

UN Global Compact
Communication on Progress 2016



Hydro International Limited

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Statement of support from CEO

Having participated in the UN Global Compact for two years and having undergone a change in ownership and delisting, I am pleased to confirm that Hydro International Limited remains fully supportive of United Nations Global Compact and its ten principles in the areas of Human Rights, Labour, Environment and Anti-corruption.

In our second Communication on Progress we describe what progress we have made with our planned actions to integrate the ten principles into our company structure, processes, and daily operations. We also commit to share this information with our stakeholders using our primary channels of communication.

As we look forward to 2017, we also commit ourselves to further improve our products and processes in order to further align our goals and efforts to comply with the ten principles of United Nations Global Compact.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'Michael Jennings', followed by a small flourish.

Michael Jennings - Chairman

Human Rights

Human Rights Principals

Principal 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principal 2: make sure that they are not complicit in human rights abuses.

Assessment, Policy and Goals

Hydro International is founded upon the talent, commitment and enthusiasm of its employees. We believe that in order to deliver excellent products and services to our customers, we need to provide a safe, stimulating and supportive environment for our people.

Hydro International actively supports the Universal Declaration of Human Rights and has policies in place which determine such things as a safe working environment for employees and the standards of behaviour we expect our staff to adopt, in relation to each other, our customers, our suppliers and all others with whom, in the course of Hydro International's work, they may come into contact.

The principals of human rights are embedded in a number of our internal documents including environmental policies, employee health and safety policies, equal opportunities policy and harassment policy.

Implementation

We make sure our employees understand our commitment to human rights and we hold an open-door policy throughout our business structure. It is of great importance to us that should our employees witness or experience any wrongful doing, it is easy for them to report and for us to take immediate action.

- During the next year Hydro will introduce a Code of Conduct document that will be issued to all employees, this Code of Conduct will cover harassment, bullying and discrimination, health and safety, ethical sourcing, fair dealing and fair payment.
 - [The issue of the Code of Conduct document has been delayed by the change in ownership, but it is still anticipated to be issued.](#)

As we expand our operations internationally, increased efforts are made to ensure that countries we are trading in comply with the Universal Declaration on Human Rights.

- During the next year a checklist will be put in place to be applied when entering into relationships with new business partners, requirements will be included to ensure that there are no breaches of human rights within the business partner and our supply chain.

- The checklist has been delayed, but additional training has been carried out with the international team and supply chain manager team to ensure they are aware Hydro International will not tolerate and breach of Human Rights in our supply chain.

Hydro International is required to comply with the requirements of the UK Modern Slavery Act 2015, to produce a statement which includes the steps the organisation has taken during the year to ensure that slavery and human trafficking is not taking place in any part of its supply chain or in any part of its business.

- During the next year an assessment will be carried out and a Modern Slavery and human trafficking policy introduced to aim to comply with this requirement.
 - The Anti-Slavery and Human Trafficking Policy was issued in the year and is available on the Hydro International website.

Outcomes

Hydro appreciate that they have some suppliers and customers in higher risk jurisdictions and are currently undertaking an assessment of these business partners to ensure that Hydro understand completely the organisations approach to human rights.

Labour

Labour Principals

Principal 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principal 4: the elimination of all forms of forced and compulsory labour;

Principal 5: the effective abolition of child labour; and

Principal 6: the elimination of discrimination in respect of employment and occupation

Assessment, Policy and Goals

Hydro is an equal opportunity employer and fully supports the United Nations Global Compact labour standards in addition to local labour laws.

Our policy is to provide equal opportunities for everyone in respect of recruitment, benefits, training, placement and advancement. We respect cultural diversity, encourage inclusiveness and recognise the value and benefits of a diverse workforce. Our commitment to equal opportunities is designed to ensure that all our employees, regardless of race, gender, nationality, age, disability, sexual orientation, religion and background, have the opportunity to develop to their full potential with us.

The safety of our employees is paramount, and in addition to ensuring full compliance with all applicable local health and safety legislation and statutes, we also undertake higher risk operations in accordance with OHSAS 18001 Health and Safety standards.

Hydro will not do business with any organisation who uses forced or child labour.

Implementation

Every employee has written terms of employment and access to an employee handbook containing policies which set out the employee's responsibilities to Hydro and Hydro's responsibilities to them. Hydro's Human Resource policies include an equal opportunities policy, a fair recruitment policy, and a harassment policy. All new employees are fully briefed on employment policies as part of their induction training.

Hydro International has a health and safety policy, which is reviewed annually by the Board of Directors. We manage our activities to avoid causing any unnecessary or unacceptable risks to health and safety to our employees in the workplace. All employees are trained in our health and safety policy and are either involved in assessing, or provided with detailed instruction on, the risks affecting their particular operation, and the appropriate procedures and mitigating actions to be observed in undertaking that role or particular operation.

We also maintain a formal whistleblowing policy to allow every employee the opportunity to make a formal complaint, and encourage an open-door policy throughout our business structure to ensure that employees are able to raise concerns with management. It is of great importance to us that should our employees witness or experience any wrongful doing, it is easy for them to report and for us to take immediate action.

- During the next year Hydro will introduce a Code of Conduct document that will be issued to all employees, this Code of Conduct will cover harassment, bullying and discrimination, health and safety, ethical sourcing, fair dealing and fair payment.
 - The issue of the Code of Conduct document has been delayed by the change in ownership, but it is still anticipated to be issued.
 - In 2017, the It's up to me campaign is due to be launched, which advises all employees that it is up to us as individuals to ensure that health and safety and environmental policies for the business are upheld.
 - It is planned for a Health and Safety Officer to be appointed in the UK in 2017 and in the US in 2018. The Health and Safety officer will undertake health and safety training for all employees in 2017.

