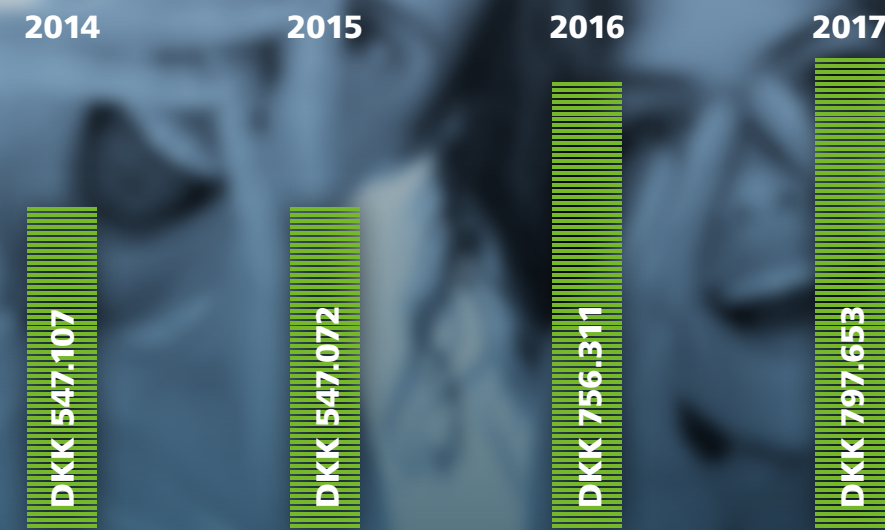
HF's most important positive impact on society lies in our contribution to economic and social growth in the form of jobs and taxpayers.

Through our products, we also help, for example, to bring efficiency improvements and to cut energy consumption.

HF employ apprentices since 2011. The apprenticeship takes 2 years to complete after which a new apprentice is hired. Examples of social commitment projects in 2017

- Donations to Julemærkehjemmet in Denmark which helps children who have problems with bullying and social isolation.
- Donation to Lions Club – Christmas donations to families in need.
- Donation to Stine Sofie Foundation for Children in Norway against violence and abuse.
- Donations to organizations that help fight cancer.
- Sponsorship for sports clubs, handicap sports and local initiatives.

During the period, HF was not ordered to pay any fines because of offences in the form of breaches of laws and regulations governing the provision or use of products and services.



DONATIONS AND SPONSORSHIP

Environmental Value

A strong intention to safeguard the environment forms part of HF's business strategy.

The aim is to minimize HF's impact on the environment by working to reduce waste, CO2 emission and energy and paper consumption. HF's main operations consist today of technology sales and distribution and only very limited production.

HF's main direct impact on climate is from the handling, packaging and transportation of finished goods, and business travel. The majority of purchases is from suppliers outside Denmark; i.e. from Europe, the US and Asia, necessitating a high transport volume.

We do our utmost to consolidate shipments from our supplies to limit transports and handling, thus gaining economic, social and environmental value.

The environmental perspective must be part of all important decisions and activities conducted continuously in HF to safeguard environment.

We take pride in constantly striving to reduce CO2 and energy consumption and in developing environmentally responsible and cost-effective solutions – in close cooperation with our customers and suppliers.

Through our Code of Conduct we encourage our suppliers to do the same.

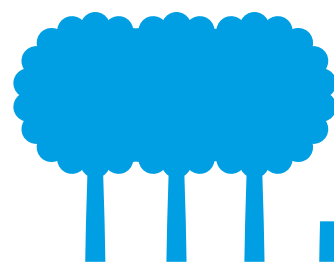
HF has neither been sued nor fined or received any penalties for violation of environmental laws or environmental regulations in 2017

2014:	9,0 %
2015:	3,5 %
2016:	16,1 %
2017:	4,0 %



CO² REDUCED BY

2014:	3,10
2015:	2,80
2016:	2,50
2017:	2,40



USED TREES

2014:	1.122,1 kg
2015:	1.083,3 kg
2016:	0.908,5 kg
2017:	0.883,5 kg



PRODUCED CO₂

2014:	70.648,6 Hours
2015:	68.205,8 Hours
2016:	57.285,0 Hours
2017:	55.625,0 Hours



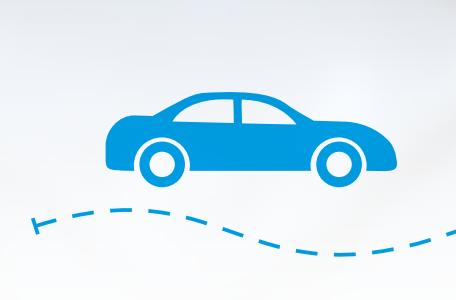
EQUIV. TO BULB HOUR

2014:	139.953,0 kWh
2015:	137.910,0 kWh
2016:	160.161,0 kWh
2017:	161.928,0 kWh



ELECTRICITY CONSUMPTION FROM NON-RENEWABLE ENERGY

2014:	1.116.667,0 km
2015:	1.070.000,0 km
2016:	1.203.300,0 km
2017:	1.339.670,0 km



TRANSPORT DRIVEN BY EMPLOYEES IN LINE OF SERVICE

2014:	554.624,0 CO ² /kg
2015:	588.325,0 CO ² /kg
2016:	480.331,0 CO ² /kg
2017:	419.834,0 CO ² /kg



EMISSIONS IN TOTAL RESULTED FROM IN- AND OUTBOUND SHIPMENTS.



Hans Følgaard A/S is a subsidiary in the Addtech Group.

Addtech has a Code of Conduct that covers all subsidiaries, and each year a sustainability report is produced to present the results of the CSR work. The reporting complies with the guidelines for Application Level C of the Global Reporting Initiative (GRI).



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