Outcomes

Employees' health is important to Hydro and we do all we can to prevent any accidents involving our employees or subcontractors. Systems are in place to ensure accidents are reported and tracked. All accidents and near misses are reported to the Board quarterly. In the case of an accident a full investigation is carried out and measures put in place, where applicable, to prevent reoccurrence in the future.

In the past year Hydro has not been subject to any health and safety statutory notices or prosecutions. There have been 3 reported incidents in 2015, this is an increase on 2014, when there were 0 reported incidents. None of the incidents in 2015 were serious and the appropriate investigation occurred.

Where appropriate Hydro is certified in compliance with OHSAS 18001 Health and Safety Management standards.

Hydro appreciate that they have some suppliers and customers in higher risk jurisdictions and are currently undertaking an assessment of these business partners to ensure that Hydro understand completely the organisations approach to labour principals to ensure that no child or forced labour, or discrimination exists.

Environment

Environment Principals

Principal 7: Businesses should support a precautionary approach to environmental changes;

Principal 8: undertake initiatives to promote greater environmental responsibility; and

Principal 9: encourage the development and diffusion of environmentally friendly technologies

Assessment, Policy and Goals

Hydro considers that its positive environmental impacts include its contribution to sustainable development and environmental improvement through the markets we service.

Hydro's products are used around the world to control the flow of urban stormwater, improve the quality of stormwater through liquid/solid separation and filtration, and treat wastewater as part of the operation of sewerage and water treatment works. Within this scope of operations many of the products have been designed to operate without the need for power and with a minimum of ongoing service and maintenance requirement.

Hydro's impact on the environment is managed through an environmental policy as part of the ISO 14001 standard, and all the Group's operations are covered by this accreditation. By implementing ISO 14001 we aim to build on the many positive contributions we already make by measuring, controlling and, where practical, reducing our environmental impacts as well as better structuring our approach to waste minimisation.

We have an environmental policy in place which is available on our investor website.

Implementation

Hydro is committed to an extensive programme of research and development to continually improve the performance of existing products and find environmentally and economically sustainable solutions to related water management problems. Hydro recognises the

importance, promise and usefulness of environmentally friendly technology and the majority of its products are designed to have a positive impact on the environment.

Hydro operates a business model of outsourced product fabrication with manufacture as close as economically practical to end markets. This structure makes our operations more flexible and responsive to their markets and customers as well as minimising transportation costs as far as possible. As a result of this outsourced model, the key environmental impacts of the Group's direct activities include direct energy use (gas and electricity) and the impact of travel (including vehicles and air travel). All of our offices have videoconferencing links and we make every effort to use them as an alternative to travelling between locations.

- Hydro is currently undertaking an analysis of what improvements can be made in each of its offices to reduce the environmental impact of each employee.
 - Recycling bins have been placed in all kitchens, so all recyclable items are taken away to be recycled.
 - All new product development in 2017 will include an analysis of the environmental impact of disposal of the product from 2017.

Outcomes

Hydro tracks and reports its carbon footprint using the UK Government's GHG Conversion Factors for Company Reporting and reports this annually in the Annual Report. The Group has seen significant increases in its emissions in recent years, due largely to increased travel. This is a reflection of the Group's efforts to expand both internationally and within its core business areas. Going forward it is expected that the emissions, expressed as a percentage of turnover, should reduce as the Group sees the benefit of this activity coming through in increased revenues.

Anti-Corruption

Anti-Corruption Principals

Principal 10: Businesses should work against corruption in all its forms, including extortion and bribery

Assessment, Policy and Goals

Hydro takes a zero tolerance approach to bribery and corruption and is committed to acting professionally and ethically in all its business dealings and relationships.

Hydro has policies and procedures in place and is committed to compliance with all relevant laws. Policies in place include Anti-Bribery and Corruption, Whistle Blowing and Grievance Procedures.

All Hydro employees are introduced to the policies via induction and through staff training carried out by the Anti-Bribery and Corruption Compliance Officer.

Implementation

We make sure our employees understand our commitment to anti-bribery and corruption and have an Anti-Bribery and Corruption and Compliance Officer who is available to all employees to discuss any concerns they have regarding bribery and corruption. It is of great importance to us that should our employees witness or experience any wrongful doing, it is easy for them to report and for us to take immediate action.

- During the next year Hydro will introduce a Code of Conduct document that will be issued to all employees, this Code of Conduct will cover anti-bribery, corruption and facilitation payments.
 - The issue of the Code of Conduct document has been delayed by the change in ownership, but it is still anticipated to be issued.

As we expand our operations internationally, increased efforts are made to ensure that countries we are trading in comply with the Hydro Anti-Bribery and Corruption policy.

- During the next year a checklist will be put in place to be applied when entering into relationships with new business partners, requirements will be included to prevent breaches of the Hydro Anti-bribery and Corruption policy.
 - The checklist has been delayed, but additional training has been carried out during the year with the international team to highlight the risks when entering a relationship with a new business partner. This is in addition to our standard anti-bribery and corruption training.

Outcomes

Hydro undertakes an annual Anti-Bribery and Corruption risk assessment which is reviewed by the Board. Mitigation is put in place where there are areas where there is perceived to be a high risk of bribery and corruption.

Hydro has not been involved in any legal cases, ruling or other events related to corruption and bribery.